The Confucian Asian Cluster? Cultural, economic and institutional explanations of leadership challenges of Japanese managers in China

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Abstract

Little cross-cultural leadership research has been conducted on East Asian managers working in other East Asian contexts. In this two-study research, we assess comparative leadership preferences in China and Japan through survey data as a basis for examining leadership challenges of Japanese expatriates in China through in-depth interview data. The two studies suggest that while China and Japan share similar cultural roots, there remain cultural, economic and institutional differences that create a unique set of leadership challenges for Japanese managers in China. The research findings invite debate on the value of the Confucian Asian Cluster.

INTRODUCTION

Cross-cultural leadership has been identified as a critical success factor for multinational enterprises (MNEs) (Javidan et al., 2006). Yet, despite the fact that more research has been done on leadership than any other management topic, most studies are either conducted in a single country context or utilize a Western perspective and/or theoretical lens when conducted across cultures (Steers et al., 2012). It has been noted that leadership researchers have not paid enough attention to cultural differences and institutional constraints that might influence effective leadership practice (Shim & Steers, 2012), Work on cultural distance and cultural clusters have greatly contributed to our knowledge of the importance of cultural context (Gupta et al., 2002; Shenkar, 2012). In this paper, we focus on an under-explored area of leadership research, that is, cross-cultural leadership challenges within the Confucian Asian cluster where cultural distance is reportedly low. We examine the leadership preferences of Japanese and Chinese employees, and the cross-cultural leadership challenges of Japanese managers working in the People's Republic of China (henceforth referred to as China). We pay particular attention to the interplay between culture and the economic and institutional environment.

China has garnered the international spotlight as an attractive investment destination. At the same time, it has been identified as the most challenging emerging market for the operation of foreign companies (e.g., Mercer HR & Mobility Challenges of Emerging Markets, 2011). At the top of the list of challenges for foreign companies in China is the shortage of talent with the required managerial and technical skills. This has prompted many MNEs, at least initially, to use experienced expatriates to manage their subsidiaries in China. Although this may help to address the shortfall in managerial talent, it has opened a new territory for cross-cultural and other related challenges to leadership effectiveness. While

there is emerging literature on the experiences of Western MNEs to navigate the cross-cultural challenges found in China (e.g., Chen & Tjosvold, 2007), little is known about the cross-cultural challenges of Japanese expatriate managers in China.

The literature suggests that there are cultural similarities between China and Japan given their shared Confucian cultural heritage (e.g., Gupta et al., 2002; Javidan et al., 2006). Culture is comprised of values and assumptions (Schein, 1992) and has been construed as the collective programming of the mind (Hofstede 1980) which serves to distinguish the members of one group of people from another. Such difference between values among people in different cultures has been termed 'cultural distance' (Kogut &Singh, 1988). Differences in cultural values, or cultural distance, can be expected to affect organizational phenomena such as leadership (Dickson et al., 2003; Mendenhall et al., 2008). While cultural distance is generally portrayed as an obstacle in the international business literature (e.g., Johnson, et al., 2006), Selmer (2007) finds that cultural closeness does not necessarily mean easy cultural adaptation. Japan and China, for instance, have a complex relationship where factors other than culture need to be considered; they are similar in terms of a shared Confucian cultural heritage but differ in their economic and political history including phases of capitalism and institutional arrangements.

The objective of this research is to explore the leadership challenges that Japanese managers face in China, and to examine how cultural, economic, and institutional factors might explain leadership preferences in China and Japan that contribute to these challenges. The research is comprised of two studies. In Study 1, we utilize survey data from 300 Japanese and 300 Chinese employees working in domestic companies in their respective countries to empirically assess comparative differences in leadership preferences. In Study 2, in-depth interview data from local Chinese employees and Japanese expatriate managers are examined to identify leadership challenges experienced by Japanese expatriate managers in

China given findings in Study 1. The research is expected to add to the literature in the following ways. First, there are very few comparative studies in East Asia (eg., Shim & Steers, 2012) and cross-cultural studies conducted on East Asian managers operating in other East Asian contexts (eg., Yu & Meyer-Ohle, 2008). This research examines comparative leadership preferences (Study 1) and cross-cultural leadership challenges (Study 2) within the Confucian Asia country cluster. Second, most cross-cultural leadership studies utilize a Western perspective and/or theoretical lens (Dickson et al., 2003; Javidan et al., 2006). We adopt a Japanese perspective with regard to the design and development of measures used in the research. Third, we explore the interplay between culture and environmental factors such as economic development and market institutions as potential explanations of cross-cultural leadership challenges. To our knowledge, this interplay has not been explored with regard to cross-cultural leadership within the Confucian Asia cultural cluster.

