The Relational Perspective as a Business Mindset: Managerial Implications for East and West

by Ming-Jer Chen and Danny Miller

Executive Overview

Borrowing from classical Eastern philosophy and Chinese culture, this paper draws lessons in leadership, strategy, and organization for today’s managers. It begins by articulating the relational philosophy, in particular the Chinese tradition of thought in which all entities are conceived to exist within the context of one another and in which integration, balance, and harmony are sought over distinction and comparison. It examines how this relational mindset shapes interpersonal relationships, communication, and temporal considerations. Lessons are then drawn for leadership, strategy, and organization for both Eastern and Western businesses. We argue that the shortcomings of many Western companies stem from too little attention to relational considerations, while those of many Eastern companies are caused by excesses and distortions of the relational perspective. The relational approach provides an ideal path toward an “ambicultural” mode of management, one that avoids dangerous extremes, takes the best from both East and West, and is attainable by all organizations.

Some view China, with its Byzantine bureaucracy, emerging legal and contractual system, and baffling guanxi connections, through a glass, darkly. Indeed, for many, the mechanisms and apparent contradictions of Chinese culture are difficult to understand. For example, China is officially a communist country with a market economy. Yet today, China thrives. Its compound annual gross domestic product growth of 9.9% over the past two decades and its remarkable 11.9% increase in GDP in the first quarter of 2010 contrast sharply with the world’s challenged economic landscape (Chen & Miller, 2010).

We shall argue that many of China’s seemingly paradoxical social, political, and economic structures are the purposeful outcome of a particular Chinese tradition of thought—one whose lessons may be as valuable to organizations in the West as they are in the East. We use the terms “East” and “West” to contrast two cultural traditions in certain aspects of their thought and social practices. By “East” we mean China and other so-called “Far Eastern” countries, such as Singapore and Vietnam, that have been influenced in varying degrees by Confucian thought. We recognize, of course, that neither “East” nor “West” is a homogeneous entity.

Drawing from Chinese culture and philosophy, this paper proposes the relational perspective as a partial explanation for China’s success and as a model whose strengths might be considered for
selective use in Western business practice. We argue that, although originating in China, the relational approach demonstrates what we have called an “ambicultural” mode of management—one that builds on the best managerial practices from both East and West, avoids the harmful extremes typical of each culture, and is especially useful in today’s global economy (Chen & Miller, 2010).

The paper is structured as follows. First, we explain the relational perspective; its philosophical basis; and its interpersonal, temporal, and business manifestations. Then we present the implications of this perspective for leadership, strategy, and organization design, showing how the relational approach can enrich business practice and avoid the very different traps that challenge companies in the East and in the West.

The Relational Perspective

If we are to understand the connective nature of the Chinese mindset and reap its benefits, we must cultivate the ability to look at things in a way we characterize as relational. “Relational” not only refers to human relationships (Tsang, 1998; Tsui & Farh, 1997; Xin & Pearce, 1996) but denotes a mode of logic or way of ordering and making sense of what we perceive.

The relational perspective is more complex and nuanced than may be explained within any one essay. For purposes of introduction, however, it may be defined as a thought system in which concepts and entities enjoy no final definition, but are constantly redefined by their context. In such a system, paradox is not an irrational state; that is, a paradox need not be rendered rational through the cancellation of one or the other of opposing entities of which it is composed. Instead, the two entities simply exist with respect to and within the context of one another.

Cultural Foundations of the Relational Perspective

For some, an encounter with a pair of opposites—socialism and capitalism, competition and cooperation, friends and enemies—signals stress within a conceptual relationship. Much of Western thought holds most opposites in an “either/or” framework (Lewis, 2000). Tension between opposites is something to be resolved by the simple severing of conceptual relations: either you’re with us or you’re against us.

In the relational perspective, opposites do not simply exist in relationship to one another; they are inseparable—they are bound together in a state of interdependence, uniting opposites in a “both/and” framework wherein two entities join to form an inclusive one (Chen, 2002). In Chinese, “everywhere” is composed of the characters for “inside” and “outside.” “Conflict” has the characters for “spear” and “shield,” and “how much” the characters for “many” and “few.” Here, the juxtaposition of opposites does not denote the cancellation of possibility, but the creation of a new possibility. Thus, “socialist” plus “capitalist” yields “socialist market economy.”

Balance and Harmony as a Desired End of the Relational Perspective

The ideal in Confucian thought is to seek balance and harmony within all relationships. China’s very name reflects this desire. Zhong guo is the Mandarin word for China. Literally translated, it signifies “Middle Kingdom,” which originally had a philosophical meaning referring to the ideal of being “in the middle”—that is, maintaining a balanced and integrated life and worldview.

