LEARNING FROM CHINESE MANAGEMENT

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Abstract: China is one of the fastest-growing economies and has gained a leading position in terms of production or exports. China's managerial and business practices are influenced by its traditional cultural values. The article investigates, along with the influences of these values on management, the points of interest of the Chinese management model for other cultures.

Keywords: management, China, values, culture, organizations.

JEL Codes: M14, M10, M12.

1. Introduction

The world economy of the past 20 years has been marked by the accelerated growth rate of the Chinese economy. Since 1978, the reference year when Deng Xiaoping's economic reforms were first introduced in the Shenzen area, China's GDP has grown significantly, from about $ 300/capita to over $ 8,000/capita in 2015. To emphasize that there is no guiding tool for the economic reform he has undertaken, Deng said: "The Chinese must cross the river by feeling the stones with our feet" (Rowley and Oh, 2020).

The significant growth rate of GDP has led China to reach second place in the world's top economies in 2009, after the United States and ahead of Japan. In 2010, China became the largest exporter in the world and in 2012, the largest manufacturing economy. Even though the pace of economic growth has slowed at around 6% annually, the Chinese economy is dynamic and has significant development potential.

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China's economic success has intensified scientific concerns about understanding its causes, including the connection between deep-rooted cultural values and norms and the management practices of Chinese companies.

2. Traditional cultural values specific to the Chinese context

Culture is an essential variable for understanding managerial theories and practices. Chinese civilization is the oldest in the world that has had continuity. The influence of culture on management in China is especially important because a specific combination of traditional and new in this culture has significant implications on the decision-making process (Milicević, et al., 2012). Of all the ideologies that influenced the way of thinking and living in traditional and agricultural China, the most prominent was Confucianism. It was founded by Kong Fuzi (551-479 BC), later called Confucius by the Jesuit missionaries (Fu, et al., 2008). Confucius proposed five general duties (obligations) (which were seen as the pillars of other social relations), as well as three moral qualities by which obligations must be fulfilled. The five duties are: the relationship between rulers and subjects, the relationship between father and son, the relationship between husband and wife, the relationship between an older brother and younger brother, and the relationship between friends, and the three widely recognized qualities are wisdom, sympathy, and courage (Milicević, et al., 2012). Although these guidelines are not always followed as closely as they were described by Confucius and his disciple Mencius, they are still considered to indicate appropriate behavior in most current situations (Gallo, 2011).

Fu, Wu, and Yang (2008) appreciate that from an ideological point of view, Confucianism proposes four major virtues: the class system, obedience, and the doctrine of the mean and "renqing".

The class system requires the maintenance of an appropriate stratification of positions in society, based on tradition. Maintaining this social order would not be possible without another major virtue, obedience. In the family, the oldest man has absolute authority, and all other members must be obedient and loyal to him. According to Farh and Cheng (2000), obedience underlies the paternalistic leadership we encounter in many Chinese companies operating abroad.

The doctrine of the middle way ("Zhong Yong") is a pragmatic value that occupies a central place in Chinese thinking. The main purpose of communication in China is to avoid conflicts in interpersonal and social relationships, and the way to achieve harmony is through "Zhong Yong". The principle of the middle way influences the Chinese management style, respectively: the way of communication and negotiation, the relations between employees, respectively the boss-subordinate, the leadership style (Yuan, 2013). According to Zeng (2006), in

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Chinese organizations, it is considered more effective to adopt the principles of the middle way to solve managerial problems than to strictly follow the rules.

According to Hwang (1987), "renqing" has three meanings in Chinese culture. First of all, it refers to the emotional response of the person when he faces various situations in daily life. Second, it can be seen as a resource that can be offered as a gift in social exchanges. In Chinese society, when a person encounters difficulties, he expects to receive material and spiritual support from his acquaintances. A third connotation refers to behavioral rules or social norms that must be observed and that people associate with each other. By creating such obligations, the Chinese create their own networks from which they benefit, but to which they also have obligations, called "Guanxi" (Yuan, 2013).

