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Comparing and Contrasting the Core Philosophical Principles of Peter Drucker and Confucianism

Virginia Cheung

Claremont Graduate University

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Comparing and Contrasting the Core Philosophical Principles of Peter Drucker and Confucianism

By

Virginia Cheung

In partial fulfillment of the requirements

for the degree of

Doctor of Philosophy in Management

Claremont Graduate University

2020
Approval of the Dissertation Committee

This dissertation has been duly read, reviewed, and critiqued by the Committee listed below, which hereby approves the manuscript of Virginia Cheung as fulfilling the scope and quality requirements for meriting the degree of Doctor of Philosophy in Management.

Professor Bernie Jaworski, Chair
Claremont Graduate University
Peter F. Drucker Chair in Management and the Liberal Arts

Professor Jay Prag
Claremont Graduate University
Clinical Full Professor

Professor Katharina Pick
Claremont Graduate University
Clinical Associate Professor
Interim Dean, Drucker School of Management
Abstract

Comparing and Contrasting the Core Philosophical Principles of Peter Drucker and Confucianism

By

Virginia Cheung

Claremont Graduate University: 2020

This study chooses Drucker and Confucianism – two dominant philosophies that are core to how organization functions in Confucian societies - as representative management theories from Western and Eastern origins. In particular, this dissertation is a comparative study identifying similarities and divergence in theory and practice. With data from interviews, observations, archival documents, and surveys, we examined the common and distinctive elements between Drucker and Confucianism. The literature review demonstrates remarkable consistency between the two philosophies. Moreover, the empirical portion of the dissertation demonstrated how these Drucker and Confucian principles are understood and practiced by business professionals in a Confucian society, and how these principles interplay with each other in real business realm.

These findings suggest organizations can benefit from practicing Drucker and Confucian principles as systems that reinforce each other. In addition, the practice of Drucker can bridge Confucianism values to business practice. The findings provide a glimpse of how Drucker’s principles and Confucianism are practiced in organizations from the perspective of working
professionals. The implication is that organizations in Confucian societies should be aware the impact from Confucian mindset when they practice Drucker principles. The method we used—to develop and validate scales with specific behavior anchor creates a foundation for further theory building. The scales also provide organizations with an easy diagnostic assessment to assess themselves on Drucker and Confucian principles. At a broader level, this kind of comparative study could be promoted to a wider demographic area to provide organizations with various cultural background another perspective to think about organizational culture. For forward-looking organizations, the knowledge gained from this study presents some preliminary thinking about the road ahead and how this may lead to changes in daily management and operational practice.

*Keywords*: Drucker, Confucianism, comparative study, behavioral pattern.
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Chapter I: Introduction

Background

This research comes from increasing arguments that Western value-based management philosophies are ineffective in the East.\(^1\) The thought is that many phenomena in Eastern cultural societies cannot be well explained or understood under these philosophies.\(^2\) Although this kind of comparative study between Eastern and Western value-based management philosophies has been well covered by prior studies from various perspectives,\(^3\) recognizing the importance of how values and beliefs can impact our daily behavior and action, there are still significant applicational meanings for more in-depth studies to gain deeper understanding on this question: are Eastern and Western management philosophies ideologically similar or dissimilar? If they are dissimilar, does that dissimilarity influence management effectiveness in practice? Instead of conventional assumptions that focus on differences and conflicts, this paper aims to focus on exploring shared values, similar behavior patterns and correlations. This is because being culturally aware, philosophies arise from different cultural origin may appear to contrast on surface, but their fundamental meanings may not necessarily be opposed.\(^4\)

This question is obviously very wide and cannot be covered by one single research study. To define our narrative and to stay focused on how Western management philosophy can be


better practiced in Confucian societies like China, we select two dominant philosophies that are core to how organizations function: those of Peter Drucker and Confucianism. This is because Drucker’s introduction of modern management brings the practice of management effectiveness to organizations across the globe; and Confucianism played the same role domestically as the dominant philosophy to keep social order and to rule the country. From this perspective, there’s a clear connection between this ancient Oriental management philosophy and modern Western management, they can both represent its cultural origin as well as being applicable, which provides the conceptual and practical meaning of this study.

As previous studies found, organizational values can be affected by national culture, and national cultural values and beliefs are normally deeply rooted—many times people may be unaware of their influence on their own thinking and action. However, in daily business practice, these differences do impact on people’s views and their expectations of management, inform their decision making, and may cause conflict that lowers effectiveness in the workplace. This phenomenon is in particularly obvious in Confucian societies like China that have a long history and strong local culture attachment. It is becoming more prominent as multinational organizations adopt local culture on a regional level to better manage their regional business in


addition to their shared values on an organizational level. It signifies the need to deepen our understanding of the philosophies influencing our mindsets and behavior.

While it is understood that both ideological values and behavioral norms are fundamental for an organization, they may not always align in reality. We therefore consider the compatibility of conceptual value and behavior pattern in this study, to promote a localized “value fit” and “behavior fit” approach that will enable organizations to better practice mainstream Western management philosophies in Confucian societies.

In terms of the unit of analysis, considering that values and practices can exist at any given level of analysis,8 this study will focus on organizational level.

Proposed Research

Research Goals

The primary purpose of this study is to compare and contrast philosophical points of view in the work of Confucius and Drucker. The secondary purpose is to propose how organizations can benefit from the application of both philosophies.

Since there are no existing systematic comparative studies between these two sets of principles of which we are aware, what works and how it works is not yet known. To address these purposes to conduct commeasurable and meaningful comparison in conceptual value and practice, objectives are developed are follows.

For the primary purpose, the comparison of conceptual values begins with a literature review of classic Drucker and Confucian works; ten principles that present core essences of the

8 Ashkanasy, Wilderom, and Peterson, *Handbook,*
respective philosophies were used as a means to learn the philosophy and to perform the comparative analysis. The comparative analysis examines the meaning and specific characteristics of these general principles, how they work on a societal level, and how these values and beliefs can be translated on an organizational level to a contemporary business setting for theoretical implications.

For the secondary purpose, to discuss how the application of the principles can benefit organizations, we compare theoretical implications and behavioral patterns in a real organizational setting through a case study, exploring whether applying management philosophy constitutes an effective means of reshaping an organization’s virtuous behavior and improving operational effectiveness.

The research methods used to meet these objectives are a single case study to understand the interplay between theory and practical issues in a cultural context; interviews to collect in-depth data; and a survey with scales on potential overlapping concepts to increase validity, to explore correlations between principles and established scales.

**Significance of the Study**

While varying national cultures can have a significant influence on organizational culture and local cultural context is important, there is always more in-depth comparative study to be done.

In this study, the analysis from both conceptual and behavioral perspective covers the gap of existing studies on compatibility between Confucianism and the work of Peter Drucker, both in theory and in practice. The field study gives us a glimpse of how Drucker’s principles and Confucianism are practiced in organizations from the perspective of working professionals, and
the method we used—to develop and validate scales that create a foundation for further theory building. This study also provides rich data that could be used for future study on this topic.

The established Drucker principles and behavior anchors have proven to be beneficial to some renowned organizations in countries with Western value origin, such as Edward Jones in the United States. Bringing these principles to an organization in another culture further tested its validity and implication. The positive feedback from the organization under study shows these scales can be leveraged as an easy diagnostic assessment for organizations to score themselves in terms of the principles of Drucker and Confucius, and can be promoted to wider demographic areas to benefit more organizations of various cultural backgrounds.

Finally, the promotion of this kind of comparative study can provide another perspective on organizational culture. For forward-looking organizations, the knowledge gained from this study presents some early thinking about the road ahead and how this may lead to changes in daily management and operational practice.

**Overview**

This paper is presented in seven chapters. Chapter I provides a brief introduction to the background of the study, the proposed research, and its significance. Chapters II and III give literature review on classic Drucker and Confucian works; this section is structured according to ten principles from each philosophy. Chapter IV explains the research methods used in this study, its setting, and its reasoning. Chapter V presents interview findings from the organization that is the focus of the case study, related to the principles of Drucker and Confucius. Chapter VI presents survey findings and focuses on correlations between principles, overlapping concepts, and shared values, as well as seven themes that emerged from the correlational analyses. And
Chapter VII addresses reflections and lessons learned from this research study that may help organizations enhance their management effectiveness; it also summarizes limitations and generalizations, as well as suggestions for further study.
Chapter II: The Ten Principles of Drucker Management Philosophy

Although management has been practiced for as long as human history, as an academic discipline it is young relative to the more traditional social and hard sciences. As Peter F. Drucker (1909–2005) noted, even though it is a newer discipline, it is one of the fastest growing.\(^9\) Drucker generally is credited with establishing the study and scope of management\(^1^0\) as a separate discipline, which not only benefitted managers, but also created a “management boom” among the general public in the 1950s and 1960s.\(^1^1\) This increased public interest in general management theories resulted in many new people entering the field, beyond traditional for-profit executives and management students.\(^1^2\) This phenomenon demonstrates the practicality of applying Drucker’s management philosophy in all organizations: governments, nongovernmental organizations (NGOs), nonprofits, the social sector, and traditional for-profit firms.

Peter Drucker and His Philosophy

Renowned as the “father of modern management” who “changed the face of industrial America,”\(^1^3\) Drucker was also an educator, writer, journalist, and consultant. His works are widely read and respected throughout the world. One of the best-known and most influential

\(^1^1\) Beatty, *World According to Drucker*, 101.
\(^1^2\) Drucker, *Essential Drucker*, viii.
thinkers, he wrote about management topics as well as economics, politics, and society.\textsuperscript{14} His works have a strong social focus and are human centered; from Drucker’s perspective, management is a social discipline with a social function that deals with people within what he called “a functioning society.” His focus on people’s values, growth, and development gives his philosophy the spirit of humanity.

Drucker worked to establish management as a separate discipline, one that could be widely studied and further developed. He asserted that management is a liberal art in practice, with transdisciplinary concepts from psychology, philosophy, history, and religion. The essence of management for him was “to make knowledge productive.”\textsuperscript{15} In his words, “Goals can be set. And performance can be measured. And then business can perform.”\textsuperscript{16} This defines management as a key to helping all organizations perform, including businesses, nonprofits, and government agencies.\textsuperscript{17}

**Ten Principles**

Drucker’s management philosophy contains a set of human-centered principles. Conceptually, these principles need to be studied from a holistic view; practically, they need to be implemented by everyone at all levels in the organization. The Drucker School and Drucker Institute crafted the principles from the entirety of Drucker’s writings. Professor Bernie Jaworski took those principles and created “behavior anchors” to score each principle. The anchors translate each general principle into specific criteria that make it easy for executives to score

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\textsuperscript{14} Drucker Institute, “About Drucker.”
\textsuperscript{15} Drucker, *Essential Drucker*, 313.
\textsuperscript{16} Drucker, *Essential Drucker*, 61.
\textsuperscript{17} Drucker, *Essential Drucker*, 72.
their organization on the principle. While the principles cover a broad array of Drucker’s thinking, they do not substitute for an in-depth, comprehensive study of his philosophy. However, from a research perspective, it is necessary to “codify and measure” his work in order to compare his view to those of other scholars and philosophers. This study uses these ten principles as a means to learn Drucker’s philosophy and perform a comparative analysis with Confucian principles.


Every organization needs a purpose and a mission statement; a clear mission explains the organization’s reason for being. It answers the fundamental question: “What business are we in?” As Drucker stated, “It alone enables a business to set objectives, to develop strategies, to concentrate its resources, and to go to work. It alone enables a business to be managed for performance.” Mission sets the common goal for all and provides a direction to align everyone working together toward effectiveness. It provides guidance for decision making as well as a framework for what to do and what not to do, so the organization can stay focused and away from business it should not be in.

A mission statement needs to explain what makes a business different from all others. To be effective, it must be customer-based, define who customers are through segmentation, and identify the underlying need of each particular customer group; this is the demand the organization should serve. This process may involve trade-offs, as the values of any given customer group may not be the same as other groups, and a mismatch between values and a

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given customer group could negatively affect customers’ willingness to buy. Take the example of the fashion industry. For luxury brands, the biggest value is the prestigious status their customers perceive because of the limited supply of certain designs and the high quality of customized services. For high-street brands, the biggest value is providing their customers value for money, giving them the latest trend at a reasonable price with the compensation of lower quality. Both types of brands provide value, but their distinct values attract different customer groups. So, organizations need a clear understanding of their customers and to make the choice of which customer groups they are going to serve according to their resources and competence.

Drucker suggests that organizations define their business earlier than later, when the business is successful, rather than in decline. But it’s not always an easy question, as the answer may not be obvious. When Jack Welch became the new CEO of General Electric, Drucker asked him, “If you weren’t already in this business, would you still enter it today? If the answer is no, what are going to do about it?” It was this classic and profound question that inspired Welch to rethink his strategy at the time; as a result, Welch successfully led GE to continue its legacy over the next twenty years with compelling missions and objectives.

Defining “what business we are in” requires systematic analysis to develop a deep understanding of an organization’s internal operations and resources, including existing products and services, resource distribution, daily operations, and the external environment, such as societal change, industry change, and changes in customers, markets, and values. A well-defined mission aligns the organization’s internal core competence with its external environment, and

19 Drucker, Essential Drucker, 27.
20 Drucker, The Practice of Management, 49.
reflects the core characteristics of the market as well as the features that make it different from others, but also fits with reality.

Further, a focused mission defines not only what a business should and shouldn’t do, but also keeps managers aligned around what business it should be in; a business may not be the same today as it is in the long term. Considering today’s fast-changing business environment, managers must successfully navigate this continuity change to be effective. As Drucker noted many times, the root cause of crisis is not doing the wrong things, but doing the right things that don’t fit the present reality.\textsuperscript{21} Therefore, organizations need to regularly ask the question that Drucker asked Welch to not only define the present, but also prepare to transition from past to present and lead into the future. Managers must be aware whenever the macro environment that the organization is in changes, so the organization can reconsider its mission and “what it gets paid for.” This is what Drucker called the “theory of the business”—he believed every organization needs a valid theory of business.\textsuperscript{22}

The question “what business are we in” involves the balance between short-term and long-term organizational goals, while the question “what business should we be in” involves the analysis of what is right, and whether the organization’s existing business needs to be changed.\textsuperscript{23} “What is right” can be complex and many considerations must be taken into account; customer value and social impact are two significant determining factors here. As mentioned earlier, including customer value in the mission statement can provide customers a deeper understanding

\textsuperscript{23} Drucker, \textit{Practice of Management}, 57.
of the business, rather than a simple descriptive function of physical products and services. Take
the example of popular yoga gear producer lululemon, whose mission is “to elevate the world by
unleashing the full potential within every one of us.” This statement indicates the company is not
limited to providing the physical product of yoga gear, but also offers customers a deeper value:
the health and freedom to unleash their full potential in life.

To effectively “manage by objectives,” managers must translate the organization’s
conceptual mission into multiple operational objectives. If an organization needs to redefine its
mission to switch to new business, its objectives must change accordingly. These new objectives
will in turn require a series of internal changes, from structural to operational resources
distribution.

Commitment to a mission requires effective implementation. This means that everyone
within the organization—at all levels—must understand the mission and be able to act on it. A
mission must be clear and focused—it should “fit on a T-shirt”—to be easily remembered and
speak to its purpose.

2. Focus on Understanding Customer Needs

One of Drucker’s most widely recognized assertions is, “The only valid definition of
business purpose is to create a customer.” Drucker, Practice of Management, 37.
Market is formed by customer demand and is
fundamentally driven by the customer. In another words, “It is the customer who determines
what a business is.” Drucker, Practice of Management, 37.

Therefore, because an organization needs to focus on customers, the
manager’s most important task is to define its customers, to identify their need and value, and to

24 Drucker, Practice of Management, 37.
25 Drucker, Practice of Management, 37.
fulfill them. It is a process of value creation, based on the customer value in the mission statement; what customers need is not just a physical product and services, but the value derived from products and services they buy.

Drucker also raised the concept of unarticulated demand from the customer, which he termed as “unfelt want,” that is, a need the customer does not know until they see it. The best contemporary example would be the smartphone. When the market was still dominated by Nokia cellular phones, customers could not imagine how a disruptive innovation like the smartphone could change their lifestyle. Visionary organizations that can offer utility through technical innovation will survive and prosper in the market. Through the new value customers perceived from the iPhone, Apple developed its own blue sea.

Drucker’s concept of “creating customers” gives organizations an even higher requirement beyond knowing the customer well enough to identify their existing needs: creating new value, new demand, and new customers. This leads to the functions of business: marketing and innovation. Using marketing to understand the voice of customer and innovation to invent new products and services to create new value can result in economic performance for organization.

That said, being able to identify new customers and values is not the end result by which to measure managers’ effectiveness—rather, it is the ability to translate potential market demand into profitable business opportunities to be reflected in economic performance. Organizations have the responsibility to allocate their resources effectively to supply quality products and services at reasonable cost according to customer demand; this wealth and value producing

26 Drucker, Practice of Management, 39.
process is managers’ most important job.\(^{27}\) As Drucker said, “It is to supply the consumer that society entrust wealth-producing resources to the business enterprises.”\(^{28}\)

3. Responsibility and Accountability at All Levels

Since Drucker developed the concept of the knowledge worker, it has grown into the dominant group in today’s organizations. In this new knowledge economy, the traditional “command and control” managerial mode from the early days of industrialization is no longer applicable. Today we see much less of the “boss and subordinate” relationship between executives and employees, whom Drucker termed “associates” rather than “subordinates” without clear rank.\(^{29}\) In modern organizations, not all decisions have to come from top executives. Everyone in knowledge organization “must think through their objectives and their contributions, and take responsibility for both . . . regardless of his or her particular job.”\(^{30}\) Drucker asserted decentralization as a must, saying that each and every knowledge worker in modern organizations is their own “executive.”\(^{31}\) This is because being an executive is no longer determined by how many people are under you in the organization hierarchy. Instead, any employee who can be held accountable for using their knowledge to make their own responsible decisions and to contribute to the overall performance and results can be regarded as their own “executive.”\(^{32}\)

\(^{27}\) Drucker, *Practice of Management*, 41.
\(^{29}\) Drucker, *Post-Capitalist Society*, 56.
\(^{31}\) Drucker, *Post-Capitalist Society*, 60.
This principle is visionary considering that in Drucker’s time a few industry giants dominated the marketplace. Those large organizations needed more central control of their hierarchy. However, as modern organizations start to grow, top executives become more dependent on mid-level managers and executives in sub-business units to perform for themselves; if the organizations wants to maintain its innovative spirit, they need to intentionally keep working teams small. Equally, these mid-level managers need to grow their lower ranked front-line employees, allowing them to make their independent decisions to deliver performance. As Drucker commented on General Motors, “Their operating managers have to have the freedom to do things their own way. They have to have responsibility and the authority that goes with it. They have to have scope to show what they can do, and they have to get recognition for performance . . . (this is) even more important as a company gets older and as it has to depend on developing strong, independent performing executives from within.”33 To be explicit, Drucker’s intention in promoting knowledge workers to be their own executives is not to make everyone a boss, but rather to make everyone a contributor.34

This principle fits today’s delayered horizontal organizations perfectly: everyone is expected to be an autonomous part of the decision-making process,35 so they can quickly react to a constantly changing environment. This phenomenon is particularly obvious when we see organization with diversified products: the business is normally split into several subunits based on product, and decentralized within each of these subunits to allow them to grow alone in their

34 Drucker, Post-Capitalist Society, 109.
35 Drucker, Essential Drucker, 260.
own market. The popularity of delayering into horizontal structure demonstrates the visionary nature of this principle.

Although Drucker encouraged autonomy, decentralization does not mean each individual can determine their own work. On the contrary, Drucker heavily focused on alignment between individual goals, team goals, and organizational goals through the framework of management by objectives. Employees are truly accountable and responsible when they are not solely thinking from their own role but instead focused on how their contributions can better serve the overall purpose of the organization. Knowledge workers normally bring their own specialized knowledge. Therefore, in contrast to the traditional “command and control” mode in which executives set goals for everyone, effective knowledge workers are able to draw out individual objectives that best utilize their specialized knowledge to align with organizational needs. Letting everyone be their own executive actually places more responsibility on both knowledge workers and executives; it is hard to follow in practice. However, knowledge workers are resources; for organizations that are willing to build up their long-term comparative advantage based on people, this principle allows them to better leverage knowledge workers’ unleashed full potential.

In this fast-changing market, many times it is front-line employees who know their customer the best. Considering that they are all knowledge workers, it is simply more effective to let them make decisions based on their best knowledge. Knowledge workers are not to be supervised in every detail; they should be able to manage themselves effectively to deliver results. Drucker explained this as follows: “Organizations must be able to make fast decisions, based on closeness to performance, closeness to market, closeness to technology, closeness to the

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changes in society, environment, and demographics.”37 Overall organizational performance is a joint force that cannot be accomplished by anyone alone; it requires everyone to be accountable and responsible for their own tasks. Therefore, decision making cannot just come from the top down. As Drucker often pointed, “Low-level decisions are extremely important in a knowledge-based organization.”38

Pushing accountability down, from Drucker’s point of view, encourages people to concentrate on their strengths and their most important tasks, and to delegate issues they do not have the specialized knowledge about.39 So executives should encourage front-line employees to drive resolution, to shape a dynamic and changing organizational culture with higher staff engagement; this can result in greater customer satisfaction and better financial performance. It is the managers’ job to make sure “the responsible people in their organizations perform.”40 Giving knowledge workers responsibility gives them the ownership over their work, so they can better align their vision and their work with overall organizational needs, contribute more effectively, and make a greater impact.

Some Drucker scholars think decentralization works only when everyone in the organization is a knowledge worker who is sufficiently competent to make “smart decisions,” and this may not be possible in reality.41 But Drucker had deep faith in the idea that every ordinary executive would be rather motivated to “step up” and to take the lead on objectives and work scope when they are held accountable. The essence of this principle—to push

38 Drucker, *Effective Executive*, xvii.
accountability and responsibility down—is to give every employee the chance to take the lead and to grow; it does not depend on how “smart” they are.

4. Employee Orientation

The principle that “employees are not costs to cut, they are resources to preserve” best reflects the fundamental human spirit of Drucker’s philosophy. Drucker defines an organization as “the place to convert knowledge workers’ specialized knowledge into performance, to make them effective.” This definition gives an organization the function and responsibility to develop people, to train them to perform in their roles, to grow them in any way to be effective.

As Drucker put it, “A manager develops people.” One of a manager’s most important jobs is to develop his team, and this is often a performance measure by which a team leader’s effectiveness is measured. “To make the worker achieving is more and more important and is a measure of performance of an institution,” Drucker said. Organizations should be willing to invest in people’s development, whether it is professional or personal. Organizations could, for example, provide training to enhance employees’ specialized knowledge, such as continuous study on technical advancement, or develop soft skills in communication and leadership, or take care of employees’ physical and mental health, the latter being a trendy perk in today’s organizations.

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42 Beatty, World According to Drucker, 171.
43 Drucker, Essential Drucker, 308.
44 Drucker, Practice of Management, 298; Beatty, World According to Drucker, 110.
Further, as interrelated with the previous principle, Drucker distinctively suggested development through contribution: that is, executives can grow employees by delegation, by providing people more opportunities to try challenging tasks, by setting a higher standard of merits to shape a culture of excellence. Encouraging contribution gives people room to develop their effectiveness, achieve material gains through monetary payments and social status, and achieve emotional gains through self-realization and satisfaction in this process. As Drucker said himself, “Focus on contribution by itself is a powerful force in developing people.”

Drucker also pointed out that growth can come from developing others and from self-development. In addition to the responsibility to develop others, he provided a set of methods to develop oneself through self-management. Individuals can and should always develop themselves through better self-management skill at the same time developing others.

As Drucker said, “One does not ‘manage’ people. The task is to lead people. And the goal is to make productive the specific strengths and knowledge of each individual.” Making a knowledge worker productive requires a management by objectives framework to identify personal value, strength and responsibility, to align personal goals with common goal, and to promote teamwork. This human-centered principle requires managers to consider the issue of putting people in right roles that fit their values and strengthens to unleash their full potential, because Drucker believes “performance is built on strengthen not on weakness.”

47 Drucker, *Essential Drucker*, 211.
It takes time, effort, and resources to nurture employees for significant improvement in performance. This may raise the concern of “return of investment” on people, and there is, of course, the risk that employees may leave once they reach self-attainment. In light of these concerns, many organizations prefer to hire “established employees” with skillsets that can be readily used instead of growing their existing employees. However, as, in Drucker’s view, people are an organization’s most important resources, it benefits the organization if employees “acquire the capacity to grow, to develop, to contribute through management.”52 In fact, organizations with strong employee orientation that are successful at developing people have greater workforce loyalty and higher retention rates.53 Higher employee satisfaction can further lead to higher customer satisfaction,54 because every employee is focused on making a contribution.

Drucker’s visionary human-centered management ideas transformed the traditional managerial mindset. The “employ the whole man” concept implies that organizations need to accept each employee as a multisided whole, with both “good” and “bad” qualities that are inseparable. Therefore, organization should give everyone an equal chance and resources to help them grow, instead of categorizing them into high potentials and low potentials with distinctive treatment. Effective managers should assign knowledge workers to the role that best fits them, but treat all equally as a “whole man,” regardless their particular position.

52 Drucker, Management, 29.
5. Everyone Innovates

Long before there were comprehensive studies on innovation and entrepreneurship, Drucker stated the importance of innovation: “Not to innovate is the single largest reason for the decline of existing organizations. Not to know how to manage is the single largest reason for the failure of new ventures.” Innovation is as important as management and it can be managed.

Conventional wisdom has it that technological advancement drives human and economic development, but Drucker defined innovation as any “effect in economy and society.” In other words, any behavioral change or optimization of a daily operational process can be innovation. Drucker emphasized that this broader range of social, system, and process innovations is just as important in our lives as natural science or technological invention.

Innovation improves productivity and can itself be a measure of productivity. As Drucker asserted, productivity and performance are built on specific strengths and knowledge. For Drucker, innovation too is based on one’s strengths. Successful innovation should start from small, tentative, and flexible, just as any other works. As Drucker said, “Innovation, by definition, has to be decentralized, ad hoc, autonomous, specific, and microeconomic.” Therefore, innovation is not limited to the R&D department or to a small group of executives; it is the responsibility of everyone, at all levels of the organization. Everyone should have a point of view from their role and an opinion on how to achieve common goals innovatively as a team. Therefore, all knowledge workers within the organization, who know their respective functions

55 Drucker, Essential Drucker, 8.
56 Drucker, Essential Drucker, 278.
57 Drucker, Essential Drucker, 81.
59 Drucker, Innovation and Entrepreneurship, 135.
best, can and should innovate in their role, to incorporate their specific knowledge and their
unique firsthand experience to make an innovative impact on the overall performance. This is
because innovation mostly “happens close to event.”60

As Drucker asserts, innovation should be market driven and evidence based. Getting a
holistic view to capture all evidence in this constant changing market environment requires a
joint effort from everyone, at all levels, for innovation to be effective. If, for example, the
organization aims to incubate innovation in customer experience, it must consider a broad range
of information from all functions with touchpoints to customers, together with the engagement of
R&D talents, for the best solution. Front-line employees, in particular, are closest to the market
and customers—they know best what the problems are and what improvements are needed to
optimize their operation and customer handling, not the small group of researchers sitting in the
R&D department. In accordance with the earlier principles, these front-line employees should be
accountable and responsible for making their decisions in response to market change. For the
same reason, organizations should encourage these front-line employees to drive the resolution
for improvement. This is what Drucker called “knowledge-based innovation.” As Drucker said
himself, “Innovation has to be close to the market, focused on the market, it is indeed market-
driven.”61

Successful innovation starts small, tentative, and flexible.62 There are varying methods to
incubate an innovative culture within the organization, such as brainstorming without judgment,
collaboration, teamwork, and information sharing across functions. Innovation may involve fast-

60 Drucker, Essential Drucker, 324.
61 Drucker, Essential Drucker, 278.
62 Drucker, Essential Drucker, 323.
paced prototyping and iterating and appropriate risk taking. Resilience against inevitable failures is essential in this process.

For sure, any innovation involves risk taking, Drucker addresses this too: “Innovation is risky . . . all economic activity is by definition ‘high risk.’ And defending yesterday—that is, not innovating—is far more risky than making tomorrow.” Therefore, the key to letting everyone innovate is encouraging everyone to look for innovative opportunities in their daily obstacles and customer pain points. These innovations can be just small process changes with definable risk, to position the organization as “opportunity focused” rather than “risk focused.” Innovation can also be tentative if it doesn’t reach the expected and desired result; with small start-up cost and resources, innovation-associated risks can be minimized. If an organization can follow this principle to start its innovation journey—encouraging small changes at all levels, capturing more and more potential innovative opportunities—these small innovations can have a big impact on the organization in the long term, and shape a culture of innovation and excellence. Because innovation can exist in many places within an organization’s daily operations, it may not come as planned, but if the organization can stay opportunity focused, innovation can happen and be managed.

64 Drucker, *Essential Drucker*, 322.
6. Regular Abandonment Is Practiced

“What exists is getting old.”66 It is our natural human tendency to cling to “yesterday’s successes.”67 This phenomenon applies to well-established organizations with long history and strong culture, and, on the individual level, to successful executives with rich experience. In this knowledge era, when knowledge changes quickly, the experiences, skills, and processes that we are comfortable with and have proved to work in the past will limit our growth if we don’t practice systematic abandonment.68 Especially when these “successful experiences” are deeply rooted as norms in organizational culture and written in rules as “how we work here,” people stop asking whether what worked yesterday still works for tomorrow, not realizing that those old ways of working may be obsolete or no longer applicable in today’s environment. Abandonment is, therefore, a process to make space to create the new for tomorrow, to clear the path for continuous success in the future.

This abandonment process is not a one-time task; it needs to be reviewed on a regular basis. As Drucker asserts, regular abandonment needs to be a planned event in organizations, “past decisions, policies, strategies need to be revisited, challenged, made to justify themselves in terms of the challenge of the new.”69 What to abandon is a test of vision, it’s an issue of how an organization envisions tomorrow will be.

Visionary executives come with not only experience and knowledge of how it worked in the past, but also a good understanding of their current situation and problems, as well as a clear vision of the desired results in the future. Based on this knowledge, effective executives can

66 Beatty, World According to Drucker, 123.
67 Drucker, Management, 84–85.
68 Drucker, Post-Capitalist Society, 57.
69 Beatty, World According to Drucker, 123.
make their abandonment plan to prepare for the future by asking themselves the question, “If we did not already do this, would we go into it now?” and abandoning anything for which the answer is no.\textsuperscript{70}

Regular abandonment is necessary, because where we are today is made from where we were yesterday; just as the decisions we made yesterday caused our problems today, the decisions we make today will inevitably affect tomorrow. With limited time and energy, effective executives do “first things first,” prioritizing the important issues for tomorrow, so they cannot live on yesterday’s success or problems, which can only limit growth tomorrow. Necessary abandonment of what is no longer applicable helps an organization focus on what works today and what works for tomorrow. Only then can the organization build the competence needed for tomorrow.

In this way, regular abandonment can be practiced as a tool to achieve effectiveness and productivity in organizational life. Abandonment is necessary to clear the road for innovation. As Drucker wrote, “The first rule for the concentration of executive efforts is to slough off the past that has ceased to be productive.”\textsuperscript{71} That suggests that executives must regularly review their own work as well as their subordinates’ work, make the right choice to drop activities that are no longer productive, and to concentrate on essential issues that can produce results and performance, so the organization can be more effective as a team and have more time for innovation to make a bigger impact.

It is, however, not an easy task. It takes effort and certain risk taking to implement regular abandonment; as mentioned previously, there is often strong resistance within the organization to

\textsuperscript{70} Beatty, \textit{World According to Drucker}, 125.
\textsuperscript{71} Drucker, \textit{Effective Executive}, 104.
drop norms, especially those that have proven to work in the past. Drucker explains that this resistance always favors “what has happened over the future, the crisis over the opportunity, the immediate and visible over the real, and the urgent over the relevant.”72

7. Results, Not Activities, Are Measured for All Stakeholders

Contrary to conventional wisdom that focuses on an itemized action list, Drucker asserted that actions should produce results; to be result driven we should concentrate on activities that can produce results. As he said, “All one can measure and should measure is performance.”73 One renowned feature of Drucker’s management philosophy is being “results-oriented, outcome-based, peer-focused, and performance-driven.”74 Drucker created a set of diversified criteria to evaluate organizational and individual performance. This principle adds significant practical meaning to his philosophy.

On individual level, Drucker suggests that “effective executives focus on results, not on work.”75 It is the tendency for not just executives but every individual in the organization to count on their efforts and specific tasks accomplished rather than the result produced by these tasks. Being responsible for the result is the key to effectiveness, since not every task can produce desired results, and not all tasks produce an equal rate of return. So to best allocate resources to those most productive tasks, an organization should take results rather than the work itself as a yardstick. In fact, Drucker defines an organization as a special purpose institution to

72 Drucker, Effective Executive, 115; Beatty, World According to Drucker, 126.
73 Drucker, Effective Executive, 86.
74 Drucker, Essential Drucker, 28.
75 Beatty, World According to Drucker, 125.
produce results.\textsuperscript{76} By this definition, an organization is not performing its function and is a waste of scarce resources if it works on tasks that cannot deliver results. “One should hold oneself accountable for the performance of the whole,”\textsuperscript{77} he wrote, suggesting that employees should always check whether they are making the contribution required for the overall organizational need. Performance is defined by contribution, not by how much work has been accomplished.

Although Drucker requires results to be clear, unambiguous, and measurable,\textsuperscript{78} measuring results can be a complex task and doing so requires a holistic, 360-degree view from different stakeholders. Countless internal and external factors can affect the final result of a particular task, and certain jobs are just harder to measure. These determining factors of performance evaluation could include local societal culture, organizational culture, industry features and norms, as well as the specific function, the role of the person being evaluated, and so on. Different voices, such as employees, customers, shareholders, and the general public, should be heard and taken into account. All these factors could affect the effectiveness of a performance evaluation.

Measurement of performance has no fixed rules but doing it correctly requires effective communications to align the expectation between employees and executives. Employees should have a full understanding of what is expected of them and how they are going to be measured and judged.

Consider Drucker’s three main yardsticks of performance: direct results, building values and their reaffirmation, and building and developing people for tomorrow.\textsuperscript{79} Organizations need

\textsuperscript{76} Drucker, \textit{Post-Capitalist Society}, 53–54.
\textsuperscript{77} Drucker, \textit{Effective Executive}, 53.
\textsuperscript{78} Drucker, \textit{Post-Capitalist Society}, 55.
\textsuperscript{79} Drucker, \textit{Effective Executive}, 55.
direct economic results to maintain their operations and sustainability, so profitability is always the primary measurement for an organization to exist in the marketplace. But while profit is important, Drucker also suggests that executives consider other measurements and not to take financial performance as the only criterion. There are other outputs that can bring contributive outcomes to the commonwealth and positive social impact, such as growing people, building up values, and so on. Effective organizations, executives, and individual employees should all focus on the activities that can produce the most direct output when they allocate their resources, with the consideration to measure all outcomes, not just financial outputs.

8. Balances Short-Term and Long-Term Results

“Effective managers should be able to manage both present and future.”80 As the previous principle suggested, multiple perspectives are needed to measure results and to evaluate performance; the choice of how to allocate resources involves a trade-off. Effective executives should have a good understanding of the current situation and problems, but also have a clear vision of the future. They must balance resource allocation for the organization to stay effective and productive to perform year over year, yet at the same time build competence for sustainability, to enable the organization to smoothly transition from the present to the future.

The primary precondition for both current operation and sustainability is profitability. All other yardsticks of performance, such as building value and growing people, depend on financial support from profitability. As Drucker said, “It is the management responsibility for for-profit business enterprises to produce at least minimum profitability required to hedge future risk and

80 Drucker, Essential Drucker, 59.
uncertainties.” This statement demonstrates the fundamental importance of profit making to keep the organization competitive in both the short term and the long term, so profitability should be always the primary consideration for organizations to plan their path and resources. An organization is an organ of the society; it is not a contradiction for organization to make a profit and to exercise social responsibility. However, as Drucker noted, it is only possible to exercise social responsibility when making a profit.

To be profitable in both the short term and the long term, organizations must regularly revisit the sustainability of their current business. As suggested in previous principles, an organization’s business today may not be the same business it will be and should be tomorrow. Therefore, to effectively manage from past to future between different businesses, managers need embrace the concept of “ambidextrous organization.” This means to not only “look backward constantly to attend to the products and processes of the past,” but also to stay forward-thinking to “prepare for the innovations that will define the future.” In this case of changing an organization’s business and mission statement, Drucker’s management by objectives framework requires a series of internal changes that will dictate the reallocation of resources. In this process, it is normal for organizations to have different priorities in the short-term and the long-term; the transition into future business for long-term gain may likely involve the trade-off of short-term loss. This short-term loss applies to overall organization, but it’s more likely to have an unequal share of loss within the organization—some departments and function groups may suffer more in their short-term performance than others. This may cause strong

81 Drucker, Essential Drucker, 59.
internal resistance to change, so to drive the resolution executives need to redesign short-term objectives and measurements for performance to encourage the desired long-term change, and to work on effective communications to achieve mutual understanding between all, to align everyone around the common goals.

In addition to the concern of short-term financial loss, making a strategic choice that will benefit a business in the long-term can be difficult from a value-fit perspective. An organization that is not value-fit may have good monetary return in the short-term, so in this case it may need to consider and to balance the trade-off between short-term financial gain and long-term ethical value for branding recognition and sustainability. A truly value-fit strategy should be able to balance both short-term and long-term goals that resonate with the customer groups the organization serves. In fact, financial interest, values, and social contributions may not necessarily be contractionary choices—smart organizations should be able to harmonize these different needs around their long-term goal to decide which business opportunities to get into. Value fit is another compelling Drucker principle that is interrelated in deciding how to balance short-term and long-term results.