Zhong he, or “balanced harmony,” is what Confucian philosophy recommends for obtaining prosperity (Chen, 2001, p. 88): “If balance and harmony are reached,” Confucius writes in The Book of Means, “heaven and earth will be in place, and all things will grow.” In the Taoist conception, harmony is the result of wu-wei, or “yielding.” Notably, in this conception yielding is not a passive activity but a dynamic activity of constant readjustment. Indeed, yielding is a fundamentally relational process—one of constant redefinition and readjustment according to a continually changing context. Because the environment itself is in constant flux, and any change demands a

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1 The English language, by contrast, is rife with oppositional idioms denoting nonsense or nonexistence. “Neither here nor there,” for instance, gives us “nowhere”; “neither fish nor fowl” gives us a creature that is incomprehensible; and “a day fit for neither man nor beast” is a day fit for no living being.
readjustment of the system, flexibility and openness to change are considered extremely important virtues (Chen, 2001, pp. 88–89).

**Relational Thinking in Practice**

The relational perspective embraces considerations and behaviors often foreign to Western thought and practice.

**Interpersonal Implications**

The Chinese treatment of “the individual” is an important part of the relational perspective. There is a phrase in Chinese, ren the ren ye: “the meaning of person is ren” (Chen, 2001, p. 45). Embedded in this phrase is a universe of meaning that reveals how many Chinese understand the nature of their relationships to others—and, indeed, the nature of their existence. The third character, transcribed as ren, means “humanity,” as well as “core” or the seed of a fruit. This etymology has two implications. The first is that in the Chinese context, no person exists except in relationship to another. The second is that within the relationship itself lies the birth of all possibility.

Recall the koan “If a tree falls in the forest and nobody hears it, does it make a sound?” Just as the idea of “sound” makes sense only in the presence of human ears, so, from the vantage of the relational perspective, does the concept of human existence make sense only in the presence of others. Furthermore, an individual is defined and redefined by his relational circumstances. Several Chinese phrases demonstrate the relational perspective in practice: The phrase huan nan fu qi may be translated as “husband and wife who have been through difficult times together,” and the phrase shi jiao may be translated as “ties between families that have been developed over generations.”

**Individuals as Defined by Family and Social Networks.** Traditionally, the Confucian state was composed not of isolated individuals but of a vast network of interconnected and interdependent parties. This was because, following Confucius, the family unit took on a vital moral dimension. Confucius extended the family beyond its functional role as a natural working unit to serve as the prototype for a broader social network of morally binding, mutually dependent relationships. Confucian thought prescribes moral social roles to every person and shapes the individual as a link in a network, integrated and stabilized by the principle of filial piety and other rules of conduct. Through the assignment of roles, this system internalizes the social code, resulting, ideally, in a society that is self-regulating.

The Chinese emphasis on family, then, may be understood as the social institutionalization of the relational perspective. According to tradition, not only is the individual defined within the context of the family, but this mechanism of contextual definition serves as the prototype for all organizations, from social clubs to educational institutions to political parties. As a result, individuals are regarded at every level of social interaction not as self-contained entities, but as links in a broad social network.

In this light, the much-discussed notion of guanxi begins to make more sense. Roughly translated as “connections,” guanxi is sometimes regarded as a manifestation of Chinese xenophobia or cronyism. While guanxi, like any network, can be abused, it is, at heart, simply a mode of relationship, characterized by trust, mutual obligation, and—most important—shared experience. It may be seen, then, as the natural extension of the familial relationship system. Of course, relationships are important in many cultures, not only in China. We highlight the different aspects of relationships in the Chinese context given the role they have played in business and social practices since Confucius and the increasing significance of such Chinese practices in our global economy.

**Communication in the Relational Context.** Establishing and reaffirming a particular social order—i.e., a system of roles or relationships—is fundamental to Chinese methods of communication. To become established in the Chinese business world, for example, it is especially critical that newcomers position themselves within a context that the

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2 Recent trends in China, however, have caused some erosion in such relational considerations among the younger, more materialistic and individualistic Chinese.
Chinese recognize and with which they are comfortable. This often means that mentioning the people with whom one is associated—family, friends, colleagues, or classmates—is appropriate in China, while in many Western contexts it may not be. Moreover, as in the larger relational context, a crucial component of Chinese communications is the desire to preserve the harmony of the group—even if that harmony exists only on the surface.

**Temporal Implications**

The Chinese conceptualization of time provides further insight into the relational perspective in practice. In China, events are said to unfold in continuous cycles with every event linked to every other; in fact, the Chinese calendar measures time in 60-year cycles. The past is always present; the present is composed of everything that has come to pass. The future, no matter how distant, results from the actions of the present, no matter how insignificant they may seem. In the Chinese language, there are no verb tenses to express past and future. The three temporal dimensions are always present; the time of an event’s occurrence may be understood only through contextual clues. Table 1 summarizes the Eastern viewpoints and provides some contrasting, if somewhat general, Western viewpoints.