The paper continues with a review of the literature on leadership across cultures, including comparative cultural, economic and institutional frameworks, and Japan-China similarities and differences. We then present our two studies, followed by a discussion of the implications for research and international management practice.

LEADERSHIP ACROSS CULTURES

Leadership is the ability to influence others (Den Hartog & Dickson, 2004), and its effectiveness depends upon the perceptions of subordinates (Kahai et al., 2011). Although researchers have found culturally universal leadership behaviours (Dorfman et al., 1997; Javidan et al., 2006), the literature also suggests that there is cultural variation in leadership behaviours as espoused in "culturally endorsed implicit leadership theories (CLT)" (Hanges & Dickson, 2004; Javidan et al., 2006). Culturally endorsed implicit leadership means that

there are certain leadership styles or characteristics that are expected and accepted in some cultures but not in others (for more details on CLT, see Hanges & Dickson, 2004). Thus, it is likely that expatriate managers need to adjust their leadership behaviours as part of their cultural adaptation in order to effectively lead their local operations (Dickson et al., 2003). This requires an understanding of employees' expectations towards their leaders in foreign operations. We propose that these expectations derive from the interplay between cultural, economic and institutional factors. This proposition is supported by writings that suggest that environmental factors such as economic and institutional phenomena influence culture (eg., Li et al., 2013; Ralston et al., 2008. In this section we review literature on cultural values, leadership styles, and economic and institutional context.

Cultural Values and Leadership Styles

Culture defines people's values, attitude, and behaviour (Adler, 2008). Hence, culture influences various organizational phenomena, such as team performance (Earley & Mosakowski 2000), leadership effectiveness (Dickson et al., 2003), reward systems (Schuler & Rogovski, 1998), and entry mode in foreign direct investment (Kogut & Singh, 1988). People across cultures hold different values regarding uncertainty, authority, and identity (Hofstede, 1980); rules and relationships (Trompenaars & Hampden-Turner, 2010); and communication (Hall & Hall 1990). This has significant implications for MNEs and their managers that operate globally.

The cross-cultural leadership literature prior to the GLOBE study, according to a review by Dickson, den Hartog and Mitchelson (2003), focused almost exclusively on the relationship between Hofstede's (1980) original four dimensions (Power Distance, Uncertainty Avoidance, Individualism-Collectivism, and Masculinity) and certain leadership

styles such as transactional and transformational leadership (Bass 1985). The GLOBE study presented an expanded menu of cultural dimensions; some were newly conceptualized and measured dimensions inspired by Hofstede, Trompenaars, and Kluckholn and Strodbeck, while others were newly added (House et al., 2004). The nine dimensions include: Performance Orientation, Assertiveness, Future Orientation, Humane Orientation, Institutional Collectivism, In-Group Collectivism, Gender Egalitarianism, Power Distance, and Uncertainty Avoidance. The GLOBE study also developed six leadership styles by extending ILT to the cultural level of analysis, referred to as culturally endorsed implicit leadership theory (CLT) (Javidan et al., 2006). These leadership styles include: Charsimatic/Value Based, Team-Oriented, Participative, Humane-Oriented, Autonomous, and Self-Protective.

Knowledge of cultural dimensions and leadership styles expected by members of a given society can inform managers how to adapt their style (Javidan et al., 2006). For instance, in high uncertainty avoidance cultures, careful planning, reliability, and punctuality are important attributes of successful managers, while in low uncertainty avoidance cultures, resourcefulness, improvisation, and flexibility are more valued (Stewart, 1994; Rauch et al., 2000). Offerman and Hellmann (1997) found that leaders from high uncertainty avoidance cultures tend to delegate less to subordinates and emphasize control.