The term "Guanxi" is composed of "guan" which means "gate", or has the meaning of "doing someone a favor", and respectively of "xi", which means "making connections in relationships". It is another cultural feature of the Chinese context rooted in Confucianism. Guanxi is formed more on the basis of kinship ties, a commonplace of birth, collegiality at work and less on the basis of personal or demographic similarities (Chen et al., 2004). On the other hand, according to Ip (2009), the Chinese have a tendency to use Guanxi to gain a competitive advantage over others whose fairness can be questioned (better-paid jobs, easier access of their children to higher education).

The network of social contacts is also present in Western cultures, but in comparison, Guanxi has specific mechanisms. Yuan (2013) presents some of these:
• Unlike Westerners, the main reason for the Chinese to build social relations is to fulfill a certain role in their hierarchy;
• The guiding principles of relational behavior in Guanxi are morality and social norms, unlike the West, where law and rules prevail;
• Guanxi is maintained through continuous long-term interaction, while in Western cultures, social transactions are seen as isolated events;
• Guanxi is a "private social network" in which interactions and communication take place, while in Western cultures public communication is preferred;
• Unlike Western cultures, immoral behavior is not estimated only in terms of money, it is judged in a sentimental way, by experiencing guilt.

In terms of individual behavior, a Chinese person must have a "face", often related to the reputation ("mianzi") he can get. According to Chan et al. (2003), the general concept of "face" in Chinese culture has two specific meanings: "mianzi" and "lian", respectively the social and moral connotation. "Mianzi" refers to the reputation gained through success and social status, while "Lian" represents the respect given by the group to a person who has a good reputation. The Chinese value the notion of Mianzi because it allows them to maintain self-esteem and personal dignity (Swaak, 1995). In China, by directly expressing feelings, you can

cause a person to lose their Mianzi, self-esteem, or personal dignity. Because Confucianism provides a prescribed response in many situations, individuals are judged on how they use predetermined patterns of behavior in relationships with others. The loss of Mianzi occurs when predetermined expectations are not met (Fu, et al., 2008).

Analyzing the implications of Confucianism on Chinese organizations, Warner (2014) proposes a list of cultural values, as well as their positive or negative implications in terms of functionality.

Table 1 List of Confucian cultural values and their implications

Confucian values	Correlates	Implications
Societal order	Harmony at work	+
Hierarchy	Vertical linkages	+
Reciprocity/Personalism	*Guanxi*	+/-
Control	Leadership	+
Insecurity	Work-ethic	+
Family-based collectivism	Group	+/-
Knowledge	Training	+

„+" indicates a positive influence, „-„ a negative influence, „+/-" indicates a degree of ambiguity
Source: Warner (2014, p. 61), adapted from Redding (2002), cited in Child and Warner (2002)

If Confucianism offers detailed values and norms of behavior, Daoism proposes more abstract meanings, militating for non-action, "the strength of softness", respect for nature and spontaneity. At the individual level, he proposes simplicity and humility as basic virtues, incompatible with selfish actions (Yan and Hafsi, 2005). The Chinese view of organizations involves a search for a balance between Daoist relativism and Confucian proactivism.

3. Cultural dimensions in the Chinese context

The Chinese context has been approached in the literature in several models of cultural differences. Ronen and Shenkar (2017) included China in the global Confucian cluster, along with Hong Kong, Japan, Nepal, Singapore, South Korea and Taiwan. The cluster is characterized by a high degree of deference, strong performance and future orientation, humane-oriented, autonomous and self-protective leadership. The countries in this cluster are characterized by high trust in vertical sources of guidance, unwritten rules, and lower trust in guidance from specialists or co-workers.

The model proposed by Geert Hofstede offers us an interesting first perspective on China because it is quite difficult to fit exactly into certain dimensions of it. China was not included in the initial study by the Dutch professor, but in later works by

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Geert Hofstede and Michael Bond, it was analyzed in relation to the four classical dimensions, to which a fifth cultural dimension was later added, generated by the Confucian dynamism (Istocescu, 2013).

Table 2 Scores for China, according to Hofstede's model of cultural dimensions

Cultural dimension	Power Distance	Individualism	Masculinity	Uncertainty Avoidance	Long term orientation	Indulgence
Hofstede's score	80	20	66	30	87	24

Source: https://www.hofstede-insights.com/country/china/

In terms of *Power distance*, China has a high score (80), which indicates that society considers inequalities between individuals to be acceptable. There is an important influence of formal authority and they should not develop aspirations that go beyond their place in society.