### Table 1
**Contrasting Perspectives**

<table>
<thead>
<tr>
<th>Eastern Relational</th>
<th>Western Non-Relational</th>
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<tr>
<td><strong>Worldviews</strong></td>
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<td>Holism</td>
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<td>Both/and</td>
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<td>Interdependent opposites</td>
<td>Exclusive opposites</td>
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<td><strong>Interpersonal orientation</strong></td>
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<td>Emphasis on group and relationships</td>
<td>Emphasis on the individual</td>
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<td>Group harmony and shared accomplishment</td>
<td>Personal achievement</td>
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<td><strong>Temporal orientation</strong></td>
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<tr>
<td>Circular, cyclical</td>
<td>Linear</td>
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<td>Process-oriented</td>
<td>Deadline-oriented</td>
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<td>History and tradition</td>
<td>Future-oriented</td>
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**Managerial Implications of the Relational Perspective**

The relational mindset has numerous managerial implications. For the sake of convenience, we have classified them into categories of leadership, strategy, and organization. We shall articulate these implications using both Eastern and Western examples. Although the relational perspective holds more powerfully in the East, it also is manifested in Western organizations. As we shall see, things may go wrong when Eastern firms exhibit too much of the wrong kind of relational thinking and Western companies suffer from too little of it.

Just as the short-term thinking and at times destructive competitiveness of some Western firms (see, for example, Miller & Le Breton-Miller, 2005; Sorkin, 2009) can be offset by the long-term, collaborative strengths of the relational perspective, it is equally true that the excesses of cronyism, tradition, and autocracy in the East can be countered by the meritocracy, individualism, and decentralization that are more common characteristics of the West.

As evident from the examples of Stan Shih at Acer, Jack Ma at Alibaba.com, Herb Kelleher at Southwest Airlines, and James Houghton at Corning, a true relational approach takes the best from East and West and uses the strengths of each tradition judiciously. Again, because the weaknesses of the Eastern and Western approaches are often opposite, as are the strengths, there is great merit in intelligently combining the two. Hence we are back to the principles of relational thinking—integration and balance—and a truly “ambicultural” approach to management that can be highly advantageous in today’s global economy (Chen & Miller, 2010).

**Leadership**

**Character.** The leaders of Chinese enterprises are often looked to not simply as respected figures of authority, but as the embodiments of the spirit of their companies. Leaders are not only vital actors and direction-setters, but their conduct in both intra- and extra-organizational relationships sets the tone and shapes the identity of their compa-
nies. With leaders acting as such important symbolic figures, character is central.

The relational perspective puts a premium on the reputation, trustworthiness, and social “appropriateness” of a leader, who is defined by relationships with other parties. The ideal leader is someone worthy of respect: a person of honesty and moral courage with a history of accomplishment, and, significantly, someone linked to others with honorable reputations. A chief executive who is only an expert, a cunning strategist, a shrewd merchant, or an entrepreneurial dealmaker will not earn the confidence or respect of stakeholders without the requisite social attributes.

Leaders typically rise to their positions having garnered sufficient reputation, experience, and associations. It takes an abundance of experience to amass sufficient social capital and to be regarded as credible and seasoned enough to be effective (Xin & Pearce, 1996). As a result, leaders in the East tend to enjoy lengthy tenures and are able to leverage their talent to the benefit of their organizations for a long time. Indeed, there is a distinction made between a time-proven business leader and a businessman on the fast track whose record and business models have not yet stood the test of time. Long tenure, in turn, is an incentive for executives to seek to be long-term stewards of their companies, employees, and other stakeholders (Miller & Le Breton-Miller, 2005). Acer’s founder, Stan Shih, provides a compelling example, and has been discussed as such in two recent articles (Chen & Miller, 2010; Lin & Hou, 2010).

An Integrative Mindset. According to the relational perspective, a leader’s conduct must not simply reflect personal priorities, the priorities of any single set of stakeholders, or even the priorities of select sets of stakeholders. Rather, a leader must serve and reconcile the interests of all stakeholders—including those of the broader society. That mandate requires balancing the needs of employees, owners, suppliers, customers, and the public. The corollary requirement, of course, is that a good leader must mitigate parochial pressures from any one group in order to serve all groups, and must do so without permanently alienating any significant parties (Miller & Sardais, 2011, in press).

The relational perspective also concerns time. Instead of concentrating only on short-term—or even long-term—objectives and responsibilities, the leader must focus on organizational vitality and sustainability. That is, attention must be paid to both the current health of the organization and the continuity and endurance of the enterprise across generations. This demands building on the legacies of the past to enhance current conditions in order to build for the future. It is only by ensuring health in the present that a bright future becomes possible.