To be effective in resource allocation to compete for the future without too much expense for today’s operation, Professor Jaworski suggests a “monkey theory.” Executives should allocate 20 percent of their time and resources to prepare for tomorrow’s business, until the future business grows solid, at which point they can start to lean more resources into the new unit until it’s time to make a complete shift. It is crucial for executives to have the vision to balance continuity and change, to distribute the best portion of their time and resources to invest in future, rather than concentrate solely on current economic performance and risk being left behind by changing market.
9. Everyone Lives by the Values

As Drucker said, “Every organization needs a commitment to value and constant reaffirmation, just as the human body needs vitamins and minerals. They are what ‘this organization stands for.’” The first Drucker principle emphasizes the importance of a well-defined mission statement and values; this principle is focused on living those values. This means that once the values are identified, they must be fully understood by everyone, at all levels across the organization. For that to happen, these conceptual values must be translated into practical behaviors, and implemented in every aspect in organization’s operation, so these values come to guide people’s business conduct. For the values to be well understood by all, they must be clear and explicit. As Drucker wrote, “Value commitments, like results, are not unambiguous.”

For Drucker, philosophical values should be a unified code of conduct that applies to all business units and is applicable to the overall society; that said, there shouldn’t be a separate value and ethics system in the organizational setting than there is for individuals, families, and schools. So, living with values is not only important on an organizational level, but also key to maintaining the overall function of society. Just as Drucker said: “In a moral society, the public good must always rest on private virtue.”

85 Drucker, *Essential Drucker*, 64.
“Organizations have to have values,” Drucker wrote, and building values is one major measurement of organizational performance. Although values of different organizations may vary, once values are stated, everyone within the organization must buy into them. Without a strong commitment to shared values, there is no enterprise. These shared organizational values are the fundamental basis for shaping the culture as “how it works here.” That being said, these shared values should become common belief for all. Value-led behaviors should become the norm to direct people’s daily behavior.

Therefore, value fit is a must for individuals to live with unified organizational values. Even in the case of high-performing employees, if they do not agree with the shared values, they should be removed. Organizations need to be value-led rather than performance-led. This is because values are “the ultimate test” according to Drucker. If an employee’s strengths do not fit their value systems, even if they can perform well in their task, this job may still not be the one “to devote his life in.” Drucker explained this with his personal experience, that although he had the strength to be a high performer in a bank, it was not the perfect value fit job for him. Therefore, Drucker suggests although one’s personal values may not be exactly the same as an organization’s values, they should be at least “compatible for one to be effective to produce results.” Value fit is the precondition for employees to live with the values, so organizations should ensure that their values are clearly articulated and effectively communicated to all. Employees must be able to state the values to understand how these values can direct their work.

However, organizations should also consider the fact that different stakeholders may perceive values differently. It is very understandable that customers may have different values from shareholders and other stakeholders.

For values to be effectively implemented in a value-led organization, the organization must be in the value fit business and adhere to value fit business conduct.

To be in the value fit business, Drucker asserts that once organization has clearly defined its values, it should “refrain from tackling tasks that do not fit into its value system . . . as a result, it will do damage rather than good.”93 Although different organizations may have varying focus on their values, Drucker encourages organizations to “do the right thing” to engage in ethical business. It is, however, the managers’ responsibility to set the right objective to lead the organization into the right business for them, as Drucker says: “Managers have to base their decisions on what is right rather than on what is acceptable.”94

To adhere to value-led conduct requires a group of like-minded employees who are engaged and passionate about company values, with a sense of purpose and the ability to see the value of their work to the overall organization. This will enable them to take responsibility for their actions and fully integrate organizational values into every aspect of their daily work, rather than paying lip service to them.

10. Demonstrate Social Responsibility

93 Drucker, Essential Drucker, 60.
As one of the important thinkers on social problems, Drucker viewed social responsibility as an essential value for all of his works. A functioning society is one of Drucker’s main goals and one of his most renowned concepts. Running a functioning society requires effective management, whether the organization is a for-profit business, a government agency, or a nonprofit. As he said, “Management worldwide has become the new social function.” It was for the purposed of solving social problems that Drucker introduced many of his innovative management terms, such as management by objectives and decentralization.

Social responsibility to Drucker was a management responsibility rather than business responsibility. With the increasing attention on social responsibility, Drucker recognized “a new demand for business to make social values and beliefs, and produce the good society.” Social problems are biproducts of an organization’s operation; an organization can have a positive or negative impact on society. Other problems that exist in society due to the “sickness of government” are problems that arise from society itself; organizations can do for society when the government fails. But Drucker advocated that organizations have social functions regardless of the cause of the problem, “even though the cause of society’s sickness is none of management’s making.” Both “social impacts and social responsibility have to be managed,” and as an organ in society, organizations carry this “specific social means and purpose.” There’s a reciprocal relationship between organizations and the society: if the society is “sick”

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95 Drucker, Essential Drucker, 8.
96 Drucker, Essential Drucker, 55.
97 Drucker, Management, 319.
98 Drucker, Essential Drucker, 51.
99 Drucker, Essential Drucker, 52.
100 Drucker, Management, 325.
101 Drucker, Essential Drucker, 14; Drucker, Management, 30.
and not functioning, organizations could be affected, too. A better society, as the prerequisite for a healthy and growing organization, therefore is in management’s self-interest too.\textsuperscript{102} Since every employee shares some duties of the overall organizational goal, this organizational duty to social problem becomes the common goal to engage both executives and employees, until the practice of social responsibility becomes the norm and organizational value for everyone to live with. As Drucker described the mutual need between organization and society: “The central tensions and issues that confront the society of organizations: …the responsibilities of one to another, the tension that arises from the organization’s need for autonomy and society’s stake in the common good, the rising demand for socially responsible organizations.”\textsuperscript{103}

Social responsibility as management responsibility lies at all levels within the organization; it’s not just the task of a single department nor does it lie fully on the shoulders of small group of executives. Organizations have full responsibility to social impacts due to their own operation,\textsuperscript{104} and it is management’s job to identify and anticipate these impacts effectively. These impacts can be complex, with impacts that are intended and unintended, desirable and undesirable, anticipated and unanticipated, and so on. Once the impacts are identified, resolution-driven activities should be planned according to measurable results, on the outputs produced from certain activities, outcomes, and impacts. To implement these planned activities, everyone in the organization must be committed to social responsibility in their own roles. It is a collective responsibility and an ongoing process. For social responsibility to grow at all levels, the

\textsuperscript{102} Drucker, \textit{Essential Drucker}, 52.
\textsuperscript{104} Drucker, \textit{Post-Capitalist Society}, 102.
organization must have a team of like-minded individuals who believe in this purpose and are willing to behave in ways that are consistent with social responsibility.

Although social responsibility should be practiced by all as one integrated unit at the organizational level, and individuals’ personal values are expected to align with organizational values, from an individual moral standard point of view, managers should not be forced to practice social activities outside their professional life, when they are not representing the organization.

This principle would be challenging if the organization was solely aimed for profit maximization and ignored its social function. Although being profitable is an organization’s first responsibility and necessary to provide financial support to socially responsible activities, profit making does not have to be in contradiction with social responsibility. Being socially responsible is not limited to philanthropy by volunteering time or donating money. On the contrary, Drucker suggested that if visionary managers could solve certain social problems effectively and innovatively, there was a chance to turn social problems into profitable business opportunities. This is, however, a higher level of requirement for organizations, one that requires innovation and vision. In addition to developing new business opportunities, there are numerous economic benefits to making an existing business socially responsible, such as positive brand recognition and public relations, greater customer loyalty, and better retention of market share.

There are, however, also certain limitations organizations should be aware of when they exercise their functions and responsibilities to solve social problems. Organizations must be focused to be effective. If the organization engages in a task that is not value fit or beyond its

legitimate power or competence of knowledge and resources, it could endanger the performance of its own operation—that would be socially irresponsible.\textsuperscript{107} All of Drucker’s principles, such as being result driven, measuring performance, promoting innovation, focusing on the task fits strengths and value system to be effective—all of these should still be the guiding principles for bettering an organization’s social responsibility.

\textsuperscript{107} Drucker, \textit{Essential Drucker}, 63.
Chapter III: The Ten Principles of Confucian Philosophy

Confucianism can be considered the most representative philosophy of China’s value system from the perspective of both historical development and contemporary influence. Never a static system, it has been “consistently undergoing changes and adaptation throughout its history.”108 There have been three major historical epochs during its development: classic Confucianism (before the Han dynasty), Neo-Confucianism (developed in the Song-Ming dynasty), and New Confucianism (developed since the twentieth century). Neo-Confucianism in particular adopted core concepts from other renowned Eastern philosophies like Taoism and Legalism, the writings of Mencius, and religions such as Buddhism.109 The impact of Confucianism is pervasive and significant as the only official imperial ideology throughout most of Chinese history.

Confucius and His Philosophy

Confucius (551–479 BC) was an educator, editor, and politician, and one of the most influential philosophers in Chinese history. He is called “Master Kong” and “Sage” in Chinese literature; in the West, he is regarded as the Socrates of China.110

108 Henry Rosemont, Jr., A Reader’s Companion to the Confucian Analects (New York: Palgrave Macmillan, 2012), 2
110 Poola Tirupati Raju, Introduction to Comparative Philosophy (Lincoln, NE: University of Nebraska Press, 1962), 129.
Confucianism, also referred to as Ruism, is “the guiding principle of people’s work ethic and social order”\textsuperscript{111} in many Asian countries and remains very much alive today. Regarded as a “philosophy of practical life,”\textsuperscript{112} with pragmatic principles,\textsuperscript{113} its values and rules support social order with the ultimate goal of social harmony. Confucian ideas were developed to enhance people’s value system and reshape their behavior to lead them to a virtuous life.

In ancient China, Confucian books were must-reads for scholars and were required reading for civil service examinations. They include the Four Books\textsuperscript{114} and the Five Classics,\textsuperscript{115} together recognized as “the foundation stone of Confucian teachings.”\textsuperscript{116} In contrast to Peter Drucker, who did his own writing, it is believed that some Confucian books were collected and edited by the philosopher’s followers, descendants, and disciples after his death. Within all these classic works, Analects is one of the most important, teaching the central values and virtues of Confucianism. This book will be the main source of Confucian values in this study. These values are represented as virtues, which function as the unified belief and social norm for everyone to learn and to follow.


\textsuperscript{112} Raju, \textit{Comparative Philosophy}, 103.

\textsuperscript{113} Yi-Pao Mei, \textit{Motse, the Neglected Rival of Confucius} (London: Arthur Probsthain, 1934), 23–25; Raju, \textit{Comparative Philosophy}, 97.

\textsuperscript{114} The Four Books are the Analects, the Great Learning, the Doctrine of the Mean, and the Book of Mencius.

\textsuperscript{115} The Five Classics are the Book of History, the Book of Odes, the Book of Changes, the Book of Rites, and the Spring and Autumn Annals.

The fundamental Confucian virtues, known as the Five Virtues or the Five Constants, are benevolence (ren), righteousness (yi), ritual (li), wisdom (zhi), and trust (xin).\textsuperscript{117} In ancient China, exhibiting these virtues was an important way to gain respect in the community. Social status was mostly classified by birth, so learning and practicing virtues gave people a chance to be promoted to civil servants, which was believed to be the only path to increase one’s social rank for real material change in life.

Most existing studies of the application of Confucianism to modern management are limited to the area of business ethics, however, as a pragmatic philosophy to direct everyday life, Confucian principles can have a much wider application in a business setting and can inspire modern general management theories.

It is difficult to understand Confucian works precisely, in part due to their unique structure. For example, Analects was collected and rearranged by various followers of Confucius into twenty short books that are seemingly arbitrary.\textsuperscript{118} Therefore in addition to possible misunderstandings caused by dramatic changes in language over time,\textsuperscript{119} some content may also seem difficult to connect to modern life and therefore no longer applicable. So, context and reinterpretation are necessary to better understand Confucian principles and apply them to today’s environment. Considering the many changes and integrations in Confucianism over its long history, as well as the many translations and reinterpretations of the original works, we selected few widely recognized Western Confucian scholars and used their writings as main

\begin{footnotesize}
\begin{enumerate}
\item In addition to the Five Constants, other important virtues include loyalty (zhong), filial piety (xiao), and continency (jie).
\item Rosemont, \textit{Reader’s Companion}.
\item Classic Confucian works, including Analects, were written in classic Chinese, which differs from modern Chinese. Some Confucian terms have multiple English translations that are equally accepted and commonly used in Confucian studies.
\end{enumerate}
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source in this study. This will demonstrate various perspectives and applications, in particular how Confucianism is understood from a Western perspective and in that context how Confucian principles can be better applied in modern management settings. This is because even in Confucian societies like China, most organizations today adopt management theories aligned with Western values. To gain a more holistic view, we begin this study by extracting the hidden meanings and unique characteristics of Confucian writings, then add plausible new meanings and explanations to reflect contextual change through time, such as societal change, people’s understanding of change and theory development, and so on. Then we expand these ideas into the context of contemporary business setting for reinterpretation from a management perspective, to bring practical meaning for today’s organizations.

Ten Principles

Many of the core principles of today’s Confucian societies—such as self-cultivation, interpersonal relationships, and moral development as a means to reach the ultimate goal of social harmony—originated more than 2,500 years ago, during the time of Confucius himself. These principles have been carried through generation after generation as part of cultural heritage. Many people live by them and look to them to help solve their daily problems,120 either consciously or unconsciously. In a business setting, these principles can inform decision making121 as well as actions in the workplace.

Although there is no systematic framework for management or business in Confucianism, for the purposes of this study we have summarized ten representative general principles from existing works and used these to perform a comparative analysis with Drucker’s Ten Principles, as established by the Drucker Institute and Professor Jaworski.

1. **Virtuous and Ethical Behavior Creates a Harmonious Society**

Like other Eastern philosophies, “Chinese philosophy is all about humanism.”

Confucianism is human-centered, with a strong focus on the inner self. Reaching the ultimate goal of a harmonious society requires the virtuous behavior of each and every individual. This behavior is achieved through continuous reflection, practice, and evaluation, a process that Confucius called self-cultivation. The aim of self-cultivation is to shape oneself toward the superior (junzi)—a “superior person” refers to the perfect, virtuous role model created by Confucius. Among the outstanding virtues of a superior person, benevolence is fundamental. Although the journey toward self-cultivation is not easy, it is theoretically achievable by anyone through continuous learning and discipline, regardless of social class. This is because Confucius believed that human beings are naturally inclined toward good conduct, and that everyone can be educated. If people are virtuous and, through self-cultivation, become superior, then they can continue to lead their families, manage their country, and ultimately serve beyond national boundaries, until society as a whole reaches harmony through collective effort. 

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organizational setting, this principle promotes a value-led organizational culture in which each employee lives by it in everyday practice.

Confucius depicts a superior person as “having a sense of appropriate conduct as one’s basic disposition, developing it in observing ritual propriety, expressing it with modesty, and consummating it in making good on one’s word.” This definition requires many core virtues to work together for “appropriate conduct,” such as benevolence, righteousness, ritual, trust, and so on. These virtues are the fundamental basis of self-cultivation. As Confucius said, “The superior man thinks always of virtue; the common man thinks of comfort.”

Self-cultivation is essential in Confucianism, but it is a difficult task. As Confucius famously said, “The gem cannot be polished without friction, nor man perfected without trials.” Similar to “polish rough jade into a beautiful statue,” which is very time-consuming, reshaping one’s behavior requires continuous reflection, practice, and evaluation. Considering the difficulty of persisting in this self-cultivation process, Confucian scholar Zhu Xi suggested, “The decision to stop or move forward lies entirely within me, and is not determined by others.” This tells us that the motivation for self-cultivation comes from within, and that individuals must have a strong mind to discipline their own behavior; it cannot be forced by others.

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125 Analects 15.18; Ames and Rosemont, Analects of Confucius, 188.  
126 Also translated as “petty man,” which, in contrast to a “superior person,” represents all the opposite unvirtuous features.  
127 Analects 4.16.  
130 Van Norden, Introduction to Chinese Philosophy, 134.  
131 Zhu Xi was the founder of the “rationalist school” and an influential Neo-Confucian scholar.  
132 Analects 12.1 reinterpreted by Zhu Xi.
Every member of society is responsible for self-cultivation, regardless their social class, but there’s also material motivation to be virtuous. In Confucius’s time, society was class driven and entrepreneurs had lower social standing than other formally educated scholars (civil servants). To motivate people to pursue self-cultivation, Master Yangming argued that social class should not stop one from being virtuous, and that social status need not correspond to one’s actual moral worth—all occupations should carry the same value if people can practice the same virtues. This motivated some business elites to follow Confucian principles and to be virtuous in business, in order to gain respect in society, like other professions. These virtuous entrepreneurs were recognized and defined as “Confucian traders.” This concept is akin to “Drucker followers” and “Drucker-like enterprises” that follow Drucker’s management philosophy. The material benefit of improving social status signals the importance of self-cultivation, in that individuals can gain respect by practicing virtues instead of being classified by birth or profession.

Although self-cultivation is an individual effort, social harmony can be achieved only when all members of society practice virtue together. By the same token, a harmonious and virtuous social environment can also help individuals advance their moral refinement. Confucianism places particular focus on restoring harmony, possibly because the war-riven world in which Confucius lived was in significant moral decline. Achieving social harmony requires love and care of one another—that is the power of benevolence. Benevolence, as “the

134 Wang Yangming is regarded as an important Neo-Confucian thinker.
virtue of all virtues”\textsuperscript{136} is the cornerstone of Confucianism. The core value of benevolence is to love people and to extend this love to others;\textsuperscript{137} it shows an attitude of outward love to all people in need, similar to today’s altruism. A benevolent person pursues self-cultivation and contribution to others and society, and value is prioritized over personal gain. As described in Analects: “One who is Good (“Benevolent”) sees as his first priority the hardship of self-cultivation, and only after thinks about results or rewards.”\textsuperscript{138}

In Confucius’s time, the family was the basic unit of society. For the purposes of modern organizational settings, we can think of this as the production unit that connects individuals and the larger society. Self-cultivation can then be interpreted as self-growth and self-management. The importance of growing people has been well recognized by modern organizations, but as Drucker suggests individual growth requires not only self-control and self-management, but also organizational responsibility to train and to develop employees. Within the Confucian family, the father-son relationship requires the parent to take responsibility for educating children. It acknowledges that individuals have a strong mind to work on their own self-cultivation. Although Confucianism also points out that a healthy, harmonious outer environment can foster self-cultivation, the main motivation and drive comes from one’s own mind rather than the external environment. As he stated, “Looking, listening, speaking, and moving are all things that come from oneself, not from others, which is why the key to achieving Goodness lies within

\textsuperscript{138}Analects 6.22; Confucius and Slingerland, \textit{Essential Analects}, 69.
oneself and does not come from others.” In organizational terms, this means that employees must be motivated to develop themselves, instead of waiting for organized training.

In Confucianism, everyone is expected to perform virtuously in his own role; the virtue of trust requires that one’s word and act correspond; this principle also requires integration of learning and action in self-cultivation, that is, one must not only learn virtues conceptually but also practice them. Translated into today’s organizational setting, this implies that employees should behave in accordance with what they learn. As Confucius stated, self-cultivation is not an easy task. It will take time for an organization to shape its culture, as there may be widespread resistance to reshaping the mind and actions of every individual within the organization.

If we consider an organization as a small society in itself, aiming for a harmonious organizational culture would be a collective effort, requiring everyone to be equally virtuous in mind and conduct. In the event that organizational culture is not virtuous, Confucius says, “If only I am able to restrain myself and return to ritual, whenever I am confronted with something that is in accordance with ritual, I will have within myself the means to restrain my eyes and not to look at it, restrain my ears and not to listen to it, restrain my mouth and not to speak of it, and restrain my heart and not to put it into action.” This means that every individual employee should aim to live by Confucian values and act against unvirtuous behavior, in order to help create good organizational value.

Taking a broader view, if we think of a harmonious society as the external environment in which an organization exists, each organization in the society has the responsibility to self-cultivate so that it can contribute to the society overall. In terms of corporate social

139 Analects 12.1; Confucius and Slingerland, *Essential Analects*, 104.
140 Analects 12.1; Confucius and Slingerland, *Essential Analects*, 104.
responsibility, both the organization and the individual in the organization shall participate in socially responsible activities.

In addition to benevolence, the core virtue of righteousness plays an important role in maintaining social harmony. Righteousness is the ability to know what is right and wrong, and to choose to behave right. This virtue is also credited as the “primary driver of corporate social responsibility” in Chinese value systems. In a business setting, this virtue provides the reasoning for organizations to do what is right according to social good.

In addition to being socially responsible to work for social harmony, this principle can also be interpreted as a harmonious fit between an organization and its external environment. That is, the organization does no harm to the society and seeks nonexploitative ways to integrate with nature, to reduce destructive competition in the market, to refrain from activities that are not environmentally friendly, or to minimize activities that produce undesirable byproducts from daily operation.

There could be many other interpretations and applications of this principle. However, the key is to demonstrate how to achieve overall good by promoting self-cultivation on an individual level and for the organization as a whole to fit into the larger society in a harmless way.

143 Ashkanasy, Wilderom, and Peterson, The Handbook of Organizational Culture and Climate, 420.
2. Manage by Virtue Rather than Punishment

Confucius believed in the “universal existence of moral law.” He advocated that it is more effective to rule a country by promoting moral values than by punishment. As he explained, “If you try to guide the common people with coercive regulations and keep them in line with punishments, the common people will become evasive and will have no sense of shame. If, however, you guide them with virtue, and keep them in line by means of ritual, the people will have a sense of shame and will rectify themselves.” Following this principle leads to a value-led organization that prioritizes values and missions rather than enforcing rules.

Confucius believed that human beings are inherently good, with an innate sense of benevolence. He also believed that everyone is teachable and will naturally seek the virtue of wisdom in their pursuit of self-cultivation. Two of the Five Virtues are particularly relevant here: ritual and righteousness. Ritual is a set of fixed rules that are practiced in daily life, a model of ethical behavior that helps to shape social norms. Righteousness is the ability to know what is right and wrong, and to make the choice to do what is right for the right reason in a given context; it is associated with the sense of shame and disdain. In the case of unvirtuous behavior against ritual, righteousness can teach people to realize what is wrong, to feel ashamed of their own misconduct and stop doing wrong.

The concept of self-cultivation and harmonious environment discussed in the previous principle are highly interrelated to rule by virtue. By practicing self-cultivation, people can become virtuous and superior, making them good role models for others. Placing virtuous people

144 Moore, Philosophy and Culture, 667.
145 Analects 2.3; The Great Learning; Confucius and Slingerland, Essential Analects, 4.
146 Raju, Comparative Philosophy, 116.
in positions of power helps motivate others to do right. This helps create an environment that is conducive to rule by virtue. When everyone does right in their role, ultimate harmony is achieved.

However, since many Confucian virtues are general principles rather than explicit rules, people may find them vague, particularly in the face of changing contexts or complex issues.\textsuperscript{147} This makes ruling by virtue hard to apply in reality. On the other hand, there’s also benefit to rule without fixed regulations, as it gives people flexibility to make their own decisions. Confucius noted, “Let there be men and the government will flourish.”\textsuperscript{148} In organizational settings, this is akin to expecting accountability and responsibility from each individual, of granting people the chance to think and make decisions based on their own judgment. In this way, people can unleash their full potential to grow and to better perform in their roles, rather than simply following fixed rules like a machine that simply responds to input.

Confucius said, “One who rules through the power of virtue is analogous to the polestar: it simply remains in its place and receives the homage of the myriad lesser starts.”\textsuperscript{149} This statement indicates that commitment to virtues is the perquisite to rule by virtue, because for individuals to make “virtuous” decisions they must be educated in the “right” virtues. Although there was already an established legal system in Confucius’s time, this principle emphasized learning virtues rather than laws, which is a very different ideology from today’s system of “ruling by laws.”

\textsuperscript{147} Wei-Bin Zhang, \textit{Confucianism and Modernization: Industrialization and Democratization in East Asia} (New York: Palgrave Macmillan, 1999), 37.
\textsuperscript{148} Doctrine of the Mean, xx.
\textsuperscript{149} Analects 2.1; Confucius and Slingerland, \textit{Essential Analects}, 4.
Effective government requires a unified standard of merit to ensure fair evaluation and maintain the overall ruling system. Therefore, in ancient China, the national test to select governors was solely based on learning Confucian works, as a way to ensure that all candidates had the same knowledge of rule by unified values; in addition, people were judged by standard behavior pattern. Confucian society was “based on man rather than law,”\textsuperscript{150} because ritual played a more important role in keeping social order than law. This is related to the principle of one standard, which will be discussed later in this chapter.

Confucius believed that it is more effective to maintain political stability through virtue than by brute force.\textsuperscript{151} This is similar to the role of values in modern theories of organizational culture: “To invoke values can create institutional legitimacy as the role culture plays in organizations.”\textsuperscript{152} But while Confucius prioritized virtue over punishment, he did not completely dismiss the use of force; rather, he viewed it as a last resort. In the example of an unvirtuous governing, Confucius described, “What could I see a person who in holding a position of influence is not tolerant, who in observing ritual is not respectful, and who in overseeing the mourning rites does not grieve?”\textsuperscript{153} Mencius further responded to this question by confirming that subordinates should have the right to fight against unethical rulers.\textsuperscript{154}

In modern organizations, virtues work similarly as values. As a fundamental component of overall organizational culture, they can guide people’s behavior in terms of “how we do things

\textsuperscript{150} Moore, Philosophy and Culture, 90.
\textsuperscript{151} Confucius and Slingerland, Essential Analects, 31.
\textsuperscript{152} Mary Jo Hatch, Organization Theory: Modern, Symbolic, and Postmodern Perspectives (Oxford: Oxford University Press, 1997), 36.
\textsuperscript{153} Analects 3.26; Ames and Rosemont, Analects of Confucius, 88.
\textsuperscript{154} Mengzi 6A6; Van Norden, Chinese Philosophy, 149.
around here.”155 Having compelling organizational values can lead everyday decision making in the workplace (wisdom),156 motivate employees toward desired behaviors (ritual) voluntarily rather than by punishing them (righteousness), and direct work priorities.157 In this way, the organization can shape a loving culture (benevolence) that is value-led rather than performance-led. As the organization develops its values and culture, executives and employees should continue self-cultivation to promote rule by virtue.

It is also worth noting that rule by virtue is adaptable. While ancient Confucian societies were ruled by a unified set of virtues, requiring today’s employees to buy in to a unified set of values is unrealistic. In our diversified society, personal value systems can be dynamic and change in a short period of time.158 Organizational culture theory suggests that the development of personal values can vary depending on an individual’s life experience, changes in the external environment,159 and how the individual views the environment.160 Therefore, value-led organizations must accommodate personal values as long as they are compatible with the overall organizational values. Recognition via awards and promotions can motivate virtuous employees, who, as superior individuals, can be elevated to managerial functions, much as ruling governors were elevated with legitimate power in traditional Confucian societies. It should be noted that the concept of “fighting against an unvirtuous ruler” does not mean that individuals should fight with

their managers or executives if they find that their personal values do not align with organizational values; rather, those individuals should seek out an organization that is a better value fit.

3. Do What’s Right Rather than Simply Being Profit Driven

“The Gentleman understands rightness, whereas the petty person understands profit.”161 When Confucius said this, people thought he meant that profit taking is not virtuous, and that money is menial and should be disdained. Therefore, in Confucian societies, people are ashamed to talk about money, either in life or in business activities. However, this belief that Confucianism does not encourage profit-making is a common misunderstanding.162 In fact, this statement refers to the virtue of righteousness. If we understand righteousness as the integrity of people, that people choose not to do what is wrong even when faced with strong temptation,163 we see that Confucius’s statement that the “petty man understands profit” actually refers to profit-driven motive and behavior rather than profitability itself. In other words, Confucianism is strongly against profit maximization through unvirtuous behavior, but not against doing business in and of itself. The virtue of righteousness is also associated with the feeling of disdain,164 suggesting that people who knowingly do wrong should be disdained. Therefore, if this principle is practiced correctly, the unvirtuous businessman should be ashamed of himself and be distained by others in the community. In this case, this principle fosters the healthy development of

161 Analects 4.16; Confucius and Slingerland, Essential Analects, 12.
163 Van Norden, Chinese Philosophy, 42.
164 Mengzi 6A6; Van Norden, Chinese Philosophy, 149.
commercial activities rather than the other way around. However, this misguided association between profit and the petty man has negatively affected the social status of entrepreneurs; in Confucian societies, doing business was regarded as the last choice of occupation, only when no other respected job can be found. This misunderstanding remains deeply rooted in Chinese culture even today.

Organizations following this principle need the knowledge of what is right and what is wrong, as well as the motive to choose to behave right. Knowing what’s right is related to the virtue of wisdom, which can be understood in organizational setting as the considerations of all possible choices, short-term and long-term objectives, such as profitability, values, and social impacts and so on. Organizations then need to make the right choice to balance these objectives, to commit to virtuous practice, and to not prioritize monetary gain over values.

Motive is one determining factor for people not to prioritize profitability over other goals in life. Confucius’s statement that “gentlemen do not pursue externalities”\(^{165}\) does not mean that people must stay poor to be virtuous, but rather that they must balance all considerations in life and work. Although individuals should not solely pursue profit maximization, doing right can bring material benefit too. In Confucian societies, personal interrelationships are a strong focus. In ancient China, when the family was the basic production unit of the agriculture-based economy, people were dependent on one another in their production activities. Righteousness was a fundamental criterion for building healthy relationships with others, in that it motivated people to make the socially desirable choices, so they could be better accepted and therefore foster their long-term economic activities. If someone chose wrong over right, that is, gave up

virtues merely for private interest, particularly if they aimed to gain at the expense of others, the whole family of the unvirtuous individual would “lose face” and be disdained by the community. This could potentially affect the family’s long-term monetary gain in a closed economy. As Confucius pointed out, “To act with an eye to personal profits will incur a lot of resentment.”\textsuperscript{166} This creates a punishment system by increasing the cost for those who do wrong.

Doing right should be the polestar. As Confucius said, "The superior man, in the world, does not set his mind either for anything, or against anything; what is right he will follow."\textsuperscript{167} To be virtue-led is an absolute and does not depend on the amount of profit.\textsuperscript{168} As Mencius enunciated, “A fully righteous person would also recognize that it is just as shameful to accept a large bribe as it is to accept a small bribe.”\textsuperscript{169}

As mentioned earlier, this principle is not “opposed to profit making,”\textsuperscript{170} but merely suggests that people do what is right without calculating profit,\textsuperscript{171} and this behavior should, again, come from one’s own motivation rather than external forces. If one’s mind is solely profit driven, this is already unvirtuous, and should be considered as shameful as unvirtuous behavior.

Confucius understood that profit is a basic need and that desire is part of human nature; of course, organizations desire to make profit as well. According to Confucian teachings, the important point is that the mind be guided by virtuous thinking, not by what is profitable.\textsuperscript{172}

\textsuperscript{166} Analects 4.12; Ames and Rosemont, \textit{Analects of Confucius}, 91.
\textsuperscript{167} Analects 4.10.
\textsuperscript{168} Mengzi 1A1; Van Norden, \textit{Chinese Philosophy}, 84.
\textsuperscript{170} Raju, \textit{Comparative Philosophy}, 107.
\textsuperscript{171} Moore, \textit{East-West Philosophy}, 411.
\textsuperscript{172} Analects, 4.16, 14.12; Confucius and Slingerland, \textit{Essential Analects}, 69.
translate a virtuous mind into business practice means that organizations should strategically plan their objectives around what is the right business, then use these “virtuous” objectives and missions to inform ethical practice in daily operation. This will ensure that the way of making profit is ethical; as Confucius noted, “wealth and honor are what people want, but if they are the consequence of deviating from the Way, I would have no part in them.”¹⁷³ This tells us that profit accumulation should be done with integrity, from deciding what to do to deciding how to do it; organizations should create compelling missions and right objectives, and adopt ethical business practices to correctly reflect their virtuous value.

This principle provides the reasoning and motivation for today’s organizations to make the right choice in their objectives and conduct, and to stay away from profitable but immoral business models or harmful behavior. In order to earn respect, organizations’ objectives should also consider the overall prosperity of community. Objectives that result in better financial performance but knowingly harm stakeholders should be disdained.

Another concern for Confucius in terms of profit generation is that it relates to greed and selfish purposes. So, when Confucius teaches people not to be profit driven, he’s also promoting self-control of greed. In particular, when people’s material gain comes at the expense of others, it is then obviously not socially desirable. In this respect, this principle can also be related to today’s concept of self-management, through self-cultivation to successfully master one’s desire to pursue profit maximization over virtue.

¹⁷³ Analects, 4.5.
4. A Journey of One Thousand Miles Begins with One Step

This principle demonstrates the pragmatic nature of Confucianism. As the dominant philosophy in China’s social order, Confucianism is widely regarded as “close in theories and practice.”

Although, as mentioned previously, some may feel that Confucian virtues are vague, these virtues do in fact provide strong practical guidance. This principle emphasizes the importance of action. Implementation can be found throughout Confucian works, which demonstrates that Confucius did not stop at teaching ideas but also encouraged people to act on them. The statement “the Way is made in the walking of it” shows that Confucius understood that knowing a concept does not produce results—action informed by the concept makes the difference.

Translated into a business context, this principle suggests that organizations must act on their ideas and relates to the concept of being results driven. But while Confucius promoted action as the first step to achieving results, he did not explicitly define the exact relationship between activity and results or discuss how the two work together. Organizations must first train their employees, just as Confucius taught his students, but the following actions, activities, and tasks determine the direct result and effectiveness of that training. If the knowledge gained cannot be transferred into action and improvement in performance, the training itself, if not a complete waste of resources, it is at least ineffective and unproductive. Just as this principle states “a journey of one thousand miles begins with one step,” values must be practiced step by step after they are taught.

174 Moore, Philosophy and Culture, 79–81.
175 Zhuangzi 4/2/33; Ames and Rosemont, Analects of Confucius, 33.
Confucius credited not only results, but also process. He explained how accumulated actions make up the process that achieves the ultimate goal, saying “the Way is long, but with every step one is making progress.”\(^{177}\) The metaphor “a person who moves a mountain begins by carrying away small stones”\(^{178}\) explains that creating lasting change requires continuous, persistent effort and long-term commitment. Confucius depicts this as “if I stop even one basketful of earth short of completion, then I have stopped completely. It might also be compared to the task of leveling ground: even if I have only dumped a single basketful of earth, at least I am moving forward.”\(^{179}\) Confucius’s well-known statement that “roads were made for journeys, not destinations” speaks to the importance of process.

This process-driven concept is akin to today’s formative approach. To design an effective process for transformation, small steps and milestones must be defined; each of these brings the organization closer to the final result. When Confucius stated, “When it is obvious that the goals cannot be reached, don’t adjust the goals, adjust the action steps,” he meant that although the process of transformation can be long and tough, organizations must remain committed to their long-term goals while making real-time adjustments in strategy as needed. It also means that organizations need to balance short-term and long-term goals. In today’s fast-changing environment, it is not enough for organizations to simply maintain production for survival, they also need to be flexible to act quickly and to win first mover advantage in the marketplace, particularly if they want to be great than just being good. As Confucius said, “The Gentleman

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\(^{177}\) Analects 9.11.

\(^{178}\) Analects 9.19.

\(^{179}\) Analects 9.19; Confucius and Slingerland, *Essential Analects*, 27.
wishes to be slow to speak, but quick to act.”\(^{180}\) This relates to another principle—“reacting to constant change”—which will be discussed in detail later in this chapter.

Confucius used the Way to represent this path as a road-building process “to lead through.”\(^ {181}\) In addition to the concept of taking many small steps, it emphasizes the importance of the using the human factor to drive the process by “making the journey one’s own.”\(^ {182}\) This means it is one’s own responsibility to keep the process going, and that each individual should work out a Way that fits their own situation and particular roles within society. As Confucius said, “It is the person who is able to broaden the way, not the way that broadens the person.”\(^ {183}\) To be the “benevolent superior” is an internalized process; there is no fixed path or methodology to reach the goal.\(^ {184}\)

In addition to stressing the importance of commitment to long-term goals through continuous action, Confucius pointed out the importance of goal setting. On an individual level, the journey of self-cultivation must be led by aiming to be that perfectly virtuous superior. As Master Yangming explained, “If you set your will upon the Way then you will become a scholar of the Way and Virtue, whereas if you set your will upon the cultural arts, you will become merely a technically skilled aesthete. Therefore, you cannot but be careful about the direction of your will. This is why, when it comes to learning, nothing is as important as focusing upon the correct goal.”\(^ {185}\) For organizations today, well-defined missions and objectives are fundamental to performance and survival. Further, as this principle states, after organizational objectives are

\(^{180}\) Analects 4.22; Confucius and Slingerland, *Essential Analects*, 12.
\(^{183}\) Analects 15.29.
\(^{185}\) Confucius and Slingerland, *Essential Analects*, 84.
identified, each employee must act on them in their own Way to make the material change in their own role.

5. Everyone in the Organization Works Toward a Common Goal

Despite the conventional stereotype that Western philosophies focus more on individualism and Eastern philosophies stress collectivism, modern philosophers view Confucianism as naturalism, which places the individual in the social context but also emphasizes individual development.\textsuperscript{186} Although Confucius’s self-cultivation is based on individual efforts to nourish one’s own virtue, the aim of self-cultivation is to become superior not just for personal betterment, but to contribute to a harmonious society. A superior individual is further expected to leverage their knowledge to better manage their family, their country, and ultimately society overall.\textsuperscript{187} Therefore, this self-development process promoted in Confucianism gives different motive as we would normally think, the self-cultivation itself is designed as a path to reach the shared goal. In Confucian society, individuals may need to compromise their own efforts for self-cultivation in response to external forces from the family or community; this is especially true when there the commitment to the common good is in conflict with an individual’s self-interest.\textsuperscript{188} This expectation of self-sacrifice is closely related to the concept of harmonious personal interrelationships promoted by Confucianism,\textsuperscript{189} which are not common in Western philosophies.

\textsuperscript{186} Moore, \textit{East-West Philosophy}, 437.
\textsuperscript{187} Book of Rites, Great Learning.
\textsuperscript{188} Analects 5.19; Van Norden, \textit{Chinese Philosophy}, 42.
\textsuperscript{189} Hatch, \textit{Organization Theory}, 167.
Applying this concept of collective good to a business setting means prioritizing organizational goals over individual goals. Employees are expected to contribute to the overall good of the organization rather than pursue their own goals. Provided that the common goal is well defined, every employee is obligated and expected to follow voluntarily at all times, in all occasions. This, however, does not mean “blind loyalty,” if the managers are not managing effectively to the common good.