In terms of power distance, in high power distance cultures, people tend to accept directive leadership (Dorfman & Howell, 1988; Bu, Craig, & Peng, 2001), follow the guidance of seniors in problem solving (Smith et al., 2002), with communication tending to be top-down (Javidan & House, 2001). By contrast, people in low power distance cultures tend to expect participative leadership (Dorfman et al., 2004), in which leaders consult subordinates before making decisions.

Individualism-collectivism is related to how leaders can motivate people. Collectivists tend to place collective goals ahead of self-interest, while individualists value the pursuit of self-interest (Jung et al., 1995; Triandis, 1995). Earley (1993) claims collectivists perform better when they work with their in-group members, while individualists perform better when they work individually. These observations are in line with Jung and Avolio's (1999) findings which show that individualists are more highly motivated by short term, transactional leadership, while collectivists are more highly motivated by transformational leadership.

Another type of leadership that is widely observed in Asia is paternal leadership (Dorfman & Howell, 1988; Pelligrini & Scandura, 2008). Paternal leadership (Dorfman & Howell, 1988) is related to power distance (Dorfman et al., 2004) and collectivism (Pasa et al. 2001). It is prevalent in China and Japan (Redding et al., 1994; Aycan et al., 2000; Pelligrini & Scandura, 2008), where both power distance and collectivism are high.

Economic and Institutional Context

In addition to cultural values, economic and institutional environments may also influence leadership style. also matter. This is consistent with Ghemawat's (2007) argument that MNEs should be aware of all cultural, institutional, geographic, and economic distance in considering their global strategy, although his framework focuses on strategic analysis. Ralston and colleagues (1993, 2008) suggest that the interaction of traditional cultural values and modern economic development creates a unique set of work values. Others have pointed out the relevance of market institutions, for instance, the typology of Hall and Soskice (2001) that highlights Coordinated Market Economies (CMEs), which involves long-term employment and consensual decision-making process that is inclusive of people throughout

the organization, and Liberal Market Economies (LMEs) that are opposite in Hall and Soskice's (2001) typology. The comparative differences between Japan and China in economic development and the strength of market institutions as possible influences on cross-cultural leadership challenges are taken up in the following section.

CHINA AND JAPAN: SIMILARITIES AND DIFFERENCES

Scholars have argued that there is cultural similarity between China and Japan given their Confucian roots (eg., House et al., 2004). The GLOBE study places China and Japan in the Confucian Asia country cluster. As shown in Exhibits 1 and 2, China and Japan score very similarly along the cultural dimensions and leadership styles measured.

Insert Exhibits 1 and 2 about here

As shown, the two countries differ with regard to uncertainty avoidance and in-group collectivism. Hofstede et al. (2010) show a marked difference only in the uncertainty avoidance dimension, in which Japan is high and China is low. The GLOBE study categorizes the two countries into the same cultural cluster as Confucian Asia (Gupta et al. 2002), indicating many similarities between the two countries. These cultures emphasize hierarchical relationships and social networks (Hofstede et al., 2010; Ashkanasy, 2002). This is supported by mutual exchange of favour and obligation, such as guanxi in China (Chen & Chen, 2004; Hackley & Dong, 2000) and "on" and "giri" in Japan (Whitehill, 1996; Fukuda, 2011). The only clear prediction from the literature is that Japanese expatriate managers will need to employ more delegation and flexible organization of tasks, rather than careful

planning and control (Bu et al., 2001; Yeh, 1988). Though not fully addressed in the literature, the family-oriented nature of collectivism in China may pose a unique challenge for Japanese managers.

However, some scholars such as Chew & Putti (1995) and Yeh (1988) argue that the nature of collectivism is different between China and Japan. Chinese collectivism is family-oriented, where people show loyalty to their family and relatives. By contrast, the Japanese extend collectivism to workplaces and show loyalty to their organizations as well. Yonaha (2011) discusses such differences stem from difference in political-economic systems of the two countries since 16th century. He argues that Japanese tend to identify themselves with both their community and workplace, and consider their neighbours in such communities as their in-group, even if they do not share family relationships. In contrast, while Chinese do not hesitate to change locations or move to new communities, they tend to maintain strong ties with relatives even across large geographic distances. For Chinese, family ties are necessary to accept one another as part of the in-group.

