This is the published version:


Available from Deakin Research Online:

[http://hdl.handle.net/10536/DRO/DU:30036941](http://hdl.handle.net/10536/DRO/DU:30036941)

Reproduced with the kind permission of the copyright owner.

**Copyright**: 2011, The Authors
East and West, Past and Present: Rekindle Old Principles for New Management Practices

Connie Zheng, Deakin University, Australia

ABSTRACT

This paper explores the sayings and stories of the ancient Chinese philosophers Guanzi, Hanfeizi, Xunzi and Yanzi. Their way of ruling the state and managing the people are analysed and discussed in line with thoughts from the mainstream and modern Western management gurus, such as Warren Bennis, Peter Drucker, Mary Parker Follett, Douglas McGregor, Rosabeth Moss Kanter, Elton Mayo, and Jeffrey Pfeffer. Striking similarities call for addressing key issues in human resource management. East and west thinkers across 3000 years are identified. The principles-based ruling and management were found difficult to be taken seriously in ancient times as it is today. However, these principles must be rekindled to protect organisations and the world from mischievous behaviour that has caused much human suffering.

Keywords: China, Ethics, Management, Organisation, Participation, Selection

INTRODUCTION

In the time of crisis, it is good to reflect old and new wisdom to guide our path ahead. It is the intention of this paper to reflect the sayings and stories of ancient Chinese sages. These ancient texts are compared with the writings of respected Western management scholars. We find striking similarities in the thoughts and calls for action between ancient eastern and contemporary western thinkers across thousands years. We conclude that if these ancient and modern management thoughts had been put into practice more widely, the world may have had to deal with fewer corporate corruption scandals and dysfunctional state behaviours. Rather, we may have been witnesses to more productive populations, more effective organisations, more ethical governments and a more harmonious environment, with a consequent reduction in global human suffering. We note, en passant, that many of the ancient sayings to which we refer were directed to the proper way of ruling the state, and often addressed to kings and lords. Nonetheless, the principles contained in these sayings and stories have been passed on through generation after generation and now appear in contemporary Chinese organisational settings. Accordingly, we draw on these sayings in the same way the insights presented in Il Principe (The Prince) by Niccolò Machiavelli (Skinner & Price, 1988) have been used to inform discussions of various aspects of organisation and management.

DOI: 10.4018/jabim.2011010104
Management Principles According to Chinese Sages and Modern Gurus

In discussing ancient Chinese philosophy and thinking, the western management literature tends to focus on the work of Kongzi (Confucius) in Analects and Sunzi or Sun Tze in the Art of War (focusing on strategy). We do not reflect on Kongzi or Sunzi, whose works have been well dissected in other places. Rather, our focus is on other sages such as Guanzi, Hanfei zi, Xun zi and Yanzi (note: Zi used in ancient Chinese means ‘Teacher or Master’), to whom much less attention has been paid. Their thoughts, on inspection, appear to parallel those of such modern management gurus as Warren Bennis (Bennis & Nanus, 1985; Bennis & Thomas, 2002), Peter Drucker (1954, 1967), Mary Parker Follett (1994), Shfritz, Ott, and Jang, (2005), Douglas McGregor (1960, 2006), Rosabeth Moss Kanter (1983), Elton Mayo (1933, 1949) and Jeffrey Pfeffer (1998). In this section, we compare passages from each of the selected Chinese sages with mainstream western management thinking.

We first look at what is ‘management’? According to Gomez-Mejia, Barkan, and Cardy (2008), management in all business and human organisation activity is simply the act of getting people together to accomplish desired goals and objectives. So from the surface, management is about managing people. People, human resources are the focus of the management. In another sense, management can also refer to the person or people who perform the act(s) of management. Therefore, both those who manage and is managed are the focus of the management, in addition to the functional activities such as planning, organising, staffing, leading or directing, and controlling, which are conducted by a group of one or more people or entities for the purpose of achieving organisational objectives. Follet (1994) asserted that management is the art of getting things done through empowering people not ‘power over people’ (Kennedy, 2007). Here, we see the importance of people or human resources as compared to the firm’s financial and physical resources, and to treat the contribution of individual employees as the key to the organisational success (De Cieri et al., 2008).