Devotion and loyalty are heavily emphasized in Confucianism; Confucius requests the same level of devotion, loyalty, and obedience regardless of the situation, whether an individual is promoted or dismissed from office. Although it is seemingly unreasonable to require one’s willingness to contribute not to be affected or diminished by personal experience, this can be explained from the perspective of duty. A Confucian society is relational: each individual has multiple roles at the same time, and from each of these roles arise particular duties. Mencius further explains that although duties may vary to family, state, society, and the overall environment we live in, any duty may inevitably require sacrifice. Therefore, the promotion of sacrifices on personal interest can be interpreted as the requirement for individuals to perform their personal duty in all occasions. This can be as simple as employees giving up personal holiday time to prioritize urgent work in an organizational setting, regardless of their role; being promoted or downgraded should not affect their willingness to prioritize their duty at work. This can also be explained from the perspective of duty transitivity; if we view the common good of organization as the duty for the organization to perform, then each employee as a member of that organization naturally shares a part of these duties as their own duties.

190 Analects 5.19.
191 Raju, Comparative Philosophy, 114.
We can also understand this devotion and sacrifice as voluntary contribution coming from the Confucian concept of selfless love, which relates to the virtue of benevolence and family value. Confucianism promotes that everyone should demonstrate their love and care for one another and strive to keep harmony within family. Taking organizations as extended family, employees’ contribution to the common good would be their obligation to “compromise to family need,” in order to maintain harmony and the prosperity of the whole family. This expectation, however, should apply to all members equally to create a healthy collective spirit, rather than being used as a tool for unethical gain by a certain interest group or for office politics.

In orthodox Confucianism, selfless love and personal sacrifice are not unconditional. Confucian teaching was developed to maintain social and political stability; in the case of ruling a country, the collective spirit is shaped by the mutual responsibility of rulers and subordinates alike. Rulers must rule by virtue, take care of subordinates’ interests, and lead by clearly defined, long-term common goals, which could be stable governance and social harmony in this case. Likewise, for employees to voluntarily prioritize organizational needs over personal needs, managers must be perfect role models who take care of employees and lead everyone on a collective mission that everyone buys into. It is not an easy task in practice: today’s studies also find it challenging for executives to “love and care” for all employees equally to achieve collective well-being and note that “love is largely absent from most modern corporations.” That might explain why Confucius promoted self-cultivation as a perquisite for collective spirit.

A virtuous society—the ultimate goal of Confucianism—requires community spirit and teamwork. Healthy interpersonal relationships are the glue that binds everyone together as a team.

192 Bolman and Deal, *Reframing Organizations*, 401.
to maintain social order. In fact, Drucker also realized the role of relational contexts in the practice of virtues; he described Confucianism as an “ethic of interdependence, an ethic of mutual obligations.” This relationship-focused phenomenon is rooted in the agriculture-based economy of Confucius’s time, when there was heavy interdependence between partners. Collectivism made it easier for people to accept certain personal sacrifices in order to maintain a harmonious relationship for their long-term benefit. Today, with rapid urbanization and economic restructuring, a wider connection to the outside world remains fundamental to growing business. This principle is supported by today’s “embedded culture” theory, in which people are entities embedded in a collective team with a shared life; individuals are identified by their relationships within the society, and they work together toward their common goal. In this context, “Organizations function as extended families. They are likely to take responsibility for their members in all domains of life and to expect members to identify with and work dutifully toward shared goals.” To apply this principle to role theory, it is important to note that roles are more relaxed in today’s diversified organizations: individuals have different perceptions of their obligations and duties in relation to general social desirability, and they tend to define their own roles. In Confucius’s time, people adhered to their roles more rigidly, so it would have been easier to encourage them to buy in to shared values and a common goal in support of social desirability. This theory supports the Confucian teaching on collectivism described in this principle; it has practical meaning that can benefit today’s organizations.

193 Ames and Rosemont, Analects of Confucius, 23.
6. Do to Others What You Want Done to Yourself

This principle is best explained by the virtue of benevolence. As stated by Master Yangming, "To manifest the illustrious virtue is to establish the nature of the unity of Heaven, Earth, and all things, to love people is to exercise the function of that unity." Confucian benevolent love is not limited to family ties, but can be applied to all in need, regardless of whether the relationship is close or far. In an organizational context, this concept can be applied as care extended by internal shareholders and employees to external stakeholders, and "to establish others as to establish yourself" in addition to one’s own duty.

"Do not impose on others what you yourself do not want"—this may be one of the most renowned statements in Confucian teaching. It is often translated as “treat others the way you want to be treated.” It is mirrored in the “Golden Rule” that exists in other religions and cultures as an “ethic of reciprocity.” The source of this principle is the sense of compassion that is associated with the virtue of benevolence, and the virtue of understanding. This principle demonstrates the ability to put oneself in another’s place to show one’s care to others; its primary aim is to promote the sense of consideration from a positive perspective of benevolence. But Confucius also emphasized the prohibitive form of this trait, which is to teach people not to harm others. This can be understood as “not knowingly to do harm” as promoted by Drucker, the previous principle of not prioritizing personal gain at the expense of others can be one

197 Raju, *Comparative Philosophy*, 154.
198 Analects 6.30.
application of this principle. This teaching applies on the individual level and the organizational level in today’s context.

The caring and sharing spirit is the essence of this virtue; it is vital to forming the loving society promoted by Confucianism.\textsuperscript{202} If we consider an organization as extended family, this principle would suggest that every individual in the organization cares and shares wholeheartedly with others in the organization. Even today, “family culture” is still deeply rooted in many organizations in Confucian societies. The inward care that is human nature among family members could refer to all employees, executives, and shareholders in an organizational setting. It is a natural expectation to share the work of others within the team when people need help. Managers and shareholders have the responsibility to support employees for them to perform, and employees can only perform if they care about the overall performance of the organization they work for. In reality, however, this is easier to say than to do. Further, this principle requires an organization to extend this caring relationship from “family members” to all “non-family members.” This wide array of stakeholders would include customers, suppliers, partners, government agencies, the general public, and so on. This means that every member of the organization should treat all of the stakeholders outside the organization with the same level of love, respect, and consideration as they would internally.

As mentioned previously, although it is human nature to take care of others within the family, it may not always be easy from individual’s perspective to truly “establish others as to

establish yourself,”203 since people have a natural tendency to prioritize their own responsibilities. To pursue perfect benevolence and compassion requires effort and a generous sharing spirit toward others. Confucius agreed that people should perform their own duty in their roles, but virtuous people should not be satisfied merely not to hurt others and to fulfill their own duties, but also must help others as they help themselves. Although helping others might require short-term personal sacrifice, the pragmatic perspective of principle suggests that given everyone’s equal benevolence, the “investment” in helping others today will yield a “return” when one needs help in the future. This is akin to today’s concept of “giving to receive.” As Confucius noted, “Authoritative persons (“benevolent persons”) establish others in seeking to establish themselves and promote others in seeking to get there themselves.”204 In an organizational setting, this means managers have the responsibility to support their employees’ personal growth as much as managers must care for their own self-development. The managers need to understand that when they grow their employees, they grow together; when their employees perform their duties, they deliver results together. For one to grow, new knowledge gained through training is necessary. This principle also suggests that managers should “establish” employees’ long-term development by giving them the knowledge to grow knowledge, as Confucius explained in the metaphor, “Give a bowl of rice to a man and you will feed him for a day. Teach him how to grow his own rice and you will save his life.”

Although there was no concept of customers in Confucius’s time, this principle can still be applied to an organization’s benevolence to external stakeholders. Organizations can take care of their customers by delivering considerate customer service, maintaining an active and smooth

203 Analects 6.30.
204 Analects 6.30; Ames and Rosemont, Analects of Confucius, 110.
customer relationship, being flexible to fulfill customer demands, and so on. The feeling of compassion encourages employees to put themselves into the shoes of their customers to think what they think, to do what they want to. From this perspective this principle is consistent with today’s customer relationship strategy and theories.

As the previous principle suggests, one should prioritize common good over self-interest to develop a healthy relationship with others in the community. This applies at a larger scale to society through generous sharing. This said, organizations should be aware of the social impacts of their daily operations and take the responsibility to contribute if they want the “return” that comes from being part of a harmonious society. This is social responsibility, an opportunity for organizations to show their care to “establish others” through philanthropic activities in the Way that fits them. However, it’s worth noting that this Confucian “universal love to all needed” implies fair distribution of resources; organizations and individuals must contribute equally to all the groups needed in the society through philanthropy, rather than only those with close connections, such as those with a particular connection to the organization’s founders’ hometown and friends.

The virtue of benevolence is just pervasive in Confucian works and it can be influential to build a better life and society. It may be challenging in today’s world to apply this complete selfless love to all, and there are many realistic limitations for organizations to practice benevolence to a full extent. This principle, however, depicts an essential human spirit in an ideal situation that individuals and organizations can pursue. The directive to “treat others how you wish to be treated yourself” still has practical meaning for helping to build healthy interrelationships with others. This is the basis for maintaining an overall social order that ultimately benefits all.
7. Embrace Constant Change

Confucius based his teachings on the notion that “the only constant is change itself.”205 In his view everything changes in all respects in life, from nature to society, and changes can happen at all levels at all times, in all institutions, families, and individuals.206 Personal mentalities can change too, so people must be vigilant in justifying viewpoints and knowledge in response to external changes. Today’s organizations must have flexible strategies in place to stay effective and competitive in the marketplace.

In Confucianism, change is viewed as natural and desirable as “a great current.”207 In fact, as noted in Analects, the Book of Changes208 was endorsed by Confucius as a source of wisdom,209 and its concept of change certainly influenced Confucianism thinking.210 Take the example of Way, the “totality of all things.” It is a dynamic concept from Confucius’s viewpoint. He used flowing waters that “never cease day or night” as a metaphor for the changing nature of life,211 in which nothing remains static.

Confucian philosophy places more emphasis on the inner self than on external “things” compared to Western philosophies. Change, therefore, can happen not only on “objects” and “things,” but also in human beings. Unlike many Western thinkers, who take the view that a

205 Book of Changes.
206 Ames and Rosemont, Analects of Confucius, 23.
207 Moore, East-West Philosophy, 166.
208 Written in the second century BC, the Book of Changes (also called the I Ching) is perhaps the best known of the Five Classics.
210 Analects 13.22, 7.17.
211 Analects 9.17.
human being is “the same person throughout time,” Confucius saw people “changing and growing” all the time, noting that self-cultivation and changing relationships with others could reshape one into a “different person.”212 As people grow their virtues through self-cultivation, it is expected that their mind, attitude, belief, and conduct must also be reshaped for this process to be effective. Keeping the mind updated with new knowledge is also related to the virtue of wisdom, which is discussed in the next principle.

Since the mind can and should change toward the superior, the Confucian concept of “learning from experience” does not mean relying solely on past experience, although Confucius does promote reflection and “look[ing] into [the] past” to learn wisdom. Instead, because the world is in constant change, people should continuously look for new solutions that better fit the current situation. As Confucius stated, “By three methods we may learn wisdom: first, by reflection, which is noblest; second, by imitation, which is easiest; and third by experience, which is the bitterest.”213 In today’s information age, organizations must grow in response to outside change instead of relying on past experience to make decisions. Strategies for growth should, nevertheless, reflect the unique paths by which organizations became what they are today—as Confucius suggested “to look into [the] past.”

Organizations should not rely on strategies that have been proved wrong. Confucius clearly encouraged abandonment to embrace the change of new. As he said, “When you have faults, do not fear to abandon them.”214 Continuous learning and innovation are more powerful

212 Ames and Rosemont, Analects of Confucius, 27.
213 Analects 16.9.
214 Analects 1.8; Ames and Rosemont, Analects of Confucius, 73; also translated as “where you have erred, do not hesitate to mend your ways.”
against the uncertainties brought by change, and a better way to prepare the organization to enhance long-term sustainability.

Although there was no systematic concept of innovation in Confucius’s time, the philosopher did demonstrate the creative spirit by giving people the flexibility to practice ritual in alternative ways, as long as they stayed in the boundary of their “ritualized roles.”215 This may only mean allowing various options from today’s viewpoint, and is not exactly the same as the concept of innovation in modern management theories. But it highlights the importance of creativity in his thoughts, according to postmodern interpretation of Confucianism.216 This is similar to the “no fixed Way” discussed in the previous principle, that people shall find out their own answer. In fact, Bryan Van Norden argued that Confucius’s emphasis on individual creativity is “reminiscent of Nietzsche or Ralph Waldo Emerson.”217

This belief in “no fixed answer” signifies the importance of staying flexible in response to change, as reflected in Confucius’s own teaching. In fact, he took contextual condition into consideration in order to provide a customized solution to each of his students; these variations in answer to the same question sometimes puzzle even his own disciples, as recorded by his students.218 This phenomenon stems from the belief in Chinese tradition that there is no single truth to “look at things” and to “describe events.”219 Therefore, Confucius encouraged his students to do their own analysis, to find out the best answer in their own situation. In an organizational setting, this implies that even for the same situation there could always be

215 Analects 9.3.
216 Van Norden, Chinese Philosophy, 255.
217 Van Norden, Chinese Philosophy, 255.
218 Van Norden, Chinese Philosophy, 46.
219 Ames and Rosemont, Analects of Confucius, 33.
different solutions and new answers, and continued innovation is needed for the organization to lead in a new environment.

Just as the application of Confucian principles requires context, reinterpretation, and flexibility, change in Confucianism is not absolute, but must be considered in the context of how it is correlated to other things. As Roger Ames noted, “Confucius, same as many early Chinese thinkers never seem to have perceived any substances that remained the same through time…they saw ‘things’ relationally, and related differently, at different periods of time.”

Considering the flourish of interrelationship (guanxi) culture, Confucian society is indeed a relational-focused society and human relations play an important part in daily decision making to maintain social order. This said, people must always consider their social roles and relationship in the community to decide how to interact with others to perform rituals. In the example of the virtue of filial piety, the parent-child relationship cannot be changed throughout one’s life, but there may be different expectations of what a virtuous child is, depending on the context of the particular family. This can be very personalized and varies from family to family.

Therefore, people must be flexible and creative to justify their virtuous behavior to match changing expectation and situations. In today’s setting, since no organization stands alone in the marketplace, this relational change could imply a correlation analysis by finding benchmarks to better position the organization in relation to its peers, and to consider how the changes under study could affect the organization’s operation from a relational-focused perspective.

Change can also take place in role change without relationship change. For example, as a child grows up, their role changes from being the beneficiary of their parents to the benefactor of their parents. In this process, although the supporting behavior and filial relationship is unchanged, the role of the child and the direction of the contribution changes relative to their parents throughout life.\(^{224}\) Considering this in an organizational context, employees are both a cost and a resource. This is the “regularities and continuities underlying change” in Confucianism.\(^{225}\)

Despite Confucius’s teachings on change, critics have long decried his insistence on rituals.\(^{226}\) In particular, the statement “I transmit rather than innovate. I trust in and love the ancient way”\(^{227}\) was highly criticized as evidence of Confucius being rigid. However, this can also be interpreted as encouraging people to learn from history, so that ignorance of the past will not limit their future growth. Confucius also said, “I am not someone who was born with knowledge. I simply love antiquity, and diligently look there for knowledge,”\(^{228}\) and “both keeping past teaching alive and understanding the present—someone able to do this is worthy of being a teacher.”\(^{229}\) This could explain why Van Norden sees Confucianism as “revivalism rather than traditionalism or conservatism.” He thinks Confucius required people to look to the past and learn from classic texts because he was trying to revitalize by “rediscovering the deep meaning of the texts, practices, and values of the past” to infuse “positive social changes.”\(^{230}\) The future is

\(^{225}\) Ames and Rosemont, *Analects of Confucius*, 27.
\(^{226}\) Van Norden, *Chinese Philosophy*, 256.
\(^{227}\) Analects 7.1; Confucius and Slingerland, *Essential Analects*, 64.
\(^{228}\) Analects 7.20; Confucius and Slingerland, *Essential Analects*, 21.
\(^{229}\) Analects 2.11; Confucius and Slingerland, *Essential Analects*, 5.
based on what happened in the past. Therefore, if we understand Confucius’s attitude from his particular historical context, we can see that the constant wars he experienced throughout his life affected his ideology. Confucius admired and wished to restore the flourishing, peaceful time when everyone was virtuous and followed ritual. As recorded in Analects, he lamented to his students on the world’s imperfection: “If the Way were prevailed in the world, then I wouldn’t need to change it.” This indicates his wish for positive social change.

8. Everyone Leads Through Continuous Practice and Reflection

Confucius was one of the earliest Chinese educators to advocate that a primary function of government is to educate people. He viewed knowledge as a basic need in life. He was also the first to promote “nobility of virtue” instead of “nobility of blood” to motivate people to pursue education and knowledge.

As explained in previous principles, although Confucius believed that human beings are fundamentally good, self-cultivation and a virtuous environment are still necessary conditions for the seed of benevolence to take hold and for a person to grow into a superior individual. Continuous learning makes the difference to determine how an individual grows. As Confucius noted, “By nature people are similar; they diverge as the result of practice.” The virtue of wisdom requires learning classic texts as well as rituals, and an effective learning process requires both practice and reflection. The knowledge available in our fast-changing information

234 Raju, *Comparative Philosophy*, 108.
235 Analects, 17.2; Confucius and Slingerland, *Essential Analects*, 49.
age would have been unimaginable in Confucius’s time, but contemporary organizations can still leverage this principle to create a unique learning culture by promoting continuous practice and reflection.

As a “pragmatic philosophy,” Confucianism naturally emphasized practice, as its own teaching is regarded more as “practical know-how” than “abstract theoretical knowledge.” For Confucius, knowledge needed to be put into practice with continuous reflection and correction until it achieved the desired result. Knowledge can be better “absorbed” when people practice it, and only when knowledge and action are united can the result be delivered.

Continuous reflection helps people realize what needs to be rectified, since Confucius taught that people can learn from anything and everything in life and that everyone makes mistakes in the process. In fact, Confucius admitted that he could be wrong in his judgments about others, but could then learn from reflecting on his own failings. The purpose of reflection is for people to learn from mistakes, as Confucius stated, “To make a mistake and yet to not change your ways—this is what is called truly making a mistake.” So people can benefit from immediate improvement, if they can make the correction on time and “not delay in reforming if you make a mistake.”

The reflection and correction process is associated with the virtue of righteousness (knowing what is right and wrong), and the sense of shame that leads people to abandon wrongs and to rectify themselves. An effective Confucian learning process led by continuous learning,

\[\text{236} \text{ Confucius and Slingerland, } \\text{Essential Analects, 1.}
\text{237} \text{ Analects 2.9, 5.10; Van Norden, Chinese Philosophy, 41.}
\text{238} \text{ Analects 7.3, 7.33, 7.34; Van Norden, Chinese Philosophy, 41.}
\text{239} \text{ Analects 15.30; Confucius and Slingerland, Essential Analects, 45.}
\text{240} \text{ Analects 1.8; Van Norden, Chinese Philosophy, 41.}
\text{241} \text{ Analects 2.3; Great Learning; Confucius and Slingerland, Essential Analects, 4.}\]
practice, and correction will deliver the result of a superior individual and harmonious society. As Van Norden describes it, this process is to “learn deeply, always think about what he has learned, and apply it in his life and in trying to change the world for the better.”

In ancient China, Confucian works were the only official text to study as a source of wisdom in life, and the only standard of merit for selection of government officials. Confucius therefore promoted people to learn not only theoretical knowledge, rituals, and values, but also the skill of how to learn. In addition, he described teaching methods, many of which are still valid today. He noted that effective learning and reflection require an open mind: “To know what you know and what you do not know, that is true knowledge.” The virtue of benevolence teaches that we must not be judgmental when we learn. With an open mind, we can see that everyone can teach us something; regardless of their social status and wealth, we can learn from their good and bad. Instead of criticizing others, we should focus on continuous reflection of ourselves and rectify ourselves from their experiences, or excellences for us to benefit from our own self-improvement.

Confucius also realized that true reflection is no easy task: “I have yet to meet someone who is able to perceive his own faults and then take himself to task inwardly.” Therefore, reflection must be repeated and ongoing. As he stated in Analects: “[I] constantly examine myself three times a day to keep the integrity long-lasting.” This constant observant practice

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243 Analects 2.17.
244 Van Norden, *Chinese Philosophy*, 41.
246 Analects 5.9; Van Norden, *Chinese Philosophy*, 41.
248 Analects 1.4.
on one’s mind and behavior can be very tedious; it requires a strong mind and motivation. So, Confucius suggested that one should intentionally reduce the “negative external influence [that arise] from the inner sense of eyes and mouth” during reflection, to create a heathier environment that nurtures virtuous habits. This is because although we have innate goodness from birth, we cannot ignore the “dark side” of our inner heart and mind. Regular reflection is the technique Confucius suggested for us to master the “evil” desires raised in our daily life, either internally or externally.

It was remarkable and advanced for Confucius to raise this concept of continuous learning in his time. In the ancient agriculture-based economy, people normally had only one job throughout their life and learned one skill that would never become obsolete, so tradition was valued more than innovation. As many organizations have realized today, it takes time and resources to shape a desired culture. Confucius’ emphasis on continuous effort to reach the final goal can remind organizations and individual employees to persist in their efforts at self-development.

Confucius emphasized the importance of critical thinking, even when studying authoritative works: “It would be better not to have the Documents than to believe everything in it.” And he noted that innovation requires learning with an open mind, “No doubt there are those who try to innovate without acquiring knowledge, but this is a fault that I do not possess. I listen widely, and then pick out that which is excellent in order to follow it; I see many things, and then remember them. This constitutes a second-best sort of knowledge.” This reminds us

249 “Documents” refers to the classic works.
250 Mencius 7B3; Van Norden, Chinese Philosophy, 185.
251 Analects 7.28; Confucius and Slingerland, Essential Analects, 21.
to have independent and knowledge-based judgment when we learn; in an organizational setting, this implies a learning culture that accepts critique, independent thinking, and different opinions from employees.

9. Everyone Follows One Set of Standards and Norms for Behavior

The virtue of ritual is “universally applicable to every man.” Confucian social harmony requires that everyone share the same values and follow the unified code of conduct within their role. In a business context, this principle is consistent with the theory that every organization has “certain values, norms, rules, and beliefs” according to social desirability, everyone shall “behave in certain manner according to their particular roles in the society, such as social, cultural, legal or political roles.” For today’s organizations to apply this principle, ritual can be translated into rules and regulations. Rules must be clearly defined and well communicated to every member in the organization, from executives to front-line employees. The rules must be enforced equally and fairly, so there is no double standard.

For Confucius, ritual was the responsibility of everyone. A harmonious society could only be achieved when every individual behaved virtuously, so no one should take advantage of others by being the unethical exception. This principle is also related to the virtues of benevolence and wisdom. Following ritual norms is itself benevolent, as stated in Analects, “Restraining yourself and returning to the rites constitutes Goodness.” Although ritual behavior is practiced on an individual level, “manners and deference are concerned more with

252 Raju, *Comparative Philosophy*, 132.
254 Analects 12.1; Confucius and Slingerland, *Essential Analects*, 34.
consideration for another’s feelings,” and interaction with others requires respect and consideration. From this perspective, we can understand ritual as “practicing tool” and a “standard of merits” that Confucius designed for people to follow according to their own social roles. But while benevolence is an innate trait, rituals must be learned, and this requires continuous practice and self-cultivation led by the virtue of wisdom. Confucius taught his disciples, “Don’t look at, don’t listen to, don’t speak of, don’t do whatever contrary to ritual propriety,” and noted that rules must be practiced until they become incorporated into daily life as habit.

Many ancient ritual practices are no longer applicable in today’s environment, but the essence of this principle—to encourage collective social order through individual propriety—is still valid. In a business context, employees may have diversified ideological distance, such that enforcing one fixed set of values and a single code of conduct is not possible. Instead, the personal value of executives plays a more important role in shaping overall organizational value. Individual employees are encouraged to buy into organizational values, but if they cannot be unified then at least they can be compatible with overall organizational values and rituals. As noted earlier, Confucianism does allow varying Ways to practice rituals.

Rituals are individual practice, but there is also communal ritual, at both organizational and social levels. Communal ritual on an organizational level would be clearly defined guidelines and standards that are fundamental for the success of large-scale industrialization. Having a single standard can enhance effectiveness in everyday business and managerial

256 Analects 12.1.
practice, and judging everyone on the same merits can help avoid possible unfairness. Ensuring fair and equal treatment, especially between executives and front-line employees, can further enhance trust within the organization and better connect the individual and the group for a smooth employee relationship. This is related to the principle “never promise what you cannot deliver,” which will be discussed later.

Today’s organizational culture theory also suggests that performing rituals can help organizations shape their desired culture. Rituals can signify particular organizational traditions and values, and function as the glue to bond people together as a group. They can also create “powerful symbolic pressure” that brings new employees into a “communal membership.” This is consistent with ancient Confucian teachings.

From this perspective, rituals in an organizational setting can be anything from mental beliefs to behavioral norms and they can take various forms, big or small. Similar to the role of symbolic effect in shaping organizational culture, ritual can be small but repeated practice on a regular basis, even when it is more of symbolic effect than on substance. Such as regular Monday morning meetings, an annual dinner gathering, or a dress code. As organization culture theory suggests, ritual “fosters belief in the organization’s purposes, and cultivates hope and faith. Even when protocols are not achieving their intended outcomes, it still pays a significant symbolic role as internal glue.”

257 Bolman and Deal, Reframing Organizations, 256.
258 Bolman and Deal, Reframing Organizations, 256.
Shared values, rules, and laws that reflect common social demand and desirability\textsuperscript{260} can help build trust among various stakeholders. This enhanced relationship of trust can help individuals and organizations expand their network outside the organization. Confucian rituals can also be understood in the modern context of “organization as theater,” which suggests that organizations are mostly just playing their scripted scenes as in a theater show, with “approved dress codes and plays the game by acceptable roles of conduct.”\textsuperscript{261} From this perspective, although the explicit ancient Confucian ritual practices may no longer apply, the spirit of the principle is still valid as the “approved and desired dress code” for organizations.

\textbf{10. Never Promise What You Cannot Deliver}

This principle is related to the virtue of trust, which can be understood today as credibility; it implies keeping one’s word and being faithful. Trust is the base for people to be connected through partnerships in order to maintain a harmonious society. As Confucius noted, “The Gentleman is ashamed to have his words exceed his actions.”\textsuperscript{262} This statement tells us that trust is not built on words but action. One shall match his action to his saying, and never overpromise on what he cannot deliver. In a business setting, this means to be committed to the organization’s contract, goals, and objectives at all time. Organizations should work on building reliable partnerships with all stakeholders and value their brand more than short-term gains. Internally, executives should be the role models who “walk the talk” to gain the trust of their peers and employees, to shape a culture built on trust with a smooth employee relationship.

\textsuperscript{260} Hatch, \textit{Organization Theory}, 75.
\textsuperscript{261} Erving Goffman, 1959, 1974; Boje, Luhman, and Cunliffe, “Dialectic Perspective,” 4; Bolman and Deal, \textit{Reframing Organizations}, 288.
\textsuperscript{262} Analects 14.27; Confucius and Slingerland, \textit{Essential Analects}, 42.
In Confucius’s time, there were many independent states that frequently went to war with one another. Faithfulness was essential for these states to establish trust and form alliances. The failure of an alliance could have dire consequences in wartime. So this principle and the quality of faithfulness were well respected. Similarly, in organizations today, building a reciprocal relationship based on trust requires all parties to keep their word.

In ancient kinship-based societies, initial trust stemmed from blood ties within the family. Given his belief in innate human benevolence, Confucius taught people to extend their love outward from the family circle to others in society, to further build trust between unknowns and form new partnerships. This is because trade with strangers without established trust involved higher risk and cost; this “transaction cost” is minimized today by credit reporting systems that allow merchants to assess the payment history of potential customers or business partners. In ancient times, without these systems, people had to rely on trust based on reputation. Today, being faithful is still an important part of building a reputation for individuals and organizations alike. Brand recognition can bring in further commercial collaborations for long-term gains.

Confucius taught that a superior individual should be “reticent,” and promise only what they can deliver and deliver what has been promised. Further, he suggested that a verbal agreement alone, what he called a “clever tongue,” was not enough. Instead, he said, trustworthiness should be judged by actions. While many people can talk about virtue, few can put it into daily practice. Confucius further explained how he changed his view to evaluate a

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263 Analects 12.3.
264 Analects 14.27.
265 Van Norden, *Chinese Philosophy*, 42.
266 Analects 1.3.
person through his personal experience: “At first, when evaluating people, I would listen to their words and then simply trust that the corresponding conduct would follow. Now when I evaluate people, I listen to their words but then closely observe their conduct.”

Confucius believed that long-lasting relationships were based in reciprocity. It is easy for people to behave virtuously when there is mutual benefit, but it could become challenging to stick to one’s word when circumstances change, for example, when a better deal comes along after a contract is signed, or when changes in market conditions make a partnership less attractive than expected. Confucian faithfulness requires people to prioritize virtue over monetary gain at all times. This being said, one should remain committed to an established contract, partnership, or promises even if doing so may incur short-term loss. This does not mean to build a lasting partnership at the expense of either party, but rather a trade-off by giving up short-term gains to maintain one’s credibility, in the hope of long-term gains through this enhanced trusting relationship. It is a choice to balance long-term gain and possible short-term loss. From a pragmatic perspective, in Confucius’s time, one’s reputation was based on others’ judgment— merchants heavily depended on word of mouth to make business decisions and to establish partnerships for their commercial activities. Therefore, being faithful is like the “face” that one should strive to keep. A virtuous Confucian trader was required to have many virtues, but faithfulness was the most fundamental and sine qua non to establish reliable relationships and strong networks.

268 Analects, 5.10, Confucius and Slingerland, Essential Analects, 14.
There are various ways for today’s organizations to act on their promise to stakeholders. The most basic are to deliver quality products and services, and to remain committed to organizational values and social responsibilities that benefit the general public, even if they increase operational cost and therefore negatively affect short-term financial performance. Organizations should work hard to be trusted by stakeholders; a reliable brand is essential to build sustainability.

Confucius also emphasized the importance of the role model effect in building trust. For rulers in ancient times and managers in today’s organizations, being a virtuous role model can help to gain the trust and loyalty of subordinates and employees. When rulers were not virtuous, that is, they did not perform the Way, Confucius suggested that subordinates refuse to work for them rulers regardless of the personal pay. As he stated, “When the state has the Way, accept a salary; when the state is without the Way, to accept a salary is shameful.” Confucius further explained the potential negative effect of following an unvirtuous ruler through an example in Analects, that a greedy ruler misled subordinates to let his unvirtuous behavior grow and ended up stealing.

In addition, Confucius demonstrated the role model effect himself through his teaching. His disciples recorded many instances in which the philosopher demonstrated model behavior. Master Yangming also commented on the methods Confucius used to instruct his students: “Theoretical teaching is certainly useful for teaching one how to act, it cannot match the sort of profound effect that one can achieve through teaching by example.”

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270 Analects 14.1; Confucius and Slingerland, *Essential Analects*, 41.
271 Analects 12.18.
It is particularly important for rulers and managers to keep their word, as noted in Analects: “One can rule others only after they have purified their own hearts, learned to treat others consistently, and regulated their trustworthiness by means of models and regulations, so that their trustworthiness is clear for all to see. For the model set by the action of their superiors is what the common people will turn to.”274 To translate this statement into an organizational setting, managers and executives must ensure they have met all the requirements they are imposing to their employees themselves, and they must demonstrate the power of the role model by being exemplars for their employees to follow. This principle offers practical suggestions on how managers can earn the trust of others to maintain a harmonious relationship with stakeholders and to manage effectively.

Chapter IV: Research Methods

Research Design

This study compared the Drucker and Confucian management philosophies, and explored how their principles are being applied in today’s business environments. To do this, we employed a single case study with a multimethod approach. We used a case study because it is a common research method to explore complex social phenomena, which allows the researcher to “retain the holistic and meaningful characteristics of real-life events.”275 This method can thus help us better understand how Drucker’s and Confucius’s principles are being practiced by business professionals in real life, and we can further learn how organizations could benefit from the application of these principles. In the present study, the qualitative method was used to explore in-depth information from the perspective of the people under study (that is, from employee perspective to organizational perspectives)276, so we can study their values and behaviors on an organizational level. The primary source of qualitative data was collected from twenty interviews. Other supplementary data sources included direct observation and archival documents, to provide varying aspects. The data collected from different methods was used for triangulation. A quantitative survey was employed to reach a broader range of population. One hundred surveys were designed to provide more accurate insights for a more generalizable result, and to enhance the external validity of interview results as well as construct validity. The survey findings could also bring unexpected connections between variables and core characteristics in Drucker’s and Confucius’s principles for future study.

To collect high-quality data that describes how people behave in everyday working life, sustained contact with the subjects was required. Therefore, we conducted a field study of a for-profit organization; the interview and survey participants were current employees of this organization in order to capture business practices on an organizational level that is closest to reality.

**Setting**

Traffic Control Technology (TCT) is a leading, publicly traded player in the urban rail transit signaling industry. We choose TCT as a setting to study the principles of Drucker and Confucianism because it has more than ten years of history and a solid organizational culture. Because this Beijing-based company was founded and grown in a Confucian society, its organizational culture should inevitably have some societal cultural influence from Confucian principles. However, as a high-tech organization with global outreach, its culture is technology-led and the company adopts modern management philosophies oriented with Western value to guide daily operations. Therefore, a combination of Eastern and Western values is embedded in its culture.

Although organizational culture is aggregated from individual values, previous knowledge of Drucker’s philosophy and Confucian concepts on an individual level could be relevant as well, since the present study is based on individuals’ self-reported data. Drucker’s writings are compulsory reading in many Chinese universities, and considering that over 99% of TCT employees hold an undergraduate degree or above, nearly all employees should have a

277 Robert K. Yin *Qualitative Research from Start to Finish* (New York: Guilford Press, 2011).
degree of familiarity with Drucker’s principles. And, as over 99% of employees are ethnic Chinese, this means the majority of them carry some Confucian values through family influence, although this impact could be limited since the average employee is only thirty years of age. This mixed culture on both the organizational and individual levels, without significant understanding bias to either side, gives us a fair basis to compare how the two school of thoughts are practiced in a real business setting.

Founded in 2009, TCT makes state-of-the-art products that have helped it compete with some of the largest industry giants across the globe. The organization experienced rapid growth in its financial performance, with an astonishingly high price-to-earnings (P/E) ratio of 61.92,\textsuperscript{278} considering the average P/E ratio of 14 to 16 in the past twelve months in China’s stock market,\textsuperscript{279} and average P/E ratio of 34.93 in the past five years in Nasdaq.\textsuperscript{280} TCT is currently experiencing managerial challenges from its rapid expansion. With an established culture that carries both Western and Confucian influence, the organization needs to redefine its core management philosophy to achieve a higher level of effectiveness and performance excellence. Organizational behavior theory on cultures suggests values and practices can respond differently to aspects of organizational culture.\textsuperscript{281} This makes TCT a good case study to examine how an organization could potentially benefit from the application of both Drucker’s philosophy and Confucianism.

\textsuperscript{278} As of April 26, 2020.
Sampling and Data Collection

Yin suggested that a single case study should include data from multiple sources.\textsuperscript{282} This study utilizes different methods of data collection to aim for more accurate measurement and a higher level of generalization, which includes qualitative data from structured interviews, direct observations, document and archival records, and quantitative data from surveys.

Interview

TCT has a total of 1,116 employees working at ten main locations, including its headquarters in Beijing, seven subsidiaries in China, and two international offices. Its thirteen executives and fifty-three mid-level managers represent 5.9\% of the total employees. While scholars suggest there is no single best number of interviews in qualitative research, Creswell believes an acceptable number can range from 5 to 25,\textsuperscript{283} and Yin states that the sample size could be larger if the goal is to generalize the outcome.\textsuperscript{284} However, both Creswell and Yin noted that the researcher should focus on obtaining different perspectives of the case rather than an absolute number of interviews, as Creswell called the sampling process as “purposeful maximal variation.”\textsuperscript{285} Based on these notions and the size of the participant pool, a sample size of twenty was determined to be feasible to obtain a holistic view of TCT’s embedded behavior, and to

\textsuperscript{282} Yin, \textit{Case Study Research}.
\textsuperscript{284} Yin, \textit{Case Study Research}.
\textsuperscript{285} Creswell, \textit{Research Design}; Yin, \textit{Case Study Research}.
provide sufficient data for a thorough analysis to reach theoretical saturation as suggested by Glaser and Strauss.\textsuperscript{286}

Qualitative methods can be used to understand people’s behavior and to refine practice,\textsuperscript{287} and this unique advantage was leveraged to bring more impactful, practical meaning to this study. Therefore, the sampling selection purposefully considers coverage, diversity, and randomization through theoretical sampling rather than statistical representativeness. This is aimed to enhance validity and to better capture the organization’s aggregated behavior from all functions at all levels.

Permission to conduct this research was granted by the organization, and the Human Resources department assisted us in recruiting participants, contingent upon Institutional Review Board (“IRB”) approval from Claremont Graduate University (“CGU”). Since participants were selected purposefully rather than being merely empirically “representative” and included both positive and negative samples, we selected a group with well-diversified demographic characteristics, with mixed gender, age, education level, functions, roles, rank, department, and region. Over 99\% of employees are Chinese, so there is no ethnic diversity.

Considering that 67.8\% of employees have less than three years of experience with the organization, we required that all interview participants have at least one year of organizational tenure to ensure they are knowledgeable and well-informed about organizational culture, shared values, beliefs, desired norms, and conduct. The twenty-person sample consisted of executives, mid-level managers, and front-line operational employees. This is because TCT executives are

\textsuperscript{287} Fenstermacher, 1986; Maxwell, \textit{Qualitative Research Design}, 168.
the founding team that have shaped the organizational culture; mid-level managers are the bridge that links executives and operational employees with a fairly broad perspective of organizational culture and values; and operational employees with over one year of organizational tenure contribute their personal perspective in their roles. In addition to staff from the company headquarters, who are closest to the center of power hierarchy, individuals were selected from regional offices to represent how organizational culture is embedded at a distance from headquarters.