With a score of 20 on the *Individualism* dimension, China is a strongly collectivist culture, in which individuals act in the interest of the group. Commitment to the organization is low (not necessarily to its other employees), cooperation within the group is appreciated and there is a lack of affection, even hostility towards those outside it (https://www.hofstede-insights.com/country/china/).

In terms of *Masculinity*, China has a score of 66, which indicates a trend towards a male society, oriented towards career and business success, with many Chinese sacrificing their free time or family time to work. Istocescu (2013) appreciates the existence of a duality of this dimension in China. Often, in Chinese society, what is desired and opportune do not overlap, but there is a mutual compensation of values, the masculine (yang) and feminine (yin) elements intertwining in life.

The score of 30 obtained in the *Uncertainty Avoidance* dimension indicates that ambiguity is accepted in Chinese culture (the Chinese language is full of vague meanings, often difficult to understand for those from other cultures). The Chinese are adaptable and entrepreneurial, and most of the business is family-owned SMEs. Istocescu (2013) discusses the possibility of differentiating the degree of Uncertainty Avoidance in rural areas (where it is lower), compared to urban and more developed ones in eastern China, where a medium to a high degree of Uncertainty Avoidance can be found.

The score of 87 on the *Long-Term Orientation* dimension suggests China as a pragmatic culture, in which people believe that the truth depends very much on context and time. There is an ability to adapt the tradition to the new conditions that arise, inclination towards savings and investments and perseverance in obtaining results (https://www.hofstede-insights.com/country/china/).

With a score of 24 on *Indulgence*, China is considered a restrained society, with people seeking a high proportion to control their desires and impulses and a tendency toward cynicism and pessimism.

The attempt to frame China in the cultural dimensions proposed by Fons Trompenaars reveals interesting aspects. Along with countries like Venezuela, the former USSR, Indonesia, China had a high score on *Particularism*, focusing more on relationships and trust than on formal rules. Along with Japan, Thailand, Singapore or Indonesia, China manifests a communitarian tendency ("communitarianism"), people viewing themselves as part of a group, a discovery that seems in line with the collectivist tendency identified by Hofstede. In further research, Trompenaars calculated a score of 54 for China, while the United States had 67, the United Kingdom 69, Singapore 50, and Hong Kong 47, the results being somewhat different from the initial ones. The explanation could be given by the pace of cultural change, which in some contexts may be more pronounced than we would assume.

China is an emotional culture, with feelings being expressed openly and naturally. Instead, being a culture with a pronounced diffuse character, individuals are indirect, and work and private life are strongly linked. Along with Venezuela and Indonesia, China is a culture with assigned status, based on age or social connections (Luthans and Doh, 2018) Table 3 shows the scores of societal values obtained in China from the GLOBE study.

In the *Performance Orientation* dimension, China records one of the highest scores "As it is" (4.45, 13th place), this aspect being supported by the traditional Chinese culture in which sustained work is appreciated, the score "Should be" being even bigger.

In the case of the *Assertiveness* dimension, which measures the degree to which individuals are dominant and aggressive in society, we observe a large discrepancy between the scores "As Is" (3.76) and "Should Be" (5.44). Thus, Chinese managers have a strong desire for society to value assertive behavior, which could be explained by the rising level of uncertainty they face. The level of *Institutional Collectivism* is among the highest of the 61 countries studied within the GLOBE model (score 4.77, 7th place), a similar situation being encountered in *In-Group Collectivism* (score 5.80, 9th place). At the *Gender Equalitarianism* dimension, the low score (3.08) signals a society that favors men more. In terms of *Humane Orientation*, ie the degree to which society rewards individuals for being fair, selfless and generous to others, China has high scores (4.36; 17th place), an aspect related to the presence of "renqing" as a cultural value (House et al., 2004; Fu, et al., 2008).