Such a view is not dissimilar to that expressed by Guanzi (ca.728-645BC), prime minister to the King of Qi for 40 years in the Spring and Autumn period. Guanzi saw each individual as a drop of water, together forming a great ocean. People, like water, can both easily carry and sink the boat and so must be managed properly. He said to the King of Qi:

*The sea does not reject the water, so it can form the ocean. The mountain does not reject the soil and stones, so it can become the high mountain. The wise king does not reject the people, so his country can become a great country.* (Guanzi, Xing Shi Jie)

In the last quote we hear echoes of Karen Legge’s (1995) criticism of the rhetoric versus the reality of human resource management. The ancient rulers knew about the duality of achieving their own goal of ruling and satisfying the people upon whom their kingdoms were based. It is clearly seen that managing people is at the heart of ruling, and the kings knew well that the people would be willing to work for them, suffer for them, go through dangers and even die for them if the kings met the needs of people and made them happy (Guanzi, Mu Ming).

Nevertheless, they were also very clear that ‘the best method of winning people’s hearts is to benefit the people. The best method of benefiting people is to guide the people in the right direction’ (Guanzi, Wu Fu). How to guide the people in the right direction? There must be certain rules and regulations – law and
decree – or policies and standard industry code of practice per se in the modern language, and these must be so consistent that the people can follow without confusion. As Guanzi advised the King of Qi:

*If the penalty is strict and impartial, the decree will be implemented and the officials of all ranks will fear the law; if the penalty is not strict and impartial, the decree will not be implemented and the officials of all ranks will neglect their duties. Therefore, the bright king has perceived the key of administrating the people and there is nothing more important than the decree.* (Guanzi, Zhong Ling)

It is seen here that Guanzi was very instrumental in advising his king on how to manage his officials. ‘The king must examine the officials by the law and decree according to their positions and achievements’ (Guanzi, *Jun Chen Shang*). The clear measurement using ‘the law and decree’ (policies and code of practices at the firm level) is emphasised in judging officials’ performance, not their relationship (‘guanxi’) to the King, as often so much mistaken when trying to understand the Chinese culture and their current human resource management practices. A similarly instrumental view in managing officials was expressed by the legalistic ancient guru Hanfeizi (ca. 280-233BC). He advocated consistency in designing and implementing the law and regulation, and appointment of officials according to their abilities and contributions made to the country instead of using the soft side of reasoning, such as debating on trivial matters and trying to get away with responsibilities by flowery wording. Further, rewards and punishment should be executed so that people would be fearful to obey the law and regulations. These views are reflected in the following Hanfeizi maxims:

*Appointing officials according to the contribution, the common people will have less talk; appointing officials according to the speech of kind-heartedness and righteousness, the common people will advocate empty talks.* (Hanfeizi, Chi Ling)

*The superficial contributions according to the regulations of reward are difficult to identify. The mistakes covered up by beautiful reasoning are difficult to discern. Therefore, reward and punishment are likely to be confused by the inconsistent conditions.* (Hanfeizi, Zhi Fen)

In contrast to this instrumental view of people management, Yanzi (ca. 590-500BC) took a humanistic approach, when speaking about managing people, as seen in his storytelling illustrated below. Yanzi emphasised treating people with benevolence and advocated the participative approach to encourage, empower and engage people to serve the common purpose of the state (‘organisation’ per se in the context of management), in the same way that Follett (Graham, 1994) and Kanter (1983) have done more latterly. Below we illustrate some key principles of people management in ancient China, which is relevant to today’s world.

**Principle of Merit-Based Selection**

In the process of recruitment and selection, the critical aspect is the prior job analysis and job design that ensures the organisation seek the right people with right skills to do variety of tasks (Compton et al., 2009). This idea of making sure that people are properly fitted to their tasks and jobs was expressed in the conversation between Yanzi and the Lord Jing. The story goes like this:

One day, the Lord Jing asked Yanzi: ‘in the ancient times, how did the rulers rule their countries and manage their people?’

Yanzi answered: ‘the land or soil has different components, yet nurtures the same plant. It is quite impossible to ask for the same outcome of the plant in such varieties of soil or land. Similarly, people’s abilities are different, if you ask them to do the same job, it is impossible
that all will do well. Therefore, it would be unwise to ask people to do many tasks. A wise king neither appoints obsequious men close to himself nor selects people likely to fraternise to pursue self-interest. He is able to accommodate subordinates’ merits and shortcomings and encourage them to work on the things they are good at, not to impose them to do things that they are not capable of doing. These are the basic principles for recruitment and selection (Yanzi, Volume 3, Nei Pian Wen Shang No. 3).

