

Doing Business in the 21st Century with the New Generation of Chinese Managers:

A Study of Generational Shifts in Work Values in China

David A. Ralston

University of Oklahoma

Carolyn P. Egri

Simon Fraser University

Sally Stewart

University of Hong Kong

Robert H. Terpstra

University of Macau

Yu Kaicheng

Dalian University of Technology

Abstract

Our goal is to develop a profile of Chinese managers, and in particular a profile of the New Generation of Chinese managers. The purpose for developing this profile is primarily to provide relevant information for non-Chinese business people, especially Westerners, who plan to engage in business in China. This profile is based on measures of individual values (Individualism, Collectivism and Confucianism) relevant to China and business. Our findings suggest that the New Generation manager is more individualistic and more likely to act independently, while taking risks in the pursuit of profits. However, these New managers are, likewise, not forsaking their Confucian values. Thus, they may be viewed as *crossverging* their Eastern and Western influences, while on the road of modernization.

The People's Republic of China is an economic giant among the nations of the world. China's Gross Domestic Product (GDP) has grown at close to 10 per year from 1978 to 1997, and has in recent years grown to become the third largest consumer economy in the world (Davies, 1998; *The Economist*, 1994; *People's Daily*, 1998). Despite the probability of periodic corrections, most observers predict this rapid growth will continue. Thus, China should continue to be of increasing importance to the global marketplace. Concurrently, the problems that Western businesses have had in dealing with the communist-influenced Chinese business ideology are also well documented (Tung, 1988; Weiss & Bloom, 1990). A widespread concern is that doing business with China will continue to be challenging for Western businesses. Nonetheless, the potential "wild card" in this game may be the attitude of the young Chinese business people as they increasingly move into positions of authority. Thus, one objective of this paper is to study the values of Chinese management with an emphasis on identifying a profile of the New Generation of Chinese managers who will lead the country in the coming millennium.

To develop this profile, we focus on the Individualism, Collectivism and Confucianism aspects of Chinese values. The relevance of Individualism, Collectivism and Confucianism as important aspects of societal values in China, as well as being indicators of the paradoxical struggle for modernization while maintaining traditional values, has been established (Boisot & Child, 1996; Bond, 1991; Ralston, Yu, Wang, Terpstra & He, 1996; Redding, 1990; Yang, 1988). Generation (age) is obviously our predicting independent variable. However, our review of Chinese history and empirical research indicates that seven additional factors (gender, education, geographic region of origin, position level, company size, industry, and geographic region of employment) may also have an impact on individual values (Child & Stewart, 1997; James, 1989). Consequently, we have included these factors as potential covariates in our analysis of the generational changes in Chinese managerial values.

Accordingly, our primary objective is to provide information that will be helpful to Western businesspeople who are seeking to develop effective working relationships with Chinese counterparts, and who are trying to develop marketing strategies for this enormous market. Additionally, given that the theoretical foundation of Chinese management theory is in the formative phase, primarily due to China being

a closed society for the past half century (Stewart, 1994), a secondary objective of this paper is to provide insight on the values of Chinese managers that may contribute to the on-going development of a much-needed theory of Chinese management practices, as well as to current theories of cross-cultural behavior (Bhagat & McQuaid, 1982; Tung, 1981; Tung & Miller, 1990). We are specifically interested in identifying the generational impact on work values attributable to the diverse stages in Chinese history since the end of the Qing Dynasty in 1911.

ASSESSING MANAGERIAL VALUES IN CHINA

In order to fully understand the business environment of a national culture, one also needs to consider important within-culture differences (Schneider & Barsoux, 1997). Thus, we examine here the potential changes in managerial values across generations. Value differences between generations are due to a variety of factors, with the most important being societal objectives (Inglehart & Carballo, 1997; Terpstra, 1978). Very few countries in recent history have experienced the number and magnitude of societal changes that have occurred in China since the Qing Dynasty. Many of these changes were deliberately designed to radically reshape beliefs and attitudes which logically may have had marked influence on the values of the Chinese workforce and, in particular, its managers.