In addition, as Ralston and his colleagues (1993, 2008) argue, the interaction of traditional cultural values and modern economic development may create a unique set of work values. China is an emerging economy that has begun market liberalization and enjoyed rapid economic growth relatively recently. Japan, by contrast, is a developed economy; it underwent market liberalization decades ago and became one of the most advanced economies in the 1970s.

Furthermore, some scholars point out that market institutions in Japan and China are also very different. As Hall and Soskice (2001) argue, the Japanese institutional system is one of Coordinated Market Economies (CMEs), which involves long-term employment and consensual decision-making process that is inclusive of people throughout the organization. On the other hand, Witt (2011) reports that the Chinese institutional environment is more like

Liberal Market Economies (LMEs), opposite to the Japanese system in Hall and Soskice's (2001) typology. This suggests that in China the labour market is fluid, job security is generally low, and decision-making power is concentrated in top management. The Japanese institutional environment (CMEs) has liberalized people from traditional villages (and kinship ties) but tied them to firms, whereas the Chinese institutional environment (LMEs) does not lead to people to build strong ties with firms, but to strengthen their family ties instead as a source of security and belongingness.

The above differences in the stages of economic development and institutional environments between China and Japan may result in difference consequences for the workplace in the two countries, and hence different expectations for leadership behavior. For instance, Japanese employees may behave in a more collectivistic way in the workplace; may build strong sense of belonging to their employing organization; hence identify themselves with their employer. On the other hand, Chinese employees may behave in a more individualistic way in the workplace; and feel less identified with their employer. The overall differences between China and Japan discussed so far, tends to imply that the Chinese and Japanese may see their workplace and employer in a very different light, therefore their culturally endorsed expectations of their leader may differ significantly. Table 1 summarizes the cultural, economic and institutional differences that were identified

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Insert Table 1 about here

We propose that these cultural, economic and institutional differences are likely to influence employee expectations of their 'ideal leader' and contribute to leadership challenges of Japanese expatriates in China. We begin with a survey-based study to assess comparative

leadership preferences of Chinese and Japanese employees, followed by an interview-based study to examine whether comparative leadership preferences contribute to leadership challenges faced by Japanese expatriates in China.

STUDY 1

The CLT results of the GLOBE study indicate very similar findings between Japan and China along the cultural dimensions measured. Yet, there is evidence in the literature suggesting differences in leadership style and employee expectation of leadership traits and behaviours within the Confucian cultural cluster (eg., Shim & Steers, 2012; Yu & Meyer-Ohle, 2008). Our Study 1 seeks to further examine leadership preferences in China and Japan at domestic capital firms in their respective locations as a foundation for investigating cross-cultural leadership challenges of Japanese expatriates in China in Study 2. We also investigate potential explanatory mechanisms for comparative leadership preferences. These include "reasons for work" which might help to highlight economic as well as cultural differences between the two countries, and "HR system preferences", which may provide additional insights on the institutional explanations.

Method

Sample and data collection. Data were collected in Japan and in the Shanghai region of China through the use of a structured questionnaire. The questionnaire was prepared in the Japanese language for use in Japan and in Mandarin Chinese for use in China. Respondents were recruited through internet marketing research firms operating in each country, using the following two-step process. In the first step, the marketing firms sent out emails to business

professionals who were registered in their databases, inviting them to participate in a survey. Those interested were directed to a website that asked for demographic information. In the second step, those who met our demographic selection criteria were invited to the main survey website that contained the core research items. Given our research interests, the demographic selection criteria specified large companies (more than 1,000 employees), and college-educated white-collar employees who had been with the company for at least three years, and who had worked under their current manager for at least six months. The employees selected earned at least the average salary in the regions surveyed (JPY 4,000,000 in Japan and RMB 50,000 in the Shanghai region).

In the case of Japan, 31,700 emails were sent and 3,394 respondents answered the demographic selection questionnaire (response rate = 10.7%). Among these respondents, 328 met the selection criteria (pass rate = 9.7%) and were invited to participate in the main questionnaire. In the case of China, 5,221 emails were sent and 1,933 respondents answered the initial questionnaire (38.2%). Among these, 324 met the selection criteria (16.7%).

The survey sites in each country were administered to collect 150 samples from manufacturing firms and 150 samples from non-manufacturing firms. The site stopped accepting participants when the number of respondents reached the target number of 300 in Japan and 300 in China. The survey websites were designed to collect answers for all survey items, that is, respondents were not allowed to proceed with the questionnaire if an item was left unanswered. We therefore obtained 300 fully completed surveys from each country.