One of the people management practices of successful organisations identified by Pfeffer (1998) is ‘selective hiring’. The message is that if the organisation does not recruit and select the right people, compatible with the organisational culture, the whole organisation will collapse. This is reflected again in Yanzi thinking, though not as directly as in Pfeffer’s (1998) criticism of the thousands of American companies that boast ‘people are our greatest asset’ without actively engaging in strategic, selective hiring.

Yanzi, when questioned by the Lord Jing about ‘what is the main concern when dealing with state administration?’, tactfully replied that ‘my key concern is not able to judge what is good and bad’. The Lord Jing persisted: ‘then what methods could be used to judge what is good and bad?’ Yanzi was thereafter more direct to say: ‘carefully choose and select the personnel’. Why? ‘Because when people working nearby you are good, then all would be able to work properly according to their abilities in their respective positions. Judging good and bad will be then easier’.

On another occasion, the Lord Jing questioned Yanzi: ‘how to choose the good people?’ Yanzi answered: ‘according to his speech (communication per se), his prior actions, his knowledge about how to rule and manage the country. You may first respect these people and get close to them and observe without losing the etiquette between you as a King and them. By this approach, you will get the right and best people. Therefore, a wise King, even though establishing less positions, can get his people to do most work. When you select the men, never look for their superficial beauty outside but check whether they are good at working on the practical matters, and whether they ever say what is unnecessary and do what is unlawful’ (Yanzi, Volume 3, Nei Pian Wen Shang No. 3).

It is quite clear that Yanzi knew the importance of setting the selection criteria and used a number of selection techniques, such as observation, assessing past and present work experiences, practical skills and relevant knowledge, and checking references, etc to get the right people (Compton et al., 2009; Stone, 2008). The ancient recruitment and selection approaches were just as “modern” as today’s HRM practices.

**Principle of Attraction and Retention**

The periods of Spring and Autumn and Warring States bred perhaps the most scholars and able men in the Chinese history. Yet each state was still fighting the so-called “war for talent” as we see today when organisations are facing skill shortages. Many kings of the different states enquired about an effective approach to get the best people for the country’s service and there was great discussion on how to become a ‘kingdom of choice’ as many able men and scholars could freely choose to go wherever they wanted to go (in much the same way as our modern high skilled knowledgeable Generation Y workers are choosing to do).

On one of those occasions, the King of Wu met with Yanzi and asked: ‘On what conditions would one consider working for the country? And on what conditions would one consider leaving?’ Yanzi answered: ‘I have heard that one would work for the country whereby people in that country work according to their positions, regardless whether they are close to or away from the King. High officials are committed and loyal. There are no complaints from the grassroots. Punishments are not harsh. Under
these conditions, people would stick to the principle-based king and enjoy work in the peaceful and stable country. On the contrary, if people nearby or far away can not carry out their respective duties, and officials are not loyal with many complaints about piled up administrative files (‘workload issues’ in the modern setting), together with heavy punitive actions, one should consider leaving the country. Clever men will neither love high pay under cruel rulers nor high position in the disorderly country (Yanzi, Volume 4, Nei Pian Wen Xia No. 4).

Reading this story, there are two points for reflection. One is that the ‘kingdom of choice’ was not much different from our current discussion of ‘employer of choice’, whereby people felt happy and satisfied with their work conditions; there was also a strong leadership based on principles instead of cronyism; and less grievance in the workplace (De Cieri et al., 2008).

Second, it was emphasised that ‘clever’ and ‘capable’ men would not work for monetary incentive or even for status if the state (or organisation) was neither orderly nor engaged with people or had bad reputation. The idea was very much in line with Elton Mayo’s (1933) human relations management theory where the roots of work satisfaction were identified as non-economic and connected to other factors such as people being valued and feeling cohesive within their groups in the society. A similar view was expressed by Xunzi (ca. 298-238BC), ‘Even when the ancient virtuous men were in poverty without enough to eat and without proper clothes to wear, they would not accept the improper promotion or the improper salary’ (Xunzi, Da Lue). If we compare this principle with what have been exhibited in many high-paid CEOs in large corporations nowadays, we see how much they have fallen short according to such measurement!