A leader is the steward—the conscientious caretaker—who must carry off this temporal balancing act. Jack Ma, the founder, CEO, and chairman of Alibaba.com, a Chinese provider of e-commerce services, said, “One must run as fast as a rabbit but be as patient as a turtle” (Doebele, 2000, p. 74). An example of such a leader from the Western context is James Houghton, the former CEO of Corning, who exploited legacy skills (as a member of the Houghton family, which founded Corning Glass Works in 1851) and nurtured current operations to fund investments in the long term. In contrast, his less cautious successors chose to sell off established businesses to bet everything on fiber optics without securing ample sources of income to support that bet.

The final balancing or integration is that of goals and objectives. Although a leader must articulate a coherent vision for the company and a strategic focus, no one goal should dominate at the cost of other valid concerns or their proponents. For example, whereas profit is necessary to build up an organization, it should never come at the expense of reputation or at the risk of alienating significant stakeholders.

Herb Kelleher of Southwest Airlines is known for adeptly balancing the financial needs of the firm with the aspirations of his employees and the expectations of his customers. Similarly, Ma of Alibaba.com places his 400 million customers—and his company’s services to them—above all. (He terms his company a customer-to-business [C-to-B] operation, rather than giving it the more conventional B-to-C designation.) He argues that
his firm exists to solve social problems, rather than simply to seize business opportunities. His central goal is to facilitate good relationships between buyers and sellers of goods, particularly small and medium-sized enterprises (SMEs), many of which have been severely limited by the underdeveloped commercial infrastructure in China. Second among his priorities are his employees, with whom he strives to have enriching and enduring relationships; his rationale is that their hard work and loyalty have brought the company to where it is today. Finally, Ma considers his investors more peripheral, opportunistic figures who often “leave during hard times.” In its pending aggressive expansion into the United States, Alibaba.com plans to continue this same orientation and help develop 50,000 American entrepreneurs in its C-to-B operation and network.

Common Relational Challenges of Leadership in the East. Too often Chinese business leaders are better known than the enterprises they represent. Because of the exalted position of the leader, the enterprise may stand or fall based in large part on the leader’s reputation. The aura surrounding leaders, especially those who are “venerable,” creates obstacles to removing them when they are no longer equal to the job. Moreover, the respect paid to the leader may cause managers to be hesitant to question policies and decisions. Finally, the personal social capital accumulated over the years by a leader may make it difficult to replace that person when it is time for a change.

Common Relational Challenges of Leadership in the West. Some leaders in the West fall into two quite different but hazardous “arelational” camps. Leaders with charismatic personalities who are enamored of the grand gesture and the limelight occupy the first camp; in this case, a self-centered leader shines at the expense of the organization. These individuals tend not to nurture or listen to others. In the second camp is the expert or bureaucrat—an intelligent individual working almost behind the scenes and focusing only on content and not on style. In such a situation, the organization suffers because there is no one to give it a “face”—no one to articulate vision, manifest spirit, inspire loyalty, or project care and responsibility. Again, the leader is disconnected from the social context that could inform and give meaning to leadership. Under both the charismatic and bureaucratic styles of leadership, there is a danger that the wisdom of those below the leader in the organization will be underutilized and that the most talented among those parties may be alienated.

Strategy
The implications that a relational mindset has for company strategy are profound. These fall under the headings of resources and capabilities and competitive/cooperative conduct.

Resources and Capabilities. One of the most important resources an organization can have is the goodwill of its stakeholders—which can be garnered only by reputation. Hence, from a relational perspective, reputation is the critical factor, from which follows access to many other resources: financing, clients, motivated employees, and effective partners. Wherever social networks and connections are at the heart of business life, reputation becomes the most critical resource.

The best way to build reputation is through honest relationships with all stakeholders, reliably offering quality goods and services, engaging in mutually enriching and reciprocal transactions, and committing to responsible corporate citizenship. These must become strategic priorities. However, in order to deliver on those priorities, firms have to develop the right capabilities: they need to invest in the people, organizational infrastructure, and alliances that create the capacity to deliver on their obligations. In so doing, they put into play a virtuous circle in which exemplary behavior builds trust and reputation, which in turn provide access to resources, which can then be used to further enhance reputation. This trajectory, of necessity, involves longer term and more generous investments in the future and an ability

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3 Interview on The Charlie Rose Hour, PBS, September 22, 2010.

4 Interestingly enough, many Japanese companies display this kind of arelational corporate behavior.
to accept trade-offs and forgo current rewards in the interest of future benefits.

According to the resource-based view of the firm (Barney, 1991; Wernerfelt, 1984), reputation represents a resource in the truest sense: it is valuable, rare, and inimitable. The trust and credibility it engenders can be a source of superior revenues or lower costs. It is unique to an organization or its stakeholders, and so cannot be appropriated by others. Finally, the time it takes to develop reputation makes it hard for competitors to imitate.