There was an equal chance for any qualified individual to participate; previous knowledge or experience with Drucker’s philosophy or Confucianism was not a prerequisite for inclusion in the study. We considered it a plus if individuals had established conceptual knowledge of the principles, as they would be able to provide more accurate scores and more insightful reflection. The twenty interviewees were selected by TCT’s HR coordinator based on these criteria.

A structured interview protocol was developed to guide the data collection procedure. Many scholars assert that face-to-face interviews are preferable, as they allow the researcher to observe interviewees’ body language, facial expressions, and other nonverbal clues to better interpret verbal responses. But in order to comply the Office for Human Research Protections (OHRP) guidance on COVID-19 to minimize direct interaction with study participants, all interviews were conducted via Zoom video conference.

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289 On April 9, 2020, the Office for Human Research Protections of the U.S. Department of Health and Human Services issued guidance on COVID-19, that human subject research involving direct
Each interview was around an hour to an hour and half in length. After the HR coordinator identified the participants, we followed up by sending each of them a brief introduction of this study with consent letter for them to sign (see Appendix A). All interviewees were well-informed of the purpose of the study, the procedure, the background of the researcher, and the confidentiality of the data to be collected. Providing participants with a good understanding of the study was intended to improve their engagement, and establish basic trust with the researcher that would encourage truthful and open personal responses. At the beginning of the interviews, the researcher reconfirmed participants’ consent and ask about any concerns or issues that might influence their answers. The condition and setting for each interview were arranged to be as similar as possible, to ensure that no unnecessary stimuli would affect the participants’ answers.

The guided interview began with a review of the principles and then scoring of each behavior anchor, followed by open-ended questions for interviewees to provide contextual details about their answers and reflections on the principles; participants were encouraged to provide examples (see Appendix B). When interviewees raised new and relevant issues that had not already been covered, further questions were asked to pursue more details until additional input would not contribute anything significant. Debriefing at the end of the study provided participants with another chance to clarify any questions they might have (see Appendix J). Interview conversations were recorded for further analysis. To minimize the researcher’s personal bias, the researcher remained as objective as possible.\textsuperscript{290} The researcher intentionally interaction with study participants should be suspended to minimize risk of contracting or spreading COVID-19.\textsuperscript{290} Paul D. Leedy and Jeanne Ellis Ormrod, \textit{Practical Research: Planning and Design} (Upper Saddle River, NJ: Merrill Prentice Hall, 2001).
avoided misleading questions that could influence the participants’ score either positively or negatively. Even in guided questions on principles, the researcher was mindful not to convey personal judgments or guide responses.

**Observation**

In addition to the interview data from participants, direct observation offered further descriptive data on behavior and setting. Although travel restrictions during COVID-19 limited the possibility for onsite observation, indirect observation data was collected by attending the organization’s online meetings. These meetings included hiring interviews, executive briefings, project operation updates, and marketing meetings, all of which provided rich, firsthand data to better understand how people think and what they value in daily working life. Furthermore, participation in executive education sessions provided a unique chance to broaden researcher’s view on existing organizational culture, to learn how people work and think through intensive interaction, all of which informed researcher’s thinking to support this study. These field studies provided an effective means to identify complex organizational processes, to allow researchers to understand not only *what* occurred in the organization, but also *how* things happened.

Observational data was recorded in the form of field notes, including both observation notes and analytic memos. Although online meetings and interviews make personal interaction challenging, specific notes were collected through people’s conversation and attitude during the video conferences. Participants’ personal status and characteristics, such as whether they are

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291 Maxwell, *Qualitative Research Design.*
292 Yin, *Case Study Research.*
particularly outspoken or apt to provide negative comments, can all contribute to data analysis. Such details were recorded in analytic memos. This process, as suggested by Maxwell, can not only capture the analytic thinking, but also facilitate such thinking.²⁹³

**Documents and Archival Records**

To better understand the case from a historical perspective, permission to access certain archival records and private documents of the organization was granted. This information included meeting minutes, strategic planning reports, employee demographic characteristics, technical white papers, and so on. Reviewing these documents provided important background information to learn the history of the organization, and how it came to be the business that it is today. This information also helped the researcher develop the interview protocol. Additional public information was collected and reviewed to learn the market the organization is in, as well as its partners and competitors, such as the organization’s own printed or digital materials (brochures, annual reports, and press releases), newspaper reports, interviews, research reports from independent third parties, and competitors’ websites and annual reports.

**Survey**

While the purpose of the interview was to focus in depth, the survey provided wider coverage to enhance generalization of the interview results. As with the interview participants, we required all survey participants to be current employees with at least one year of organizational tenure to ensure their knowledge to score accurately, and all interview participants

²⁹³ Maxwell, *Qualitative Research Design*, 105.
were excluded from the survey. In terms of sample size, because it is the absolute size of the sample rather than the sampling fraction that determines precision;\textsuperscript{294} considering that 67.8\% of employees have less than three years of organizational tenure, we assumed that roughly 70\% of qualified population possess over one year of experience with the organization; assuming 5\% of standard error we can tolerate, to apply the formula $n=p(1-p)/(S.E)^2$,\textsuperscript{295} the necessary sample size for a simple random sample would be eighty-four. Therefore, it was reasonable that we aimed for a sample size of one hundred. In order to reach a larger quantity of participants while maintaining equal opportunity to participate, the survey was distributed by the TCT HR coordinator to all qualified participants. A consent letter containing information about the study and confidentiality was attached for participants to review and to “check the box” before they started the survey (see Appendix C). The survey was self-administered through Qualtrics. The anonymity of the survey was guaranteed by not collecting any identifying information. This tactic can motivate honest and unbiased answers.\textsuperscript{296} The questionnaire (see Appendices D, E, F, G, H, I) was designed to be finished within thirty minutes. We considered this a reasonable length and guaranteed anonymity as a way to increase the response rate.\textsuperscript{297} As a result, a total of 210 surveys was completed, with a response rate of 34\%.\textsuperscript{298} We omitted those that were completed in less than ten minutes, as we consider ten minutes the minimum time for participants to review all questions and provide quality answers. Out of the remaining 130

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{294} William D. Crano, Marilynn B. Brewer, and Andrew Lac, \textit{Principles and Methods of Social Research} (New York: Routledge, 2015), 237.
\item \textsuperscript{295} Crano, Brewer, and Lac, \textit{Social Research}, 237.
\item \textsuperscript{297} Crano, Brewer, and Lac, \textit{Social Research}, 239.
\item \textsuperscript{298} The response rate was calculated based on the total number of surveys distributed: 617.
\end{enumerate}
\end{footnotesize}
surveys, one additional survey was omitted due to incomplete answers. Therefore, data from 129 surveys was used in the quantitative analysis. See Table 4.1 for a summary of the demographic and organizational characteristics of the participants.

**Scale Development / Measures**

From a research perspective, in order to conduct comparative analysis between the principles of Drucker and Confucius, it is necessary to “codify” these principles into concrete behavior that can be scored. Take the example of Narver and Slater’s MKTOR scale on market orientation, which other scholars have claimed is not reliable and valid in their retesting context;\(^{299}\) these unreplicated mixed results could come from the sample respondents’ lack of knowledge of marketing concepts,\(^{300}\) but they may also have come about because the scale “includes a number of items [in the scale] that do not tap specific activities and behaviors that represent a market orientation,” as criticized by Kohli, Jaworski, and Kumar.\(^{301}\) Therefore, the measurement must be factual to accurately reflect specific behaviors, in order to minimize bias from respondents' perceptions, and prevent ambiguity in terminology.\(^{302}\) The present study thus adopted the “behavior anchor” set on Drucker principles created by Professor Bernie Jaworski. Extending the same concept to Confucianism, the researcher co-developed the behavior anchor

\(^{299}\) For example, scholars do not find the scale applicable in China (Ellis, 2005; Li et al., 2008; Sin et al., 2003, 2005; Tse et al., 2003), the Czech Republic (Savitt, 1999), Bulgaria (Zaharieva et al., 2004), or Poland, Hungary, and Slovenia (Hooley et al., 2000, 2003).


set for Confucian principles together with Professor Bernie Jaworski. These structured anchors helped respondents to better score their organization on the principle, they separate the practice of principle into ten levels, displayed in ten-point Likert scales, with one indicating the principle is practiced to a limited extent and ten indicating that behaviors fully adhere to the principle. These principles and associated business implications were discussed in Chapters II and III; we used these behavioral anchors as the main constructs in both the interview and the survey.

For the interview, in addition to the twenty guided questions on principles, open-ended follow-up questions were asked to let interviewees further clarify their scores and provide examples. This structure was designed to reduce possible misinterpretation, and to capture more contextual insights from various aspects, rather than just interviewees’ perceptions. As Bourgeois and Eisenhardt suggested, to “concentrate on facts and events, rather than respondent interpretations.”

The construct and structure of the survey was different from the interview. The demographic questions were placed near the end of the questionnaire. This is because although no sensitive or identifying information was required in this survey, it was still less threatening for respondents psychologically to give out personal information after they became comfortable with the questions. Not asking personal information first may also have motivated them to continue with the survey and to answer honestly, regardless of social desirability. Since the survey is intended to obtain quantitative measures of the same principles, the behavioral anchor set used in the interview was also the main construct in the survey questions. The survey started with these behavioral questions, because these are the most critical part of the

303 Bourgeois & Eisenhardt, 1988: 319
survey, the part we wanted respondents to devote the most time and attention to so they could provide high-quality answers. Relating the conceptual analysis to the principles of Drucker and Confucius in previous chapters, five associated modern management concepts were added to the survey as explanatory variables, and to further enhance the construct validity of structured behavioral set. These five concepts are social responsibility, employee orientation, innovation, customer orientation, and collectivism. To keep the survey concise and ensure that it could be completed within a reasonable time, we purposefully looked for established scales that were already shortened by other scholars, developed from literature, supported by empirical studies, and used in prior research.

Each of these scales contain five to seven items and was represented in classic five-point Likert scales, with one indicating limited application of the stated practice and five indicating it is practiced to a great extent. The survey items were established and tested in prior studies. All of the items are specific. There were no double-barreled questions to cause ambiguity and no negatively worded questions to prevent double negatives when the answer is “strongly disagree.”

**Social Responsibility**

The scale (see Appendix E) we used was developed to measure corporate social responsibility (CSR) to various social and non-social stakeholders. It was tested and used in an empirical survey study on 269 business professionals in Turkey. The measures are based on the perceptions of employees of the organization, which fits the survey sample and purpose of the present study.

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The framework of the scale was based on the proposed CSR definition: “corporate behaviors that aim to affect primary social, secondary social, primary nonsocial, and secondary nonsocial stakeholders positively and that go beyond its economic interest.” The ground classification of stakeholders was based on direct impact and influence on organizations’ business and was inspired by the typology of Wheeler and Sillanpaa.305

The survey contains a total of eighteen items, and we took the seven items about society, nature, future generations, and nongovernmental organizations. Other items used to capture various stakeholders’ perception include five items about employees, three items about customers, and two items about government, while the competitor items were removed in correlation analysis.

**Employee Orientation**

The scale (see Appendix F) used for employee orientation is based on items used by Janz and Prasarnphanich, which is aimed to “reflect managers’ value on rewards and a warm supportive environment in the subsidiary.”306 The scale contains five items presented in a five-point Likert scale.

The scale was used in a study aimed at examining the mediating role of customer orientation in the relationship between employee orientation and performance, whereas performance was measured by both product innovation and financial performance. The study

defined employee orientation as how a firm addresses the interests of its employees, and the result was derived based on 103 responses from a sample of wholly owned subsidiaries of multinational companies operating in China. The sample perception and measurement level of this scale fits the design of our study.

**Customer Orientation**

The scale (see Appendix G) we used on customer orientation was developed by Narvar and Slater, and it was used to find a positive effect of market orientation on profitability. Within market orientation, the author proposed three behavioral components: customer orientation, competitor orientation, and interfunctional coordination. Two decision criteria—long term focus and profitability—did not meet the criterion in a reliability test. In this exploratory study, they used a sample of 140 strategic business units in a major Western corporation, and customer orientation was defined as “sufficient understanding of one’s target buyers to be able to create superior value for them continuously.”

The full MKTOR scale consists total of fifteen items. Narver and Slater argued that all three constructs—customer orientation, competitor orientation, and interfunctional coordination—are equally important, so the result in the study was obtained by average scores of all three components. We took the six items on customer orientation, which was represented in a seven-point Likert scale. As mentioned previously, we realize this scale was challenged by not including specific behavior which might hurt its validity, however, it is a classic measure on the organizational level.

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308 Narver and Slater, “Market Orientation,” 20–35.
Innovation

Of all the various scales to measure innovation from different perspectives and at different levels, the scale (see Appendix H) we used was developed to incorporate constructs that pertain to innovation in market orientation research. The study contained a sample of 9,648 employees from fifty-six groups in a large research and development agency of the US government. It adopted Thompson’s definition on innovation as “generation, acceptance, and implementation of new ideas, processes, products or services.”\textsuperscript{309} The study introduced two innovation constructs: innovativeness and the capacity to innovate.

In the present study, we took the five items used on innovativeness, which refers to organization’s openness to new ideas as an aspect of a firm’s culture. These items are based on the perceptions of employees to the organization, from respondents in various groups within a single organization, this fits the design in our study. There are four culture variables related to the degree of innovativeness: participative decision making, power sharing, support and collaboration, and learning and development.

Collectivism

The scale (see Appendix I) we used to access collectivism was used in a study aimed at understanding “the impact of cultural differences on individuals’ propensity to rent out and rent

products using peer-to-peer (P2P) exchanges.”310 This study addressed the concerns in the field of sharing economy and employed a diverse group of 1,163 respondents from eleven different countries. The study adopted Hofstede’s theory of cross-cultural framework, which contains four dimensions of culture: collectivism, masculinism, uncertainty avoidance, and power distance.

The four items on collectivism that we used were presented in a five-point Likert scale. Collectivism was defined as “the extent to which individuals value the welfare of a group over self” and individuals are more group-oriented than self-oriented.311 Collective traits include non-materialism and lack of attachment to one’s possessions.312 The sample population in this study was undergraduate students in business schools, which represents collectivism in a young generation; this aligns TCT’s main workforce, whose average age is thirty. This study purposely chose measures on the individual level rather than the national level, which fits the unit in our survey design. Although there are also studies measured on the national level through aggregation of individual-level cultural scores, the author recommended measuring on the individual level in cultural analysis,313 because the samples can hardly be nationally representative.314

With these measures, all documents used in the interview and the survey are written in English and translated into Chinese, and we used both original English version and translated

313 Davidson et al., 2018; Hoehle, Zhang, & Venkatesh, 2015; Sharma, 2010; Srite & Karahanna, 2006; Yoo, Donthu, & Lenartowicz, 2011; Gupta, Esmaeilzadeh, Uz, and Tennant, “Cultural Values,” 20–29.
314 Uz, 2015; Gupta, Esmaeilzadeh, Uz, and Tennant, “Cultural Values,” 20–29.
Chinese version throughout the study. Given that 99% of TCT employees have a college degree or above, participants are expected to have satisfied the understanding of instruments, since the measures are purposely written in simple language that is appropriate for all participants. In the case of confusion, whether because of language or the need to explain the question itself, the researcher provided specific answers to ensure there is no misunderstanding or misleading questions. The interviewees were encouraged to answer follow-up questions in English to enhance consistency, but to minimize bias due to language barrier, they may answer in Mandarin or Cantonese if they find it hard to express themselves in English. The researcher’s fluency in multiple languages (English, Mandarin, and Cantonese), cross-cultural background, and knowledge of TCT’s market helped build rapport and aid in smooth communication that captures interviewees’ true meaning. To minimize the threat of construct validity, if a language other than English is used during the interview, it was transcribed in both languages to ensure unbiased understanding.

**Data Analysis**

Data analysis in this mixed-method study consisted coding of interview transcripts and statistical evaluation of the survey results. The combination of qualitative and quantitative data provided an opportunity for triangulation, and offer divergent perspectives to explain complex behavioral patterns. In this design, quantitative survey data were used to check the generalizability and validity of the qualitative findings.

Qualitative Data

As suggested by Maxwell, qualitative data must be analyzed immediately after interview and observation.\textsuperscript{316} Therefore, each interview was transcribed right after, and any conversation conducted in Chinese was translated into English and cross-checked to ensure the accuracy of the translation. After this, the first step was to review all these transcripts and observation notes in order to develop tentative behavioral patterns relate to the principles. Analysis started from summarizing demographic data collected from interviewees. The personal information was used as a validity check of responses, for example, if participant has recently experienced a promotion or demotion, it may affect their credibility, or the participant’s organizational tenure and role may limit or expand their knowledge of organizational culture.

We then calculated the mean score and standard deviation on each principle based on the scores from all participants, and reported the practice of each principle based on these means. In this analysis process, responses and behaviors were categorized with highlights and labels. Constant comparison was used to identify patterns, themes, and trends of how each principle is practiced in real life, and this was replicated for all twenty principles; as coding and comparison should be ongoing.\textsuperscript{317}

To follow Maxwell’s three-level coding scheme in this analysis process, the first level of code would be the principle itself, which is also referred as a “topic” by McMillan and Schumacher.\textsuperscript{318} The second level is the substantive category, which is defined as the real content or action from the interviewees’ statements, that is, what was actually done in practice. These

\textsuperscript{316} Maxwell, \textit{Qualitative Research Design}, 104.
\textsuperscript{317} Glaser and Strauss, 1967, \textit{The Discovery of Grounded Theory}.
\textsuperscript{318} McMillan and Schumacher, 2001; Maxwell, \textit{Qualitative Research Design}, 107.
sub-codes in this study are the behavior patterns emerging from the interviewees’ answers and reflections. Considering many of the behaviors could be connected across principles, one specific behavior could be labeled with multiple sub-codes. Since segmentation of behaviors may cause loss of contextual relationships in the interview examples, we could utilize Maxwell’s connecting strategy as a complementary method in this analysis, to identify potential relationships behind the text.319 This might be particularly significant in Confucian behaviors, since we found the principles (topics) are highly interrelated conceptually from the analysis in the previous chapter; we can reasonably expect some relationships between behaviors that are led by connected principles. The third level of theoretical category is used to develop a general theory or abstract framework inductively, which may not be significant in this study, since this is not aimed to draw new theories.

To ensure more accurate results, transcriptions were double-checked with participants during the analysis process. When further clarification needed, follow-up discussion was conducted to confirm interviewees’ true meaning has been accurately captured. Since the present study aims to learn organizational norms, during the process of analysis and collection, the researcher was being vigilant in maintaining the distinctions between a generalized typical behavior in present tense or a particular occasion in past tense, when interviewees described their examples.320 Moreover, the researcher was also aware to think critically throughout the entire study. After the tentative behavioral patterns were developed, these were reviewed and cross-

319 Atkinson, 1992; Coffey & Atkinson, 1996; Mishler, 1986; Maxwell, Qualitative Research Design, 112.
320 Maxwell, Qualitative Research Design, 72–73.
checked to avoid researcher bias, and examined repeatedly from various perspectives at different times, to increase validity and reduce bias.

In addition to interview transcription, the observation memos and the organization documents collected were leveraged for triangulation. These objective resources can validate self-reported data from interviews through constant comparison.

**Quantitative Data**

After exporting all the survey data into The Statistical Package for the Social Sciences ("SPSS"), we first calculated the mean score and standard deviation of each principle after summing all participants’ answers. Since we adopted the same measures of construct for both qualitative and quantitative data, we compared these mean scores to interview findings to check their compatibility to enhance validation, examined any convergent or divergent pattern and reported on possible correlational trends.

The analysis of survey data is correlational, focusing on the possible relationship between principles rather than looking for causality or testing a hypothesis. Since the behavior scores in Drucker principles are assumed to be somehow correlated to the five identified management concepts, we also used the Pearson correlation test to assess the strength of the relationship between the related principles and these established themes.
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<th>Interview Participants (N=20)</th>
<th>Survey Participants (N=129)</th>
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<tr>
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<td>40%</td>
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*The organization distributed survey to both headquarter and 100% owned subsidiaries, thus the total is different from the total used to calculate interview sample size (1,116), which only included headquarter.

**“Manager” group in survey includes “Executives”, “Mid-level” and “Operational Manager” groups in interview.
Chapter V: Interview Findings

Drucker Ten Principles


   The mean score of this principle is 7.85; it is in the mid-range. The standard deviation is 1.98, the fifth largest among all. This indicates a relatively wider divergence in this principle, suggesting the organization will allocate more focus in its mission.

   The intuitive answer from respondents at all levels was that the organization has a clear mission and everyone is clear about it, although it might not apply to everyone. However, some became hesitant when they were asked to describe the mission explicitly, and corrected their answers, admitting that they did not know or could not remember what the mission is. In fact, one admitted: “Maybe I have never paid too much attention to it. I don’t really know.” Although most respondents assumed at least core management should be clear about the mission, lack of unified knowledge was evident even among executives and mid-levels that are high performers. For example, one executive answered: “We don’t have clear mission statement.”

   Nevertheless, everyone was confident in answering the question, “What business we are in?” Although some mentioned that they are developing diversified product portfolios, which they termed as “ecosystems,” everyone was clear that they are focused on the urban transit signaling industry.

   Drucker asserts that the mission needs to be customer-based, to define who customers are, and to identify the underlying need and value of each particular customer group. Examples of missions from respondents include: “for better rail transit,” which defines the business they are in; “to increase safety and efficiency of urban transit” and “to provide better passenger experience,” which define the customers and end consumers they serve—urban transit operators
and public passengers, as well as the value they perceive through products respectively—
efficiency and safety. One mid-level employee explicitly stated that the mission is based on
customer need: “We provide signaling service to fulfill customers’ operational needs and good
passenger experience. We know our customers’ needs and can translate these demands into
products with low cost. Our mission is clear and unique because it’s closely related to our
industry.”

Drucker states that a well-defined mission should align the organization’s internal core
competence with its external environment, reflect the core characteristics of the market as well as
the features that make it different from others, and fit with reality. Some employees understand
the mission from their individual roles, for example: “to increase level of automation,” and “to
produce the most innovative signaling system”; these answers align TCT’s unique core
competence of “innovation” with their presumed mission. Other employees demonstrated how
the awareness of mission brings them a sense of attachment and meaning; they related their
presumed mission to industry features and the competitive landscape, such as: “to lead industry
development through continuous innovation,” and “to empower domestic players from being the
follower to become the technical leader in the global market.” One employee further explained:
“We were the first supplier in China to master this world advanced signaling system (CBTC).
Our rapid growth significantly advanced the overall technical development in the industry and
helped our Chinese customers save tremendously on cost and gain more bargaining power with
international suppliers. We contributed significantly to both the industry and the nation.” These
comments demonstrate that respondents are aware that the mission should be based on true
customer need and industry landscape, and fit with reality.
Drucker suggested that a focused mission should balance short-term and long-term organizational goals and address the question of “what is the right business to be in.” One executive reflected on this: “Our mid-levels more or less understand what we do and what we want to do in the future, but not all of our employees (have the same understanding).”

Commitment to mission requires effective implementation. This means that everyone within the organization—at all levels—must understand the mission and be able to act on it. Many respondents agreed that the management team made some effort to promote mission and to implement into daily operation; one mid-level confirmed: “Our research strategy and marketing strategy are drawn around our mission. We try to work toward our mission, but we expand too fast and we are not promoting it enough.” Related to the fact that everyone answered the mission differently, one possible reason is their mission is not “clear and focused” as Drucker suggested. One mid-level commented: “We just don’t have a clear mission statement that can fit on a T-shirt.”

For everyone to behave in ways that support the mission, constant education and training are required. A few employees admitted that they joined the organization just to earn a living; they were unaware of the mission when they joined, and they remained uninformed or trained about it neither at orientation nor over the course of their work experience. One obvious explanation is that people are too busy with their daily tasks, as one executive admitted: “Mission is not yet our focus; our organization wasn’t founded with a clearly stated mission. Our initiative was plain: we just wanted to provide the technology urged by the industry at the time, and our operation was then driven by short-term financial goals in order to survive and to grow in marketplace.”
Some had become aware of the mission but attached no personal meaning or importance to it. However, they had become more attached to it over time, regardless of the lack of daily education on the mission. For example, one employee said: “When I joined, our mission didn’t resonate with me, and I had no feelings about it, but after a few years I started to feel an emotional attachment and realized the necessity of our mission.” This indicates how a mission can become more meaningful to employees over the course of their tenure. This may also explain why employee loyalty is significantly higher for those who have been with the organization for more than three years, compared to the newcomers.

Others admitted that while the mission is relevant to their daily work, it doesn’t mean much to them personally. For example, one employee said: “Most of us just focus on our daily tasks; the mission sounds too far away for us. The mission is more for executives and mid-levels.” One executive reflected on this: “It is an issue (not everyone’s clear about mission) when we develop too fast, that everyone’s too busy with daily work and has no time to think.”

2. **Focus on Understanding Customer Needs**

The mean score of this principle is 8.55; it is the highest among all principles. The standard deviation is 0.86, the smallest. This result suggests that people at all levels have a communal understanding that the organization practices this principle well, and this is supported in their qualitative answers.

Drucker asserts that the manager’s most important task is to define who customers are, identify their needs and values, and fulfill those through technical innovation. Most of the respondents, at all levels, agreed that their primary focus is to be customer centric. One executive noted: “Customer orientation is our success factor and our core competence.” As the organization
purposely chooses to stay focused in urban transit signaling systems as “the business we are in,” the definition of customers they serve and the value to be delivered are simple and clear. The qualitative answers show that the organization has unique research methods to learn customers’ needs, understand the values perceived by customers, and feel the way customers do. As one executive said, “We mostly learn customers’ pain points and their needs by talking to them directly, rather than desk research. Each department with direct customer touchpoints will bring customer needs back to office to share with other research colleagues. After all, it is the customers who decide if the product is good or not. We try to understand the root course of why customers have such needs.”

Customer orientation is a deeply rooted at all levels and is practiced by employees from both technical functions and non-technical functions within the organization. Technical employees said: “We used to just focus on function design, but now we have increasing awareness and we are improving ourselves to think more from customers’ perspective.” The awareness of being customer-centric was also evident among back-office employees. Although they have no direct contact to external customers, they practice customer orientation in their roles by serving other colleagues as their customers. As one employee noted: “As a service department, we also try to satisfy the need of other departments; we react quickly to serve them as our customers.”

However, due to limited resources during rapid expansion, not all respondents think this principle is practiced equally with all customers in all regions; some customers may feel ignored and that their needs cannot be truly understood. As one core researcher reflected: “Some of our work is a waste of resources, because we didn’t catch customers’ true need at the beginning, so we must keep on correcting our design later; there are also cases we didn’t comprehensively...
understand customer needs from their perspective, so we may provide customers with the wrong solution.”

In addition to match existing product portfolios to customers’ current demands, Drucker suggested that truly visionary organizations should be able to identify customers’ unarticulated demands and translate those “unfelt wants” into new products and services through innovation to create new values and new customers. One researcher shared their method for finding innovative ways to determine these “unfelt wants,” and said: “We do lots of research on other countries’ past experience to learn where the new demand might be from. We learn their historical development to forecast the trend (in the Chinese market). We actively think about what product is going to be the next big thing. We realize our customers may not always be able to assert what they want.”

The respondent further provided an example of an “unfelt want”: their innovative interoperable signaling system was inspired by learning city traffic maps and passenger travel patterns to determine what solution could bring a more convenient travel experience.

Since the research team is on the front line of transferring customer needs into concrete products, their feedback is insightful. Another researcher shared this interesting reflection: “In our industry, new technology and new solutions present customers with high risk and may not always provide them the same proportion of return, but the current macroenvironment promotes innovation, which makes innovation itself a new demand. However, innovation is only meaningful when it can provide practical value in real operation.”

In general, the organization can identify both articulated and unarticulated demands, and is able to provide optimal products and solutions. One executive noted with pride: “Over 90 percent of our research can be successfully translated into real products. Our basic research starts six to eight years ahead, and the process of prototyping stays three to four years ahead.”
However, respondents also realize this principle is not always practiced perfectly at all levels, as another executive said: “Due to work pressure and our limited competence, we may occasionally reject customer demands; not all of our teams are excited about the new needs we bring back.” Nevertheless, many operational-level employees said they feel they are doing well enough compared to peers, which might explain the high score in this principle. Furthermore, one interviewee felt satisfied that they can provide value beyond customer expectations: “Our value-added services—the big-data based Maintenance & Services system and smart operation system—are all very unique to them.”

3. **Responsibility and Accountability at All Levels**

   The mean score of this principle is 7.05 and the standard deviation is 1.36, both at the low range compared to other principles. This result indicates that respondents relatively unanimously agreed that the organization has room to improve on this principle.

   Drucker asserted that decentralization as a must, and it is interesting that executives have different views of how strong their hierarchical structure is. One executive thinks that although the organization aims to delayer, it in fact has strong layers; but others said, “We only have three to four layers, compared to the seven to eight of our peers.” Nevertheless, both managers and operational employees agreed their existing structure clearly defines everyone’s role and responsibilities.

   As Drucker pointed out, decision making cannot just come from the top down; low-level decisions are extremely important too.321 Everyone should be expected to be an autonomous part

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of the decision-making process. Executives claim they intend to promote a culture of delegation, but the effectiveness depends on the management style in each department or subsidiary. Many respondents agree everyone in the organization can propose their ideas, but most of the time it is for the managers to decide and they wait for directions from higher management. As one mid-level manager noted: “Many of us may not be aware we have certain authority to make some decisions in our roles.” Another mid-level who’s familiar with organization’s historical development explained: “Our founding team was a group of professors and graduate students from university, the teaching-mentor mode is carried in our DNA.” Therefore, in a situation where a manager’s decision is in conflict with operational employees’ personal opinions, the employees would do “whatever our managers say, we just to do it,” because “it is our culture to follow directions.” Another manager explained that their focus on obedience is related to the nature of their business: their product is highly safety critical, standardization is thus essential, and it is risky to grant people the flexibility to make their own decisions within this complex system. He said: “We rely heavily on process. We need regulations and well-defined process to assist our people to accomplish their task, because everyone’s competence is different. But even when the same standard and process is applied to all, people still perform differently due to individual differences.” However, another manager claimed: “In a functional department such as R&D, back office, and our diversified ecosystem subsidiaries, employees have the flexibility to define their own roles, to be self-motivated and responsible to themselves and to the organization.”

322 Drucker, Essential Drucker, 260.
Drucker promoted pushing accountability down, saying that employees should be held accountable for using their knowledge to make their own responsible decisions and to contribute to overall performance and results.323 Every employee should have a chance to take the lead and to grow; it does not depend on how “smart” they are. In reality, it is hard for frontline employees in the organization to be equally responsible, to drive resolution, and to encourage staff engagement. As one executive confirmed: “Even our mid-levels are sometimes in command and control mode; they are not firm in their own judgment, even when they think they are right. They are better at implementation than decision making. Although they may have more frontline information, it doesn’t mean they can make the ‘right’ decision. This could because they have limited knowledge. On an operational level, our employees lack of independent judgment; if their ideas are not accepted, they get discouraged.” However, employees seemed optimistic; they think this problem is caused by rapid expansion and people getting promoted too fast. As one employee said: “I feel our operational staff can make some decisions; as long as we aim to do right, our managers will help us allocate more resources. Not everyone’s idea is right, so we need seniors and experts to guide us, because this industry is experience-led.” Another operational manager further away from power hierarchy center admitted: “I don’t think it’s our executives’ goal to be in command and control mode; I feel they want to unleash everyone’s potential, and they can see this issue now. I think they are learning how to motivate frontline staff to contribute their knowledge and to be responsible.”

Drucker heavily focused on alignment between individual goals, team goals, and organizational goals. Employees should also focus on how their contributions can better serve

323 Drucker, Essential Drucker, 194.
the overall purpose of the organization. One employee pointed out: “Some people do not feel it is their responsibility to report on potential risks, issues, or mistakes that occur in our process and can be improved.” This signals that not everyone realized how their duty can contribute to or affect overall organizational goals. Another employee had a similar concern: “Our workload is just too heavy; we have to rush to finish the tasks that are due. This may cause some mistakes, because we have no time to reflect (on our mistakes) or to think about the highlights and innovative ideas that arise from daily work.”

Some respondents said they have no strict regulations or “fixed ways” of doing things; they have the autonomy to “define their job requirements” in their roles and to work in the way they see fit. However, as one mid-level manager said: “Sometimes only the executives have more information to make the best decision, and our employees become discouraged over time if they don’t feel their contributions or proposals are recognized, and they would either keep silent or switch jobs.”

4. **Employee Orientation**

The mean score of this principle is 6.75; it is the third lowest. The standard deviation is 1.70, in the mid-range. As interrelated with the result of previous principle and considering small differences between standard deviations, this result signifies that people are in relative agreement that the organization needs to improve on employee orientation.

As Drucker put it, “A manager develops people.”\(^{324}\) One of a manager’s most important jobs is to develop their team, and this is often a performance measure by which a team leader’s

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effectiveness is measured. The management team of the organization are aware of the importance of employee orientation in relation to their performance. As one executive claimed: “I think our biggest resource is human capital; it’s not about our technology, but the ideological alignment of our team and the values we hold are the most important to us.” However, in practice not every manager is keen to develop their team, as another executive admitted: “Our department heads are too busy with their own daily work; they simply have no time to train their newcomers.” Another mid-level explained why the mid-levels’ lack the motivation to develop their teams: “The core management today is mostly the founding team; they already had all the attention to grow themselves. Their (personal) needs are fulfilled, so they are not motivated to pay the same amount of attention and focus on growing our new employees.” This could also relate to Confucius’s promotion of compassion to establish others: the well-developed mid-levels in the organization do not have compassion to give others the same help they had.

Drucker asserted that organizations should be willing to invest in people’s development, whether professional or personal. The organization has a different training focus each year. For example, with the awareness the organization lacks training on values, one executive said: “We want to train our employees on values this year.” Another mid-level raised the concern that although the organization provides all sorts of trainings, there’s nothing to cover employees’ mental health, which is seemingly essential considering their heavy work pressure. Most of the respondents, at all levels, agree although the “seniors,” those who have been with the organization for more than five years, demonstrate very high loyalty, while the turnover rate is relatively high in the newcomers group, employees with one to three years of organizational tenure. The latter group tends to move between job opportunities without loyalty, and mostly moves to competitors. The majority of respondents are clear that “our employees are the number
one target of other competitors; they pay higher salaries to get our employees.” There are various explanations of this phenomenon. The lack of clear development plans for individual employees is the most frequently mentioned reason regarding loyalty and turnover, although one executive claimed this is not the same at all levels: “We give clear personal growth path and opportunities, that’s how our mid-levels can grow this fast.” In correspondence to triangulation data, this statement is only true for mid-levels or above, since the organization has no fixed restrictions on promotion, some naturally gifted talents have exceptional opportunities to grow quickly. However, the “conventional” majorities that need guidance may feel lost. As one employee noted: “There’s a lack in HR system; we don’t get the training or help from HR to plan our career path, say, if we should stay in a technical role or move into a managerial role.”

Another frequently mentioned explanation is the newcomers in TCT are mostly very young graduates, so they are naturally more easily attracted by other opportunities if they do not receive proper guidance. As one employee explained: “I see some employees left to our competitors in the industry aiming for better personal development, but many of them come back in two to three years. I think they were just leaving to see the world, but later found it’s still better to be here.” Other employees agree that although they have people leaving, they also have more new hires, which demonstrates their attractiveness to those seeking personal growth. Executives also noticed this issue, as one said: “When our mid-levels are also young, this may make some newcomers feel they don’t have enough room to be further promoted. This could be one reason for them to go to our competitors to seek for better positions.”

A similar phenomenon was observed in a meeting I attended to select new project managers. In order to build up a “talent ladder,” the organization chose to give more frontline managerial opportunities to the younger generation (those born after the 1990s – “generation Z”),
and to move the “senior generation” (those born after the 1980s) into general management roles. Although the intention is good, it was clear that there was no planned career path and no prior communication with the individuals on their personal willingness. Further, the “personal development plan” was discussed among executives and mid-levels based on their personal interactions with the specific candidates. As the organization continues to grow, it will be challenging for executives to know every candidate well on personal level, and this system would thus categorize talent into “high potential” and “low potential” based on their closeness with executives rather than defined standards of merit. The organization needs to build up a systematic promotion system in line with Drucker’s concept to “put people into the role at their strength.” As one executive realized: “The departments with high turnover are mostly incompetent in their daily management too; they only focus on delivering work tasks but care less about employees’ personal development.”

There are contradicting comments on professional development through training. Many employees noted that the organization provides useful trainings both on the organizational level and the department level, as well as a self-organized reading club to give people a chance to learn themselves; as one said, “Our training is not world class, but it can satisfy our need.” On the contrary, an equal number of employees do not think the trainings are sufficient. For example, one employee noted: “We are not covering all (employees). Our trainings are only focused on three groups of people: mid-levels, newcomers, and project managers.” Other employees think the content of the trainings are not specific enough to be useful; one said: “Apart from orientation, operational staff don’t get follow up or structured training along our growth, such as trainings that target junior engineers or senior engineers.” Another respondent questioned the effectiveness of training: “The trainings merely have a symbolic effect. According
to company rules, we must share what we learn with our colleagues, but there’s no process to measure that result.” Regardless of the quality of training, many people think they are just too busy to participate in any of these trainings. These aforementioned concerns were evident to executives, as one stated: “We are trying to find the skill our employees really need and can be closely associated to our business. I do lots of reflections on how to improve our training.”

As Drucker said himself, “Focus on contribution by itself is a powerful force in developing people.”\textsuperscript{325} One mid-level with long organizational tenure commented: “We are a company with strong emotional attachment. People must have strong enthusiasm and responsibility to survive and to grow here. However, not everyone has the sense of contribution yet.”

However, contribution is essential to Drucker, who noted the importance of development through contribution: that is, executives can grow employees by giving them challenging tasks and holding them to higher standards of merit. Although the organization doesn’t seem like it is doing a very good job in training on theoretical knowledge, both executives and employees agreed that they learn from practice. As one executive admitted: “We believe people grow from the ‘real war zone’; our employees must learn from doing, they can’t just stay in a classroom to learn theories. So, we only promote people by their performance, although we realize some newcomers might need training before we drop them directly into ‘war’ (real projects).” This learn-by-doing system may work well for some outstanding talents that are comfortable with self-study and self-discipline, as they can easily stand out to gain faster promotion, but it is not a system to make conventional people perform as a team.