**Principle of Contribution-Based Reward**

Kanter (1983) in her book *The Change Masters: Corporate Entrepreneurs at Work*, emphasised that rewards need to link more to contribution than to position or status. This principle was upheld by Yanzi illustrated in another story below.

The Lord Jing happily invited a few subordinates and wanted to reward those he liked. Three persons were rewarded 10,000, five awarded 1,000. When the order of the rewards came to the palace accountant, he refused to pay. The Lord Jing was so angry that he ordered the dismissal of accountant, but the order was not carried out by the official in charge of dismissal. The king was very upset.

Yanzi came to see the Lord Jing who complained to him: ‘I am the king of this land; I should be able to grant benefits to someone whom I like and distance myself from someone I dislike. Now I like someone but cannot give benefits and dislike someone, yet cannot distance myself from. This is really out of the steps as a king?’

Yanzi said: ‘I have heard if the Lord acts justly, his subordinates will obey but if the Lord goes astray, the subordinates will betray. Now you reward those obsequious officials and order the subordinates to obey, this is what I would call “the king goes out of his normal steps” and loses his principles because he forces his subordinates to do things beyond their duties. The late kings established the rules of rewarding certain people because by doing so people are encouraged to do good; and set the rules of punishment for the sake of eliminating people to do harm…..People were then rewarded because of the good they did to the country not to the kings themselves, and the kings liked them; they were punished because of the bad they did to the country so the kings disliked them. Therefore, when the rules of likes and dislikes were clarified, many good people emerged and bad people extinguished. The country was in peace, people were united and lived in harmony. On the contrary, when your precedent kings loved those who were submissive to them, rather than the country and hated those who disobeyed them, the rules of likes and dislikes were set based on different principles, then many vicious men appeared and so did virtuous men extinguish. People were homeless and the country was in
edge of destruction…’ (Yanzi, Volume 1, Nei Pian Jian Shang No. 1).

It is clear that Yanzi’s principle of reward was based on people’s contribution made to the country not on their position per se or how close they were to the king – the idea advocated by Kanter (1983) and others subsequently (De Cieri et al., 2008; Stone, 2008). Similar to one of Pfeffer’s (1998) people-management practices, higher than average pay must be justified by how it links to organisational performance. If employees make no contribution to achieve organisational objectives, they should not be rewarded. We have also seen the recent corporate scandal whereby those CEOs were paid more on their position instead of their actual contribution to the firm and the society.

**Principle of Participation Management**

Participation in decision making and communication between management and workers are two sides of the coin in the concept of participative management. One key insight attached to the Hawthorne experiments by Mayo (1949) was the vital importance of management-worker communication, on the basis of the dramatic increases of productivity when the researchers discussed the changes with workers before they were put into effect. Similarly, Kanter (1983) argued that the key to a corporate renaissance was ‘participative management’ or empowering and encouraging employees to become a true organisational citizen, fully aware of their rights and responsibilities in the democratic environment. To do so, there must be certain mechanism made available so that individuals can channel and contribute their ideas to (Kanter, 1983). In this regard, Yanzi appears to be at one with Follett (Graham, 1994), Mayo (1933, 1949), and Kanter (1983) who promoted democratic participation, not only in politics and the society, but also in business organisation. Yanzi expressed in the following story how important it is to provide channels for people to air their views freely and to exchange ideas between the King and his men.

This was one of very rare occasions Yanzi put the question to the Lord Jing: ‘when you hold the meeting, do you make it orderly and serious as in the dignified or stately manner?’ The Lord Jing retorted: ‘isn’t it good to hold the orderly and serious meeting?’ For this, Yanzi replied: ‘if you hold every meeting seriously and orderly, your subordinates will dare not speak. If no voice comes from your subordinates, you will not be able to hear good suggestions. If subordinates do not speak, I call this “mute”, if the king could not hear the voices, I call this “deaf”. The country full of mute and deaf people, what good would they do to the country?

Furthermore, the barn is filled up with small things one by one, and the curtain is knitted by small threads. The majestic Mount Tai is not made of one single stone, but many small stones. Managing the country requires not just one view but many views. There might be a time and it is reasonable to hear the suggestion but not implement it. However, I’ve never heard anyone refusing to hear different views (Yanzi, Volume 4, Nei Pian Wen Xia No. 4).