Sample characteristics. Table 2 summarizes the characteristics of samples from China and Japan. The Chinese sample consists of 41% male and 59% female, while the Japanese sample is predominantly male (89%), reflecting a male-dominated white collar labour market. In both Japan and China, the majority of the sample falls in the 30-39 and 40-49 age

groups. The largest among the Chinese sample is the 30-39 age group (48%) and among the

Japanese sample, the 40-49 age group (55%).

Insert Table 2 about here

Regarding industry, information processing and software (20%), manufacturing (18%), and

machinery and electrical equipment (10%) are the largest in the Chinese sample, while

manufacturing (27%), food products (20%), and retail (15%) occupy the largest proportion in

the Japanese sample. In China, the majority of respondents have 5-9 years tenure with their

current employer, while in Japan, the distribution was fairly equal across tenure groups: 5-9

years (21%), 10-14 years (22%), 15-19 years (24%), and 20-24 years (23%).

Measures

Our conceptual foundation of the leadership preference survey is GLOBE's CLT (culturally

endorsed implicit theories of leadership: Hanges and Dickson, 2004). Building the various

leadership dimensions identified in the GLOBE study, we tailored the items to reflect the

issues that are most salient among Japanese managers. The items were developed from a

database of Japanese managerial concerns that were documented over many years by a top

Japanese management consulting firm. We presented a series of statements describing the

image of the "ideal leader" to the respondents. Respondents were asked to indicate on a 6-

point scale the extent to which each statement is close to the image of their ideal leader.

Sample statements include "consensual/consultative decision making style" and "evaluates

not only individual goal attainment but also support given to others."

Findings from Study 1

Ideal leader. From the survey data we observe several differences between Chinese and Japaanese respondents regarding expectations of their ideal leader. The Chinese respondents prefer a high-aiming leader who encourages competition and focuses on results. By contrast, the Japanese respondents favour a trustworthy leader who facilitates cooperation and focuses on process in addition to results. The Chinese respondents expect a leader to make decisions quickly and flexibily in response to changing circumstances, while Japanese respondents expect a leader to adhere to the rules and follow orders regardless of the situation. Chinese respondents favour leaders who can tailor their approach to employees according to individual need, while Japanese respondents expect leaders to make decisions that prioritize the success of the company as a whole.

To elaborate, the Japanese respondents rated very highly a leader who "creates a work climate that promotes cooperation among individuals", who "not only evaluates individual goal attainments but also their support to others", and who "makes decisions that prioritise the entire company's success". This cooperative and collective orientation was very highly rated by Japanese, but it was relatively low in score for the Chinese sample. Another element that stood out highly amongst the Japanese sample but not in the Chinese sample is the emphasis on the 'process'. Our Japanese respondents rated highly leaders who "not only appreciate results but also cares about process", and who "appreciates not only the members' achieved results but also their challenges in the process regardless of the results". The Chinese respondents did not highly rate the process emphasis for their ideal leader.

The Chinese respondents were concerned with flexibility and adaptability across situations and individuals. They rated very highly a leader who is "flexible in making

decisions in accordance with changing situations" and who "changes ways to work with members in accordance with the individuals' character and abilities". These elements were, however, not rated highly by the Japanese respondents in our sample.

One leader behavior was rated highly by both Japanese and Chinese respondents: a leader who makes consultative decisions. Japanese and Chinese respondents indicated that an ideal leader should establish work goals by discussing them with the team members, and should build consensus from the members by adjusting any work issues that would affect them.

HR policy. Respondents were asked to rate the importance of various HR policies regarding rewards and promotion. These areas were selected to examine because they are thought to provide a window not only to differences in cultural values, but also to differences in economic and institutional factors that might have a bearing on leadership challenges and effectiveness. We found that Chinese respondents clearly favour performance-based pay and promotion, and are interested in fast promotion based on short-term goal achievement. Japanese respondents did not rate these items so highly as the Chinese respondents. These differences in short- versus longer-term gratification in reward and promotion are further explored in Study 2.