A key insight of the relational perspective as it applies to resources is that many resources are socially derived and constructed; that is, they are a product of human relationships that give access to information, opportunity, and “asymmetric trust” (Tsui & Farh, 1997). Trusted parties may be able to make deals their competitors cannot. Indeed, in the East, the acceptance of an exchange, relationship, or partnership may be not only organization-specific but person-specific, and strong ties are more apt to secure risk capital than weak ones (Kwon & Arenius, 2010). Such specificity, via the privileged access it gives to knowledge, capital, and human or material resources, can provide a major source of competitive advantage and a greater ability to create value for customers.

There is a direct link between the relationships formed by an organization and its ability to craft dynamic, unique capabilities (Miller, 2003). Capabilities represent critical bundles of distinctive skills, capital, and infrastructure, configured to deliver offerings that are better or cheaper than those of rivals. Dynamic capabilities are those that are continually enhanced and adapted. Of course, these capabilities rely on motivated human capital—talented employees, reliable suppliers, trusting partners, loyal external experts, long-term investors—and here, fundamentally, we are back to relationships.

For example, alliances with external partners allow a firm to outsource less critical functions so that it can concentrate on its core strengths. The same is true of relationships with upstream suppliers of capital and goods, downstream distributors, and, of course, one’s own employees (see the section on organization, below). These resources enable firms to create value and deliver a superior product to customers.

**Competitive/Cooperative Conduct.** In *The Art of War* (Sun, 2010, p. 20), the ancient Chinese philosopher and military strategist Sun Tzu wrote, “Water retains no constant shape. In warfare, there are no constant conditions.” Each competitive encounter, then, must be examined in its own right. Indeed, the idea of a competitor is situation specific. Moreover, the relational emphasis on balance and harmony lends itself to low-profile or “indirect” methods of competition (Chen, 2001). The aim, often, is not to fight for dominant market share but for a profitable, uninhabited niche.

Thus, the application of the relational perspective to the competitive arena has three primary implications. The first is that competition and competitors are viewed in relative terms, and the focus of competitive analysis is the relationship between firms in the marketplace. Unlike the conventional SWOT (strength-weakness-opportunity-threat) (Armstrong, 1982) and five-forces (Porter, 1980) approaches, both of which consider competition from a company-centered view within the confines of a given industry, a relational perspective considers competition as defined by the competitive context—that is, relationally by situation. Although each firm is unique, its strengths and weaknesses are relative in nature and are relevant only when compared with a specific competitor of interest.

Competitor analysis should thus devote its attention to the understanding of how two firms relate to one another along particular strategy dimensions, such as markets or resources (Chen, 1996). Such a pair-wise, market-resource comparison of interfirm relationships expands strategic vision beyond industry boundaries and direct competitors. It can also be used to identify and analyze partners for joint ventures, alliances, or mergers and acquisitions, both within and beyond a focal industry, since the emphasis is on the relationship between any two firms, not on rivalry per se. This relational view of competition allows a firm to “walk in the shoes” of its rivals or partners (Tsai, Su, & Chen, 2011).
The second implication of the relational perspective is that competition is a dynamic and, more specifically, interactive and time-dependent concept. The interactive dyadic action-response approach is a direct way of capturing how competition unfolds in the marketplace (Chen, 2009; Smith, Ferrier, & Ndofor, 2001). As Schumpeter (1934) noted, firms act and rivals respond. For this reason, any advantage gained by a firm through its strategic actions will be eroded and negated sooner or later by rivals’ reactions (Chen & MacMillan, 1992); consequently, competitive advantage is transitory and ephemeral. Therefore, a key task for a strategist is to identify “response barriers” and factors that may reduce a rival’s awareness of a firm’s action(s), its motivation to react, and its capability to respond (Chen, 1996).

Finally, competitive conduct, in the relational context, requires a careful orchestration of simultaneous competition and cooperation, which are seen as two sides of the same coin. The relational perspective holds that the relationship between competition and cooperation is one of interdependence rather than independence (Chen, 2008). Both “competitor” and “collaborator” may be regarded simply as different forms of the “other”: One can apply exactly the same approach to predicting a competitor’s response as to projecting a joint venture partner’s reaction, as long as one strives to understand a situation from the other party’s viewpoint. Such an expansive conception of competition is in fact found in the roots of the word “compete.” The original meaning of compete is “to strive or come together,” from the Latin prefix com (together) and the root petere (to seek). The “togetherness” embedded in the word’s etymology reveals much about its nature: Even in an oppositional contest, two opponents are inextricably linked and mutually influential.

Indeed, competition should be blended—balanced—whenever possible with win-win cooperation. Sun Tzu summed up this nonconfrontational approach in his maxim that “the worst form of generalship is to conquer the enemy by besieging walled cities.” Aggressive competition makes enemies and attracts attention, and may sully a firm’s reputation. Because rashness and impatience may jeopardize relationships with stakeholders, and because it takes time to build trust and reputation, it is essential to take a long-term and expansive view of competition—to go slowly, feel one’s way gradually, solicit and heed feedback from key parties, and move incrementally toward a solution that satisfies the majority. Thus, competitive/cooperative strategies must be in line with the values of key stakeholders, who are instrumental to the legitimacy of the organization, and hence can augment or constrain its capacity to act (Freeman, 1984).