The Republican Era (1911-1948) followed the Qing Dynasty. During that era, Confucianism flourished and a Western presence was prominent in the commercial areas such as Shanghai. The Communist Consolidation Era (1949-1965) which followed was epitomized by violent purges against the educated, and an attempt to supplant Confucian ideals with Maoist/Leninist communist doctrine. During that period, anything Western was denigrated. The subsequent Great Cultural Revolution Era (1966-1976) only served to intensify the attacks initiated during the Communist Consolidation. The Social Reform Era (1977-present), initiated by Deng Xiaoping, saw a movement back to acceptance of Confucian values and commerce with the West, including some acceptance of the influence that would come with this commerce (James, 1989; Ladany, 1988; Laaksonen, 1988; Lin, 1995). The essence of the evolution from the previous two periods under Mao's "work for the good of society" philosophy can be captured by Deng's (1984, p.172)

acknowledgement that a “few flies” (i.e., Western influence) would likely come through the open door, in the new and pragmatic “to be rich is glorious” plan to modernize China by the early twenty-first century.

In the following paragraphs of this section of the paper, we describe the dependent variables (Individualism, Collectivism and Confucianism values) used to assess the changes in Chinese work values, as well as present hypotheses regarding the impact that generation has upon exhibited levels of Individualism, Collectivism and Confucianism. Also, we briefly discuss the seven demographic factors that we identified as potential influences on values in the China context.

The Dependent Variables

Individualism, Collectivism and Confucianism. Individualism has been defined as a self-orientation that emphasizes self-sufficiency and control with value being given to individual accomplishments. Conversely, Collectivism has been defined as the subordination of personal goals to the goals of the (work) group with an emphasis on sharing and group harmony (Morris, Davis & Allen, 1994). However, it should be noted that the "group" referenced in the Collectivism definition is the in-group which may include family, friends and/or work associates (Triandis, Bontempo, Villareal, Asai & Lucca, 1988).

Research spanning the past two decades has identified the Individualism-Collectivism continuum as perhaps the best means to measure values differences across cultures, especially between Eastern and Western cultures (Ralston, Holt, Terpstra & Yu, 1997; Triandis et al., 1986; Tung, 1981; Yang & Bond, 1990). Additionally, Triandis and colleagues showed that Individualism and Collectivism may be better viewed as independent continua (Triandis et al., 1988). The separated dimensions capture the nuances lost by “averaging” them in with one another. Subsequent research, while not conclusive, tends to support the Triandis et al. perspective that Individualism and Collectivism are better viewed as separate dimensions (Egri, Ralston, Murray & Nicholson, 1996; Ralston, Nguyen & Napier, 1998). Thus, in this study, we follow the Triandis perspective. Likewise, Confucianism has been a deep-rooted foundation of Chinese life for over 2,000 years. The Chinese Culture Connection (1987) identified Confucian work dynamism as a construct that epitomizes Eastern values, and provides an indication of the importance of Confucianism to all Asian societies, but particularly to China.

Measurement of the dependent variables. The Schwartz Value Survey (SVS) was selected as our measure of these values because it meets two important criteria. First, it is a globally developed and validated measure of individual values—including China. Thus, unlike measures such as the Hofstede dimensions, the SVS is relevant at the individual level, as well as being validated in China (Schwartz, 1992). Second, the SVS is a measure of individuals' personal core values, not their present transient work behavior values, as would also characterize the Hofstede dimensions. In this study, we are interested in projecting future work behavior based on presently exhibited values. Thus, it was important to use a measure that taps into the enduring core values of the individual that will be reflected in their future, as well as present work behavior, given the dynamic and fluid business environment in China.

Hypotheses of Generational Differences

There is no one generally accepted way to segment groups by their age or generation. However, Thompson and Thompson's (1990) review indicates that research generally agrees that most of an individual's values are entrenched by one's late-teens. Based on this framework of values formation, we reviewed the political history of China during the fifty year time period of this study to identify a logical segmenting of subjects based on China's political orientation during the subject's youth. Thus, the New Generation of Chinese manager group, who grew up mostly during the era of Social Reform (1977-present), is comprised of subjects who are 40 years old or younger. The Current Generation of managers group is comprised of the 41- to 51-years-old subjects, whose adolescence occurred during the Great Cultural Revolution (1966-1976). The Older Generation group is comprised of subjects 52 years of age and older, who experienced the Communist Consolidation (1949-1965), as well as the subsequent GCR.