Hearing the ‘different views’ is what Follett called the creative possibilities of conflict, which should be used to work for us not against us (Graham, 1994). Yanzi understood that, to manage a country well, free thinking should be promoted to generate different views. When a country (or an organisation) is represented by only one voice, the days to its doom are numbered. Beenen and Pinto (2009) recently recounted that one of the reasons contributing to the fall of Enron was the autocratic leadership style by its then CEO Jeff Skilling, whose corrupt practices continued for a number of years without being questioned. Employees’ views were ignored. In fact those employees who did question the practices were punished by being either fired or transferred to less significant posts in the organisation (Beenen & Pinto, 2009). Long before the fall of the major corporates in the USA in the early 2000s, Warren Bennis stressed the importance for managers and leaders not only to do things right but do the right thing. To Bennis, a good manager/leader must listen to his men and learn from the people he
leads (Bennis & Nanus, 1985). How similar thoughts these are to that of Yanzi. It appears, nonetheless that China has even moved quite far away from this principle in terms of their government based on one-party system and most enterprises’ decision making is still from the top, instead of the mass.

On another occasion, Yanzi was feeling really sad to see a very eloquent and well-known man named Min zi-wu who was not able to speak properly in front of him, an authoritative figure. Min came from another country to seek employment under Yanzi. Perhaps because of his nervousness, or given his strong accent from another state, he was mumbling, even though Yanzi smiled and showed a friendly face to encourage Min to speak out his views, for Yanzi had already known that Min was the most capable man in his own state. Confronted by such an experience, Yanzi knew that there would be more able men in the country who simply could not overcome the fear of authority to speak freely, and that their valuable views would be buried without notice. Asked by his disciple why he was so sad, Yanzi answered: ‘I would rather be Min’s student to hear what he said than be in this position of authority. How could I be honoured while losing all ideas and views from these able men who are still living, not to mention those who were already dead?’ (Yanzi, Volume 5, Nei Pian Zha Shang No. 5).

Here we see Yanzi not only aware of the importance of hearing different views but also encouraging participation of people from different backgrounds, speaking even with different accents! He appears to have been advocating both participative management and a management that was inclusive of diversity. Yanzi was sufficiently humble to be willing to learn from his subordinates, an attitude of humility in a leader that Bennis and Nanus (1985) summarise in terms of ‘the more vulnerable I am to my people, the more I can influence them…’ Yanzi’s thinking, of the benefits of breaking down the barriers of status, is another precursor of the principle of best people management practices of successful organisations advocated by Pfef-fer (1998), whereby ‘an egalitarian attitude to status in the organisation’ must be promoted.

**Principle of Leadership and Ethics**

Reading from a selective number of writing and saying by the ancient Chinese sages, as compared with modern western management gurus’ thinking, it is found that the key concern of ruling the country and managing the people in ancient times was little different from running modern business organisations, whereby wise kings or managers/leaders must trust and empower followers and effectively share their vision with the people they manage and lead. Warren Bennis stressed the importance of leaders being able to translate their vision into proper words so that their followers can understand and be joined by the emotional glue of ‘trust’ that ‘binds followers and leaders together’ (Bennis & Thomas, 2002). Kanter (1983) also perceived the individual human dimension within the organisations, warned the dangers for organisations to become more ‘mean’ than ‘lean’ and stressed the importance of overcoming this by sharing values in the corporation. Peter Drucker (1954) went even further to speak about management as a social art, requiring good communication with, and regard for, the people working in the organisation (Kennedy, 2007).

It appears that ancient and modern management thinkers are agreed that if the people/employees are not doing well, the responsibility is squarely on the shoulders of the leaders/management. As Guanzi said: ‘the world is not afraid of having no virtuous and talented officials, but afraid that there is no virtuous king to appoint them; the world is not afraid of having no wealth, but afraid that there is no smart person to manage it’ (Guanzi, Mu Ming). More latterly, Douglas McGregor (1960) observed that ‘there are no bad troops, only bad officers’ (Kennedy, 2007). The question remaining is who can be a good manager/officer?