**Common Strategic Relational Challenges in the East.** Sometimes relationships, especially close, “bonding” relationships, may engender parochialism and inhibit intelligent action. There is the danger that firms will ally themselves too exclusively with a small group of long-standing cronies, limiting the sphere of action and fostering protectionism and corruption. The firm may become mired in a few close interconnected ties and gravitate toward insularity at the expense of a variety of bridging ties that could bring new ideas and relevant adaptation. Also, strategic wavering or inconsistency may arise in the attempt to please everyone. To overcome such shortcomings requires a strong and benevolent leader. Moreover, reputation is a fragile resource, and a company is only as strong as the weakest link in its chain of connections (Chen & Miller, 1994).

**Common Strategic Relational Challenges in the West.** Western executives may ignore the interests of many stakeholders such as long-term investors, employees, and even clients in their desire to please the short-term financial interests of impatient major shareholders who are responsible for awarding incentive compensation (Morck, Wolfenzon, & Yeung, 2005). This tendency may be especially strong when CEOs are paid handsomely on the basis of short-term performance (Murphy & Zabojnik, 2004). The result is often truncated or

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5 The Hong Kong real estate industry, where the top five players have long dominated a majority of the market share, provides a telling example of this type of competition. There is a great deal of cooperation among these competitors. Over time, their competitive/cooperative conduct creates an “ecosystem” that is tremendously profitable to them when it locks new players out of the market.
penurious strategies, a focus on improving the bottom line by cost-cutting rather than investment in future products and capabilities, and risky strategies such as acquisitions aimed at quick returns rather than sustained success. It can be challenging to transform a conventional “zero-sum” or “winner-take-all” mindset into a “non-zero-sum” or “win-win” mindset and adopt an expansive ecosystem view that considers all the key parties.

**Organization**

There are myriad organizational lessons to be taken from a relational perspective. This mindset views firms as social systems in which both individual and group/organizational needs are to be met. Indeed, the very boundaries of the organization become porous as the firm is considered to include not only all employees and owners, but also other partners, lenders, and clients. Thus, values, structures, human resources practices, processes, and systems must ensure this dual service to personal and social requirements. When individuals consider themselves an integral part of a social group, they are more apt to behave in concert with group norms.

**Values and Organizational Culture.** The values of a relational mindset dictate going beyond the self and beyond the short term to serve the broader interests. These values may be around social contribution, quality, service, or innovation in products processes, and distribution to serve customers. According to the relational perspective, it is recognized that such objectives are best achieved when everyone works cooperatively and in consideration of others to achieve a common end. The corporate culture is thus oriented toward collaboration and cooperation. At the same time, it is recognized that the various talents must be liberated and rewarded in pursuing individual initiatives (Chen & Miller, 2010). This subtle duality can be communicated only by a culture in which values are constantly reinforced, perhaps through the mentoring of junior employees by more senior ones, extensive training, and broad exposure to the organization’s values, and through selective hiring to ensure that those entering the organization will fit the culture—practices that both Acer (Chen & Miller, 2010) and Corning share (see appendix).

**Structure.** When people hired by an organization share a group culture, or are trained and mentored to develop an affinity with that culture, an interesting paradox arises: Solidarity with group values obviates the need for many bureaucratic controls and authoritarian leadership styles, as individuals come instinctively to behave in a way that is in tune with the objectives of the organization. More important, individuals are freed to use their judgment and initiative to adapt to the situations at hand, a capacity that is enormously useful in a dynamic environment. Jobs can be defined quite broadly to leave room for innovation, adaptation, and initiative. There is less need for close supervision, many levels of hierarchy, or expensive control systems, and so organizations can have flat, informal structures. Thus, there is balance between control and liberated initiative such that excesses on either end of the spectrum—both oppression and uncontrolled behavior—are avoided.

**Human Resources Practices.** Whereas the West emphasizes individual rewards and formal appraisal and information systems to help distribute those rewards (and punishments) (Murphy & Zabojnik, 2004), things are quite different in firms adopting the relational perspective. First, rewards are given not only for individual achievement but for group effort; these rewards include group bonuses, personal status, and promotions. Moreover, performance is not measured merely in short-term direct financial or productivity contributions but also in loyalty, leadership, and mentorship contributions and years of service. Indeed, seniority itself may be rewarded in terms of recognition—in “old master” status that celebrates the contributions of veterans, highlights their values, and gives the young an organization to be proud of and a position toward which to aspire (Chen & Miller, 2010). Consistent with these relational modes of reward are appraisal systems that are also more personal, informal, and broadly construed. These can be
subtle, humane, and provided within the context of mentoring relationships.