Recent Chinese history, in conjunction with values development theory, argues for this three generation division. However, given that the focus of our study is on the New Generation of Chinese managers, we present the hypotheses as a comparison between the New Generation and the two previous generations (Current and Older). Nonetheless, we did not want to constrain the data nor findings potentially contrary to our hypotheses. Therefore, the analyses are presented as a new versus previous generation comparison, with the previous two generations kept as separate groups.

Given the dearth of Chinese management theory, as well as the minimal empirical research in China over the past fifty years, identifying a strong theoretical foundation for the directionality of these hypotheses was challenging. However, a recent study by Inglehart and Carballo (1997) that compared twenty-one countries through time (1981-1990) suggests that the socio-political and economic factors related to the industrialization process may lead towards the global homogenization of values. This point was previously proposed by Webber (1969), and subsequently debated and studied by a variety of other researchers (Adler & Graham, 1989; Dunphy, 1987; Kelley, Whatley & Worthy, 1987; Ralston et al., 1997; Ricks, Toyne & Martinez, 1990). Thus, we will use the industrialization argument as our primary theoretical foundation. Therefore, we propose that relative to the previous generations, the New Generation—who has seen the majority of industrialization take place—will score higher on values that are consistent with industrialization (Individualism), while scoring lower on traditional Chinese values (Collectivism and Confucianism). For Individualism and Collectivism, this argument seems sufficient, given that we created these hypotheses based on the best logic that we could identify. Even so, we still view the hypotheses as being very much exploratory in nature.

However, Confucianism presents more of a dilemma due to contradicting influences. On the one hand, the group-focused nature of Confucian values is in direct conflict with much of Western Individualism, which suggests a decline of Confucian values in the New Generation of managers. On the other hand, the Communist Party has allowed this New Generation much more freedom, even to the extent of mildly encouraging a return to Confucian values, thereby suggesting a growth in Confucianism for this young generation. A decline in Confucian values for the New Generation implies movement toward convergence—or at least the *melting pot* philosophy of crossvergence (Ralston, Gustafson, Cheung & Terpstra, 1993). Conversely, an increased attachment to Confucian values would more closely support the divergence viewpoint that cultures will remain heterogeneous and unique (Kelley et al., 1987). We take the position that the New Generation will score lower on Confucian values than the previous generations based both on recent criticisms that current “Neo-Confucianism” is at best a watered-down version, and on firsthand observations by the authors—both Chinese and Western—that concur with these criticisms.

- H1:** For the Individualism dimension, the mean score of the New Generation subjects will be significantly higher than the scores of the Current Generation and the Older Generation subjects.
- H2:** For the Collectivism dimension, the mean score of the New Generation subjects will be significantly lower than the scores of the Current Generation and the Older Generation subjects.
- H3:** For the Confucian dimension, the mean score of the New Generation subjects will be significantly lower than the scores of the Current Generations and the Older Generation subjects.

Potential Demographic Influences

The influence of other demographic factors on the hypothesized relationships is always a concern in studies of this nature. Thus, based on the recent history of China, as well as on previous empirical research findings, we identified seven factors that should be considered as influences (i.e., covariates) in this study. Specifically, we will consider the potential impact of the following individual and organizational factors: Gender, level of education, the geographic region in which the subject was raised, position level of the subject in the company, size of the company, industry in which the company is located, and the geographic region of the subject's employment. A description of the seven demographic factors is provided in Table 1.

Put Table 1 here

METHOD

Subjects

The sample consisted of 869 subjects who were managers and professionals about to take part in management development programs. All were employed in state-run enterprises. While China has an increasing number of independent businesses—especially small businesses—the great majority of economic activity in China is still controlled by the state, or is run by managers who were trained and developed within state-run enterprises. Subject demographics are presented in Table 1.