\textsuperscript{325} Drucker, \textit{Essential Drucker}, 211.
As Drucker said, “The goal is to make productive the specific strengths and knowledge of each individual,” and rotation is a commonly used method to identify people’s strengths. Many managers feel that role rotation is difficult in practice, since they must prioritize accomplishing tasks on time, regardless of whether the role is the best fit or the most interesting for the employee. The feedback from employees was mixed, depending on their location and department, showing the differences in performance between departments. One mid-level reflected: “I sometimes have to make people stay in one role for long time, even if they may unable to improve in this role anymore, but every role has to be fulfilled (to accomplish the task) to deliver to the customer.” Employees from a better-performing department claimed: “If they have the resources, they will respect and support our personal need, to align organizational needs and our needs, to train us and to provide help for a smooth transition between roles.” Another interesting fact related to role rotation and turnover rate is the high living expenses in big cities like Beijing, where the organization is headquartered. One regional office manager thinks that regional offices can not only provide customers localized services, but also are a good choice for their employees’ development; if the employee is willing to relocate, they would provide compensation.

The “employ the whole man” concept implies that the organization should give everyone an equal chance and resources to help them grow, instead of categorizing them. However, some respondents raised the concern of bureaucratic culture; since the core founding team are closely attached to Beijing Jiaotong University (BJTU), newcomers in the operational team who are not from BJTU sometimes feel isolated. But other employees claimed: “Our executives are not

bureaucratic by their personality; they are nice and open, there should be something wrong within our operational system to end up with this bureaucratic culture when our executives do not intend to.”

Further, to attract talent for certain competitive IT engineering roles, the organization needs to compete with players outside the railway industry. However, it is a trend for young graduates to join internet giants as their priorities, and they normally get more resources and higher compensation at these IT companies. Therefore, the best talents in TCT may not feel sufficient self-realization.

5. **Everyone Innovates**

The mean score of this principle is 7.6; it is the sixth lowest compared to other principles. This is a surprising result considering that the organization positions itself as the most innovative player in the industry and that innovation is its most frequently mentioned feature. The standard deviation is 1.28, the thirds lowest of all, indicating relatively unanimous agreement between respondents.

Drucker emphasized that social, system, and process innovations are just as important as natural science or technological invention. Qualitative answers show that most respondents agree that the organization is heavily focused on technical advancement. However, many respondents also realized that “we have room to improve here” in terms of a broader range of innovations. One employee provided an example of continuous process-optimization in the accounting department: the reimbursement process is designed to be more convenient for employees as well as to make it easier for the accounting team. This demonstrates that they not only have an innovative mindset, but also that people innovate to better serve others. There are numerous
similar examples from various departments showing the organization has the awareness and efforts to promote an overall innovative culture. However, not all these innovations are effective, as one employee said: “We change too frequently, sometimes it’s hard to remember.” Another employee raised the issue that not all innovations can be persistent until they show results: “We tried to innovate our KPI system, which takes time and effort—we gave up in the middle.”

For Drucker, innovation mostly “happens close to event,” 327 so everyone should have a point of view from their role. It is clear that the organization tries to promote the culture of “everyone innovates,” and there is an established award system to recognize new ideas from anyone, even when the proposal is not perfect or useful. Some employees feel their emphasis on “following the process” may limit people’s innovative mind, that any change of needs to be based on established process and framework. One employee described this as a “double-edged sword” and said: “We must have strict process to ensure safety, but on the other side the rigid process limits innovation.” One executive admitted: “Not everyone has an innovation mindset. Many people just stay within norms and can’t think outside of the box.” Another executive added: “In total, we may only have 60 percent of our employees engaged in innovation.” This is confirmed by the key researchers, who feel that even when innovation is the main job in their department, not everyone is innovative. One executive reflected on this principle: “Due to the pressure in short-term financial performance, our investment in research is not increasing much these years; I don’t know how sustainable it is. We promote innovation, but we are not acting on it. We have innovative ideas but not enough resources to support it. If we don’t improve, our self-motivated innovative talents will become discouraged.”

327 Drucker, Essential Drucker, 324.
For Drucker, innovation improves productivity and can itself be a measure of productivity, and innovation should be based on one’s strengths. As the leading player in technical innovation, the organization actively adopts automation to release people from repeated manual work to increase productivity in various roles. For example, one respondent noted that robots had been introduced not only in production lines, but also in administrative tasks, such as stamping. However, the executives don’t seem satisfied with their performance, as one said: “Most of our people just accomplish their task, they do not consider how they can innovatively improve effectiveness and save costs.” Other mid-levels described this issue as well and explained: “We didn’t empower employees to innovate for themselves; they lack competence. High pressure from project execution also limits their time and energy to try new things; this could also be because they don’t have sufficient innovative tools to increase their efficiency.”

As Drucker asserts, innovation should be market driven and evidence based, which he termed as “knowledge-based innovation.” For newcomers lacking sufficient knowledge and experience, it is hard to require them to innovate. However, when innovation itself becomes a demand in itself, as in the aforementioned principle of “customer orientation,” not all innovations are evidence-based or target real problems. As one manager introduced, they must fill in the item called “innovation of the year” in their annual work plan, which they make innovation a task to accomplish. Others admitted: “Sometimes some people try to innovate not based on true need; this is waste of resources.” Another mid-level further explained from a historical perspective: “Because the organization is only ten years old, we don’t have much historical reference, so the road of innovation in process and management structure is inevitably curvy.”
Drucker asserts that successful innovation starts small, tentative, and flexible, and must be decentralized and autonomous. The organization’s management team realized that “maybe more than half of the employees just follow managers’ orders without thinking for themselves how to better operate in an innovative way.” This norm decides innovations can only be driven from top down, as confirmed by another executive: “Even our research team doesn’t have a strong sense of innovation. Our research center hasn’t initiated significant innovations by themselves in the recent years; they just follow direction.”

Nevertheless, the organization does well at being “opportunity focused” rather than “risk focused.” Their product innovations target valid customer needs and they understand the need for resilience and tolerance for failures and mistakes in their innovation process. One employee provided an example of new issues and risks that can arise when implementing an innovative marketing strategy: the organization failed to plan distribution of intellectual property ahead of time.

6. Regular Abandonment Is Practiced

The mean score of this principle is 7.65; it is in the low range. The standard deviation is 1.93, indicating relatively wide divergence among respondents.

For Drucker, “what exists is getting old.” Most respondents were highly aware of their regular practice of abandonment in terms of product iteration; in just ten years, they have done

328 Drucker, Essential Drucker, 323.
330 Drucker, Essential Drucker, 322.
331 Beatty, World According to Drucker, 123.
what it took their peers over sixty years to do—to iterate their main signaling system for three
generations. Numerous employees noted with pride: “I really think we are the leader in the
industry; our innovation is not a simple ‘add on’ but iteration.” Indeed, abandonment is not an
easy task, as noted by one executive reviewed their iteration process: “It wasn’t an easy decision
to give up our old system, especially when it was still regarded as ‘advanced’ globally, with good
sales. It involves lots of risks and courage to be the first one in the industry to try new directions,
particularly when there were lots of different opinions on whether FAO (autonomous train) was
the future direction. This reinvention process comes with resource redistribution.” However,
there are also many other respondents who are not satisfied. One employee said: “We tend to
‘add’ and ‘repair’ than ‘rebuild.’” Another executive also admitted they still lack reflection in
their busy schedule, abandonment is not well practiced on a microlevel, even from technical
perspective. He further explained through an example: “We have accumulated way too much old
codes over these years and they are becoming a heavy burden for our researchers to go through,
but we are still not giving up the old for a complete rebuild.” In addition, compared to relatively
unanimous comments on abandonment in technical iteration, there are different views on
abandonment in management practice.

Drucker asserted that abandonment is not a one-time task; it needs to be reviewed on a
regular basis. The qualitative answers show that people think they do well in their own
department with regular review, as one mid-level said: “We regularly review our process to
optimize.” Whereas other executives don’t think it’s a common practice on an organizational
level, such as one who said: “We must keep on working on it. This is not yet our mainstream
culture. Some departments and some managers have the awareness but most of us don’t have this
habit.” One employee gave an example of abandonment in marketing strategy, that the
organization used to have wide coverage of target regions without selection and focus. They later learned the importance of abandonment, so they focus on a few, carefully selected key regions where their products have a unique competitive advantage. This strategic change to abandon certain markets was a step-by-step and regular process according to external environment changes, and it was a difficult transformational change to test what should be abandoned.

Indeed, as Drucker said, what to abandon is a test of vision and an issue of how an organization envisions tomorrow will be. As one research employee questioned: “I don’t know if our current abandonments are our voluntary choice or just because they have to”; it is a tough strategic decision for the management team to envision future trends. One manager answered: “Although our old systems still have market, we are trying to speed up our innovation. Abandonment is not yet our norm, but we are actively engaged in digitalization, to improve our decision-making process and operation.” In a meeting I observed, one executive reviewed their visionary decision to build up various regional offices, which involved lots of resource distribution. But these regional offices contribute significantly to maintaining customer service and marketing activities during the COVID-19 lockdown, when the marketing team in headquarters can’t travel. Further, this is not one-time practice; they keep on redefining the regional office’s function, as another mid-level said: “When we found our previous engineering management center that is controlled by headquarters is inefficient, we delegated this function into local regional office.” Other lower rank employees also noticed these visionary abandonments, and similar to innovation, they raised the concern that these existing strategic changes are mostly driven top down by executives.

Abandonment is necessary to clear the road for innovation. One core researcher of the organization reflected on their design strategy and said: “From a technical perspective, our new
system shall aim to be interoperable with the old system. However, we always try to work on
disruptive innovation instead of incremental innovation. We wish our customers could use the
completely new system and give up the old, so we don’t must keep maintaining the old.” Other
respondents raised the concern unique to the industry, that since their system has a long life cycle
and metro operations cannot be suspended, it’s not always easy to practice abandonment.

Abandonment involves change and there is often strong resistance within the organization
to dropping norms, especially those that have proven to work in the past. Various managers felt
resistance to change, from process change to personnel change. As one executive concluded:
“Our mid-levels and employees are afraid of changes, as it brings costs and uncertainties as
consequence. They like stability. But I personally insist on changing and abandonment of the
old.”

7. Results, Not Activities, Are Measured for All Stakeholders

The mean score of this principle is 8.3; it is the fifth highest. The standard deviation is
1.68; considering small differences between standard deviations, the result shows most
respondents agree that the organization is result driven.

Drucker suggests that “effective executives focus on results, not on work.”332 The
organization should best allocate resources to those most productive tasks. For TCT, there’s a
comprehensive KPI system to transfer all desired results in daily operation into quantitative
measurements. Although financial performance is not the only measure of productivity, to best
allocate resources to the most productive projects, they do require minimal profit to decide

332 Beatty, World According to Drucker, 125.
whether to bid on a new project. Another employee further noted that being results driven is a deeply rooted concept at all levels: “If I don’t achieve the result, I wouldn’t think I did a good job regardless of how hard I worked on it.” However, from managers’ perspective, not everyone is equally educated to be result driven in their daily work; as one mid-level said: “In our meeting, you can hear our operational staff talk about the activities they did, but mid-levels or above we talk about results.” One employee illustrated that the organization never requires fixed working hours, because the measurement is on deliverables, not on working hours. Interestingly, other managers feel that although there’s no written rule, in practice they do have a strong culture of working overtime, and some people do overtime without being productive. In my personal communications with other colleagues in the organization, they confirmed there are too many meetings and not all meetings are highly productive.

Drucker asserted that performance is defined by contribution to the overall organizational need. One employee said that since they are in a safety critical business, being able to follow the safety process itself is regarded as a desired result and contribution to the overall good: “Focus on process is needed. If we didn’t follow the safety process, even if it didn’t cause any direct material damage this time, it is still regarded as an ‘accident’ for us as an unwanted result.” A few employees noted, in addition to all the quantitative measures, that the organization promotes “working hard” and “following the process” by rewarding them accordingly. As one employee introduced: “We measure both quantity of workload and how we work. Our bonus depends on our workload, but salary depends on result and performance.”
Drucker requires results to be clear, unambiguous, and measurable. Measurement of performance requires effective communications to align expectations between employees and executives. All executives answered that they are positive that their system gives everyone clear tasks and well-defined requirements; they normally have few rounds of top down and bottom up discussion to ensure that everyone understands expectations and how results will be measured.

Drucker suggests that executives should consider not only financial performance, but also a broader range of contributive outcomes to the commonwealth and different stakeholders. Most of the respondents think they are results driven for stakeholders, and not merely focused on financial results. This will be discussed in more detail in the Confucian principle, “Do what’s right than simply being profit driven.” One employee explained through an example that they actively help their customers to conduct co-research; these research projects are not the most profitable ways to allocate their manpower compared to other commercial projects, but the team is still willing to do them in order to strengthen their relationship with customers. One executive summarized: “To employees, we give clear tasks to help them grow. They get the sense of self-realization to be the leader in our industry. To customers, we deliver the right product to satisfy their operational needs. To shareholders, we offer good financial return and leading status in the industry. To society, we carry millions of passengers every day, ensuring their safety and convenience.”

333 Drucker, Post-Capitalist Society, 55.
8. **Balance Short-Term and Long-Term Results**

The mean score of this principle is 8.15, close to the highest score of 8.55; the standard deviation is 1.8. Considering small differences between standard deviations, the result shows most respondents agree that the organization can balance short-term and long-term results.

Drucker suggested that effective executives should have a clear vision of the future, and the organization should balance resource allocation to build competence for sustainability to enable a smooth transition from the present to the future. Most respondents, at all levels, agree that the organization is willing to invest in technical competence for sustainability with help from their well-established research system to envision technical trends, as one employee claimed: “This is very obvious to all employees.” Another mid-level further explained how their system works: “We have both research center and lab with different functions, the research center aims to maintain the existing system, staying three to five years advanced; the lab focuses on visionary technologies that are probably five to ten years ahead. Our distribution of manpower between the two is 2:1; this is a good balance and a stable investment.” Another manager reflected on his department’s existing behavior: “I think we have 20 percent of our resources invest in the future in my department, and we are switching more manual jobs to automation to release more manpower to future high value-added work.” This aligns with the “monkey theory” suggested by Professor Jaworski that executives should allocate 20 percent of their resources to prepare for tomorrow’s business. These employees’ observations were confirmed by executives; they are positive to invest in sustainability.

Drucker noted that the transition into future business may involve the trade-off of short-term loss. Executives stated that they focus on long-term growth and their investment is stable regardless of short-term financial performance; answers from employees confirmed this
viewpoint. More than one employee recalled that in their early days—the first three to four years after the organization was founded—they had very limited new contracts and they suffered tremendous short-term financial pressure; the executives made personal loans to continue investment in innovation even in those very difficult times. One employee introduced how they continuously invest in long-term strategy regardless short-term cost even today: “Before, all departments were expected to be profit centers on their own, but now we have cost centers only target future business, for example, the research lab for technology advancement and the international department for future markets.”

Drucker asserts that the primary precondition for both current operations and sustainability is profitability, and to be profitable in both the short term and the long term, executives must redesign short-term objectives and measurements for performance to encourage the desired long-term change. One mid-level described how profit centers and cost centers balance different objectives and measurements: “The lab is focused on future technology that may not even be practical in the short term and it is not judged by application either; while most of us are focused on short-term financial performance. So, we can stay sustainable and provide a safety net for all of our employees.” Interestingly, research lab people have their own judgment on measurements: “Our work is still being judged by possible implication. We are not that visionary yet like Elon Musk who can use technology to define the future.” One executive summarized: “Our investment to the future is market driven and on annual basis. We have no fixed rule or percentage of investment. This is because our market changes too fast; we have to react quickly to plan our investment according to new changes.”

To maintain sustainability, the organization must balance not only the trade-off with short-term financial gain, but also other objectives and values, such as growing people to prepare
for the future. Although many managers and employees say the organization regularly invests in people by increasing investment in the research lab every year to grow the talent pool, research managers do not think they are doing enough to grow researchers. Feedback from both headquarter departments and the regional office shows that many people think they are too overloaded with daily tasks to have time to think about future. The employees feel the intention that executives want to invest to future, but in practice they must prioritize delivering on urgent tasks. As one manager stated: “Our resources are even limited to fulfill the need of current business, not to mention future business.”

9. **Everyone Lives by the Values**

The mean score of this principle is 6.3, the lowest among all. The standard deviation is 2.37, the highest of all. This indicates a wide divergence between respondents; this is the principle the organization needs to focus on the most.

Drucker asserted that once the values are identified, they must be fully understood by everyone at all levels across the organization. These shared values should become the common belief of “how it works here” for all. Similar to the mission, although most respondents’ intuitive response was that the organization has clear values, when they were asked to describe these values, their answers differed. Examples of values identified include “working hard,” “do the right thing and do things right,” “customer-centric,” “management system, method, process, human capital,” and so on. There were also a few people who do not think the organization has a clearly defined value statement, including executives. These various understandings on value and the low score corresponded to the feedback that the organization lacks training on values in the previous principle, “employee orientation.” As one mid-level reflected: “We don’t have value as
our polestar.” Another executive further explained: “We don’t promote our values well because we can’t even achieve mutual agreement between our management on what’s right and what’s good for the organization. We talk about more on daily tasks but not on values.” Since everyone has their different understandings of value, the qualitative answer of “if everyone can ‘buy in’ and ‘act on values’” could be biased depending on respondents’ own definition of value. For example, one manager gave the value “management method, process, standard, human capital” a high score because he thinks the organization educates on this concept very well and everyone acts on it. He further claimed: “We even have posters on each floor in our building to state these values.” However, others may not be this positive if they perceive value differently.

This Drucker principle is focused on living values, indicating that value-led behaviors should become the norm to direct people’s daily behavior. One employee’s answer is not atypical: “We don’t use values to guide our daily work. I don’t feel the strong linkage to practice.” One executive noted this is the concern for many others at all levels: “People think the value statement is work for HR department, but they don’t realize it needs to be implemented at all levels.” However, although people don’t get training on values and they have no deep understanding of it, one employee noted people are practicing certain values unconsciously since they are influenced by management’s role model effect in their daily life. More than one mid-level cited heavy work pressure as a main reason that people don’t allocate attention to values; they don’t think employees can realize their own spiritual needs and they don’t yet know the benefit of values and what can it do in their life. Another employee added: “Regardless, we have no measurements (on employees’ value-led behaviors).”

Another possible reason that identified values cannot be understood by all is that the existing value statement might not be “clear and explicit,” as Drucker suggested. Employees and
executives familiar with the organization’s existing value statement explained that their current values were learned from other well-known Chinese organizations such as Huawei, and they didn’t focus on drawing out their own specific characteristics and values, so the values are not unique and may not be the best fit for them. Another mid-level noted that he would expect values to be motivating and encouraging.

For Drucker, value fit is a must: organizations must be value-led rather than performance-led. Many employees agree that high performers would be removed if they did not agree with the organization’s shared values. One executive confirmed: “Most of our core folks buy in our values; we have had mid-levels who had to leave because they were not value-fit. However, these are just exceptional cases.” On the contrary, there are also managers and employees who thought they are more tolerant than high performers, although in most cases their personal values were mostly compatible with the organization’s, if not exactly the same. As one mid-level said: “At least 80 percent of employees are value-fit; we will tolerate some well-established seniors if they can provide their contribution.”

In addition to value-fit with employees, one executive stated their existing values: these are “safety, customer orientation, and human-centered” in his understanding, considered different values perceived “by all parties and stakeholders.”

Drucker suggested that effectively value-led organization must be in the value fit business and adhere to value fit business conduct. Several respondents defined organizational value as “doing the right thing and do things right,” and unanimously agree that everyone must buy in and act on it. This result aligns the high score in the Confucian principle “do what’s right rather than simply being profit driven” and will be discussed in detail later in the chapter.
10. Demonstrates Social Responsibility

The mean score of this principle is 7.7. The standard deviation is 2.15, the fourth highest. Although the mean score is not outstanding, the qualitative answers were positive, showing respondents’ might be biased in their scores due to limited knowledge of social responsibility and lack of unified understanding in this principle.

Drucker advocated that organizations have social functions regardless of the cause of the problem. One executive reflected on their performance and admitted: “We don’t have deep understanding of CSR. We are actively engaged in some socially responsible activities, but these are random actions when we see fit; they are not consistent, we don’t have systematic CSR strategy as guidance.”

For Drucker, everyone in the organization must be committed to social responsibility in their own roles. It is a collective responsibility and an ongoing process for social responsibility to become the norm and an organizational value for everyone to live with. As a publicly listed company, the organization under study does not have a CSR department or a CSR report yet, although the management plans to launch a CSR report in their next annual report. One employee raised the concern of limited resources: “We don’t have such a role in our structure. It is normally up to the HR department to lead CSR activities as part time and a one-time task. This limits our CSR performance due to our tight time distribution to it.” Other qualitative answers confirm that the organization is actively engaged in a broad range of socially responsible activities on a regular basis, but mostly to follow a top down process rather than a self-motivated duty for everyone. One mid-level stated: “Most of us are too focused on our daily tasks. Certain people with longer organizational tenure might understand CSR better, but not everyone, in particularly not newcomers.” On the contrary, some employees and managers think everyone has
a strong social sense and they all act on it. They gave examples including active participation in various donations, public safety training programs, educational seminars, and research funds with universities and government agencies and so on. In addition to these organized activities, one employee illustrated their socially responsible behavior in daily life: “Every of us were self-disciplined to support recycling when we started to promote this concept. These small things also show CSR is not just a slogan, but we act on it.” On the organizational level, CSR activities cover a wide range of stakeholders. The most frequently mentioned activities are sponsorships, internship programs with various universities and research centers, and donations on the current issue of COVID-19. Numerous employees highly recognized the organization’s exceptional care in employees’ personal life, that the organization would leverage the corporate network to help them with personal difficulties caused by “social problems,” needs that would normally be ignored if they were with other organizations. Examples include a regular kids’ party, financial support for terminally ill family members, education and medical support, legal help for employees’ accidents, free essential supplies for employees and their families before COVID-19 safety measures were officially imposed, and assistance for their travel back to work. Although few employees and managers stated the organization does not focus on global issues, one employee noted: “Our CSR activities do not have wide coverage, but we are good enough considering our size.”

Drucker suggested that both “social impacts and social responsibility have to be managed,” and visionary managers could turn social problems into profitable business opportunities. Many respondents unanimously claimed their daily operations are positive.

contributions to the industry and society by enhancing public safety, by leading technical advancement, and by bringing down the industry average cost by more than one-third, which is significant saving for customers. These employees further recalled with pride the organization’s emergence in the industry ten years ago, when they broke more than sixty years of technical monopoly in the signaling industry, implying that the founding of the organization itself carries the positive meaning of social need. From this perspective, it almost makes TCT a good example of Drucker’s concept: “turning social problems into profitable business opportunities.”

Executives with previous knowledge of Drucker’s work said: “A successful and profitable operation is our biggest contribution to the society. Our employees are well fed, and we grow many talents in the industry—they are all well trained through our continuous innovation.” Other executives added their expansion grew many of their suppliers and partners, to build a healthy value chain and ecosystem together.

Although all respondents were reminded constantly that they must score based solely on behavior anchor and they followed well in all other principles, many people explicitly stated they feel they should score lower in this principle due to the fact the organization also benefited from their CSR activities. For example, several respondents claimed the organization’s scholarship programs helps them to attract talent and gain brand name, and this drops the score. This mentality demonstrates the unconscious influence of the Confucian mind and their limited understanding of Drucker’s CSR theories. They might have the same misunderstanding of Confucian principles we introduced in previous chapter—that profit is menial and should be disdained. For them, socially responsible activities must be selfless without any business aim, rather than building on reciprocity. Most of the respondents, with the exception of a few
executives, did not realize that being profitable is organization’s first responsibility\textsuperscript{335} and profit making does not have to be in contradiction with social responsibility. The few managers who understood the concept explained that they had read Drucker’s book before the interview, and they reflected the knowledge gained in answering this question.

Drucker suggested that organizations must be aware of limitations when they perform CSR; if the organization engages in a task that is beyond its competence of knowledge and resources, that would be socially irresponsible.\textsuperscript{336} However, many participants admitted they scored low because they think their current CSR activities have limited coverage. For example, one employee said: “Our CSR is mostly related to our industry, our employees, and our customers, not much on social problems. We can’t perform certain CSR because we have limited resources.” This is not an atypical answer, indicating possible misunderstanding of the statement “organization is responsible for ‘whomever and whatever’ it touches” in our principle question, that respondents might think a socially responsible organization should target on every social issue it touches without strategic consideration of its resources and strength.

\textbf{Confucian Ten Principles}

\textbf{1. Virtuous and Ethical Behavior Creates a Harmonious Society}

The mean score of this principle is 6.65, the second lowest, and the standard deviation is 2.43, the highest among all. This indicates a wide divergence in this principle, suggesting the organization should allocate more focus on virtue.

\textsuperscript{335} Drucker, \textit{Post-Capitalist Society}, 101.
\textsuperscript{336} Drucker, \textit{Essential Drucker}, 63.
Confucius’s harmonious society requires the virtuous behavior of each and every individual, a harmonious and virtuous social environment can also help individuals advance their moral refinement. One employee’s comment can generally represent the common understanding of this principle: “Although we don’t have a strong focus on individual virtuous behavior, our environment is well shaped.”

This principle promotes a value-led organizational culture in which each employee lives by it every day: one must not only learn virtues conceptually, but also practice them. Although the organization is vague in defining desired virtuous behavior on the individual level, the qualitative answer shows that people apply unspoken rules to behave according to social desirability in both their personal lives and in the workplace. One employee illustrated how employee honesty can affect daily performance: “We surely focus on individuals’ virtuous behavior. In my role, we must be very precise and our honesty is very important. We have to report on each and every item we tested; if anyone lies about a testing process or result, there’s clear regulation to punish them on that—normally they will be fired immediately. This strict requirement on our honesty will be carried to the next department as a process; these efforts will play together to ensure the overall safety.” In daily life outside workplace, another employee recalled his personal experience and said: “Our firm expects us to live virtuously. In several of our big meetings, I heard our managers emphasize the importance of an individual’s virtuous behavior. They educated us with the example that small things in life, such as waiting for a traffic light before we go across a road, reflect one’s virtue.” Although we got some positive answers to show a certain degree of awareness of virtuous behavior, this does not apply to everyone at all levels.
Self-cultivation itself is not an easy task, and it takes time for an organization to shape a virtuous culture. In general, respondents do not think the organization has a strong focus on individual virtuous behavior and there’s no explicitly established regulations as such. However, nearly every respondent, at all levels, understood there’s an unspoken rule that their behavior should at least follow basic social desirability and comply with the law. One executive noted: “We trust our employees, we talk about basic virtues during meetings, and we are viewed as virtuous and responsible by our clients.” Other employees agreed, although the organization has no obvious promotion of individual virtuous behavior, people are trusted to be self-disciplined and there is peer pressure and monitoring from others if one behaves unvirtuously to harm others or the organization’s interest. Another executive noted: “We once discussed, and we think Google’s ‘don’t be evil’ is a basic requirement. We value one’s virtue, attitude, and competence, and we promote that virtue comes first.” However, some respondents feel that not all departments can educate their employees on virtue. One mid-level admitted: “We don’t have training on this.”

To shape a virtuous culture requires not only education and training, but also measurement and evaluation. The qualitative answers show conflicted understandings as reflected in the standard deviation. Many respondents do not think they are measured or evaluated by their values and virtuous behavior; they do not feel obligated. For example, although some mentioned they do have a handbook that clearly states requirements and expectations of individual behaviors, other employees admitted they don’t really care about the handbook. This could be due to lack of promotion of the handbook, but more importantly the employees are not evaluated on it. Some respondents mentioned value and virtue are important considerations during the hiring process; this was evident in the hiring meeting I observed.
Another employee added: “We evaluate employees on their moral standard when we hire and in the promotion process. Before we make a promotion official, we have a ‘public announcement period,’ and if anyone reports this candidate’s unethical conduct during this time, we do consider it.” However, these efforts are not sufficient to produce satisfactory results, and the organization needs a more systematic measurement on individuals’ virtuous behavior. One executive explained that they act against unvirtuous behavior in order to create good organizational value. He further added there was a case where they had to remove a mid-level manager due to his unvirtuous behavior: “We have zero tolerance on unvirtuous behaviors.”

Confucius suggested that the motivation for self-cultivation comes from within; this means that employees must be motivated to develop themselves, instead of waiting for organized training. Although the organization depends on self-discipline to keep overall harmony, respondents agreed that most of them are aware of virtues deep in their minds. Similar to the previous Drucker principle on values, one employee said: “We do consider this (virtues), just maybe more unconsciously.” This unconscious awareness to follow virtuous behavior could be partially influenced by the management team’s role model effect, as another mid-level emphasized: “All of our management teams are nice and very virtuous people.” Another employee used Confucian concepts to explain: “We believe everyone has natural benevolence and can be self-disciplined. That’s why we don’t impose strong regulation on their individual behavior.”

2. Manage by Virtue Rather than Punishment
The mean score of this principle is 6.75, the third lowest, and the standard deviation is 1.61. As interrelated with the result of the previous principle, it shows that respondents agree the organization is more or less balanced in managing by virtue as well as punishment.

Confucius advocated that it is more effective to rule by promoting moral values than by punishment. Most respondents agree that they prioritize values, but they also enforce rules as a supplement. As one manager described their management style: “We are in general value-led to motive people’s benevolence, but we also have optimized regulations to follow.”

For individuals to make “virtuous” decisions they must be educated in the “right” virtues. However, as discussed in the previous principle, apart from the value “to prioritize safety” that they do well, the organization lacks training of general values. Some mid-levels added that although they don’t have clearly stated and unified values, and they impose specific KPI measurements, they think they are ruling by virtues and managed in Confucian style that is “based on man rather than law.” However, others view this differently depending on the definition of value, as one mid-level noted: “Our most popular value—"method, process, standard of merits and human capital"—is the guide of how to work, but it’s not value itself.”

Value-led organizations should align personal values with organizational values. It was evident that from the beginning of hiring process, the organization intentionally seeks out better value fit individuals. One mid-level noted: “When we hire, we prioritize value fit so we can decrease our management cost. We prefer people that can be self-motivated and self-disciplined, although we also have regulation to monitor if they follow our standards.”

337 Moore, Philosophy and Culture, 90.
As related to the previous principle that the motivation of self-cultivation should come from the inner self than from external force, most respondents agree this is the primary aim of the organization. As several employees confirmed: “Employees are expected to be self-disciplined to do the right things and do things right. We don’t promote punishment.” Another executive aligned Confucian concepts in his comment: “Our employees are self-motived to fulfill their duty voluntarily; our punishments only target immoral misconduct. This is our management style here.” However, when not everyone can be equally self-disciplined, regulations and punishments are effective supplementary tools to enforce the implementation of values. As one manager stated: “We only do punishments when people’s unethical behavior is harmful to our brand, and our regulation is there aimed to help people improve, because many times people cannot be aware of their wrongdoings unless they are punished.”

However, as executives and employees realized, regulations and punishments are not always effective and they can never be enough rules to cover all ethical issues. Some respondents noted they are in general tolerant of people’s mistakes as long as it’s not a safety-related issue, and this may lead to managerial inefficiency. One mid-level complained, as a high-tech company, they lack regulations and punishments to ensure information confidentiality. Another employee noted: “Since we don’t use punishment frequently, some employees take advantage of our policies.” Other executives noticed the same issue: “We need better ways to implement our values.”

As the organization aims to shape a “benevolent” culture that is value-led rather than performance-led, executive and mid-level respondents stated clearly that their primary goal is to promote rule by virtue and to grow people, punishment is not the only way to manage. However, even high performers who break the rules will be punished.
3. Do What’s Right Rather than Simply Being Profit Driven

The mean score of this principle is 8.55, the same to the score of the principle “Focus on understanding customer needs,” and the highest among all. The standard deviation is 1.69. This result suggests that most respondents agree that the organization is insistent in doing what’s right.

Confucianism is strongly against profit maximization through unvirtuous behavior. As related to the answers in Drucker principle “everyone lives by the values,” many respondents noted “doing the right thing and doing things right” is one of the organizational values they strongly promote on a regular basis, although not everyone pays equal attention on it. As one employee said: “This question reminded me, now I remember we do have regular promotion on this (value).” Several other respondents said this is their guiding principle, and it has been well practiced at all levels throughout their history and development, as one executive confirmed: “We have insisted on doing the right things in the past decade since our founding.” However, other executives admitted: “In practice, it’s hard for everyone to ‘act on it.’ Some departments do better than others; if anyone is not doing well, it would become the wrong model for others to follow.”

Organizations following this principle need the knowledge of what is right and what is wrong, as well as the motivation to make the right choice to balance different objectives, to commit to virtuous practice, and to not prioritize monetary gain over values. Most of the employees believed profit is never the only and not even the primary consideration in their equation. As one employee said: “We haven’t met any situation where we must trade off between the right thing and business gain; we are making profit because we are doing the right thing.”
However, there are also limited voices think there’s a “balance between short-term profit and long-term values,” and “sometimes our decisions can’t be fully made based on values.” Nevertheless, these various judgments could be led by no unified understanding to define what’s right. Some respondents noted that different stakeholders perceive “right” differently, moral behaviors following social desirability and in compliance with the law should be “right” already; others think being profitable is the first “right” thing for organizations; and others claim their “right” is led by customer need.

According to Confucian teachings, if someone aims to gain at the expense of others, they should be disdain by the community. Participants unanimously agree: “We never gain by harming others or through unethical behavior.” Some respondents further introduced their efforts to benefit the whole value chain and the industry, rather than build up technical barriers to maximize their own margin. These activities include building an industry-wide information sharing platform, publishing white papers of their current research results, and so on. As one executive confirmed: “We always aim to ‘make the cake bigger’ through partnerships and to share profit with others.” Another mid-level further claimed: “We are open to introduce new competitions into the industry for co-development.” Other respondents illustrated the case they share risk and unexpected cost increases with suppliers, instead of leaving suppliers alone to carry all the burdens.

To translate a virtuous mind into business practice means that the organization should strategically plan its objectives around the right business; to be virtue-led is an absolute and does not depend on the amount of profit.338 One executive elaborated their strategic choice to stay

338 Mengzi 1A1; Van Norden, Chinese Philosophy, 84.
focused in their main business that is deemed “the right business,” rather than being attracted by diversified businesses that can produce higher profit: “In the past decade, if we leveraged our company name to get cheap industrial land, it could have given us much higher margin and extremely attractive financial performance in short term. But we still chose to stay focused and to continuously invest in the future.” Another employee provided the example that the organization adopts ethical business practices to correctly reflect their virtuous value, that they always prioritize their value of “safety” without calculating profit: “If it is a safety-related issue, regardless how much it costs, we insist in safety. We are not profit driven on this, we are firm on our values.”

4. A Journey of One Thousand Miles Begins with One Step

The mean score of this principle is 7.9 and the standard deviation is 1.92, both in mid-range.

This principle emphasizes the importance of action, suggesting that organizations must act on their ideas to make a difference. The qualitative answer shows respondents at all levels unanimously agree they are committed to long-term strategy. One employee confirmed that they act on their commitment and said: “We are committed to our long-term goal and we consistently invest into it.”

Creating lasting change requires continuous and persistent effort. Among most of the positive answers, a few operational employees noted certain “predetermined long-term goals” at the team or department level that were ignored and gave up in the middle of the process before it even got up to the executive level. These priority shifts are a waste of resources, misleading people’s focus from the real “long-term goal” they should have concentrated on, and are mostly
due to personnel changes in mid-level. Executives were however firm that they are committed in their strategy. One executive opined that a lack of proper documentation of their long-term strategy could be a reason why not all employees have a unified understanding: “We have clear mutual understanding on our executive level, but we are not translating them into official documents. If we write our strategies down, we can better share and promote them to our employees. We must better document of our goals.”

Organizations must remain committed to their long-term goals while making real-time adjustments in strategy as needed. Again, respondents unanimously agree they are flexible enough to make changes in their milestones and short-term focus in response to environmental change, both externally and internally. Several respondents emphasized that these changes are made in consideration to better achieve predetermined long-term goals. One mid-level illustrated through an example that how they build up a complex system that lasts a few years, with many adjustments in the process: “To translate a technology into a real product is a complicated process. Our ‘smart management system’ (SMS) is a sophisticated, large-scale system. We develop and commercialize each of the sub-systems step by step, and we gather all the small results and feedback at each step so our final system can create transformational change for our customer.”

This principle also emphasizes the importance of the using the human factor to drive the process; there is no fixed path or methodology to reach the goal.339 Regarding the issue of priority shifts due to leadership change, one employee explained from personal perspective: “We have structural change, but it doesn’t lead to long-term goal change. They just have different

methods and tactics to achieve the same goal.” She further explained through an example of focus shift to reach long-term goal of market share, that some managers may focus on domestic markets, some may develop new international markets, and others may diversify into ecosystem—but all aim to increase sales. Another manager added they are committed to two long-term goals: safety and quality control. Although they develop different systems and methods to better enhance these two goals, those objectives never change.

Confucius pointed out the importance of goal setting. For organizations today, well-defined missions and objectives are fundamental to performance and survival. The organization under study is technically advanced, however, the research team commented they may not always be able to set the right goal in terms of research direction: “There are frequent changes in projects that we have been working on for more half a year, then gave up due to other urgent or prioritized tasks. This is a waste of resources for the company, although whatever we research is a learning process for us on an individual level. I think our changes may be caused by lack of comprehensive analysis in advance.” On the contrary, executives think they have clear and visionary goals in research direction that are sustainable. As one executive noted: “We set our research direction for the next five to eight years ahead.” This statement is supported by other mid-levels in charge of R&D, showing conflicting views within the research team at different levels.

5. Everyone in the Organization Works Toward a Common Goal
The mean score of this principle is 8.45, the third highest. The standard deviation is 1.28, the fourth lowest. This result suggests that people at all levels agree the organization performs well in this principle.