One might remember Socrates’ argument that ‘good managers of a family would also be good generals’ (Shafritz, Ott, & Jang, 2005). Zengzi, one of 72 disciples of Confucius in
Great Learning shared this view, arguing that ‘before being able to rule a state, one needs to manage his own family well’. Differences in the two views lie only in the focus – whilst Socrates spoke about similar managerial tasks shared by a household manager and an Athenian army general, ancient Chinese were more concerned about the personal qualities of the rulers of the state.

Developing the person qualities as managers and leaders of the organisation has perhaps been less emphasised in the west than in China. Responding to an interview Rosabeth Moss Kanter suggested that future leaders should be ‘probably more Confucian than cowboy.’ otherwise, ‘things could get worse before they get better’ (Crainer, 2003). Here Kanter might have referred to developing personal qualities of integrity and responsibility as leaders and managers, at a time when America was facing a number of corporate collapses due to the greed of top managerial teams. Bennis also emphasised the need for an ‘integrated self’ before leadership qualities can emerge (Bennis & Thomas, 2002). Drucker (1954) being most visionary in his view of management, said two decades earlier before the recent corporate scandals and financial crises that ‘contrary to the approach to the study of political and social organisation that has prevailed in the West since Machiavelli, I stressed all along that organisation does not deal with power but with responsibility …the business organisation, as any organisation, is a human, a social, indeed a moral phenomenon. Customer service rather than profits should dominate management thinking.’ (Drucker, 1967; Kennedy, 2007). Perhaps if more attention had been paid to these words and saying from both east and west, we might not have seen the fall of companies such as Enron and world.com, or even the economic maelstrom of recent times.

The world was perhaps as much in a state of flux in the Spring and Autumn period as it is today, prompting Shu Xiang, one of Yanzi’s students to ask, ‘the world is in disorder, violating the law of the universe; kings have gone astray, not act according to the ethical standards. Under such circumstances, if one acts in integrity or keep principles, one may lose people; but if acting unethically to keep people, one may lose principles. Should I keep principles and lose people or should I keep people and forfeit principles?’ Yanzi answered: ‘I have heard that he who upholds human dignity for those at the lowest position and keeps integrity under the worse circumstances treats people as the foundation of all things. Therefore, if you want to keep people, how could you lose the principles, and if you keep the principles, how could you lose people – in fact, people will flock to you?’ (Yanzi, Volume 4, Nei Pian Wen Xia No. 4).

The message is that there need not be conflict between people and principles, or people and performance but, there will be problems if there is a violation of human relations. Commenting in 1973 about Elton Mayo’s work, Peter Drucker observed that ‘the human relations prescription, though rarely practised, remains the classic formula’(Kennedy, 2007). These ethical views contrast with the current circumstances of the Western economies whereby the interests of a few have been supported by the involuntarily sacrifices of millions of taxpayers, through their government representatives. Similarly, one might also argue that China’s three decades of economic reforms can also be understood as benefiting mostly those in positions of power, rather than the masses, even though many were lifted out of poverty (Yuan, 2008).

CONCLUSION

Examining the sayings and stories from the ancient Chinese sages, we have identified a number of philosophies and thinking that are clearly consistent with modern approaches to people management. There is every reason to believe that ancient thoughts about the principle-based leadership and management approaches are still applicable to contemporary organisational practices both in China and elsewhere. Through close examination of the ancient thoughts against some of the writ-
ings by the mainstream western management gurus, it is found that the call for recognising and valuing individual contributions to business organisations and the wider society is not dissimilar across 3,000 years of human history. At the same time, it appears to be just as difficult to get modern managers in industrial organisations to implement sound management theories and translate them into practice as it was to get kings to listen to the wise advice of the Chinese ancient sages. However, if we stick to the principle-based management approach, we might be more able to balance the needs of adding value and enhancing organisational performance and the needs of upholding ethical standards and caring for employees and their families and communities, and work for the good of the wider society.

ACKNOWLEDGMENT

The author thanks Professor Patricia Ordóñez de Pablos, Editor-in-Chief for this Journal for her kind invitation and suggestion for minor revision to submit the paper. This paper with the same title was presented at the 10th European Academy of Management Conference on 19-22 May, 2010, Rome Italy. Partial contents of this paper were also published in the Special Issue of the International Journal of Chinese Management Studies with specific focus on addressing the style of Chinese human resource management. All errors remain with the author.

REFERENCES