Measure and Procedure

The Schwartz Value Survey (SVS), which consists of 56 items that are measured with a 9-point Likert type scale, was used as our measure. These items are used to develop the instrument's ten universal subdimensions of work values: Power, achievement, hedonism, stimulation, self-achievement, universalism, benevolence, tradition, conformity, and security. While all ten subdimensions are found in every culture, the level of importance of each varies from one culture to the next (Schwartz, 1992). In turn, these subdimensions are used to form the universal higher-order dimensions of Individualism and Collectivism. Individualism is comprised of power, achievement, hedonism, stimulation and self-direction, while Collectivism consists of benevolence, tradition and conformity. Additionally, Schwartz identified three unique-to-China subdimensions: Societal harmony, virtuous interpersonal behavior, and personal and interpersonal harmony. Collectively, these subdimensions are the keystone of Confucianism (Lin, 1995; Ralston et al., 1996; Waley, 1938). Combined, they form our measure of Confucianism. While the Individualism and Collectivism measures have previously been well tested, in this study we will assess the validity of combining the three unique-to-China subdimensions into a single measure of Confucianism. The original Schwartz translation–back-translation of the SVS was administered to the subjects by a Chinese colleague. The survey was administered prior to their participation in management development programs. Subjects were assured that their anonymity would be maintained. Additionally, this survey was our only data collection method, thus encouraging others to further explore our findings using different data collection methods.

RESULTS

Scale Reliabilities

The internal consistency of the Individualism value scale (Cronbach's $\alpha = .79$, 18 items) and the Collectivism scale (Cronbach's $\alpha = .76$, 14 items) were found to be of an acceptable level. The Cronbach's alphas for the three subdimensions that make up the Confucian construct were .69 for Societal Harmony (6 items), .73 for Virtuous Interpersonal Behavior (9 items), and .57 for Personal and Interpersonal Harmony (6 items). The Cronbach's alpha scores for the composite Confucian construct (i.e., the 21 items of these three

subdimensions combined) was .83. The greater internal consistency for the Confucian construct suggests that the single Confucianism scale may be a better measure than the three individual scales, and that it appears to be a reasonable construct to use in the study.

Analysis of Variance Tests of the Individualism, Collectivism and Confucianism Dimensions

The MANOVA indicated a significant Wilks' lambda effect ($\lambda = .89$, $df=2,3,868$, $p<.001$). The subsequently calculated univariate ANCOVAs indicated that only some of the individual covariates were significant (gender, region of rearing and region of employment for Individualism; position for both Collectivism and Confucianism). Thus, the ANCOVAs were run for the study results using the respective significant demographic covariates. Each of these three analyses was significant: Individualism ($F=15.17$, $df=2,868$, $p<.001$), Collectivism ($F=5.55$, $df=2,868$, $p<.01$), and Confucianism ($F=4.60$, $df=2,868$, $p<.01$). The means, standard deviations, and F-test results of these ANCOVAs are reported in Table 2. In turn, since all ANCOVAs were significant, Duncan multiple comparison tests were conducted for each of the dependent measures (see Table 2). Cronbach's alpha, calculated by generation for each of the three dependent measures, ranged from .73 to .81.

Put Tables 2 here

Multiple Comparison Test Findings

The findings of the Duncan multiple comparison test for Individualism show that the New Generation group scored significantly higher on Individualism than the Current and Older Generation groups, who were not significantly different from one another. The findings for both Collectivism and Confucianism show that the New Generation group scored significantly lower than the Current and Older Generation groups, and that the Current Generation group also scored lower than the Older Generation group.

Contribution of the Demographic Factors

Demographic factors play a very different role depending on the dimension. For Collectivism and Confucianism, only position in the organization had any impact, while for Individualism, gender, the region in which one is employed, and the region in which one was reared are relevant factors to be considered. For the Individualism measure, males were higher than females and the more industrialized regions were higher than the less industrialized regions. For Collectivism and Confucianism, position was positively related with. Thus, these covariate findings also add support to the argument that Individualism and Collectivism are independent dimensions, and that Confucianism and Collectivism are closely related dimensions.

IMPLICATIONS OF THE FINDINGS

The Hypotheses on Individualism, Collectivism and Confucianism

Our findings for Individualism fully support Hypothesis 1. The New Generation scored significantly higher than the other two generational groups. Our findings for Collectivism and Confucianism were similar, and both partially support Hypotheses 2 and 3, respectively, in that the New Generation manager did score significantly higher than the two previous generations. However, contrary to our hypotheses, the decline in both Collectivism and Confucianism began with the Current Generation, with a second significant decline again being found for the New Generation. For Collectivism and Confucianism the overall decline across the generations attained not only the same level of significance, but also the mean value decline is almost identical for these two dimensions. Still, based on recent Chinese history and the logic presented by Ralston et al. (1997), one might expect to see any decrease in Confucian beliefs on the part of the New Generation managers to be less than any decrease found for the overall Collectivism measure.