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Table 3 Average scores of China's cultural dimensions proposed by the GLOBE model

Cultural dimension	Mean	Rank	Highest score	Lowest score
Performance orientation				
„As Is"	4,45	13	4,94	3,20
„Should Be"	5,67	50	6,58	4,92
Future orientation				
„As Is"	3,75	34	5,07	2,88
„Should Be"	4,73	60	6,20	4,33
Assertiveness				
„As Is"	3,76	51	4,89	3,38
„Should Be"	5,44	2	5,56	2,66
Institutional Collectivism				
„As Is"	4,77	7	5,2	3,25
„Should Be"	4,56	9	5,65	3,83
In-Group Collectivism				
„As Is"	5,80	9	6,36	3,53
„Should Be"	5,09	58	6,52	4,94
Gender Equalitarianism				
„As Is"	3,05	48	4,08	2,50
„Should Be"	3,68	58	5,17	3,18
Uncertainty Avoidance				
„As Is"	4,94	10	5,37	2,88
„Should Be"	5,28	9	5,61	3,16
Power Distance				
„As Is"	5,04	41	5,80	3,89
„Should Be"	3,10	12	3,65	2,04
Humane Orientation				
„As Is"	4,36	17	5,23	3,18
„Should Be"	5,32	39	6,09	4,49

Source: slightly adapted from Fu, P.P., Wu, R., Yang, Y., (2008), Chinese Culture and Leadership, in Chokar, J.S., Brodbeck, F. and House, R.J. (eds.), Culture and Leadership Across the World: The GLOBE Book of In-Depth Studies of 25 Societies, p. 887

4. Implications of culture on managerial practices in China

The differentiation of Chinese companies can be highlighted very well based on the criterion of ownership. Redding and Witt (2007) consider that Chinese enterprises can be grouped, from this perspective, into three categories: private, state-owned (SOE) and hybrid. Private firms are usually family businesses or partnerships and are considered the main driver of China's accelerated economic growth. On the other hand, state-owned enterprises (SOEs) in industries that are considered of strategic importance to China's development and security are wholly owned by the

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state (Naughton, 2007). Hybrid companies behave similarly to private ones, but the state can be involved in capital holdings.

Cultural values and norms have an important influence on the behaviors and managerial practices of Chinese companies. Thus, due to the great Power Distance, subordinates fully recognize the authority of managers to make decisions within organizations; the decision-making process is predominantly top-down, the mentality of subordinates being to "follow their leader". Employees do not contradict the manager in front of colleagues but will approach them in individualized discussions, and direct communication between boss and subordinate is limited. The hiring, management and dismissal of employees are not transferred (strategically) to line managers (Zhu et al., 2008). Khairullah and Khairullah (2013), based on information provided by a sample of 22 top managers from multinational companies in China, appreciate that managerial decisions reflect the long-term perspective and collective goals of organizations. Managers can be effective in implementing decisions if they have developed personal trust and relationships with subordinates. Managerial ideology is marked by a sense of hierarchy, the ideals of discipline, control and paternalism being important organizational norms (Kong, 2006). The internal structure of Chinese firms is centralized and crowded at the top-management level, the interdependence between managers and employees is generally low, and the emphasis on control blocks the development of organizational skills in industries that require creativity or complex coordination (Witt and Redding, 2014). Khairullah and Khairullah (2013) argue that the managers interviewed stated that they avoid aggressive behaviors and are polite, which reflects the emphasis on restraint and moderation. They were inclined to make decisions that were as risk-free as possible and to promote cooperation within the group by cultivating harmony and uncertainty avoidance.

The Chinese make less analytical decisions, acting by analogy, following a pattern of behavior associated with specific rules, an appropriate social role from the past, or a similar situation in the past (Eranova and Prashantam, 2016). Autocratic decision-making style and respect for hierarchy are specific features of Chinese organizations. Important decisions are made by top managers and sometimes by the involvement of several trusted advisors (Cheng, et al., 2010). However, the autocratic style in decision-making and the supreme power of directors are accompanied by a collectivist orientation, which could be associated rather with a participatory decision-making style and the involvement of middle managers. Thus, we can identify certain paradoxes in the study of managerial decision-making in Chinese organizations (Eranova and Prashantam, 2016).

Unlike the Western approach, Chinese strategic theory goes beyond competition between enterprises, pursuing peace. Competitive situations that do not bring definite positive results are avoided, being sought the situations through which a

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competitive advantage can be obtained, without the existence of an open conflict. Chinese business strategies are indirect, unlike Western or Japanese ones, which prefer the direct approach. Chinese strategic thinking is not based on the rational "means-end" model used by Westerners, but on a dialectical logic, through pairs of opposites, such as yin/yang (Abramson and Moran, 2018).