Confucian collectivism requires employees to prioritize organizational goals over individual goals. Among all the positive answers that employees willingly contribute to the common good rather than to pursue their own goals, few respondents demonstrated strong belief in collectivism and team spirit. It was evident that due to heavy work pressure, people at all levels must sacrifice a certain amount of their personal life and entertainment time to get their work done on time and to achieve satisfactory quality. However, several respondents noted it is not exploitation in an unreasonable manner; they are rather given certain flexibility in most occasions to plan work and life, and the management team would also be considerate in case of family emergency or other unexpected personal issues. In return, employees respond to this human-centered environment with their selfless contribution. As one employee said: “If we don’t get our work done on time, we will affect others’ work too. Although we will get economic compensation on our overtime, I don’t think most of us care about personal sacrifices or compensation too much. Our focus is to deliver our job on time.” Although some mid-levels admitted they could have done better to balance people’s life and work, other employees noted their existing personal sacrifices are their voluntary choice—they are given the choice rather than from external force. The employees also understand their personal achievement depends on the overall organizational development, so they are willing to contribute for the mutual good. This culture of excellence shapes a group of like-minded employees, as one employee stated: “The ones prioritizing personal goals are not sustainable here.”
This Confucian emphasis on sacrifice of personal interest can be interpreted as the requirement for individuals to prioritize their duty at work in all occasions. Few respondents noted although not everyone at all levels can act on it in reality, at least 80 percent of employees are doing well. Confucius said one’s willingness to contribute ought not to be affected or diminished by personal experience of being promoted or downgraded. This is not an easy task in practice. As one employee admitted, the decision to sacrifice personal interest depends on the calculation of “loss and gain.” For example, they will prioritize work if it was only the choice to give up some personal time; however, if it was the choice of another job opportunity, they would prioritize personal development. As he said: “We all must earn a living.” This demonstrates that the organization needs to further enhance its culture, to promote shared values to motivate employees’ willingness for selfless contribution. Another mid-level recognized a similar issue: “Considering our high work pressure, we sometimes must force our employees to work on the duty they don’t like, although the duty gets accomplished, but this may trigger turnover.” This leads to the issue to align organizational goal and personal goal.

In today’s diversified organizations, individuals have different perceptions of their duties in relation to shared values and common goal. Therefore, one executive noted they know they need unified organizational goals as the glue to bind everyone together as a team. As mentioned earlier, not all employees can align their self-interest with organizational goals. Likewise, not everyone is equally willing to prioritize the organizational goals. One executive gave an example in research department, saying that many times the proposed research topics are solely based on researchers’ individual interest but irrelevant to organizational needs, and managers must adjust their research direction to be better aligned with future application. Few other respondents noted their fast-growing projects in new cities often require employees to relocate and be away from
family for two to three years. When the organization requires such relocation, they would communicate with the employee, to offer them the choice to come back after the project is done and to compensate accordingly; in this way the employee can be motivated for personal sacrifice according to organizational needs. In general, the organization uses well-defined KPI to measure individual contributions.

In addition to economic compensation, managers must also be perfect role models for employees to voluntarily prioritize organizational needs. It was evident from the qualitative answers that management performs well in demonstrating the role model effect. As one employee noted: “We sacrifice our personal life, time, and entertainment, but I know our executives sacrifice more. Our dedication is well recognized in the industry, because we all work hard toward one goal together.”

6. **Do to Others What You Want Done to Yourself**

The mean score of this principle is 7.85 and the standard deviation is 1.46, both in mid-range.

This principle suggests that every individual in the organization cares and shares wholeheartedly for others; they “treat others the way you want to be treated.” The qualitative answers are mixed on how well the organization behaves, suggesting uneven performance between departments, which leads to different experience and judgment of respondents. For example, one employee noted: “We have very good culture and healthy interrelationships. If we ask others any questions, no one ever reserves their answers. When we have newcomers, it is our policy to appoint a senior to guide them for them to join the team faster.” Others think: “Only a minority of us can think from others’ perspective. Some of us help others, but that is more for
fulfilling their own duties.” This issue was noticed by the management team, as one executive admitted his worrying: “It is challenging to take care of each other when we expand so fast, in particular because people are widely spread in different locations. When we had only one or two hundred people, we were much closer, we knew each other’s problems, and we were able to reach out. But now what we can do is limited by this physical distance. We know the concept and we have the awareness, but we may not perform well.”

This principle promotes the concept of “establishing others as to establishing yourself.” Several respondents raised the issue that it is difficult to cooperate between departments within the organization, as there’s certain degree of bureaucracy and people are only willing to help on selective tasks that are directly from higher-ranking executives. There are also certain respondents with more positive experience, as one claimed: “We never have unsolved questions hanging there; people always try to help others. Even if we don’t know the answer, we will find the one who can help.” One executive introduced how their system enforces people to be at least considerate of others. He said the organization implies system design thinking to structure each project as a value chain, so that everyone’s performance is interrelated to their upstream and downstream colleagues’ results. This production line design binds everyone together and thereby requires everyone to care about others and to help each other when needed. As a result, a mid-level noted: “When another department or subsidiary encounters any problem, we will all help each other solve the problem together.” Although people realize they are interdependent to each other and there’s a willingness to “establish others,” several respondents

340 Analects 6.30.
claimed: “We can’t practice compassion to a full extent because each of us have too heavy a
workload already; we just don’t have the resources to assist others.”

Although this principle promotes benevolence to build healthy interrelationships with
others, managers should have the responsibility to support their employees’ personal growth.
One executive pointed out an interesting phenomenon, that sometimes people get too focused to
maintain “harmonious interrelationship” and thereby lose the courage to correct others’ mistakes
and wrongdoings, what he termed as “too much sense of compassion.” He further noted there
should be different ways to establish others; as an executive, he may criticize or challenge
employees with higher requirement as another way to establish them. This reflection in fact
aligns with Drucker’s concept: to grow knowledge workers by challenging them to shape a
culture of excellence.

This principle shall be applied to external stakeholders with the same level of
consideration as they would internally. Unlike the diversified answers on compassion to internal
colleagues, most respondents agree they treat all stakeholders outside the organization well. As
one manager noted: “We have lots of long-term partners. We see their growth with us these
years. We are considerate; when they have a quality problem, we help them improve their
quality.” The result we get on compassion to customers aligns with the answer in Drucker’s
principle “focus on understanding customer needs,” in that most respondents agree they have
compassion to external customers and can think from their perspectives. One employee noted
they have many joint ventures with customers in various cities; rather than maximize their
organization’s own profit with their unique technology, they decided to share with customers by
providing technical support to these metro operators to build an intelligent operation system
together. This new business model “established” their customers with numerous benefits: grow
local employment, train local talent, and improve local maintenance and services. The rapid expansion of this model demonstrates the encouraging results that can be generated by “establishing others as to establishing yourself.”

This principle also applies to society at a larger scale: organizations should be aware of the social impacts and take the responsibility to contribute through generous sharing. One employee explained how they partnered with competitors to produce positive social impact with their technology: “Instead of being the monopoly, we shared our technology to our competitors to implement the first interoperable signaling system in the world. This system not only benefits the metro operators with increased efficiency and decreased cost, but also provides passengers with a convenient and customized travel experience. It is also a significant technical advancement in the industry.”

7. Embrace Constant Change

The mean score of this principle is 8.35, the fourth highest. The standard deviation is 1.56, which shows that respondents are in relative agreement that the organization performs well in this principle.

Today’s organizations must have flexible strategies in response to outside change. The qualitative answer of this principle is aligned with Confucius’s teaching: most respondents agree the organization actively undergoes frequent changes and embraces the change of new. They are able to justify viewpoints to stay effective and competitive in the marketplace. They bring in a broad range of changes, from technical upgrades and process optimization to personnel changes and changes in organizational structure. The organization also encourages role rotation to promote change on an individual level. As one executive summarized: “I strongly agree and
promote this principle. We benefited from this principle and we try to train everyone to have the habit to embrace change.”

Confucius advocated that people learn from history, so that ignorance of the past will not limit their future growth. However, as one executive pointed out, it is easier to stay in the past than to move forward based on past experience: “Some departments do not want to change if they think they are already in good condition, but what’s good for now may not be good for tomorrow.” Another employee confirmed not everyone is willing to learn from experience: “Our voice to improve our process is not heard. Changes cannot be made unless our process department is willing to initiate the change themselves, and to listen to our experience.” Learning from the past in Confucianism should not be limited to learning from one’s own past experience, but to learn from others’ experience as well, such as competitors, along with other players inside and outside the industry. One employee noted: “We have new suppliers, we have new competitors, we learn from their experience too.”

Indeed, continuous learning and innovation are better ways to prepare the organization for the uncertainties brought by change. One employee admitted that the organization reacts so quickly to external change that each and every employee must keep on learning in order to stay current: “The way we work, the tools we use all change fast. We must learn continuously to keep pace with our company.”

Confucius’s belief in “no fixed answer” signifies the importance for people to do their own analysis and to find the best answer in their own situation. One mid-level said they use job rotation as a tool to motivate continuous innovation, as everyone will bring different solutions and new ideas to the role. He further added: “Our personnel change starts from management rotation, which is every two years; it can reduce individual influence in the specific role.” Other
respondents raised the issues they encountered during the implementation of “no fixed way” in changes. These concerns included a lack of comprehensive planning in advance, experiments not being evidence based, the method not being ideal, and so on. One mid-level summarized: “Although our ‘test out’ all aimed for betterment, the changes that are not well-prepared can be pricy.”

In today’s setting, since no organization stands alone in the marketplace, an organization should consider how changes could affect its operation from a relational-focused perspective. The organization under study is technology driven, and the core researchers noted they always position themselves in relation to their peers when they study general technical trends. Their correlational analysis is as follows: if the change under study is based on true customer need, if it will become mainstream accepted by all, and if the specific technical change can position them ahead of competitors. As a result, the efforts to embrace change make a difference, as one mid-level said: “We get to develop fast from being a follower to leader. Many changes in the industry are now led by us.”

However, not all changes can be smooth, and several respondents admitted internal resistance. As one employee stated, “We have resistance in structural change, although not much in technical change. We have the conceptual belief to embrace changes, but in practice we like to stay in our comfort zone.” Regardless of inevitable resistance to change in the process, one employee commented: “Overall our culture is a culture of change. Everyone tries to adjust to the changes on an organizational level.”
8. Everyone Leads Through Continuous Practice and Reflection

The mean score of this principle is 7.85, in the mid-range. As related to the result of the previous Drucker principle—“everyone innovates”—this result is surprising, considering that continuous learning is one of the organization’s most frequently mentioned competencies as the most innovative player in the industry. The standard deviation is 1.01, the second lowest, indicating relatively unanimous agreement among respondents.

Although most of the respondents agree that the organization strongly promotes learning culture, not everyone thinks they are truly outstanding and there’s no effective measurement of learning results. In particular, the unique focus on practice and reflection in this principle could be one explanation of the lower score. As both mid-level and executive realized: “Lack of learning culture, even in our mid-level, limits our development.” However, several respondents agreed people can learn with an open mind from various sources, including internal colleagues and external experts. People will never hold their answers when they learn from others internally.

For Confucius, knowledge must be put into practice for it to be better “absorbed.” As some executives promote “learning from practice,” other employees stated: “The biggest problem for us is lack of time. Management expects us to learn from practice because they don’t like us to use working hours for training.” Other executives raised the issue that what they teach in training might be too theoretical and not practical enough, which could discourage employees’ willingness to learn and ability to practice. Indeed, although the organization promotes people to practice new knowledge and new ideas, as one respondent described: “There are unlimited opportunities here. The company provides the platform for people to put their idea into practice—if it makes sense. This is the drive of our innovation and new products.” Others raised the issue that practice comes with caution, especially when it is safety related. One mid-level
noted: “We are open to accept new things that can improve efficiency or to solve a problem. But in a safety-critical system, any practice of new knowledge has to be very cautious.”

Continuous reflection helps people realize what needs to be rectified, so they can learn from mistakes. The qualitative answer on the reflection system was mixed, which signifies that there are no unified rules on the organizational level regarding learning and reflection; each department and regional office has their own requirement. As one respondent noted there was a mailbox system where every employee can write directly to the group president, and the selected contributor will be awarded publicly in an annual meeting based on the quality of their question or proposal. But this communication channel hasn’t been in operation for a few years. Some respondents feel they are more focused on learning than reflection, and not everyone can understand the necessity of reflection. For example, one executive stated that since people’s performance is measured by KPI, it only when someone receives negative feedback or a low score that reflection starts on how to rectify. There are, however, other voices complaining they have too many reflections, although they also admit these review meetings are problem driven and helpful. As one respondent described: “We have regular review meetings both horizontally and vertically,” at each layer, from team to department to company, and cross function, with each department they work with. As a result, one issue could be reviewed numerous times. This sounds tedious for the respondent, but the concept aligns with Confucian teaching that reflection must be repeated and ongoing. Another interesting comment on reflection questioned that employees do not know if top management want to hear their reflections, as one manager stated: “In our meetings, our group president talks more but doesn’t do enough listening to employees’ feedback. Our group president is visionary, but he focuses more on development to look forward than reflection to look backward.”
As many organizations have realized today, it takes time and resources to shape a desired culture, and Confucius emphasized continuous effort. However, in practice, few individual employees can persist in their efforts at self-development, in particular when they already have heavy work pressure and limited leisure time. As one executive noted: “Even our mid-levels are not motivated enough in continuous learning.” He gave an example that during the COVID-19 lockdown, executives initiated trainings in online marketing—this was supposed to be driven by mid-levels, whereas their mid-level was waiting to be guided passively rather than being self-motivated to learn.

Effective learning culture in Confucianism requires critique, independent thinking, and different opinions from employees. Some respondents raised the issue that when the leaders are too opinionated and dominant in decision making, the majority of the team members will be discouraged to think independently and to contribute critical judgment. As one mid-level stated: “It could be a unique feature of our industry—it is very much experience led and not everyone can have the same access to information as our executives. But when our group president is over-competent and his self-development goes too far ahead of the overall team, his ideas can’t be well understood and well implemented by other team members.” He further added the organization needs more critical thinking, and independent and knowledge-based judgment to develop the whole team, which aligns with Confucian teaching.

9. **Everyone Follows One Set of Standards and Norms for Behavior**
The mean score of this principle is 7.75, in the mid-range. The standard deviation is 2.36, the third highest. The divergent scores between respondents show a lack of unified understanding of this principle.

Confucius requires that everyone share the same value and follow the unified code of conduct within their role. Most respondents agree that the organization has a full set of well-defined rules on process, particularly strict in regard to safety related behaviors, but there’s no “fixed way” in rituals, such as fixed working hours or dress code and so on. The organization trusts employees to be self-disciplined. The most frequently mentioned rule in this question was TCT’s guiding principle—“method, process, standard, human capital”—which seems to be the best-educated belief at all levels within the organization. One employee noted: “Although we don’t have explicit rules, our deeply rooted values and spirit discipline our behaviors to stand out from our peers.” He further gave an example, that unknown customers can recognize they are from TCT because they are “customer centric.” They always say yes to customer requests, which is in sharp contrast to their peers’ negative attitude and hesitation to new customer needs. Just as this example shows, common belief and norms can signify particular organizational traditions, and function as “powerful symbolic pressure” that brings employees into a “communal membership.”341 This is confirmed by a mid-level manager: “We have internal mutual understanding on what is good and what is the criteria of a good employee.”

Interestingly, one executive explained that they purposely do not impose strict rituals because they believe a flexible working environment can unleash employees’ mind to motivate innovation. Instead they rely on common belief and shared values to promote self-disciplined

341 Bolman and Deal, Reframing Organizations, 256.
behavior. However, the mean score for both principles—“everyone innovates” (7.6) and “everyone lives by the values” (6.3)—is not outstanding.

Rules need to be clearly defined and well communicated to every member in the organization. Several respondents claimed their well-defined processes are educated repeatedly to ensure that everyone understands, and everyone is obligated to strictly adhere to these processes. As one respondent said: “We have been very focused on process since our founding.”

For Confucius, ritual was the responsibility of everyone. Although there’s no unified code of conduct to define “customer centric” on an organizational level, one manager from a regional office with direct customer contact introduced their rituals on the department level: “When we go out to meet customers, everyone needs to have the belief ‘I present the organization.’ In our meetings, we must carry the document bag with the company logo. Our regional office must have the company logo, honors, awards, and value statement on the wall. Even our mugs must have logo. We also have designed uniforms for our onsite employees—it’s a full uniform with logos of all seasons. Every detail has to show our attitude, to help us to gain trust, to enhance our reputation. In our work communications, we are also required to use standard engineering terms; this is very important to avoid potential safety issues and misunderstandings.”

The defined rules must be enforced equally and fairly, so there is no double standard. Most respondents agree the organizational culture is fair and just. Everyone follows the same set of standards, regardless of rank, and managers are judged more strictly than employees. As one respondent explained through an example that for a group mistake, the team leader was fined three times the operational staff in the team. However, other respondents mentioned they could also have bias in judgment, as the result, there could be cases that managers are not held accountable for a mistake in their team. Since managers and employees may have different focus
during the implementation of regulations and rules, not all processes can be transparent, which could lead to certain immoral misconduct that is self-interest driven and violates established rules.

10. Never Promise What You Cannot Deliver

The mean score of this principle is 8.25, in the relative high range. The standard deviation is 1.67, in the mid-range.

For Confucius, trust is built not on words, but action. Although most of the respondents agree they always deliver what they promise and never overpromise on an organizational level, in practice not everyone can perform equally on the individual level. Both qualitative answers and triangulation data from archival documents show that mid-level is the group with the most trust issues and complaints of misalignment between words and action. It was evident that when mid-level cannot perform the virtue of trust on individual level, the overall culture in the department under their leadership could be negatively affected. Some respondents explained how they are not acting on their words through examples: “Many action items we confirm during meetings are not well implemented after the meetings, and cannot be finished on time unless higher-ranking executives follow up,” and “My upstream department doesn’t deliver as they promised and that affects my department’s performance.” One executive confirmed that although overpromising is the limited exception within the organization, it does happen occasionally. Some respondents explained that although they remain committed, they may fail to deliver because they have too limited time and too much work; others think in addition to time restriction, there’s also an issue of competence, that they do occasionally overpromise to customers on the task exceeding their competence. And this may lead to negative consequences
of losing customers’ trust or customers may feel ignored when the organization fails to deliver on time.

Confucian faithfulness requires people to prioritize virtue over monetary gain at all times. Nearly all respondents unanimously agreed that the organization strives to build a reliable name with its customers, to remain committed to its established contracts and promises, and to deliver with high quality, even if it incurs a short-term loss. In the exceptional case that the organization is unable to deliver due to external forces, several respondents claimed they would always communicate with customers in advance to discuss an alternative solution together. Some respondents explained they can remain committed because they only promise after careful analysis with evidence; further, since their projects are long term and span years, the company always plans certain percent of extra budget for each project to hedge potential risk from unexpected cost increase. One executive claimed: “Even if we must distribute company-wide resources, we would do so.” One respondent summarized being trustworthy is the organization’s success factor and differentiator with peers: “Our founding and growth was partially because our international competitors cannot keep their promise on delivery dates, whereas we never give up and always keep committed.”

Most respondents agree the management teams are good exemplars for employees to follow. As one employee stated: “I don’t see any case that our managers fail to deliver on their promise or have trust issues.” Other employees illustrated managers and executives always do more than what they impose on their employees: “It’s normal for us to work overtime in 24/7 mode or pull an all-nighter, but we always find our executives work even harder. That’s why we buy in the value to work hard on voluntary basis.” In addition to these positive role model
examples, there was however also feedback on certain managers’ misconduct, although this is limited exception.

There are various viewpoints on how the organization acts on its promise to employees. Some respondents think the organization never guarantees any benefit that is out of its control; in the case of a policy change that the organization can no longer deliver on previous promise, it would find out alternative compensation. Others recall cases of overpromising during the hiring process in order to attract talent. It was evident that not all mid-levels can be the perfect role-model in this principle. One executive noted, they are very promising to mid-levels on organizational level, but some of them are not doing the same to their team members. They may occasionally try to “manage” the high potentials by overpromising on future promotions, if these private promises are not being approved by the organization, they will lose the trust to employees.
Chapter VI: Survey Findings

The previous chapter presented in-depth analysis of the organization’s behavior related to the principles of Drucker and Confucius based on quantitative interview data. This chapter shows the results of principle mean scores, standard deviations (Table 6.1), and correlational analysis (Tables 6.2 - 6.19), based on quantitative data generated from employee surveys. This chapter focuses on correlations between principles, overlapping concepts, and shared values, as well as seven themes that emerged from these correlational analyses. These themes provide further insight into how these principles are interrelated and practiced together in real business setting, how Drucker’s principles are understood by business professionals with Confucian mindsets, thus providing applicational suggestions on how organizations can better practice these intertwined principles and benefit from them.

Seven Themes

1. Virtuous individual behavior that supports a functioning society

Principles:

- “Demonstrates social responsibility”
- “Virtuous and ethical behavior creates a harmonious society”

Both Drucker and Confucius are focused on humanity and society, so it is not surprising to see a strong positive correlation of 0.716 (Table 6.3) between Drucker’s principle “Demonstrates social responsibility” and the Confucian principle “Virtuous and ethical behavior creates a harmonious society.” The mean score (Table 6.1) for “Demonstrates social responsibility” is the same in absolute terms in the survey and interviews, with moderate increase in ranking. The mean score for “Virtuous and ethical behavior creates a harmonious society” in
survey (7.4) represents a significant increase from the interview result (6.65) that ranked the second lowest. The standard deviations (Table 6.1) are relatively high for both principles, indicating wide divergence in employees’ understanding.

The ultimate goal of Confucianism is social harmony and Drucker’s benchmark is a functioning society. From the perspective of contemporary environment-organization relations, both Drucker and Confucius focus on building a healthy society to provide an environment that supports organizations’ organic growth. As today’s organizational theorists suggest, “organizations are elements of the environment that shapes them.”

Regarding the relationship between the individual and society, Drucker believed that social status and function link individuals with the larger group: “No society can function as a society unless it gives the individual member social status and function.” In Confucian society, where social status is normally associated with high moral standards and virtuous behavior, the superior person is always expected to be benevolent, keen in devotion and contribution to the society. Similar to Drucker’s concept of individual contribution to social good, that society and individual give meaning to each other, in Confucianism, harmony in society is the result of the virtuous and ethical behavior of every individual member.

Following this logic, for both Drucker and Confucius, demonstrating social responsibility is the collective effort of each virtuous individual within the organization. In fact, Confucianism’s heavy emphasis on virtue somehow limits its application in modern management theories, such that most previous studies on Confucianism focused only on business ethics. Drucker also commented on Confucianism from the perspective of ethics: “If ever there is a

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343 Drucker, *Practice of Management*. 

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viable ‘ethics of organization,’ it will almost certainly have to adopt the key concepts of Confucian theory.”344 Therefore, organizations in a Confucian society are aware, although there’s no obvious promotion or education on personal virtue in daily life, that this concept is deeply rooted in individual minds and carried as cultural heritage from generation to generation. In practice, it is almost assumed as a prerequisite and an unspoken rule to judge on individual behavior. As the qualitative data shows, the organization under study depends on employees’ self-discipline to maintain overall harmony. This reflects management’s assumption of individuals’ established virtuous behavior, whereas employees noted that although they do not articulate their thoughts on virtue, they are unconsciously aware of it. And as an unspoken rule, the organization also takes individual virtue as a basic requirement for its employees; it is not talked about but unvirtuous behaviors will be punished and “unvirtuous” individuals will be isolated. This unconscious action to value socially desired behavior could come from the Confucian assumption of the “innate nature of benevolence,” that people believe, even without education and defined rules, that virtue is natural yardstick by which to judge others. On the contrary, Drucker does not address the innate character of human beings. The only statement in which he touches on human nature would be: “We have to develop a free and functioning society on the basis of a new concept of man’s nature and of the purpose and fulfillment of society.”345

This strong correlation between social responsibility and individual virtuous behavior reminds us that when we practice these principles in Confucian society, both organization and employee may assume the existence of virtue as a basic requirement that goes without saying.

They value it but they do not talk about it. One interview respondent noted although they never explicitly promote “no smoking” and “recycling” as socially responsible behavior that everyone should comply with, most employees are self-disciplined enough to follow these unspoken rules in life. Similarly, people scored low on this CSR principle as a result of this Confucian mindset: people assume their contribution to society shall be absolutely selfless without return, otherwise it would be reflected as a drop in their scores.

Therefore, for organizations in Confucian society to better practice the principle “demonstrate social responsibility,” the focus shall be on promoting virtuous behavior on an individual level, and aligning individual effort to socially desirable behavior patterns that are expected. Since employees are presumably assumed to have the established mindset to pursue virtue, the responsibility for the organization is to guide employees with explicit concept-informed behaviors and actions. This is important because regardless of the unconscious virtuous mindset people claim they have, lack of action is evident. The correlations (Table 6.4) between principles and defined items in the Scale for Social Responsibility are low (.2 - .4), and the correlations between principles and the total scale generated from adding up the scale items (Table 6.5) remain low. This points out the importance for the organization to translate principles into clearly defined virtuous behaviors that are desired both in personal life and in the workplace, to intentionally promote and reward such behaviors to shape a culture of supporting each employee to live by virtue in their everyday practice. In order to do this, organizations could leverage established behavior anchors as an example to define their “desired behaviors” and as a regular evaluation tool, for example, as stated in the behavior anchor: “CSR is not a slogan or catchphrase. Employees believe and behave in ways that are consistent with social responsibility.”
2. A customer focused, mission-driven orientation

Principles:

- “Clear mission and theory of the business”
- “Focus on understanding customer needs”
- “Do what’s right rather than simply being profit driven”

Survey results shows the principle “focus on understanding customer needs” continues to rank among the top, with a high mean score of 8.19; this result is convergent with the interview result of 8.55 (Table 6.1). The correlations between “understanding customer need,” “clear mission and theory of the business,” and “do what’s right rather than simply being profit driven” (Table 6.6) bring us a new perspective to think about customer orientation in Confucian society.

The correlation between “mission” and “understanding customer needs” is clear: Drucker asserts that the mission must be customer-based. It was evident that most interview respondents agreed that customer orientation is the organization’s “core competence and success factor”; they are clear what business they in, who their customers are, and what value they are creating for customers, although we can argue they may not understand Drucker’s concept of mission to a full extent. The absolute mean score of “mission” is convergent in the survey (8.00) compared to the interviews (7.85), but there is a significant increase in terms of ranking among the top in the survey versus mid-range in interviews.

The correlation between “mission” and “doing right” is also self-explanatory. Drucker suggests a focused mission should involve the question of “what is the right business to be in”; whereas the principle “do what’s right” and the virtue of righteousness require organizations to strategically plan objectives and missions around what is the right business and to adopt ethical
business practices to correctly reflect their virtues in daily operations. Although, according to interview answers, not everyone in the organization has a mutual understanding of “what we do now and what we want to do in the future.” This is particularly obvious among operational staff.

Similar to “understanding customer needs,” the principle “do what’s right” has the same top mean score of 8.55 in interviews, but dropped significantly to 7.65 in the survey, ranking in the mid-range. Considering that the positive qualitative answers from the interviews showed the organization is insistent on doing what’s right, one possible explanation of this difference could be that while the organization might be doing well in this principle in daily work, a lack of training and promotion may limit survey participants’ knowledge to improve the link between this principle and their daily work. Whereas strategic decisions on “what’s right” many times remain at top management level, as the survey included more operational staff (75.2 percent in the survey and 35 percent in interviews) and new employees (46.5 percent of one to three years’ tenure in the survey and 25 percent in the interviews, this respondent group may have less knowledge of management’s motive in the decision-making process. This could explain the lower score of “do what’s right” in the survey; the practice of this principle is just not obvious on surface. However, during the guided interviews, the score could be improved when respondents had more time to think, which helped them realize “this is the way we are doing things here” during reflection.

The correlation between “understanding customer needs” and “doing what’s right” brings us some interesting insights into customer orientation. According to qualitative answers, the organization is clearly keen on understanding customer needs, thinking from customers’ perspective, and exploring customers’ “unfelt want.” As one respondent said: “We try to understand the root cause of why they have such need.” However, although the organization has
good intentions to stay in “the right business” and to “behave right,” the controversial issue is that there’s no unified understanding of what’s right. As some interview respondents noted, being profitable is the “first right thing” and many others claim “right” should be led by customer needs. The belief that whatever customers need is right could be one explanation for the correlation that emerged in survey.

One interview respondent noted under the current macroenvironment that favors innovation, innovation itself has become a new demand. City metro operators require the organization to lead co-research on breakthrough technology, and to share intellectual property so that the customer can become technologically “world leading” too. However, as the respondent reflected on the righteousness of this need, it is hard to define if this is the right need, regardless of how realistic it is for the organization to satisfy every customer’s desire to be the “world number one technology.” The respondent further noted: “Innovation is only meaningful when it can provide practical value in real operation.” Similar statements were made by several other interview respondents, who described themselves as having “no bottom line to customer need” and doing “whatever you can to gain customer satisfaction.”

However, this comes back to the question: is customer need always right for the organization? As one executive admitted: “We don’t even have consensus within the management team on what’s right at an organizational level.” Other executives also realized the issue of the ambiguous definition on what’s right and how to balance that with customer needs. As one said in a meeting I observed: “It is our priority to fulfill customers’ needs, but we cannot be fully driven by their unreasonable requests.”

Regarding this dilemma, Drucker’s view is that customers can only be created when products or services create value for customers rather than harm. This distinguishes “right needs”
from “evil demands” coming from greed. This aligns with the essence of Confucian teaching; the moral elements in the principle “do what’s right rather than simply being profit driven,” which suggest the organization shouldn’t meet customer needs just for profit maximization. In this case, it means making a strategic choice to balance customer needs and the organization’s own needs and objectives, such as technology development, resource distribution, profit generation, and so on.

This correlation reminds us that for organizations in a Confucian society, social desirability toward what’s right might involve more moral considerations, but this is not unique to regional culture. For example, traditionally tobacco and alcohol producers were among the most profitable organizations across the globe, but today e-commerce and social media developed by internet giants are the fastest growing unicorns. We can argue that each of these businesses brings certain value to the customer: Coca-Cola, for example, provides short-term happiness and satisfaction, e-commerce makes shopping convenient, and social media makes possible easy communication and networking among strangers. On the other hand, we also see an increasing ethical debate on these business’ value creation and growing social problems as a consequence, including damage to customers’ long-term health, overconsumption, lack of protection of personal data, and insufficient control of sensitive information.

Therefore, it is important for organizations to have a customer-focused, mission-driven orientation that reflect their virtuous motive and value. Especially in today’s rapidly changing cultural and business environment, when influencers can lead or mislead customer taste and social trends on certain products, “what is right” becomes a question for organizations to consider carefully when they focus on understanding customer needs.
Although the organization claims a high level of customer orientation, surprisingly, the correlations between the principle “understanding customer needs” and defined items in the Scale for Customer Orientation are relatively low (Table 6.7), with Cronbach’s alpha of .868 for the scale. Three items in the scale are not significantly correlated, namely “our strategy for competitive advantage is based on our understanding of customers’ needs,” “our business objectives are driven primarily by customer satisfaction,” and “we pay close attention to after-sales service”; the correlations are .148, .140, .155 respectively. The correlations between principles and the total scale generated from adding up the scale items (Table 6.8) remain low. This may suggest that in practice there’s room for the organization to further improve to be truly customer centric.

3. Continuous innovation by entire organization

Principles:

- “Everyone innovates”
- “Everyone leads through continuous practice and reflection”
- “Never promise what you cannot deliver”

The mean score of the principle “everyone innovates” is convergent between the interviews and the survey in absolute terms, with a moderate increase in terms of ranking. On the contrary, the principle “never promise what you cannot deliver” has the high mean score of 8.25 in interviews, dropped significantly to 7.32 in the survey, from high range to the low range with larger standard deviation. Since the survey is more generalizable compared to the interviews and it’s anonymous (no identifying information was collected), the dropped score in this principle reminds the organization to consider more voices in this principle. The principle “everyone leads
through continuous practice and reflection” that was ranked in the mid-range in the interviews dropped further in the survey. The increased standard deviation in the survey also indicates a wider divergence when we expand the sample pool. This result is surprising considering that continuous learning and innovation are the organization’s most frequently mentioned competencies. According to the data collected from the observation of meetings and reports from independent third parties, the organization’s strong learning culture is well-recognized, and the organization is regarded as the most innovative player in the industry. These results hereby suggest a difference in employees’ understanding and potential bias between insider employee views and external judgment. Nevertheless, the correlations between the three principles (Table 6.9) remind us that promoting a culture of trust, learning, practice, and reflection are all important factors in fostering innovation in a Confucian society.

Correlation between innovation and learning (.574) is obvious; continuous learning forms the foundation to equip the innovative mind; as Drucker emphasized, innovation should be knowledge based, market driven, and evidence based. Interview answers showed that a lack of competence and a broad range of knowledge of employees already had become a barrier for the organization to promote innovation at all levels; currently innovation is taken as a task to accomplish rather than being problem-driven and aimed to improve efficiency. In particular, the concept of learning in Confucianism uniquely focuses on practice; whereas in this case study, practice (commercialization) can be the most effective measurement of new knowledge gained and innovation. Although some employees noted during their interviews that the organization has no effective measurement for learning, one executive used the commercialization rate as a yardstick to illustrate innovation competency: “Over 90 percent of our research can be successfully transferred into products.” This proves innovation is only meaningful when it can be
put into practical use. Confucian learning also emphasizes learning from all sources with an open mind; observations from a product development meeting showed the organization under study is keen to learn not only from its international peers, but also from outside the industry, such as the aerospace industry and autonomous car—good examples of how continuous learning nurtures innovation.

Survey results showed a significant correlation between learning and trust (.714). Although previous empirical studies indicate that a culture of trust can bring numerous benefits to organizations,346 this correlation is particularly essential for organizations in Confucian societies, where a collective working environment is dominant. For example, many research studies in China are done by teams, and innovative results are expected to be shared by the team as well. Therefore, a high level of trust for people to be comfortable to share is a trait that must be learned through teamwork and interaction, and this process takes time. As Drucker stated: “Teams cannot be formed overnight. They require long periods before they can function. Teams are based on mutual trust and mutual understanding, and this takes years to build up. In my experience, three years is about the minimum.”347

Similar to the Confucian assertion that everyone is educatable, both practice and reflection are important parts of the learning process. Drucker also asserts that effectiveness and management skill can be learned through self-assessment and reflection; they become habit through continuous and regular practice. Effective learning requires open reflection for people to realize what must be rectified, so not just the individual but others on the team can learn from

347 Drucker, Innovation and Entrepreneurship, 243.
mistakes; it also requires critique, independent thinking, and different opinions from other employees. These reflections and critiques must be heard and shared for effective correction; only then can innovations be problem driven. However, some interview respondents raised the concern that when top management want to hear bottom-level reflections, some managers can be opinionated and dominate decision making, causing other team members to be discouraged to think independently or to contribute critical judgment and reflection. Likewise, knowledge sharing and learning from others require trustworthy interrelationships; interview answers showed there’s an established culture of sharing, that employees do not hold their answers to their colleagues or to stakeholders such as customers and suppliers.

This significant positive correlation between innovation and trust (.606) is a reminder that organizations in a Confucian society can use trust as a powerful tool to manage innovation. Some problems and concerns we heard during interviews regarding innovation included ineffective innovation, non-persistent innovation efforts, everyone not being engaged in the innovation process, and insufficient resources invested in innovation, and so on. Many of these issues could be partially explained by a lack of trust. For example, management may give up the innovation effort, and be hesitant to invest because they do not trust it will be the next big thing; the team leader may not trust that everyone is “smart” enough to engage them as part of the innovation process. As we see in practice, obedience is emphasized in existing organizational culture according to qualitative data, and we see that established culture favors rule-followers, which indicates a culture thin on trust.

As Drucker pointed out, not all innovations can be effective; organizations thus need to be “opportunity focused” rather than “risk focused.” Resilience and tolerance for failures and mistakes during innovation are essential, and these all require a high level of trust and
psychological safety, so that employees have no fear of being judged for negative consequences. During the interviews, several respondents confirmed this is an issue within the organization: employees, regardless of rank, become discouraged if their proposals are not accepted, which may cause them to leave the job or become silent in their role after a few rounds of attempts and refusals. Another issue raised by interview respondents that is unique to this safety critical industry is, although the growth of the organization is heavily innovation driven, they must be very cautious to balance innovation and safety. As mentioned previously, commercialization and experimental projects are vital contributing factors to foster innovation in this conservative industry; deep trust is a prerequisite in order for risk-adverse customers to be the first to test new technologies. Similarly, within the organization, a loss of trust due to overpromises to employees can result in discouraged innovative thinking and a lower willingness to actively engage in the innovation process. Other triangulation data addressed the management team’s misalignment between word and action; their failure to demonstrate the role model effect as required by the Confucian virtue of trust is another possible barrier to continuous innovation and to discourage people’s willingness to learn.

The correlations between the principles and defined items in the Scale for Innovation (Table 6.10) are relatively low, with Cronbach’s alpha of .807. The three items on the innovation scale that have low correlation with the principle “everyone innovates” are “innovation is readily accepted in program/project management,” “people are not penalized for new ideas that don’t work,” and “innovation is not perceived as too risky and to be resisted,” with correlations of .317, .309, and .281 respectively. These insignificantly correlated items all involve trust issues and are convergent with previous findings. The correlations between the total scale generated
from adding up the scale items and all three principles (Table 6.11) are consistent with the result of each item and remain low.

This intertwined relationship between trust, learning, and innovation that emerged in this survey reminds us that, for organizations in a Confucian society, it is important to shape a strong trust-based, learning-focused culture to foster innovation at all levels. And trusting relationships should not be limited internally between management and employees or among team members, but should also extend to external stakeholders.

4. Create the future

Principles:

- “Regular abandonment is practiced”
- “Embrace constant change”

Although the correlation (Table 6.12) between the principle “regular abandonment is practiced” and “embrace constant change” (.675) is significant, while interview respondents agreed that the organization practices “embrace constant change” better than “abandonment,” the mean score (Table 6.1) of “embrace change” remains high in the survey and ranked at the top. Survey respondents ranked “abandonment” significantly higher compared to the interview results. However, the standard deviation (Table 6.1) of “abandonment” is higher than “embrace change” in the interviews and the survey, indicating more divergent views on organizational performance in “abandonment.”