Ralston et al. (1997) view Confucian values in China as functioning in concert with communist ideology to determine the overall level of Collectivism. Recent history of the Social Reform Era shows both increased support for Confucianism and an apparent evolution toward a free-market economy. Thus, as the hard-line communist ideology declines (softens) and support for Confucian values increases, one might expect less change for Confucianism than for overall Collectivism across generations. Our data do not support this view. Thus, it may be that Collectivism and Confucianism are not intertwined. Alternatively, it may be that Confucianism is a value that is more dependent upon being *learned* from an elder. If so, it would be the next

generation that will reflect the return to Confucian values initiated during the Social Reform Era. While our data cannot prove this, these findings do raise this possibility as a relevant issue worthy of further investigation. Nonetheless, if this is the case, the paradox of “changing-while-maintaining” will continue as the next generation of Chinese managers assumes control, meaning that a crossvergent value pattern is ultimately much more likely than a complete convergence of values. For practitioners, this strongly implies that the likely change to some form of capitalism will *not* result in a mirror image of Western capitalism. In fact, given the multitude of dialects and provincial-orientations, a variety of forms of capitalism will likely flourish within China—at least in the short-run.

Likewise, it is worth noting that our results support the belief of Triandis et al. (1988) and the empirical findings of Egri et al. (1996) and Ralston et al. (1998) that Individualism and Collectivism are better viewed as separate dimensions, rather than as polar points on a continuum. The separate dimension perspective allowed us to identify the differences in the timing of the changes in Individualism and Collectivism. To have combined these dimensions on the same continuum would have resulted in lost or misleading information. Thus, treating Individualism and Collectivism as independent constructs clearly appears to add richness to the information that can be attained from the data.

THE NEW GENERATION PROFILE

Perhaps the most important finding of this study is that the generation in which one grew up appears to be crucial to understanding the values of Chinese managers. Consistent with previous research (Ralston, Gustafson, Terpstra & Holt, 1995) one implication of the increased individualistic tendencies of these younger Chinese managers is that they are more likely to act independently and take risks in the pursuit of profits even when these actions are in conflict with traditional ways. Moreover, given their greater mobility, they can also be expected to flock to where the best opportunities are perceived. However, our findings also suggest that this New Generation, who demonstrate a greater sense of Individualism, appears to be doing so at some cost to their Confucian values. At first glance, this finding appears to be somewhat in conflict with previous research that has noted current efforts in China to modernize without renouncing traditional Confucian values (Bond, 1991; Ralston et al., 1994; Ralston et al., 1995; Redding, 1990). However, a closer

look would indicate that these findings are not contradictory, but reflect the use of different frames of reference. In this study, we used previous generations of Chinese managers as a reference point, while other research has used managers in Western cultures as a baseline. Integrating these diverse findings suggests that in comparison to Western managers, the New Generation of managers maintains a relatively high level of Confucian values, as well as collectivistic tendencies. However, when compared to previous generations of Chinese managers, the New Generation has a lower commitment to Confucianism. Thus, the New Generation could be viewed as being in the early stage of values crossvergence (Ralston et al., 1993). Nonetheless, one should also interpret the lower Confucian commitment within the context of this study's frame of reference. Further research designed to look at generational differences within and across cultures could help to more precisely identify global differences in managerial values and behaviors. Additionally, an interesting aspect of this study is that the transformations of these three major values in Chinese life appear to have taken place in different ways and at different times. This is also consistent with Ralston et al.'s (1993) speculation that different values may change at different rates.