A final aspect is the insistence on real and perceived fairness in the distribution of rewards. A star system in which very few individuals receive the lion’s share of benefits is viewed with suspicion. At the same time, a system where those who exert little effort are given the same rewards as top contributors is also viewed negatively. Again, it is a question of creating a system that is socially constructive and that caters to the group and its cohesiveness as much as the individual.

**Common Organization-Related Challenges in the East.** There is always the danger that persons who define themselves too exclusively as members of a group will lack independent thought and originality. That can make adaptation to changing needs or circumstances very difficult. There may also be undue heed and respect paid to status, seniority, and rank in place of merit or expertise. Speaking up in the face of authority might be quite difficult. Such barriers can sap an organization of the capacity to stay in touch with and respond to changing conditions. Moreover, the obsession of many Chinese owners with passing their firms on to the next generation, regardless of the competency of the members of that next generation, can significantly damage a business.

**Common Organization-Related Challenges in the West.** Western organizational cultures may be more likely to suffer from excessive individualism. That can result in an “every man for himself” mentality and an inability to orchestrate group action. Therefore, expensive bureaucratic controls may have to be introduced to ensure that individuals do not act for themselves at the expense of the organization or its stakeholders. Bureaucracy, of course, has a cost. It tends to decrease organizational flexibility, response time, and innovation and impede the flow of information, and often gets in the way of effective cross-functional and interdivisional collaboration (Galbraith, 2000). Table 2 summarizes the managerial implications of the relational perspective.

**Table 2**

<table>
<thead>
<tr>
<th>Managerial Implications of the Relational Perspective</th>
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<tr>
<td><strong>Leadership</strong></td>
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<tr>
<td>Leaders are embodiments of their enterprises, setting the tone for the business via their character, reputation, and significant relationships</td>
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<tr>
<td>Leaders have lengthy track records and tenures, and act as long-term stewards of the business</td>
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<tr>
<td>Leaders are responsive to all stakeholders, balancing interests, multiple goals, and time frames</td>
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<td><strong>Eastern challenges:</strong> Too much reliance on the leader; blind adherence to seniority and authority despite incompetent leadership</td>
</tr>
<tr>
<td><strong>Western challenges:</strong> Selfish, opportunistic CEOs or expert-bureaucrats who fail to connect with stakeholders</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
</tr>
<tr>
<td>Resources and capabilities: Pursuit of reputation and trust-based relationships, which secure capital, talent, and partnerships that promote dynamic capabilities</td>
</tr>
<tr>
<td>Competition/cooperation: Pair-wise consideration of competitors; stealth in attack and rivalry; combination of competition and cooperation with a given rival</td>
</tr>
<tr>
<td><strong>Eastern challenges:</strong> Collusive, insular relationships with “rivals”; bonding ties dominate bridging ties, creating tunnel vision and stagnation</td>
</tr>
<tr>
<td><strong>Western challenges:</strong> Short-sighted competitive initiatives compromise long-term robustness</td>
</tr>
<tr>
<td><strong>Organization</strong></td>
</tr>
<tr>
<td>Porous organizational boundaries that encompass employees, suppliers, clients, and community</td>
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<tr>
<td>Attention to individual and group needs; collaboration and cooperation are prioritized, with scope for individual initiative</td>
</tr>
<tr>
<td>Strong values and cohesive corporate cultures allow for flat structures and broad job definitions</td>
</tr>
<tr>
<td>Mentorship, group incentives and rewards, and balanced and fair distribution of rewards; loyalty and seniority are prized</td>
</tr>
<tr>
<td><strong>Eastern challenges:</strong> Lack of independent thought or originality; worship of status and rank</td>
</tr>
<tr>
<td><strong>Western challenges:</strong> Lack of cooperation, opportunistic individualism; sometimes bureaucracy</td>
</tr>
</tbody>
</table>
Conclusion

Although the relational mindset is rooted in the East, its lessons may be usefully applied to firms in the West as a guide to serve both domestic and international businesses. The relational perspective is indeed what we believe to be the basis of a truly ambicultural approach to management, one that is both more useful for and attainable by all businesses, whatever their geographic origin, especially in today’s increasingly competitive global environment (Chen & Miller, 2010).

At the same time, however, it is important to guard against the assumption that all interpretations of relational practices are salutary. As we have suggested, there can be relational misinterpretations or extremes in which, for example, corrupt cronyism dominates and drives out healthy relationships that might otherwise serve a broader set of more deserving stakeholders. Indeed, given the possible abuses we have identified, one must not equally value or attempt to embrace all of the practices of Eastern businesses. Some of these, such as authoritarianism, initial mistrust, secrecy, and centralization may be counterproductive, especially within the Western context. Firms must judiciously seek to choose true relational practices that embrace harmony and integration, and, like Stan Shih and James Houghton, incorporate the best lessons from East and West in their ambicultural approach to management.