STUDY 2

The above study identified several differing areas of leadership and HR policy preference between Japanese and Chinese respondents. It was conducted in domestic companies in the respondents' home countries. The aim of Study 2 is to examine whether these differences in

fact contribute to cross-cultural leadership challenges when Japanese managers are posted to their company's subsidiary in China.

Method

Research setting and sample. The interviews were conducted in the Shanghai subsidiary of a large Japanese service and media conglomerate ("J-Media"). J-Media provides recruiting and marketing advice to firms, and offers various classified advertisement websites and magazines. The company first began to internationalize its operations approximately 10 years ago, and has established subsidiaries in mainland China and other Asian cities. The Shanghai subsidiary employs about 150 local employees and 20 expatriates from the head office in Japan. Interviewees consisted of five expatriates, one locally hired Japanese manager, and six local Chinese employees. Interviewees include executives, senior managers, middle managers, and supervisors. Table 2 summarizes the sample characteristics.

Insert Table 3 about here

In-depth interviews. The study employed semi-structured interviews (Wengraf, 2001). Several questions were prepared for the interview (see Appendix 1), and others were added during the interview process based on information given by the interviewees, in order to delve more deeply into a topic area. The interviews were conducted by one of the authors, using either Japanese or English, except in one case where an interpreter was used for an interviewee who spoke only Mandarin. All interviews were recorded, translated and summarized (see Appendix 2). It should be noted that the business language at the Shanghai subsidiary is Japanese.

Following Schmidt (2004), the interview comments from each individual were codified and categorized using a framework drawn from the theoretical review. The authors added and adjusted categories through this process. Comments from both Japanese and local employees were used to identify key leadership challenges for Japanese managers. In the occasional instance when comments were deemed to reflect different aspects of the same organizational phenomenon, the comments were classified into one category.

Findings from Study 2

Interviews in China reveal that there are a number of leadership 'clash points' between Japanese expatriate managers and Chinese employees.. These are elaborated below.

Clash Point #1: Transactional vs relational employment relationship. First, Japanese expatriate managers find it a challenge to demonstrate short-term, transactional leadership. Chinese local employees favour clear individual roles, short-term, objective goals, and clear criteria for promotion. They are also interested in career progression and pay increases;

managers need to answer subordinates' queries as to why they have not been promoted and how they can get a higher position. A Japanese manager commented:

> *"To encourage Chinese organization dance, we need more stimulus and upbeat music than in Japan. Here, it is quite important to show clear relationship between pay and performance. Also, much shorter performance appraisal cycle is required to motivate Chinese employees.... In addition, you need to tell required qualifications for higher positions. Since Chinese people are so keen on individual reward and promotion, you cannot gain trust from them without giving clear explanation on appraisal, reward, and promotion."*

Interviewees pointed out that their attitudes toward reward and promotion stem from the economic and institutional environment. Chinese employees feel strong pressure to keep pace with economic development and to compete with numerous people in the labour market. Furthermore, employment relationships are not as secure as in Japan, and firms can easily fire people (Gallagher et al., 2011; Witt, 2011). As a result, Chinese employees perceive a risk of dismissal and tend to lack trust or loyalty toward employers. The labour market is quite fluid and the turnover rate is much higher than in Japan[1].

A Chinese employee commented:

> *"[There is a strong interest for individual reward and promotion] because of strong anxiety for the future. Since the economy and society are quite rapidly changing, people feel a strong fear about being lagged behind... If my career does not progress as [fast as the] economy or other people, I will be lagged behind. Also, people tend to understand the economy as the competition for limited resources by numerous people. Everybody wants to take one's share before others take."*

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[1] Some interviewees commented that turnover rates are typically 20 to 30% in many private firms in China, a number that is much higher than in the typical large Japanese firms in Japan

This observation is shared by a Japanese expatriate:

"In China, labour institutions are quite different from those in Japan. Almost everybody is working under one to three year contracts and firing people is relatively easy... Therefore, Chinese people don't feel trust or loyalty toward firms, knowing firms can terminate their contract at their will. They feel strong uncertainty in their employment status, and thus want to secure their future by themselves. I think this is one of the reasons why people stick to objective goals, short-cycle appraisal, and promotion."