Strategic analysis was a special and often difficult element of strategic management in Chinese companies due to several reasons (Huang, 2009):

• Numerous environmental factors that are interconnected, along with the accelerated pace of change make the analysis of the external environment difficult. Few Chinese companies establish within the organizational structure a functional unit to be responsible for strategic analysis;

• Lack of concern of state-owned enterprises (SOEs) to adopt strategic management;

• Many Chinese companies do not have sufficient skills in conducting strategic analysis, especially in the private sector;

• The infrastructure for market research is not yet very well established, which can damage the quality of strategic analysis.

Under these conditions, the business strategy of Chinese firms will likely result from a set of actions that resolve situations from the external or internal environment and less from a rigorous planning process (Xue et al., 2005). Chinese relies on emerging strategies and short-term planning.

The implementation of the strategy is a priority of the strategic management of the Chinese organization. Due to the dynamism of environmental factors, its most prominent feature is the ability to implement strategic decisions quickly. Communicating strategic intent between top management members and between them and middle managers is important for achieving goals (Xue, et al., 2005).

In terms of organizational behavior, theoretical developments and empirical studies in Chinese societies remain limited (Huang and Bond, 2012). However, a literature review by Godkin and Rajamāki (2017) classifies articles on organizational behavior in China into three categories: (1) domestic; (2) comparative; (3) intercultural. The internal ones approached various topics, from the empowerment of employees, the dismissal of managers, the style of communication, and the behavior of leaders. For example, Wei et al. (2014) found that managers' dismissal was influenced by demographic, personal characteristics. Older managers with longer work and lower levels of education were more likely to be fired, while corporate governance agreements moderated such effects. Fang and Faure (2011) suggest that traditional Confucian culture has influenced the Chinese style of communication, but the years of economic progress have brought a new model of communication, different from the old one. Using multiple samples, Tsui et al. (2004) identified six leadership styles: (1) being creative and risk-taking; (2)

relating and communicating; (3) articulating values; (4) showing benevolence; (5) monitoring operations; (6) being authoritative.

The GLOBE study on the dimensions of leadership in China reveals interesting results. Thus, Chinese managers place a positive emphasis on "Human Orientation", in line with the societal value of personal dignity (Mianzi). Another dimension that has achieved high scores is Team-Oriented Leadership, from which we conclude that in China, various aspects of this style, combined with administrative skills are considered facilitators of outstanding leadership. Similar to other cultures, the self-protective inhibitory leadership style is not accepted by Chinese managers (Fu et al., 2008).

In the practice of leadership in Chinese organizations, we can find different elements of traditional Chinese philosophies (a synthesis is reflected in Table 4).

Table 4 Leadership and the three traditional Chinese philosophies

Characteristic / Philosophy	Daoism	Confucianism	Legalism
Target	Born rulers	Born rulers, officers and ordinary people	Born rulers and officers
Basic leadership arguments	No over-leading, no action, empower subordinates to lead, balance and avoid extremes, selflessness	Establish a healthy virtuous climate through learning, meditation and self-reflection. Differentiate benevolence, respect,and ritual to encourage followers, promote and praise followers	Use power to exercise influence. Establish law and use contingent awards to fit human nature. Implement rules universally, no personalized approach, promote by experience
Most relevant current leadership models	Laissez-faire; servant leadership; authentic leadership; empowering leadership; paradoxical leadership	Transformational leadership; paternalistic leadership; leader-member exchange; individual consideration	Initiating structure; transactional leadership; path-goal leadership

Source: slightly adapted from Ma and Tsui (2015, p. 14)

The development of human resources management in China has gone through three stages (Zhao and Du, 2012):

• The introductory stage, outlined in the early 1980s and marked by the planned economy system. The personnel departments dealt only with operational level activities, such as payroll, staff evaluation and management of employees' personal files;

• Probe stage, which begins in the mid-1990s by applying and implementing the principles of human resource management in business and government practices. The performance-based pay system is being tested;

• The stage of systematic intensification, which extends to the present and is characterized by changes in the understanding of Chinese organizations regarding the role and need to develop human resources management. Human resources

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management is increasingly imprinted with a strategic nuance, which recognizes the mutual dependence between the development of organizations and the development of employee capabilities.