This significant correlation is clear. In fact, abandonment is many times the first step and the most effective action to embrace change. Drucker’s abandonment is a strategic decision to envision future trends, which involves the question of where limited resources should go to be
effective. Similarly, the Confucian teaching to “embrace change” emphasizes active responses to change. From this perspective, organizations in a Confucian society can leverage Drucker’s “abandonment of the old” as an action guide to embrace constant market change to better prepare for tomorrow’s opportunities.

However, in today’s fast-changing information age, organizations must act quickly, before it’s too late. The practice of abandonment should be a voluntary strategic decision and managers must actively lead the process rather than merely “following the trend.” As indicated in the behavior anchor of Drucker’s principle of abandonment, organizations being “largely regarded as a follower” that “wait for others to abandon products, services, or markets—and then try to adapt to the changes” ranks lower than “actively engages in creative destruction.” During the guided interviews, many respondents realized the difference and reflected this in their score. As one respondent stated, “I don’t know if our current abandonment practices are voluntary choice or merely forced to adopt.”

Triangulation data confirmed the organization under study is in transition from being a follower to a market leader, in particular in leading the technical advancement of the industry. The Confucian teaching of change asserts a relational-focused perspective, which implies the organization should position itself in relation to its peers to consider how changes could affect its operation. Many interview respondents recognized this role change already. However, to become a successful leader in the industry, everyone in the organization must be equipped with a new mindset and adopt new practices to interact with others that fit this new role. This creates a higher degree of urgency for the organizations in transition to strategically abandon existing norms and “successful experience” of the past.
The concept to abandon successful experience in the past is compelling, and this is because Confucius asserts that change is constant at all times, whereas Drucker also emphasizes abandonment is not a one-time task, but a regular practice that must be planned. From this perspective, the two principles are complementary. Although changes and abandonment can and should happen everywhere in the organization, this can range from products to policies to practices. The interview data showed that people are more comfortable with changing by adding and repairing than by “abandoning and rebuilding.” This indicates that if people let their attention rest in past achievement, it will be more challenging to practice strategic abandonment, both mentally and practically. As Drucker said, what to abandon is a test of vision; regular abandonment is necessary to clear the path for continuous success in the future, and it takes courage for organizations to give up what has worked in the past. Therefore, for change to start from abandonment, education of this positive attitude can provide employees with the psychological safety to facilitate this challenging abandonment-based changing process.

Changes can be both external environmental as well as internal, meaning personal growth and changes in mentality through self-cultivation and learning from experience in Confucianism. To embrace change, identification of what has changed is the first step, which reminds people that they must be vigilant in justifying their mindset and knowledge regularly in response to external changes. However, interview data showed that this is not an easy task; there is internal resistance to change and abandonment in the organization, and it is not yet well practiced on a micro level. This reminds the organization to be aware that change and abandonment should not apply only to behavior and practice, but also to obsolete beliefs and mindsets to create the future effectively.
5. Results-oriented contributions that focus on the organization, not the individual

Principles:

- “Results, not activities, are measured for all stakeholders”
- “Do to others what you want done to yourself”
- “Everyone in the organization works toward a common goal”

The mean score (Table 6.1) of the principle “do to others what you want done to yourself” is convergent in both the interviews and the survey and stays in the mid-range. However, the principle “everyone in the organization works toward a common goal” and “results, not activities, are measured for all stakeholders” that ranked among the top in the interviews dropped its score significantly in the survey. The relatively unanimous positive answers in the interviews suggest that the organization under study has a certain degree of established collective spirit, so one possible explanation of this dropped score in the survey could be due to the expanded number of survey participants. Although all survey participants were required to have at least one year of organizational tenure, this “newcomer” group (46.5 percent of one to three years tenure in the survey and 25 percent in the interviews) may have not fully integrated into their teams to develop a deep sense “working toward a common goal.” Standard deviations (Table 6.1) for all three principles are smaller in the interviews than the survey, showing that interview respondents are relatively more in agreement of organizational performance in these principles.

The correlation of the three principles (Table 6.13) suggests a complementary interrelationship. Although Confucius’s selfless collectivism and establishment of others sounds unreasonable in today’s environment, if the organization can define clear and measurable results as a common goal for everyone to prioritize and pursue collectively, employees could potentially
be more willing to establish others as to establish themselves in order to pursue desired results
together. This correlation can also benefit organizations in a Confucian society where teamwork
is the dominant working environment, shaping a loving, caring, and collectivism-focused culture
that facilitates the team to better practice being results driven.

The correlation between “do to others what you want done to yourself” and “work toward
a common goal” is significant (.599). Similar to the “ethic of reciprocity,” the principle “do to
others what you want done to yourself” promotes establishing others to build healthy
interrelationships with others, and applies to both internal employees and external stakeholders.
During the long process of working as a team toward a common organizational goal, it is natural
that each individual and department in the team have their own priorities that might be in conflict
with the common goal. However, in practice we see people have the expectation of perfect
synergy and everyone can help one another wholeheartedly. In particular, employees many times
assume managers have the responsibility to support them in every way for them to perform, and
managers expect employees to always prioritize overall performance. Therefore, when these two
principles are not practiced together in reality, it will be hard for employees to love and care for
others that are not working toward the same goal, and even harder to work toward a common
goal with people they do not care about.

The correlation between being “result driven” and “doing to others what you want done
to yourself” is .605. Drucker asserts that to be result-driven an organization should best allocate
resources to the most productive tasks, whereas “doing to others what you want done to
yourself” through establishing team members and developing healthy interrelationship are all
beneficial behaviors to invest time and resources in order to build a caring working environment
internally to deliver results more effectively.
Drucker further suggests that executives should consider a broader range of contributive outcomes to the commonwealth and different stakeholders, and the principle “do to others what you want done to yourself” suggests that the virtue of benevolence must extend to establish external stakeholders with the same level of respect and consideration. In the interviews, respondents offered numerous successful examples of how encouraging results can be generated through “establishing” customers and suppliers. For example, the organization under study has a limited choice of suppliers for certain key parts that require safety qualification, so if the organization doesn’t allocate their already tight resources to establish these suppliers in need to increase their technical competency, certain innovative products may never be able to deliver to customers. Therefore, establishing others should be a value to promote in order to better practice the principle of being result-driven, as it is a facilitator to make the production process more effective.

To pursue perfect benevolence and compassion as suggested by Confucian teaching requires a generous sharing spirit toward others. As we learned from qualitative data, it is unrealistic to practice selfless care to others in today’s setting. Even when the organization already has a system in place to enforce people to at least be considerate of others’ work, it is still hard for people to help others voluntarily when their own workload is too heavy; resources are simply too limited to assist others. Out of this dilemma, we hear respondents saying they will distribute resources to grow others when that becomes their duty or affects their own result. This suggests that although it can be very difficult to change people’s beliefs or mindset to be truly contribution-driven, organizations can leverage this correlation to structure a system that supports change on a behavioral level, to shape a culture of excellence and team competence through helping one another that is based on common result.
However, it is also worth noting, unlike the employees in Western culture, “family culture” is more deeply rooted in Confucian society. As we learned from triangulation data, employees—in particularly Generation Z, who generally have high expectations of the organization, other colleagues, and their managers—have the obligation to take care their personal interest. Therefore, when they feel they are not being “established” or their personal needs are not fully met, they would more easily become disappointed and discouraged. Further, when the task is not well accomplished or the result is not well achieved, employees may push the responsibility to their organization or managers, blaming others to cover their own failure.

The correlation between “result driven” and “work towards a common goal” (.653) is significant and obvious, especially for the organizations in Confucian society, where collectivism is valued more than individual heroism. The qualitative data shows that although the organization has a comprehensive KPI system to measure all desired results in daily operation, and many measurements are on teams that are already concentrating on the “common goal,” not everyone fully understands that the function of the organization is to produce results. And although employees may simply work to earn a living, they are still only measured and paid for the results they produce.

Drucker asserts that individual performance is defined by contributions to overall organizational needs. Similarly, Confucius promotes self-cultivation not just for personal betterment, but to contribute to overall good. Most interview respondents understand that the organization provides necessary resources and training to grow them and expects them to deliver better results for overall organizational good. Therefore, as both Drucker and Confucius assert, target results should align personal goals to organizational goals. When employees feel their personal achievement depends on overall organizational development and they can understand
the mutual goal clearly, they are more willingly to contribute and scarify personal interest at voluntary choice, rather than from external force. From this perspective, this collective spirit suggested by the Confucian principle can assist the organization in shaping a culture to produce result more effectively.

In today’s diversified organizations, when individuals have different perceptions, it’s hard to have everyone buy into the same values and to build a collaborative team spirit. This phenomenon is obvious in the organization under study, where over 60 percent of employees are Generation Z and 68 percent of employees are with one-three years of tenure. This correlation hereby suggests we can use unified organizational goals as the glue to bind everyone together to work as one team.

For these three intertwined principles to work together more effectively, the role model effect can also be influential. As interview respondents noted, even when they feel they are working as hard as they can to pursue target results, they can always feel more motivated when they see executives are carrying more responsibilities, that they are not only contributing selflessly to lead others toward collective goals, but also taking care of other team members at the same time.

The correlations between the principles and defined items on the Scale for Collectivism (Table 6.14) are mostly significant but relatively low, with Cronbach’s alpha of .783. There are two items in the scale: “individual rewards are not as important as group welfare” and “it is more important for a manager to encourage loyalty and a sense of duty in subordinates than it is to encourage individual initiative.” The correlations of these two items are insignificant with the principle “result driven,” that are .125, and .166 respectively. However, these two items are still significantly correlated with the other two principles. One possible explanation is that for
individuals to be result driven, they could be willing to prioritize group goals over their personal goals, but this does not equal prioritizing “group welfare.” Similarly, prioritizing loyalty and a sense of duty over individual initiative could be more relevant to collectivism, but individual initiative can also be essential to deliver results. Even in Confucianism, which promotes loyalty and a sense of duty, it is not unconditional to deny individual initiative. The correlations between principles and the total scale generated from adding up the scale items (Table 6.15) remain low and are consistent with the result of each item.

6. **Grow people through promoting individual responsibility and accountability for all**

Principles:

- “Responsibility and accountability at all levels”
- “Employee orientation”
- “Everyone follows one set of standards and norms for behavior”

The mean score (Table 6.1) of the principle “responsibility and accountability at all levels” in the survey is higher compared to the interviews, with a moderate increase in ranking. The mean score of the principle “everyone follows one set of standards and norms for behavior” and “employee orientation” are convergent in absolute terms in the survey and interviews, but in terms of ranking, the principle “employee orientation” started low in the interviews and further dropped to the lowest among all. The standard deviations (Table 6.1) for all three principles are relatively large, indicating a wider divergence in survey participants’ understanding.

The correlations (Table 6.16) suggest an intertwined interrelationship among the three principles. Since rituals can signify particular organizational traditions and values, and function
as the glue to bond people together as a group, when everyone follows one set of communal rituals, the powerful symbolic effect can enhance employees’ communal membership to grow their sense of belonging and loyalty. When employees become more attached to the team, they can then focus more on how their contributions could better serve the overall purpose of the organization, carry more duty, drive resolution, and take responsibility and accountability in their own roles—as the principle “responsibility and accountability at all levels” suggests. Practicing these principles together forms an employee-oriented growing process, because employees can only be truly accountable and responsible when they learn to not solely think from their own role.

In this case study, interview data shows the organization understands that employees are their most important resources, and the organization has clear intentions to grow its employees through training or contribution. However, what to train them in to grow them effectively remains an issue. Various sources of data pointed out that many operational staff feel lost at work; there’s a lack of a clear development plan and proper guidance of action. This phenomenon reminds organizations to consider the fact that employees in a Confucian society are more valued as rule followers; they feel more comfortable with clearly defined direction to follow, guidance to act, and description of roles. For example, interview data shows the organization is doing well in terms of regulations and procedures that relate to safety and project execution from employees’ perspective, but there are not many established rules and regulations on other daily operations. This policy is aimed to unleash employees’ potential to foster innovation. However, although this intention is right and Drucker-like, the result of the relatively low score on “innovation” and “employee orientation” signifies this Drucker principle is not practiced in the most effective way. The significant correlation among these three principles
provides the organization with another perspective to grow employees in a culturally sensitive way and step by step to motivate individual contributions in their role through establishing rituals, that is, trainings on a “code of conduct” and “standard of merits” for employees to follow according to their own role.

However, establishing and promoting ritual and one standard does not mean “command and control.” It does not need to be in conflict with Drucker’s concept of delegation and decentralization. Rather it can help employees better practice discretionary responsibility by educating them how individual effort contributes to the overall good and how to leverage rituals to create a sense of belonging that can symbolize their shared values and communal membership. As we heard from interview respondents it is an issue that not everyone realizes how their duty affects overall organizational goals, and not all departments and regions apply standard rituals equally. To offer an example of encouraging the power of ritual, one interviewee demonstrated a significantly higher level of loyalty and sense of belonging when he introduced required rituals in his office, and these efforts were credited by customers, who recognized that the employees are from TCT because they are exceptionally “customer centric.” However, this does not apply in other offices equally. There’s currently no unified code of conduct to define “customer centric” on an organizational level, and it is up to employees to define their behaviors to best practice these desired values. This could because the organization under study is in transition, growing from a start-up into a well-established, large-scaled corporation—this is a lengthy process that requires new management protocols to fit into the organization’s current reality. During the rapid expansion, systematic standards and guidelines might be left behind, thus causing employees to feel lost in this fast-changing environment. Therefore, clarification of individual roles and certain
symbolic rituals would be helpful for the organization to better practice “contribution in the role” as promoted by both Drucker and Confucius.

Drucker asserts that the organization must “employ the whole man,” but in reality no two men are alike. Frontline employees are normally the window through which external stakeholders learn the organization; they represent the brand in front of customer. Therefore, if the organization has well-defined rituals and standard norms, it can be beneficial to maintain a unified appearance of the organization and to remind employees to behave consistently with their customers and other stakeholders. In fact, as we hear from interview respondents that the organization has realized the role of rituals to a certain extent. However, even with established standards and processes that are supposed to be equally applied to all, in reality people still perform differently due to individual differences.

Promoting rituals need not be in conflict with nurturing an innovative mindset either. In today’s setting, employees have diversified ideological distance; enforcing one fixed set of values would be hard. Whereas ritual is on a behavioral level, it can be just a systematic code of conduct for everyone to know what they are expected in their role. It should not be designed as a bureaucratic reporting system and restrictions, or as “scripted scenes” described in the concept of “organization as theater.” It should rather serve as a facilitator to align individual roles to overall goals. As Confucius asserts, there is no fixed “way” to practice ritual, the organization can be innovative in designing rituals that best fit its need.

This finding gives practical meaning to organizations in transition to maintain a balance between standardization and decentralized autonomy. In practice, the deeply rooted Confucian mindset can have a more pervasive influence than people are aware of. Similar to many other organizations in Confucian society, although TCT promotes decentralization, delayering, and
discretionary responsibility, triangulation data shows that the organization has in fact an established culture of following directions, and features such as obedience and effective implementation of top-down orders are desired; these values were emphasized and promoted during observation meetings I attended.

It was also evident that employee loyalty is significantly higher for those who have been with the organization for more than three years compared to the newcomers, and loyalty seems an important virtue carries heavy weight in organization’s existing personal evaluation system. Take the example of a hiring meeting I attended, where managers and executives credited one candidate with being a “good fit” for the position because of his loyalty; they stated that “although he had to leave the organization due to relocation for family reasons, he rejoined us as soon as a new office set up in Shanghai.” Other interview respondents admitted that time is a contributing factor to building loyalty, that they had become more emotionally attached to the organization over time. From this perspective, instead of waiting for employee loyalty to grow organically, training on rituals and giving knowledge workers responsibility can give them ownership over their work, making it a fast and effective way to grow sense of belonging and loyalty through behavioral change. Further, Confucian ritual promotes shared values and rules according to common social demand and desirability, considering data shows the best talents in TCT may not currently feel sufficient self-realization, if the organization and employees within the organization can all follow the desired ritual, it can also help to build smooth employee relationships.

Triangulation data suggests that if the organization is not effective in implementing one set of unified rituals for everyone on an organizational level, a double standard can be harmful; even if it just happens occasionally, it could discourage employees’ willingness to contribute in
their role, and therefore negatively affect their responsibility and accountability. Employees will not grow in this scenario.

The correlations between the principles and defined items in the Scale for Employee Orientation (Table 6.17) are mostly significant, moderate and positive, with Cronbach’s alpha of .832. The only item in the scale that is not significant is “this organization is characterized by a relaxed, easygoing working climate.” The correlation (.12) is not significant with the principle “responsibility and accountability,” but significant with the other two principles, although the correlations remain low. This result is however consistent with interview findings, which show that the majority of employees carry heavy workloads and pressure; although they are still responsible and accountable in their roles, the overall working environment is far from “relaxed and easygoing.” However, other significant correlations show employees can still grow and follow rituals regardless of whether the external environment is relaxed. All other items in the scale have moderate and positive correlations (.3 - .7) with the principles, in particular a stronger correlation with the principle “employee orientation.” This is consistent with previous findings and the correlations between the total scale and the principles (Table 6.18), that the total EO scale is more significantly correlated to the principles “everyone follows one set of standards” (.551) and “employee orientation” (.508), compared to the correlation with the principle “responsibility and accountability” (.354). This result further signifies the complementary relationship between employee orientation and following one set of standards. The correlation between the item “the philosophy of our management emphasizes the human factor, how people feel, etc.” and the principle “everyone follows one set of standards” is .483, which is convergent with previous analysis, that following rituals does not mean rigid command and control mode, but can still be human centered.
7. A commitment to positive values that enables the organization to balance continuity and change

Principles:

- “Balances short-term and long-term results”
- “Everyone lives by the values”
- “Manage by virtue rather than punishment”
- “A journey of 1,000 miles begins with one step”

The mean scores (Table 6.1) of the principle “balances short-term and long-term results” and “manage by virtue rather than punishment” are convergent in both the interviews and the survey, while “balance short-term and long-term results” increased from the mid-range in the interviews to the third highest among all and the principle “manage by virtue” stays low in ranking. The mean score of the principles “everyone lives by the values” in the survey represent a significant increase to mid-range that was ranked the lowest in the interviews with the highest standard deviation of all. The mean score of the principle “a journey of 1,000 miles begins with one step” dropped in the survey, with a larger standard deviation compared to the interviews, indicating a wider divergence and possibly lack of understanding on this principle.

The correlations among these four principles (Table 6.19) suggest an intertwined interrelationship, that values are the essential yardstick to balance long-term goals and short-term goals. An organization must live the values and be managed by the values; creating lasting and transformational change requires continuous and persistent effort.

The principles “balances short-term and long-term results” and “a journey of 1,000 miles begins with one step” are correlated (.514) because both imply commitment to long-term goals
and continuous action to achieve those goals. To build competence for long-term goals, organizations must regularly revisit the sustainability of their current business, balance different objectives, and best allocate their resources. In this review process, the organization’s business and mission statement may change to reflect constant market change, the organizational values must be lasting and not traded off for short-term goals. The strong positive correlation between the two principles “balances short-term and long-term results” and “everyone lives by the values” (.722) shows the consistency between Drucker’s principles in practice, and this correlation reminds organizations that long-term goal setting is a strategic choice and must be value-led. From a value-fit perspective, commitment to values must be one essential yardstick to decide how to balance short-term and long-term results. According to interview data, the respondents identified “customer-centric” as an organizational value and claimed its strategies are indeed drawn around customer needs.

Drucker strongly emphasizes the importance of value as something as necessary as vitamins and minerals are to the human body. It is the values that an organization continues to pursue that enable it to sustainably balance continuity and change. In fact, as Drucker suggests value is one major measurement of organizational performance. However, building shared values is a long process and requires everyone within the organization buy into them until it becomes common belief for all. Similarly, Confucius emphasized that commitment to virtues is the prerequisite to rule by virtue, because for individuals to make “virtuous” decisions they must be educated in the “right” virtues. This being said, values and virtues need to be learned and acted on through a systematic management system, that is related to the principle “manage by virtue rather than punishment.” The correlation of this principle with value is significant but moderate (.599). One explanation is that although management believes that the organization under study
prioritizes values rather than enforcing rules, their daily operations on a behavioral level are balanced with punishment. This is understandable in today’s setting, because although this Confucian principle suggests with proper education of virtues, people shall be able to realize what is wrong, to feel ashamed of their own misconduct and stop doing wrong, in reality, Confucian virtues and principles can be too vague to practice, and can require explicit guidance in behaviors and actions to make ruling by virtue effective. This corresponds to qualitative data, which suggests that in practice managing by virtue is ineffective if employees don’t feel the strong linkage to daily practice. As interview respondents noted, many times people are unaware they are doing wrong unless they are punished, and some employees take advantage of vague policies, all leading to managerial inefficiency. Therefore, these two principles can be complementary in practice to shape an effective value-led culture. As Drucker asserts value must be clear and explicit. Organizations must translate shared values into practical behaviors, to implement in every aspect of daily operations as a comprehensive management system until it becomes the norm to direct the organization’s business conduct.

The survey findings suggest a greater confidence in organization’s performance in value compared to the interviews; the significant correlation between the principle of “value” and “a journey of 1,000 miles begins with one step” (.692) further shows the importance of values being implemented with action. Drucker’s principle emphasized living by values; likewise, this Confucian principle credited not only results, but also process. As stated in the principle, it is indeed a journey for value-led organizations to create transformational change; it takes time for conceptual values to be effectively implemented. During the interviews, several respondents defined this organizational value as “doing the right thing and doing things right” and agreed it takes the organization a decade to adhere to value fit business and conduct. Confucius further
explained that to achieve the ultimate goal requires accumulated actions to make up the process; organizations thus need to stay flexible to make real-time adjustments in strategy as needed—as Confucius reminds us, there is no fixed path or methodology to reach the goal. This again corresponds to the correlation between “balance short-term and long-term goals” and “a journey of 1,000 miles begins with one step” as explained earlier. This connection was evident during the interviews: several respondents answered that to better achieve predetermined long-term goals, they must be flexible enough to act quickly and to make necessary changes.
Table 6.1 Principle Mean Scores and Standard Deviations

Survey (N=129), Interview (N=20)

<table>
<thead>
<tr>
<th>Principle</th>
<th>Survey Mean</th>
<th>Survey S.D.</th>
<th>Interview Mean</th>
<th>Interview S.D.</th>
</tr>
</thead>
</table>
Table 6.2 Bivariate Correlations between Principles (10 * 10)

Survey (N=129)

| Items                                                                 | 1   | 2   | 3   | 4   | 5   | 6   | 7   | 8   | 9   | 10  | 11  | 12  | 13  | 14  | 15  | 16  | 17  | 18  | 19  | 20  |
|-----------------------------------------------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1. Clear mission and theory of the business                           | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 2. Focus on understanding customer needs                              | .562** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 3. Responsibility and accountability at all levels                    | .453** .392** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 4. Employee orientation                                              | .554** .517** .647** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 5. Everyone innovates                                                | .622** .502** .606** .686** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 6. Regular abandonment                                               | .340** .380** .514** .500** .551** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 7. Results, not activities, are measured for all stakeholders         | .537** .532** .563** .635** .622** .592** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 8. Balance short-term and long-term results                           | .583** .489** .502** .537** .623** .507** .493** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 9. Everyone lives by the values                                      | .570** .549** .528** .660** .693** .526** .613** .722** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 10. Demonstrates social responsibility                               | .428** .422** .597** .586** .594** .485** .616** .529** .690** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 11. Virtuous and ethical behavior creates a harmonious society       | .535** .449** .540** .634** .608** .518** .652** .602** .671** .716** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 12. Manage by virtue rather than punishment                          | .538** .435** .504** .641** .612** .460** .606** .626** .599** .678** .755** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 13. Do what’s right rather than simply being profit driven           | .475** .556** .486** .588** .597** .413** .599** .552** .696** .594** .720** .650** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 14. A journey of 1,000 miles begins with one step                    | .492** .340** .515** .760** .553** .424** .613** .514** .692** .593** .708** .685** .630** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 15. Everyone in the organization works toward a common goal          | .446** .414** .462** .699** .512** .351** .653** .396** .627** .589** .649** .602** .571** .770** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 16. Do to others what you want done to yourself                      | .452** .394** .480** .576** .583** .463** .605** .435** .514** .546** .722** .725** .703** .685** .599** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 17. Embrace constant change                                           | .519** .462** .465** .540** .592** .675** .595** .558** .548** .480** .678** .556** .610** .537** .500** .704** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 18. Everyone leads through continuous practice and reflection         | .414** .327** .474** .674** .574** .418** .588** .475** .591** .535** .588** .659** .493** .817** .761** .658** .546** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 19. Everyone follows one set of standards and norms for behavior     | .423** .363** .522** .661** .459** .486** .538** .476** .538** .439** .558** .616** .495** .776** .730** .658** .585** .788** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| 20. Never promise what you cannot deliver                            | .444** .349** .548** .651** .606** .498** .558** .456** .586** .529** .609** .706** .625** .715** .639** .706** .542** .714** .734** | 1.0 |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |     |

Cronbach’s Alpha 0.964

** Correlation is significant at the 0.01 level (2-tailed).
Table 6.3 Bivariate Correlations between Principles – Theme 1

<table>
<thead>
<tr>
<th>Items</th>
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<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Demonstrates social responsibility</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>2. Virtuous and ethical behavior creates a harmonious society</td>
<td>.716**</td>
<td>1</td>
</tr>
</tbody>
</table>

Cronbach's Alpha 0.833

**. Correlation is significant at the 0.01 level (2-tailed).
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<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Demonstrates social responsibility.</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>2. Virtuous and ethical behavior creates a harmonious society.</td>
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<tr>
<td>3. Our organization contributes to campaigns and projects that promote the well-being of the society.</td>
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<tr>
<td>4. Our organization participates in activities which aim to protect and improve the quality of the natural environment.</td>
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<tr>
<td>5. Our organization implements special programs to minimize its negative impact on the natural environment.</td>
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<td></td>
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<tr>
<td>6. Our organization makes investment to create a better life for future generations.</td>
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<td></td>
</tr>
<tr>
<td>7. Our organization targets sustainable growth which considers future generations.</td>
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<td></td>
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<tr>
<td>8. Our organization supports nongovernmental organizations working in problematic areas.</td>
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<tr>
<td>9. Our organization encourages its employees to participate in voluntarily activities.</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Cronbach's Alpha</td>
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</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).
Table 6.5 Correlations and Reliability Statistics – Total Scale for Social Responsibility

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Demonstrates Social Responsibility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Virtuous and ethical behavior creates a harmonious society</td>
<td>.716**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>3. Total CSR Scale</td>
<td>.410**</td>
<td>.423**</td>
<td>1</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
Table 6.6 Bivariate Correlations between Principles – Theme 2

Theme 2 – A customer focused, mission-driven orientation

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Clear mission and Theory of the business</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Focus on understanding customer needs</td>
<td>0.56**</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>3. Do what’s right rather than simply being profit driven</td>
<td>0.475**</td>
<td>0.56**</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Cronbach's Alpha 0.770

**. Correlation is significant at the 0.01 level (2-tailed).
Table 6.7 Correlations and Reliability Statistics – Item Scale for Customer Orientation

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Clear mission and theory of the business.</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Focus on understanding customer needs.</td>
<td>.562**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Do what’s right rather than simply being profit driven.</td>
<td>.475**</td>
<td>.556**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. We constantly monitor our level of commitment and orientation to serving customers’ needs.</td>
<td>.300**</td>
<td>.283**</td>
<td>.335**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Our business strategies are driven by our beliefs about how we can create greater value for customers.</td>
<td>.370**</td>
<td>.344**</td>
<td>.280**</td>
<td>.519**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Our strategy for competitive advantage is based on our understanding of customers’ needs.</td>
<td>.269**</td>
<td>0.148</td>
<td>.294**</td>
<td>.573**</td>
<td>.506**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Our business objectives are driven primarily by customer satisfaction.</td>
<td>.288**</td>
<td>0.140</td>
<td>.266**</td>
<td>.420**</td>
<td>.628**</td>
<td>.508**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. We measure customer satisfaction systematically and frequently.</td>
<td>.278**</td>
<td>.279**</td>
<td>.320**</td>
<td>.629**</td>
<td>.508**</td>
<td>.482**</td>
<td>.456**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>9. We pay close attention to after-sales service.</td>
<td>.241**</td>
<td>0.155</td>
<td>.293**</td>
<td>.483**</td>
<td>.440**</td>
<td>.464**</td>
<td>.446**</td>
<td>.402**</td>
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</table>

Cronbach's Alpha 0.855

** Correlation is significant at the 0.01 level (2-tailed).
Table 6.8 Correlations and Reliability Statistics – Total Scale for Customer Orientation

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1. Clear mission and theory of the business</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Focus on understanding customer needs</td>
<td>.562**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Do what’s right rather than simply being profit driven</td>
<td>.475**</td>
<td>.556**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>4. Total CO scale</td>
<td>.356**</td>
<td>.273**</td>
<td>.347**</td>
<td>1</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
Table 6.9 Bivariate Correlations between Principles – Theme 3

Theme 3 – Continuous innovation by entire organization

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Everyone innovates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Everyone leads through continuous practice and reflection</td>
<td>.574**</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>3. Never promise what you cannot deliver</td>
<td>.606**</td>
<td>.714**</td>
<td>1</td>
</tr>
</tbody>
</table>

Cronbach’s Alpha 0.837

** Correlation is significant at the 0.01 level (2-tailed).
Table 6.10 Correlations and Reliability Statistics – Item Scale for Innovation

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Everyone innovates.</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Everyone leads through continuous practice and reflection.</td>
<td>.574**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Never promise what you cannot deliver.</td>
<td>.606**</td>
<td>.714**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Technical innovation, based on research results, is readily accepted.</td>
<td>.332**</td>
<td>.324**</td>
<td>.384**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Management actively seeks innovative ideas.</td>
<td>.390**</td>
<td>.286**</td>
<td>.277**</td>
<td>.528**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Innovation is readily accepted in program/project management.</td>
<td>.317**</td>
<td>.398**</td>
<td>.338**</td>
<td>.431**</td>
<td>.553**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. People are not penalized for new ideas that don’t work.</td>
<td>.309**</td>
<td>.212*</td>
<td>.222*</td>
<td>.328**</td>
<td>.570**</td>
<td>.392**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>8. Innovation is not perceived as too risky and to be resisted.</td>
<td>.281**</td>
<td>.245**</td>
<td>.302**</td>
<td>.321**</td>
<td>.491**</td>
<td>.396**</td>
<td>.488**</td>
<td>1</td>
</tr>
</tbody>
</table>

Cronbach’s Alpha 0.807

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).
Table 6.11 Correlations and Reliability Statistics – Total Scale for Innovation

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Everyone Innovates</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Everyone leads through continuous practice and reflection</td>
<td>.574*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Never promise what you cannot deliver</td>
<td>.606*</td>
<td>.714*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Total innovation scale</td>
<td>.394*</td>
<td>.342*</td>
<td>.365*</td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
Table 6.12 Bivariate Correlations between Principles – Theme 4

Theme 4 - Create the future

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Regular abandonment is practiced</td>
<td>1</td>
<td>.675**</td>
</tr>
<tr>
<td>2. Embrace constant change</td>
<td>.675**</td>
<td>1</td>
</tr>
</tbody>
</table>

Cronbach’s Alpha 0.783

** Correlation is significant at the 0.01 level (2-tailed).
Table 6.13 Bivariate Correlations between Principles – Theme 5

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Results, not activities, are measured for all stakeholders.</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>2. Do to others what you want done to yourself.</td>
<td>.605**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>3. Everyone in the organization works toward a common goal.</td>
<td>.653**</td>
<td>.599**</td>
<td>1</td>
</tr>
</tbody>
</table>

Cronbach's Alpha 0.829

** Correlation is significant at the 0.01 level (2-tailed).
Table 6.14 Correlations and Reliability Statistics – Item Scale for Collectivism

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Results, not activities, are measured for all stakeholders.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>2. Do to others what you want done to yourself.</td>
<td></td>
<td>0.605**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Everyone in the organization works toward a common goal.</td>
<td></td>
<td>0.653**</td>
<td>0.599**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Group success is more important than individual success.</td>
<td></td>
<td>0.232**</td>
<td>0.316**</td>
<td>0.310**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Being loyal to a group is more important than individual gain.</td>
<td></td>
<td>0.261**</td>
<td>0.397**</td>
<td>0.289**</td>
<td>0.539**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>6. Individual rewards are not as important as group welfare.</td>
<td></td>
<td>0.125</td>
<td>0.209*</td>
<td>0.206*</td>
<td>0.501**</td>
<td>0.555**</td>
<td>1</td>
</tr>
<tr>
<td>7. It is more important for a manager to encourage loyalty and a sense of duty in subordinates than it is to encourage individual initiative.</td>
<td>0.166</td>
<td>0.319**</td>
<td>0.313**</td>
<td>0.453**</td>
<td>0.392**</td>
<td>0.398**</td>
<td>1</td>
</tr>
</tbody>
</table>

Cronbach's Alpha 0.783

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).
Table 6.15 Correlations and Reliability Statistics – Total Scale for Collectivism

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Results, Not Activities, are Measured for all Stakeholders</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Do to others what you want done to yourself</td>
<td>.605**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Everyone in the organization works toward a common goal</td>
<td>.653**</td>
<td>.599**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>4. Total coll scale</td>
<td>.220*</td>
<td>.359**</td>
<td>.321**</td>
<td>1</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).
Table 6.16 Bivariate Correlations between Principles – Theme 6

Theme 6 - Grow people through promoting individual responsibility and accountability for all

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Responsibility and accountability at all levels</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Employee orientation</td>
<td>.647**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>3. Everyone follows one set of standards and norms for behavior</td>
<td>.522**</td>
<td>.661**</td>
<td>1</td>
</tr>
</tbody>
</table>

Cronbach’s Alpha 0.824

** Correlation is significant at the 0.01 level (2-tailed).
Table 6.17 Correlations and Reliability Statistics – Item Scale for Employee Orientation

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Responsibility and accountability at all levels.</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Employee orientation</td>
<td>.647**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Everyone follows one set of standards and norms for behavior.</td>
<td>.522**</td>
<td>.661**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. In this organization people are rewarded in proportion to the</td>
<td>.336**</td>
<td>.493**</td>
<td>.468**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>excellence of their job performance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. We have a promotion system here that helps the best person to</td>
<td>.316**</td>
<td>.515**</td>
<td>.456**</td>
<td>.582**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>rise to the top.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. This organization is characterized by a relaxed, easygoing</td>
<td>0.120</td>
<td>.243**</td>
<td>.275**</td>
<td>.333**</td>
<td>.377**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>working climate.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. There is a lot of warmth in the relationships between management</td>
<td>.399**</td>
<td>.564**</td>
<td>.461**</td>
<td>.610**</td>
<td>.533**</td>
<td>.509**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and workers in this organization.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. The philosophy of our management emphasizes the human factor,</td>
<td>.347**</td>
<td>.527**</td>
<td>.483**</td>
<td>.543**</td>
<td>.511**</td>
<td>.429**</td>
<td>.625**</td>
<td></td>
</tr>
<tr>
<td>how people feel, etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cronbach’s Alpha</td>
<td>0.832</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
Table 6.18 Correlations and Reliability Statistics – Total Scale for Employee Orientation

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Responsibility and Accountability at All Levels</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Employee Orientation</td>
<td>.647*</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Everyone follows one set of standards and norms for behavior</td>
<td>.522*</td>
<td>.661*</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>4. Total EO scale</td>
<td>.354*</td>
<td>.551*</td>
<td>.508*</td>
<td>1</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
Table 6.19 Bivariate Correlations between Principles – Theme 7

Theme 7 - A commitment to positive values that enables the organization to balance continuity and change

<table>
<thead>
<tr>
<th>Items</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Balances short-term and long-term results</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Everyone lives by the values</td>
<td>.722**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Manage by virtue rather than punishment</td>
<td>.625**</td>
<td>.599**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>4. A journey of 1,000 miles begins with one step</td>
<td>.514**</td>
<td>.692**</td>
<td>.685**</td>
<td>1</td>
</tr>
</tbody>
</table>

Cronbach’s Alpha 0.867

** Correlation is significant at the 0.01 level (2-tailed).
Chapter VII: Reflection for the future

This research study explores the principles of Drucker and Confucius from conceptual and behavioral perspectives. The data analysis in previous chapters illustrated behavioral patterns related to the principles based on interview results and seven correlational themes generated from survey results. Looking to the future, this chapter addresses reflections and lessons learned from the study that may help organizations enhance their management effectiveness.

Seven Lessons Learned

During the process of this research study, new knowledge was gained through examining behavior patterns in this particular case study, and we learned how these principles are understood by business professionals and how they are practiced in real life. Taking these findings forward, these lessons represent highlights we wish to emphasize as a reference for other organizations, to provide concrete meaning in their daily practice. However, these lessons are not sufficiently generalizable to cover all situations and can be advanced through further studies.

Lesson 1: It starts at the top. The organization must have buy-in from a strong CEO who is open, committed, and a lifelong learner.

Confucius heavily emphasized the role model effect throughout his teaching, and the importance of leadership has been well recognized by today’s organizations. Although organizational culture is a collective effort shaped by every individual within the organization, the significance of the impact is unequal. In most cases, the personal values and beliefs held by executives and founders play a more important role in shaping overall organizational value than
lower-ranked employees. The findings in the case study clearly showed that executives are the major influential factor to decide the organization’s success or failure, and it was evident that the majority, if not all, of the essential changes and strategic decisions in the organization under study are from the top down. In particular, when organization-wide capabilities are not in place to drive the organization to work as one automated machine, a strong leader is the fundamental driving force for transformational change of organization. Although theoretically every individual should be responsible to make changes and contributions in their role, even in the most optimal scenario, when the organization can indeed push responsibility and accountability down to all levels, only executives have the power to best allocate resources needed to create positive change. Therefore, executives must take the responsibility and initiative, creating the sense of urgency to actively lead the team toward the desired direction.