Thus, the emergent profile of the New Generation of Chinese managers and professionals who will be leading China into the 21st century is one of a generation whose values are clearly more individualistic, less collectivistic and less committed to Confucian philosophy than their previous generation counterparts. The values of this New Generation appear to be reflecting the influences of the Social Reform Era in which they grew up, a period of relative openness and freedom when somewhat greater exposure to Western societal influences was permitted. These findings also suggest that the New Generation of Chinese managers is more similar to Western managers than are the previous generations, especially in respect to individualistic behavior. Specifically, their higher level of Individualism suggests that this New Generation of managers might come to be known as the "Chinese Me Generation." While the *yuppie* philosophy in the United States appears to have run its course—at least for the present—the *Chuppie* or Chinese yuppie generation appears to be just starting to indulge (Chen, 1993). A likely implication is that firms may want to segment their Chinese market by generations and use different marketing strategies for the different generations. Additionally, it appears that the New "Me" Generation will become the major group of Chinese consumers

that Western firms can target. This should not only be because of their increased purchasing power, but also because their consumption behavior is becoming increasingly congruent with Western consumption patterns, as a result of heightened Individualism. Consequently, they may be less price sensitive, but more value driven, compared to the older generations.

In the same vein, it should prove even more interesting—particularly to marketers—to watch the subsequent development of China’s Next Generation of managers (the “Spoiled, One-Child” Generation) as its members move into positions of managerial authority in the coming decades. Thus, given the growing importance of China to the global economy of the twenty-first century, it seems clear that understanding the changing values and behavior of its future managerial and professional people is crucial for those interested in engaging in international commerce.

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Table 1

DISTRIBUTION OF THE DEMOGRAPHIC INFLUENCES FOR THE CHINESE SUBJECTS (N=869)

Demographic Influences		Percentage
Gender:	Male	74
Education Level:	9 or fewer years	10
	10 years–Partial university	75
	4-year degree or more	15
Region of Rearing:	North Central	15
	Northwest	15
	Northeast	14
	East	11
	Central	13
	South	15
	Southwest	17
Position Level:	Professional	27
	First-level Supervisor	33
	Middle Management	21
	Top Management	19
Company Size:	< 100 employees	17
	101–500 employees	33
	501–1500 employees	19
	> 1500 employees	31
Industry:	Heavy manufacturing	31
	Light manufacturing	28
	Service industries	8
	Nonprofit	20
	Financial services	4
	Other	9
Region of Work:	North Central	16
	Northwest	12
	Northeast	14
	East	10
	Central	16
	South	14
	Southwest	18

Table 2

MEANS, STANDARD DEVIATIONS, F-TEST AND DUNCAN MULTIPLE COMPARISON TEST RESULTS FOR NEW (<41 YEARS), CURRENT (41–51 YEARS) AND OLDER (>51 YEARS) GENERATIONS ON THE INDIVIDUALISM, COLLECTIVISM AND CONFUCIANISM DIMENSIONS

Dependent Measures	Generation	Mean	SD	F	Multiple Comparison Test Group Differences
Individualism ¹	New	3.80	.83	15.17***	New > (Current, Older)
	Current	3.44	.83		
	Older	3.48	.85		
Collectivism ²	Older	4.08	.88	5.55**	Older > Current > New
	Current	3.85	.78		
	New	3.59	.76		
Confucianism ³	Older	4.01	.88	4.60**	Older > Current > New
	Current	3.78	.78		
	New	3.62	.76		

p < .05, ** p < .01, *** p < .001.

¹ Covariates included in the analysis: gender, region of employment, region of rearing

² Covariates included in the analysis: position

³ Covariates included in the analysis: position

Biographies and Acknowledgement

Biographies

David A. Ralston is the Michael F. Price Chair of International Business at the University of Oklahoma. His primary research interests focus on issues related to cross-cultural management.

Carolyn P. Egri is Assistant Professor of Human Resource Management at the Faculty of Business Administration at Simon Fraser University. Her research interests include leadership, environmental and social issues, organizational power and politics, and organizational change and development.

Sally Stewart was formerly Head of the Department of Management Studies at the University of Hong Kong. She was educated at Oxford University. Her most recent publication is "Whose Business Values?" published by Hong Kong University Press.

Robert H. Terpstra is Professor of Finance at the University of Macau. His current research interests include cross-cultural studies in management and behavioral finance.

Yu Kaicheng is Professor of Organizational Behavior / Human Resource Management in the School of Management of the Dalian University of Technology, China. He is also the Vice-Chairman of the China Behavioral Science Association.

Acknowledgement

The authors would like to thank Cynthia Pavett for her very helpful comments on a previous draft of this paper.