An interesting comparative analysis of the characteristics of the old system, of "personnel management", in comparison with those of the new system, of "human resources management" is made by Warner (2014), in Table 5.

Table 5 Personnel Management vs. Human Resources Management in China

Personnel Management	Human Resources Management
Renshi Guanli	Renli ziyuan guanli
State policy	Corporate strategy
Iron rice bowl	Labor contracts
Economic cadres	Professional managers
Cadre training center	Business school
State/based recruitment	Enterprise recruitment
National examinations	Firm-based selections
Lifetime employment	Fixed-term contracts
Rewards based on grade	Rewards based on performance
Labour immobility	Labour mobility
Strong union influence	Weak union influence

Source: Warner (2014, p. 155)

Human resources management in China, with its characteristics mentioned in Table 5, is practiced rather by employees in urban areas, rural workers being rarely studied. Numerous studies have been conducted in state-owned enterprises (SOEs), in large firms, rather than in small ones, on the employed population, to the detriment of the unemployed or those who have abandoned their employment status, on full-time employees compared to those who work part-time (Warner, 2014). Although a number of methods of human resource management in Western cultures have recently been applied in Chinese companies, many of the traditional cultural values are still found in their practices in relation to the human factor. Thus, the main purpose of the human resources department of Chinese organizations is to create a harmonious work climate. Numerous self-controlled units are created within the organizations, in which the role of the paternal figure is emphasized in order to obtain coherence. Zhongyong principles (middle ways) influence preferences in recruitment and selection, ways of communication and negotiation, relations between subordinates (Yuan, 2013).

5. Conclusions

China is one of the powers of today's global economy (which has doubled in size every eight years), and in more than 40 years it has gone through a process of
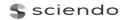
transition from a closed, state-based economy to a closed economy, in which private property has increasingly taken its place. In our opinion, one of the essential merits of contemporary China is that the very rapid pace of economic and social change it has experienced has not led to the loss of its millennial cultural traditions. Traditional values of Confucianism or Daoism are still cultivated by Chinese entrepreneurs, thus demonstrating respect for national cultural identity.

The concern of the new generations of Chinese for quality education is an important aspect with an impact on the training of human resources and, in particular, of managers. The number of Chinese students studying abroad at prestigious universities is growing, with about a third returning to the country after completing their studies, as a result of government policies to attract talent to domestic companies. On the other hand, the establishment of prestigious business schools in China to train potential managers and cultivate entrepreneurship has been supported. Although China still faces a shortage of managers, especially middle managers, the professionalization of management is an increasingly prominent trend with beneficial effects on the development of business organizations.

What will be the Chinese management architecture in the future? It is a question that cannot provide a precise answer, but only scenarios. Warner (2014) identified four possible scenarios: a return to the past („hard pessimism"), trimming („soft pessimism"), going forward slowly („soft optimism"), and moving toward complete convergence with Western capitalism ("hard optimism"). We consider more realistic the third scenario, which contains a mixture of current managerial practices and new ones, taken from Western cultures. Moreover, Chinese multinational companies, expanding globally, will offer the whole world a series of business practices that can be taken over in other cultures.

Table 6 The Future of Management in China

Present	Future
Growth	Sustainability
Export-Driven	Domestic+Export
Economic only	Multiple criteria
Performance goals	Human capital development
Personnel	HRM+E-HRM
Price	Competition branding
Downsizing	Competing
M &As	Organic growth+M &As
Pre-IT	E-management
Normal retail	E-commerce

Source: Warner, (2014, p. 186), adapted from Rowley and Cooke (2010, p. 43)

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China is also facing a number of dysfunctions, accompanied by fears of slowing economic growth. Some of the most prominent are the disproportionate allocation of resources, food security, employee rights or pollution problems. However, the Chinese economy and management can offer many useful lessons to many other business cultures.

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Author Contributions

FLI and EFR conceived the study together and are responsible for the entire research work, from choosing the topic to documenting, collecting data, developing analysis and interpreting results.

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