As Drucker asserts, management is a skill to be learned and it can be practiced. To be the perfect exemplars for employees to follow, executives must be firm in organizational value, open to all changes, committed to determined long-term goals, and active as lifelong learners. Likewise, Confucius promoted the skill of “self-cultivation” and the virtue of wisdom. This indicates there are some defined must-have characteristics of effective leaders, regardless of cultural origin. It is always executives’ responsibility to take the leadership role, to embrace change, to lead continuous improvement and empowerment, and to shape a learning organization.

**Lesson 2: Begin with a vision and be mission driven—that is the starting point**

Although the importance and benefits of value and mission have been well discussed in previous studies, from this case study we can further explore the consequences when an
An organization doesn’t prioritize values: employees could feel lost, their behaviors could be misled, and their loyalty could be negatively affected. An organization needs a mission so everyone is clear what business they are in and what they are working for; an organization also needs values to signify what should be valued in life. Promoting values can help organizations motivate people and encourage them to make value-led decisions to guide their daily action both at workplace and in personal life.

Considering both Drucker and Confucius, although they are from distinct cultural traditions and different time periods, they are both value rich. They share some universal values that go beyond the limit of national borders and time, such as focus on social responsibility, human-centered growth, and so on. It is these common values between the two that creates a foundation for philosophies to last and be able to grow in another culture.

Being value-led is hard to insist because it does incur strategic trade-offs and short-term loss. For example, in the case study we see there is a dilemma: should high performers that are no longer value-fit be removed? To be truly value-led, values must be the key decisive yardstick. We understand the organization’s struggle in a real-life setting, but if the organization can insist on prioritizing value and mission, it should be able to continuously attract high-performing and value-fit talent from both outside and inside the team, as these high potentials want to develop themselves in a healthy environment too. In an optimal scenario, the organization should build up a talent pool with a group of like-minded talents that are value-fit with the organization, they are self-motivated to deliver performance and grow together with the organization. Amid all possible strategic choices the organization encounters, value and mission should always be the driving force and not traded off for other short-term objectives.
Lesson 3: Articulate shared values and ensure that everyone knows the behaviors that drive those values

Shared values are the basis, but to make a real difference for these values to work effectively in a real-life setting, an organization must live by those values and be managed by them. This means that once the organization reaches mutual agreement on its values, in addition to continuous articulation and persistent promotion of these conceptual values, the organization must further explain the meaning of these values until everyone understands them and translate them into explicit behaviors for employees to follow. Values must be practiced through behavior to build up the strong link between concepts and people’s real life, it is the ultimate behavioral change can make employees feel the power of values and to benefit from it—through the cultural change of “how it works here” around them. Therefore, organization should have clear understanding of the philosophical values it held, design aligned managerial system fits into its value system, such as rules and regulations to discipline behaviors and award system to encourage desired values.

However, neither value change nor behavior change is easy. Individuals grow their personal values through their unique experiences and various familial, societal, and environmental influences that require an ongoing and slow process to reshape. From the case study, we can see that when employees have no clear values to pursue, they may still work hard to accomplish their tasks, but their efforts are not resonating with common goals and they may burn out more easily. Further, in the case of misalignment between personal values and organizational values, employees may be unaware until there’s a conflict if the organizational values are not clearly articulated; people may communicate this conflict through harmful actions that result in operational ineffectiveness or resistance to desired behavioral changes by the
organization. Therefore, while it is important to identify shared values, it is even more important to implement those values through behavioral change.

From the case study, it is also worth noting that same values might be practiced unevenly toward different stakeholders. For example, the study shows that people are more self-motivated to behave virtuously toward external stakeholders, such as customers and suppliers, than toward their own internal colleagues. This is understandable from the perspective that people may think it is their task to be value-led to discipline their behavior to customers, but they are not held responsible and accountable to be virtuous to other team members. It is interesting because it’s against theoretical reasoning that assumes “human nature” is to prioritize internal “family members” over externals. This also signifies that the organization may focus on applying values related to customers, but not emphasize their equal application to internal colleagues. Creating desired change on an aggregate organizational level requires everyone to work together continuously toward desired value-led behavior, and this must apply equally to all stakeholders.

**Lesson 4: Change must be interrelated and wholistic**

An organization works as a wholistic system, and it can hardly produce transformational change if it acts on only selected principles, not all. Likewise, to improve overall management effectiveness, management must be viewed as one system. The principles of Drucker and Confucius discussed in previous chapters represent the core essence of these philosophical systems, respectively, but cannot cover wholistic teaching. However, the significant correlations among the two sets of principles shows that they are intertwined. Drucker’s principles in particular are consistent with one another. This further suggests that regardless of the cultural
In reality, although an organization may be aware of the importance of the interplay between principles in building organization-wide capability in the long term, it is unrealistic to distribute equal attention to all principles with limited resources. Rather, an organization may focus on the specific principles that are most needed at a certain time, and there are always certain principles that the organization is better at in practice than others. The divergent interview and survey results in the case study show that if we include more voices within the organization to better represent the reality, not all principles are applied equally or at all levels. And poor performance on one principle could correlate to the ineffective practice of other principles. For example, the significantly correlated but all relatively low mean score of the principles “everyone innovates,” “everyone leads through continuous practice and reflection,” and “never promise what you cannot deliver” show that a lack of trust actually discourages employees’ willingness to learn and innovate. However, the correlational analysis also indicates these principles are complementary in forming a system: competence in one can reinforce practice in others. For example, effectively practicing abandonment can better shape the organization to embrace change. Therefore, it is important for an organization to be reminded that building long-term sustainability and organization-wide core competencies that cannot be easily imitated by peers involves a whole system of activities along the entire value chain. And practicing all principles well further requires an organization to engage all departments and everyone at all levels.
Lesson 5: Employees balance behavior and mindset change, but focus on behavior first

It’s been well covered by previous studies that the established organizational culture—as defined by the mentality and beliefs of the employees—determines behavior patterns in daily business practice. Long-term transformational change is the result of collective mindset change and behavior change. However, it is hard to change mindsets and behaviors at the same time, and values can only be implemented through outside behavioral change. Therefore, an organization can start by focusing on behavioral change, which is more visible and measurable than changing mindsets.

Both Drucker and Confucianism emphasize heavily on action, it is the timely action to make the difference and to produce measurable results. For example, Drucker asserts that values must be articulated to be understood by all and most importantly, everyone in the organization must live by the values, so that their actions reflect what they value. However, in reality, as we see from the case study, misalignment between saying and doing is not atypical. This reflects the fact that people know what behaviors are expected and what values are desired, but they may not be willing to act on them because their mindsets are not yet shaped to act in the desired direction. It is, indeed, a long-term and ongoing process to reshape mindsets, and mindset change can hardly be measured, because even if people are motivated to live by values, they may interpret them through various forms of action, depending on their own level of understanding, personal background and experience, and so on. Therefore, an organization can start by identifying explicit desired behaviors and measure employees based on these behavioral patterns with penalties and awards accordingly. Although the time lag between behavioral change and mindset change may bring conflict and there may be a period of time when people are behaving in a way
that they haven’t truly bought into yet, effective behavioral change could bring obvious and measurable improvement in the short-term, and these visible encouraging results may further motivate people to enhance their mindset change towards the desired direction. In fact, scholars assert that various types of control can coexist at the same time within the organization, for example, culture control and bureaucratic control.  

Through the research of this field study, it is evident that although organizations in Confucian societies today actively adopt modern management theories that are widely used in multinational organizations across the globe, people have a biased understanding of these theories raised from Western cultural origin. Unconscious Confucian mindsets can affect their decision making in ways that they may be unaware of themselves. This could because people today no longer intentionally and systematically learn Confucianism, but some deeply rooted mindset still remains as cultural heritage that continuously affects people’s deepest beliefs. In this real-life setting, the mindset factor could have pervasive influence and apply to people at all levels, affecting executive decision making about desired organizational culture and management style, as well as employees’ judgment on organizational performance and their own behaviors. From this perspective, considering the widely diversified ideological distance among today’s employees and the difficulties of enforcing one set of mental beliefs, an organization can benefit from focusing on changes in behavioral norms.

Lesson 6: Recognize the need to manage in two time periods

To build competence for sustainability and long-term goals, Drucker suggested that effective executives should have a clear vision of the future, and the organization must balance resource allocation to enable a smooth transition from the present to the future. As we learned from the field study, although the organization’s executives have strong willingness to invest in sustainability, doing so is not an easy task. Because limited resources inevitably will be spread thin between future goals and short-term goals, this process involves lots of trade-offs and possible short-term loss. Moreover, determining future business that can stay ahead in the industry in the longer term is another visionary strategic choice.

Thus, for an organization to successfully anticipating future trends and market changes to make better strategic decisions, these decisions must be communicated effectively within the team. As the field study shows, although lower rank employees might have more frontline information, they have limited access to the overall market trend compared to executives and they lack experience to comprehensively understand top-down decisions. This misunderstanding of the organization’s strategic choices can further cause strong internal resistance to change and result in inefficient operation. Therefore, effective Drucker-like management between continuity and change requires an organization to communicate its desired long-term goals and underlying reasoning with the team to achieve mutual understanding, to align everyone around the common goals.

Other barriers of future growth noted in the case study are human resources and shared values. To maintain rapid growth in the longer term and manage future transitions, employees are always the first decisive factor. Regardless how smart and visionary the strategy is, people are needed to implement it, and these people must be motivated and bound by shared values so they
can work collectively. This further emphasizes the importance of balancing different objectives: the organization must grow people with distinctive skills to maintain its competitive advantage and not be easily intimated by competitors, and must continue to pursue defined values to enable a consistent and sustainable balance between continuity and change.

Lesson 7: Be open to revisiting contributions each year

In this rapidly changing era, it is easy to understand the importance of embracing change. But in reality this is hard to do. It is a human tendency to stay in our comfort zone, to repeat the same things year after year, in particular when have proven to work in the past. This is more obvious in Confucian societies, where experience and seniority are deeply respected and cannot be easily challenged with different opinions and disruptive changes. However, the organization needs continuous development; it cannot remain where it is today. If individual development can no longer match organizational needs, or employees no longer buy into an organization’s common goal, removal and replacement would be a must. However, identifying who and what needs to be replaced requires a dynamic measurement system. As Drucker asserts, organizational needs must be result-driven, and those results must be measurable.

Indeed, to be profitable in both the short term and the long term, executives must redesign short-term objectives and measurements for performance to encourage the desired long-term change. This is an organization-wide collective effort, but decisions normally come from the top, meaning that executives are the key drivers, with the openness to revisit individual contributions and to initiate the best response to fit the new need. Redesigning measurements could be crucial, as certain high performers may be unable to sustain their high performance if they do not continuously invest in their own growth to stay ahead or at least match pace with
organizational development. As we can see clearly from the case study, where the average age of employees is very young, people staying in the past successful experience, regardless of their seniority and positions today, will be rapidly replaced by fast-growing new generations that could be two or three levels down.

Organizations in different developmental stages require different skills and competence; what has proven to work in the past may become obsolete over time. Unjustified top-down decisions from managers who are no longer qualified can be misleading and harmful to the organization’s long-term growth. Considering the popularity and people’s high expectation of “family culture” in Confucian societies, such as China and Japan, this learned lesson is a good motivator to reinforce lifelong learning, although it could also create pressure for the individual, in particular to the management team today. It is not psychologically easy for them to accept the misalignment between the “expected contribution” defined by their position and their “real contribution.” And it is indeed very hard to remove high performers who are no longer a good fit in their positions, in particular if they are established high-ranked managers—their removal can many times be misunderstood as disrespect or “ignorance of the past” in Confucian societies. Therefore, executives must be decisive to drive this replacement process, whereas a flexible, dynamic measurement system that can best affect organization’s vision and current situation would be the key supporting evidence for executives to make the right replacement decision. From this perspective, organizations should always prioritize effective measurement to align individual contributions with the common goal, to regularly revisit and leverage this as an essential and powerful tool to keep the talent pool current and competitive.
Study Limitations

Although this study is not aimed to demonstrate a causal relationship between variables or grounded theory building, we realize there are limitations that are no different from other mixed-method papers. This section addresses some of these issues to be considered.

Limitation of method, sampling, and data collection

Regarding sampling size and distribution, although the sample pool is not large in absolute terms, we have captured sufficient participants to ensure fairness, representativeness, and coverage in consideration of the total number of employees and demographic distribution within the organization under study. All participants are existing employees from the organization and were selected under same criteria. However, there could still be unheard voices left.

During data collection, to encourage open answers for high-quality data, all interview answers were confidential on the individual level, and all surveys were anonymous, with no identifying information collected—these efforts helped to ensure more honest answers. However, the involvement of the Human Resources department in helping to arrange the research study may potentially affect particular participants’ answers.

Data bias can arise from limitations on understanding as well as inconsistent use of scale. Individual difference is one important factor to limit interviewees’ perception, such as personal status, function and roles, experience and organizational tenure, and so on. In particular, the present study involves ideological and national cultural sensitivity, so there may be a different understanding of social desirability and possible personal preference related to either Drucker’s philosophy or Confucianism. Although explicit behavior anchors solve the concern about
ambiguity of general principles, there could still be varying understanding and lack of consistency, which might be a threat for direct commensurability. Therefore, asking interviewees to offer examples and provide further details during interviews can strengthen the credibility of the data.

As we realized during data analysis, some values that participants held could be so deeply rooted that the participants are unaware of them. In particular, because all of the participants were raised in a Confucian society, and the majority of them did not receive systematic education on Confucianism to make the conscious personal choice of adoption, the influence of the Confucian mindset is still pervasive. Therefore, the self-reported data could be biased to show a similar pattern on surface, but in fact the underlying reasons could differ from person to person.

Another potential bias could arise from inconsistency in the use of scale. Since the scales used involve ranking the organization’s performance, judging the honesty of self-reported data to prevent pressure from social desirability is a concern. This limitation is, however, a common problem for every empirical study based on individual perceptions and was foreseen at the beginning of the study. Therefore, we not only reassured participants of the confidentiality of their responses, but also motivated them to give honest answers from the perspective of having an opportunity to contribute to the organization’s reshaping of its culture, which will ultimately benefit all.

As a previous cross-national cultural study stated, cultural background could cause varying scaling preferences. For example, respondents from Eastern cultures, such as Japan and China, tend to rate less on extreme ends, and are most likely to give midpoint responses.349 This

data bias may not be influential in the present study since all participants are locally based with a similar cultural background. But this tendency may skew standard deviation.

To deal with data bias, the triangulation method was used to capture different perspectives. In addition, we confirmed data credibility and reliability using compare and contrast data collected through different methods. These efforts help to enhance the validity of present study.

**Limitation on generating principles**

As noted in previous chapters, the original Confucian writings were on bamboo. Therefore, for the comparison with Drucker’s relatively modern philosophy to be “legitimate,” commensurability is a significant concern. When we developed the ten Confucian principles from the vast number of Confucian works, for a better understanding and reinterpretation we considered various factors and methods, such as noting the historical context when the original works were written and intentionally choosing books written in English by credible Western Confucian scholars over “ancient scripts” or “modern interpretation scripts” to deal with language changes. These efforts help to more accurately translate ancient concepts into a contemporary business setting. Although these are common problems in comparative studies of culture, this process may involve possible validity threats from misunderstandings or varying understandings of the original context and its application.

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Confucianism has never been a static system and has undergone constant change and adaptation. The ten principles of Confucian philosophy we generated in this study cannot cover all aspects and are subject to reinterpretation. However, this study is not intended to seek the most orthodox reading of Confucianism, but only to capture Confucian influence on modern management philosophy.

**Limitation on practicing principles**

Although these principles demonstrate tremendous benefit, in reality organizations must be flexible to find best practices that fit reality and their own needs; behaviors indicated as ten in the scale may not always be the best solution for an organization in all occasions. This applies to Confucian principles in particular: they are meaningful and of long-lasting value, and learning these principles can help an organization to better realize the impact of the unconscious Confucian mindset on modern management theories. However, certain behaviors ranked at ten in Confucian principles only demonstrate the ideal situation of a perfect “functioning society” or “harmonious society,” which may not always be realistic in today’s setting. Therefore, we suggest that organizations take these principles as reference for their behaviors and find the most ideal degree for them to practice what best fits their particular context.

**Future Research Suggestions and Generalization**

The design of this paper is a single case study. It is not intended to be externally generalizable to other organizational settings, although the themes and behavior patterns that are significant for TCT may resonate for other organizations in Confucian societies in similar contexts.
All participants in the present study are from one organization in one country. Despite personal differences, the national culture issue to understand Drucker’s philosophy and Confucianism itself is not significant. However, in terms of generalization to organizations in other Confucian countries, there could be potential issues arising from national cultural background. For example, Singapore and Hong Kong are very Westernized societies but also largely influenced by the Confucian mindset. Future study on organizations in these more Westernized Confucian societies could bring interesting insights on how Drucker’s principles are understood and can be practiced in mixed cultures, compared to results from China.

Considering certain organizational features—for example, the mean age of interview respondents is 32.5—the data we collected in this study may represent a sample of young professionals in a Confucian society today and the findings may present this population’s thoughts on management philosophy and practice. Participants’ relatively high level of education and technical background could also support generalizability among well-educated populations in technology-driven organizations. Future studies could further investigate a more diversified demographic population and in other industries.

Confucian values may too general to be effectively implemented in today’s organizations and its teaching presents the perfect mindset and behavior suggested in an ideal situation of true “harmonious society,” which may not be the case in real business realm. Therefore, in light of this new knowledge of how the principles of Drucker and Confucius are correlated and interfere with each other, it can inspire us to better practice Drucker’s philosophy in Confucian societies and how the two school of thoughts can complement each other. Future research could further explore how organizations can leverage these particular relationships to bridge Drucker’s philosophy with Confucian values to benefit operational effectiveness, in particular when
organizations grow from Confucian society to become international. Finally, as both sets of values are high level and can be hard to apply, there are practical implications to further examine how they can be implemented in every aspect of the organization through explicit virtuous behavioral change.
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Appendix A: Consent Letter for Interview

You are invited to be interviewed for a research project. Volunteering may benefit you directly from conversations with the researchers during the interview process to deepen your understanding of your organization’s management philosophy, and you will be helping us to gain new knowledge on your organization’s core philosophy and culture. If you decide to volunteer, you will need to participate in a one-on-one interview with the researcher. This will take approximately one hour of your time. Volunteering for this study involves no more risk than what a typical person experiences on a regular day. Your involvement is entirely up to you. You may withdraw at any time for any reason. Please continue reading for more information about the study.

Study leadership: This research project is led by Virginia Cheung, a doctoral student of management philosophy at Claremont Graduate University, and supervised by Professor Bernard Jaworski, The Peter F. Drucker Chair in Management and Liberal Arts at Claremont Graduate University.

Purpose: The data collected from this study will be used to compare and contrast philosophical values in the core management principles of Peter Drucker and Confucianism. Our aim is to understand both common and distinctive elements, and to propose how organizations can benefit from the application of both Drucker’s and Confucian philosophies.

Eligibility: To be in this study, you must be a current employee of Traffic Control Technology (TCT) with at least one year of working experience with TCT.
**Participation:** During the study, you will be asked to review principles and score on the behavior anchor. You will also be asked to provide more in-depth and contextual details of your answers and reflections of the principles. This will take about one hour.

**Risks of participation:** The risks you run by taking part in this study are minimal.

**Benefits of participation:** We expect the study to benefit you personally from conversations with the researchers during the interview process to deepen understanding of your organization’s management philosophy. This study will benefit the researcher by collecting data needed to conduct comparative analysis in Drucker’s and Confucian core principles, both in theory and in practice. This study is also intended to benefit your organizations from the application of both philosophies, leading to management effectiveness and performance excellence.

**Compensation:** You will not be directly compensated for participating in this study.

**Voluntary participation:** Your participation in this study is completely voluntary. You may stop or withdraw from the study at any time without it being held against you. Your decision whether or not to participate will have no effect on your current or future connection with anyone at CGU or your current employment with TCT.

**Confidentiality:** Your individual privacy will be protected in all papers, books, talks, posts, or stories resulting from this study. We will not use the data we collect for future research, or share it with others. In order to protect the confidentiality of your responses, all files containing data collected from this study will be saved separately with password protection. We will not share your personal data with any third party that is irrelevant to this study. Your conversation will be recorded and used only for the purpose of this study. Your name or other identifying information will not be used in the final research report.
**Further information**: If you have any questions or would like additional information about this study, please contact Virginia Cheung at [Virginia.Cheung@cgu.edu](mailto:Virginia.Cheung@cgu.edu). You may also contact Professor Bernard Jaworski at [Bernard.Jaworski@cgu.edu](mailto:Bernard.Jaworski@cgu.edu). The CGU Institutional Review Board has approved this project. If you have any ethical concerns about this project or about your rights as a human subject in research, you may contact the CGU IRB at (909) 607-9406 or [irb@cgu.edu](mailto:irb@cgu.edu). A copy of this form will be given to you if you wish to keep it.

**Consent**: Your signature below means that you understand the information on this form, that someone has answered any and all questions you may have about this study, and you voluntarily agree to participate in it.

__________________________________________________ _______________
Signature of Participant Date

__________________________________________________
Printed Name of Participant

The undersigned researcher has reviewed the information in this consent form with the participant and answered any of his or her questions about the study.

__________________________________________________ _______________
Signature of Researcher Date

__________________________________________________
Printed Name of Researcher

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Appendix B: Interview Questions

Section A: Demographic information

Gender: Male / Female
Age range: 20–29; 30–39; 40–49; >50
Education: < Bachelor / Bachelor or equivalent college level / Master / PhD or above
Organizational tenure: 1–3; 4–5; 6–7; >8
Position: Manager / Non-manager
Function: Technical / Non-technical

Section B: Scale for Questions 1–20

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

Drucker Principles

1. **Clear mission and theory of the business:** Have a strong mission and a cogent answer to the deceptively difficult question, “What business are we in?”

![Mission scale]

Mission is vague. Tends to be financially-oriented. “Generic” in structure—could be for any firm. Not understood and embraced by the majority of employees

Reasonably clear mission statement. Not particularly unique. Employees can articulate the mission statement— but behaviors, at best, are inconsistent with mission

Firm’s mission is clear and precise. Focuses attention heavily on its customers and the impact of the organization on society. It energizes employees on a common goal. Employees consistently behave in ways that are supportive of mission

2. **Focus on understanding customer needs:** Always remember that “there is only one valid definition of business purpose: to create a customer” while accepting that “quality in a
product or service is not what the supplier puts in, it is what the customer gets out and is willing
to pay for.”

3. **Responsibility and accountability at all levels:** Push responsibility and
accountability as far down into the organization as possible and follow this basic
communications strategy: Listen down, talk up.

4. **Employee orientation:** Embrace the fact that every organization develops people—“it
either helps them grow or it stunts them”—and so do everything you can to help them grow.

5. **Everyone innovates:** See innovation, that is, “change that creates a new dimension of
performance,” as the responsibility of everyone in the enterprise, not just the R&D staff.

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6. **Practice regular abandonment**: Regularly abandon things—products, policies, practices—that are no longer effective or are consuming an inordinate amount of resources when weighed against tomorrow’s opportunities.

7. **Measure results, not activities, for all stakeholders**: Measure results, *not* activities, for shareholders and all other stakeholders.

8. **Balance short-term and long-term results**: Keep an eye on the long term—not just the short term—and be mindful that while “securities analysts believe that companies make money, companies make shoes.”
9. **Everyone lives by the values:** Live by a core set of values, animated by the belief that an organization needs values “as a human body needs vitamins and minerals.”

10. **Demonstrate social responsibility:** Demonstrate social responsibility not simply by having a CSR department or donating to charity but by understanding that an organization is responsible for “whomever and whatever” it touches.

### Confucian Principles

11. **Virtuous and ethical behavior creates a harmonious society:** The ultimate goal of Confucian philosophy is a harmonious society. Harmony in society is a result of the virtuous and
ethical behavior of individual members. Self-cultivation is achieved by continuous reflection, practice, and evaluation.

12. **Manage by virtue rather than punishment:** This Confucian principle states that promoting virtue is the most effective form of management. Self-cultivation to “do good” should be prioritized over punishment.

13. **Do what’s right rather than simply being profit driven:** The Confucian principle of righteousness requires knowledge of what’s right and what’s wrong. People should choose to do what’s right instead of being motivated solely by profit or other considerations.
14. A journey of 1,000 miles begins with one step: A person who moves a mountain begins by carrying away small stones. In an organization, any significant transformation begins with small steps. Continuous, long-term commitment is required to create lasting change.

We have very few examples of long-term transformation efforts. Our priorities tend to shift on a yearly basis and are often triggered by new leadership. We don’t focus on our defined long-term strategy.

We can point to a couple of successful long-term transformation projects within our organization. But others have stopped midstream due to a variety of factors. We have the awareness to balance long-term and short-term goals.

We are adept at long-term, sustained improvement efforts. It is not atypical for us to focus on journeys that last 4 to 6 years. We are not an organization that constantly shifts priorities and initiatives. We are committed to our long-term vision, but flexible enough to adjust strategies in real-time as needed.

15. Everyone in the organization works toward a common goal: To reach a common goal or vision, everyone in the organization must work together. When there’s conflict between the organizational goal and individual goals, organizational goals should be the priority.

We have difficulty aligning individual and organizational goals. We have well-defined organizational goals, but not everyone is clear about their role in achieving them. Employees work for the good of our organization, but also have their own needs and are not always willing to sacrifice their own interests for organizational needs.

We have a well-defined organizational vision, but employees have their own personal interests and priorities too. At times, employees trade off organizational goals for their personal goals. We are aware of collectivism, but it’s not a must in our daily operations.

Everyone in our organization works toward a common goal. Employees try to align their personal with organizational goals. They prioritize duty at work when there’s conflict with personal interests. We develop ourselves not just for ourselves but also to contribute to common good. Our collective spirit helps us maintain healthy interpersonal relationships.

16. Do to others what you want done to yourself: Everyone in the organization must care for one another. This care is not limited to employees and shareholders, but extends to all stakeholders. In addition to their own duty, individuals should work to establish others as to establish themselves and not do to others what they do not want done to themselves.

Our employees tend to focus on themselves. They don’t share or help each other, either inside and outside the workplace. Our employees view client service work as a task to accomplish rather than a comprehensive philosophy of treating others as they wish to be treated.

We require our employees to be customer centric and to work toward serving the needs of all stakeholders. However, they often don’t share their knowledge with each other, and they don’t voluntarily help each other to better serve our clients and the community.

Everyone cares for others like family, both inside and outside the organization. We treat customers’ and partners’ needs as our own needs, and we understand that when they grow, we grow together. We are keen on socially responsible activities. We completely buy into the principle of doing to others as we want done to ourselves.
17. **Embrace constant change:** Confucian philosophy is based on the idea that “change is constant” in all institutions, families, and individuals. Effective organizations must embrace change.

18. **Everyone leads through continuous practice and reflection:** Confucius believed that everyone is educatable. Everyone can—and should—learn to be wise, regardless of their social status and wealth. Learning is a process of self-improvement. Continuous practice and reflection are required to gain wisdom.

19. **Everyone follows one set of standards and norms for behavior:** Organizations should have one set of standard, unified social norms for all. Confucianism encourages everyone to behave in accordance with social desirability, with mutual respect and consideration of others.
20. Never promise what you cannot deliver: To develop a harmonious partnership, everyone involved must do what they say they will do. Everyone must be committed to their word at all times, and never overpromise on what they can deliver. Executives should be role models who “walk the talk” to gain trust of their peers and employees.
Appendix C: Consent Letter for Survey

You are invited to take a survey for a research project. Volunteering may benefit you directly by deepening your understanding of your organization’s management philosophy during the survey process, and you will be helping us to gain a better understanding of your organization’s core philosophy and culture. If you decide to volunteer, you will need to take an online survey. This will take approximately twenty minutes of your time. Volunteering for this study involves no more risk than what a typical person experiences on a regular day. Your involvement is entirely up to you. You may withdraw at any time for any reason. Please continue reading for more information about the study.

Study leadership: This research project is led by Virginia Cheung, a doctoral student of management philosophy at Claremont Graduate University, and supervised by Professor Bernard Jaworski, The Peter F. Drucker Chair in Management and Liberal Arts at Claremont Graduate University.

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Eligibility: To be in this study, you need to be current employee of Traffic Control Technology (TCT) with at least one year of working experience with TCT.

Participation: During the study, you will be asked to review principles and score on the behavior anchor. This will take about twenty minutes.
Risks of participation: The risks that you run by taking part in this study are minimal.

Benefits of participation: We expect the study to benefit you personally to gain better understanding of your organization’s management philosophy. This study will benefit the researcher by collecting data needed to conduct comparative analysis of Drucker’s and Confucian core principles, both in theory and in practice. This study is also intended to benefit your organization from the application of both philosophies, leading to management effectiveness and performance excellence.

Compensation: You will not be directly compensated for participating in this study.

Voluntary participation: Your participation in this study is completely voluntary. You may stop or withdraw from the study at any time without it being held against you. Your decision whether or not to participate will have no effect on your current or future connection with anyone at CGU or your current employment with TCT.

Confidentiality: Your individual privacy will be protected in all papers, books, talks, posts, or stories resulting from this study. We will not use the data we collect for future research, nor share it with others. In order to protect the confidentiality of your responses, all files containing data collected from this study will be saved separately with password protection. Your anonymity will be protected. We will not share your personal data with any third party that is irrelevant to this study. The data collected will only be used for purposes of this study and will be reported only on a group level. No identifying information will be used in the final research report.

Further information: If you have any questions or would like additional information about this study, please contact Virginia Cheung at Virginia.Cheung@cgu.edu. You may also contact Professor Bernard Jaworski at Bernard.Jaworski@cgu.edu. The CGU Institutional
Review Board has approved this project. If you have any ethical concerns about this project or about your rights as a human subject in research, you may contact the CGU IRB at (909) 607-9406 or at irb@cgu.edu. A copy of this form will be given to you if you wish to keep it.

**Consent:** By checking the box, you state that you understand the information on this form, that someone has answered any and all questions you may have about this study, and you voluntarily agree to participate in it.
Appendix D: Survey Questions

Section A: Scale for Questions 1–20

Drucker Principles

1. Clear mission and theory of the business: Have a strong mission and a cogent answer to the deceptively difficult question, “What business are we in?”

2. Focus on understanding customer needs: Always remember that “there is only one valid definition of business purpose: to create a customer” while accepting that “quality in a product or service is not what the supplier puts in, it is what the customer gets out and is willing to pay for.”
3. **Responsibility and accountability at all levels:** Push responsibility and accountability as far down into the organization as possible and follow this basic communications strategy: Listen down, talk up.

1. Only top executives take responsibility. All others in execution mode. Strong command and control culture. Employees what they are told.
2. Adheres to a strong hierarchical structure with senior managers being held responsible and accountable. Employees largely follow direction and have little discretionary responsibility.
3. All the employees feel responsible and accountable for the success of the firm. Heavily responsibility of front-line employees to shape their job requirements. All employees held accountable.

4. **Employee orientation:** Embrace the fact that every organization develops people—“it either helps them grow or it stunts them”—and so do everything you can to help them grow.

1. Places very little emphasis on the development of employees. Low level of employee loyalty. Frequently experiences high employee turnover.
2. Engages in employee development through training programs but only at a very basic level. Employee satisfaction and loyalty scores are in the “middle of the pack” in their industry.
3. Develops programs around professional and personal development of its employees. Viewed as world class in talent development. Deeply loyal employees. Employees are aggressively targeted by competitors or others outside the industry.

5. **Everyone innovates:** See innovation, that is, “change that creates a new dimension of performance,” as the responsibility of everyone in the enterprise, not just the R&D staff.

1. Innovation is a low priority in the operations of the firm and responsibilities of its employees. Firm is largely focused on maximizing present offerings.
2. Has a dedicated R&D department to take care of innovation in its field. Innovation largely defined as “product” orientation. Large percentage of employees do not engage in innovate behavior. They do not see it as their responsibility.
3. All employees are entrusted with the responsibility of innovating in their area of operation and recent examples of these types of innovation exist. Innovation is broadly defined—product process, business model, alliances and so on.
6. Practice regular abandonment: Regularly abandon things—products, policies, practices—that are no longer effective or are consuming an inordinate amount of resources when weighed against tomorrow’s opportunities.

7. Measure results, not activities, for all stakeholders: Measure results, not activities, for shareholders and all other stakeholders.

8. Balance short-term and long-term results: Keep an eye on the long term—not just the short term—and be mindful that while “securities analysts believe that companies make money, companies make shoes.”
**9. Everyone lives by the values:** Live by a core set of values, animated by the belief that an organization needs values “as a human body needs vitamins and minerals.”

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<td>The firm does not have a values statement.</td>
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<td>Is a values-led organization. The values are the north star that guides the firm. The firm regularly discusses if it adhering to its values. All employees “buy into” and “live” the values. Those that do not are removed from the organization, even if they are high performers.</td>
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**10. Demonstrate social responsibility:** Demonstrate social responsibility not simply by having a CSR department or donating to charity but by understanding that an organization is responsible for “whomever and whatever” it touches.

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<td>The organization is largely focused on short term financial metrics. No attention is given to social responsibility. At its core, the organization may not believe (and act in ways) that reflect social responsibility.</td>
<td>The organization has a CSR department and has voiced its commitment to corporate social responsibility. However, the social responsibility work is an “add on” – and not central to the activities or mission of the firm.</td>
<td>The organization deeply embraces its social responsibility. Employees and leaders join the organization because it takes its social responsibility seriously – it is not a slogan or catch phrase. Employees believe and behave in ways that are consistent with social responsibility.</td>
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**Confucian Principles**

**11. Virtuous and ethical behavior creates a harmonious society:** The ultimate goal of Confucian philosophy is a harmonious society. Harmony in society is a result of the virtuous and ethical behavior of individual members. Self-cultivation is achieved by continuous reflection, practice, and evaluation.
12. **Manage by virtue rather than punishment:** This Confucian principle states that promoting virtue is the most effective form of management. Self-cultivation to “do good” should be prioritized over punishment.

13. **Do what’s right rather than simply being profit driven:** The Confucian principle of righteousness requires knowledge of what’s right and what’s wrong. People should choose to do what’s right instead of being motivated solely by profit or other considerations.

14. **A journey of 1,000 miles begins with one step:** A person who moves a mountain begins by carrying away small stones. In an organization, any significant transformation begins with small steps. Continuous, long-term commitment is required to create lasting change.
15. Everyone in the organization works toward a common goal: To reach a common goal or vision, everyone in the organization must work together. When there’s conflict between the organizational goal and individual goals, organizational goals should be the priority.

16. Do to others what you want done to yourself: Everyone in the organization must care for one another. This care is not limited to employees and shareholders, but extends to all stakeholders. In addition to their own duty, individuals should work to establish others as to establish themselves and not do to others what they do not want done to themselves.

17. Embrace constant change: Confucian philosophy is based on the idea that “change is constant” in all institutions, families, and individuals. Effective organizations must embrace change.
18. Everyone leads through continuous practice and reflection: Confucius believed that everyone is educatable. Everyone can—and should—learn to be wise, regardless of their social status and wealth. Learning is a process of self-improvement. Continuous practice and reflection are required to gain wisdom.

19. Everyone follows one set of standards and norms for behavior: Organizations should have one set of standard, unified social norms for all. Confucianism encourages everyone to behave in accordance with social desirability, with mutual respect and consideration of others.

20. Never promise what you cannot deliver: To develop a harmonious partnership, everyone involved must do what they say they will do. Everyone must be committed to their
word at all times, and never overpromise on what they can deliver. Executives should be role models who “walk the talk” to gain trust of their peers and employees.

Section B: Demographic information

Gender: Male / Female

Age range: 20–29, 30–39, 40–49, >50

Education: < Bachelor / Bachelor or equivalent college level / Master / PhD or above

Organizational tenure: 1–3; 4–5; 6–7; >8

Position: Manager / Non-manager

Function: Technical / Non-technical
Appendix E: Scale for Social Responsibility

1. Our organization contributes to campaigns and projects that promote the well-being of society.
2. Our organization participates in activities that aim to protect and improve the quality of the natural environment.
3. Our organization implements special programs to minimize its negative impact on the natural environment.
4. Our organization makes investments to create a better life for future generations.
5. Our organization targets sustainable growth, which considers future generations.
6. Our organization supports nongovernmental organizations working in problematic areas.
7. Our organization encourages its employees to participate in voluntarily activities.
Appendix F: Scale for Employee Orientation

1. In our organization people are rewarded in proportion to the excellence of their job performance.
2. Our organization has a promotion system that helps the best person rise to the top.
3. Our organization is characterized by a relaxed, easygoing working climate.
4. There is a lot of warmth in the relationships between management and workers in our organization.
5. The philosophy of our management emphasizes the human factor, how people feel, and so on.
Appendix G: Scale for Customer Orientation

1. We constantly monitor our level of commitment and orientation to serving customers' needs.
2. Our business strategies are driven by our beliefs about how we can create greater value for customers.
3. Our strategy for competitive advantage is based on our understanding of customers' needs.
4. Our business objectives are driven primarily by customer satisfaction.
5. We measure customer satisfaction systematically and frequently.
6. We pay close attention to after-sales service.
Appendix H: Scale for Innovation

1. Technical innovation, based on research results, is readily accepted.

2. Management actively seeks innovative ideas.

3. Innovation is readily accepted in program/project management.

4. People are penalized for new ideas that don’t work.

5. Innovation is perceived as too risky and is resisted.
Appendix I: Scale for Collectivism

1. Group success is more important than individual success.

2. Being loyal to a group is more important than individual gain.

3. Individual rewards are not as important as group welfare.

4. It is more important for a manager to encourage loyalty and a sense of duty in subordinates than it is to encourage individual initiative.
Appendix J: Debriefing Script

Thank you for participating in our study today. Your participation is important in helping us understand the philosophical values in the core principles of Peter Drucker and Confucianism. There was no deception employed in this interview. We appreciate your honest answer on your organization’s core philosophy, behavior, and culture. Your conversation was recorded and will only be used for the purposes of this study. All results will be grouped together, therefore no individual results will be used. Your participation, including your name and answers, or other identifying information will remain absolutely confidential.

If you have any additional questions about this study, feel free to contact me at Virginia.Cheung@cg.edu