A lack of trust in employers often results in employees' motivation to clarify individual roles and expectation in order to ensure fair rewards, preventing shirking by the managers (Marsden, 1999). This view is supported by Chinese employees' emphasis on the importance of close observation of their daily activities by their managers. Rapid economic growth and high turnover rate are likely to result in people's strong interest for short-term appraisal and rapid promotions.

Clash Point #2: Decisive leadership. Second, Chinese employees expect leaders to make decisions and give clear directions. Japanese managers are used to collective decision-making, and often consult the head office in Tokyo before making decisions. As a result, they often fail to show decisiveness and thus are considered as lacking legitimacy as a leader from their Chinese subordinates, as a Chinese manager commented:

"I expect managers who can make decisions. Japanese managers are often reluctant to make decisions by themselves, and consult the head office in Tokyo. Such behaviour is quite disappointing for Chinese employees."

This is understood by Japanese managers who commented that while it is important to listen to subordinates and create harmony in the workplace, it is not enough. Clear decisions and

direction is needed. Such decisiveness is considered an aspect of transformational leadership (Hanges & Dickson, 2004). Both China and Japan are high in collectivism, so this dimension does not fully explain the challenge. Behind this challenge, there appears to be differences in the "source of power" (French and Raven 1959) between Japanese and Chinese managers. For example, a Chinese manager, who had worked in Japan for six years, commented managers in Japan can automatically gain authority from their position, whereas decision-making ability confers authority in China. This comment suggests that decisiveness helps managers to gain expertise power in the Chinese context, whereas managers have legitimacy power through position in the Japanese context. It has been suggested that Japanese work for their company whereas Chinese work for their boss. For Chinese employees, managers need to earn the authority by displaying appropriate traits and/or behaviours that are expected by their employees.

Clash Point #3: Delegation. Third, Japanese managers face a challenge to delegate tasks. Chinese employees expect delegation rather than Japanese planning and control. A Japanese manager commented:

"In China, it is quite important to rely on Chinese subordinates. In Japan, we

tend to only delegate tasks when we can expect a result. But here, it's better to

delegate tasks even if you don't have a clear image [of the result]. I delegate

partly because I don't have such deep knowledge about the Chinese market, but

also because they like to be delegated decision making … Now I feel more

accepted, and can get far more information from them."

This seems to clearly reflect cultural differences in uncertainty avoidance between the two countries. However, comments by some Chinese employees also suggest that their strong interest in career progress may reinforce their demand for delegation. Since delegation allows

subordinates more responsibilities, Chinese employees may consider such tasks as an opportunity to develop skills and proof of managers' trust in their capabilities. Chinese employees, who are under strong pressure to progress in their career, are likely to consider delegation as a valuable instrumental interaction (Chen & Chen, 2004) that enhances guanxi with their managers. Managers are likely to derive extra effort from subordinates, as those with guanxi are given a high level of trust and obligation (Chen & Tjosvold, 2007) and guanxi development has a reciprocal nature (Chen & Chen, 2004).

In sum, Study 2 reveals that Japanese managers in China are challenged by transactional leadership, decisive leadership, and delegation. Other related leadership 'clash points' include, clear, explicit performance feedback desired by Chinese, and the Japanese are felt to be too indirect; and short-term and individualistic orientation to work and rewards found among Chinese (rapid economic growth & unstable labour market condition encourage labour turnover). These findings suggest that economic and institutional factors have a strong bearing on Japanese leadership challenges in China. The results, limitations, and implications of Study 1 and Study 2 are discussed below.

DISCUSSION

We explored the leadership challenges of Japanese expatriate managers in China and comparative leadership and HR policy preferences (or CLT: culturally endorsed implicit theories of leadership) between China and Japan. In general, our findings indicate that Chinese employees prefer a transactional, particularistic leadership approach focused on individual, short-term goal attainment, while Japanese employees prefer a more paternalistic leadership approach focused on the collective good. The two studies suggest that the interaction between the economic and institutional environment and culture creates a unique

set of leadership challenges for Japanese managers who work with Chinese employees. We expand on these findings below.