Research Implications

It would be desirable to begin to test systematically the new ideas we have presented. Comparative survey research might be undertaken among Chinese and Western managers to assess both the prominence of the relational worldview and the nature of its managerial consequences. That might entail, for example, assessing the relative prevalence of inclusive versus exclusive worldviews, the emphasis on group versus individual interpersonal orientations, and the tendency toward linear versus circular temporal orientations, as summarized in Table 1. Comparisons of the possible administrative and strategic consequences of the relational perspective might focus on leadership, strategy, and organizational practices, as summarized in Table 2.

For example, scholars may examine leaders’ prioritization of various goals and stakeholder groups, their tenures and decision horizons, and the importance social reputation plays in executives’ status and effectiveness. Strategy could be evaluated according to the importance of reputational resources and trust-based relationships, the emphasis on competition versus cooperation, and a preference for head-on versus more subtle forms of rivalry. Finally, in considering organizational orientations, it may be useful to assess the primacy of group versus individually based values and rewards, the emphasis on cooperation versus competition, and the importance of loyalty and seniority versus individual achievement.

Researchers may also examine the links between the worldview and interpersonal and temporal perspectives embraced by top executives; the consensus in the firm around such perspectives; and the relationships between these perspectives and the leadership, strategic, and organizational factors we have just mentioned. It would be useful, too, to compare both the prevalence and the performance implications of these characteristics in the East and West. Are the benefits long-term or short-term; are they financial or nonfinancial; are they broadly shared or narrowly allocated?

And then there are the downsides to explore. Researchers might investigate whether failing businesses or those in crisis in the East and West show different pathologies. We expect that firms in the East would suffer from excessive and distorted relational practices—cronyism, corruption, and collusion—whereas those in the West would be plagued by an opposite kind of problem: inattention to relationships, as manifested by opportunism, exploitation, short-termism, and lack of cooperation. Do such differences in fact hold true, and, if so, under what conditions? How damaging to performance are they in the different cultures? How does the relational view manifest itself within particular organizational forms, such as family businesses and start-ups, and across different cultural contexts? And what are the various organizational barriers to making relational changes in Eastern and Western organizations?
For strategy making and execution, organizational design, and executive development, what are the implications for Eastern-based and Western-based multinational enterprises that aspire to thrive in both cultures?

We hope that the research that follows from this paper will show that in building on the complementary strengths and avoiding the divergent weaknesses of Eastern and Western management practices, the relational philosophy can point the way to an ambicultural approach to management that is appropriate for and accessible to firms in many parts of the world (Chen & Miller, 2010).

References


Appendix: Relational Lessons in Management From James Houghton at Corning

Although from the West, James Houghton, the former CEO of Corning Inc. and a member of the founding family of the company, which was started more than 150 years ago, is considered a relational manager.

Corning has had a glorious history of pioneering innovation. It developed the first picture tubes for Marconi, the first television tubes for Sarnoff at RCA, the first heat-resistant Pyrex, the first fiber-optic cable, and a diverse array of flat-screen technologies. It is currently on the forefront of
glass-related laser technologies for the biological sciences. Throughout the company’s history, the family owners and managers have embraced a philosophy of continuity—of investing deeply in current and future capabilities to ensure a healthy future for the company and all its stakeholders. It builds on past traditions to ensure effectiveness in the present and a robust set of skills and products for many years to come.

In order to do that, Houghton and his predecessors embraced a relational style of management that is much in tune with that of Stan Shih at Acer. They have prized and done well by all of their stakeholders—employees, suppliers, clients, and investors—and the town in which Corning is based. Again, the details encompass leadership, strategic, and organizational dimensions.

Consistent with its emphasis on leading the industry in innovation, Corning often invests in projects that have time horizons of more than a decade: the fiber optics business took more than 15 years to reach profitability. To sustain the quality of the innovative effort, and the increasingly efficient production systems required to fund it, Houghton continued the family tradition of investing deeply in employees in all parts and levels of the firm—from the plant floor where jobs are broadly defined to elicit ingenuity to the R&D lab where creativity and expertise are prized. Corning’s budget for training, inside and outside the firm, reportedly far outstrips that of any other company in the industry (Miller & Le Breton-Miller, 2005). Benefits too are generous, as are opportunities for advancement, and for many decades layoffs were almost unheard of, even during slow periods.

Houghton was close to his employees. In fact, he made a habit of shopping where they shopped so that he could learn and respond to their concerns. This outreach extended beyond employees. In 1972 a catastrophic flood inflicted severe damage on the town of Corning, New York, where the company is based, destroying dozens of shops, homes, and plant facilities. The Houghton family immediately announced that no one would lose his or her pay or job and that Corning would take charge immediately of the reconstruction of company plants and employee homes alike. Relationships with suppliers have also been remarkably open and mutually beneficial; some have existed for almost 100 years. During his tenure, Houghton’s relational approach amply rewarded Corning’s public investors.