The Chinese labour market has experienced significant reform during the past two decades, and the stable, secure employment relationship has been dismantled (Gallagher et al., 2011). The employment relationship has taken the form of a fixed-period contract basis, and employees are prone to dismissal by employers (Witt, 2011). Once unemployed, individuals cannot receive social welfare such as healthcare (Gallagher et al., 2011). Thus, employees are exposed to considerable risks. It is likely that these external economic conditions create a "strong situation" (Mischel, 1977), where employee behaviour is guided by the situation rather than by individual attributes such as personality, values and attitudes. Along with the family-oriented nature of Chinese collectivism, such strong pressure for survival in the labour market is likely to hinder collectivistic values in the workplace, and result in the pursuit of self-interested goals.

The characteristics of Chinese employees in J-Media may reinforce such tendencies. Most of them are in their 20s or early 30s, with at least a university/college level education. Young Chinese, born after the beginning of economic reform in 1978, are less collectivistic than elder generations and have strong interest in personal development; receiving higher education reinforces such tendencies (Sun & Wang, 2010). This is underscored by Ralston et al. (2008) who found that the introduction of capitalism results in individualistic work values.

Secondly, the fact that the interviewees work for a foreign company may also affect employee attitudes. In China, state-owned firms and private/foreign firms form two distinct labour markets (Witt, 2011). State-owned firms tend to be associated with job security and work-life balance, whereas foreign firms are linked with international careers and challenging jobs (Araujo, 2011). This suggests that employees in foreign firms may have a stronger interest in personal development, and be more divergent from traditional culture.

The interview data suggest that Chinese employees want leaders who will provide role clarity, feedback and appraisal, delegation, and decisiveness. Chinese employees favour clear individual roles, short-term objective goals, and clear criteria for promotion, a clear link between pay and performance, and frequent performance appraisals (individualism). According to respondents, this is fuelled by institutional and economic uncertainty. Chinese employees expect tasks to be delegated partly as a means to develop their career, while Japanese expatriates find it a challenge to do so (uncertainty avoidance). Again, this ties into the pressure felt by Chinese employees to be highly marketable so as to progress and succeed in an uncertain marketplace where employment is on short-term contracts. Chinese employees prefer decisive leaders, and lose respect for those managers who have to get confirmation from HQ. In sum, any similarity of cultural values does not make leadership easy in China. The economic and institutional factors appear to weigh heavily, and cultural values in China are likely in transition, eg., more individualistic than in previous generations.

The results from Study 2 indicate that rapid economic growth, a lack of security in the labour market, and the family-centred nature of collectivism in China seem to result in the preference for transactional leadership. Further, the difference in collectivism between Japan and China seems to create a need to demonstrate decisive leadership. Finally, low uncertainty avoidance and a strong interest in career progression among Chinese employees seem to highlight the importance of delegation from their bosses.

These findings were underscored by the results of Study 1. While Japanese respondents highly rated their ideal leader as someone who drives collective goal attainment and creates a cooperative work environment, these characteristics did not figure highly in the Chinese image of their ideal leader. This is consistent with the findings from Study 2. Also, while Japanese respondents highly rated a leader who not only looks at the results but also appreciates the process, the Chinese respondents did not seem to care much about process.

This is in line with the strong preference for transaction leadership that we found in Study 2. In addition, the most valued image of an ideal leader from the eyes of Chinese respondents were those who are "flexible and adaptable according to the changes in situations, as well as individual employees", which reflects the needs among the Chinese to being adaptable and changeable in accordance with fast changing and unstable economic and labour market conditions.

What is interesting from our findings of Study 1 is that both Chinese and Japanese respondents rated "consultative" leader highly. It may well be that while the questions themselves are about the leader's "consultativeness" in nature, the reasons for valuing a consultative approach might differ. Some of the interviewees in Study 2 indicated that *"…Chinese would like to be delegated, and consulted on the decisions that affect them…"*, whereas *"… my Japanese boss consults me (Chinese) in order to persuade me to agree to their view from the HQ, rather than to delegate…"* Further, we might consider the potential foreign ownership effect whereby Japanese expatriate managers, known to use an ethnocentric approach in their subsidiaries, may not delegate to the extent that they do in Japan.

Our study contributes to the debate on the relative importance of cultural, institutional and economic factors that influence cross-cultural leadership and international business. It provides support for the argument made by Ralston and colleagues (1993, 2008) that the interaction of traditional cultural values and modern economic development creates a unique set of work values. A cultural perspective might have more explanatory power in examining organizational phenomena in advanced economies with stability and developed institutions than in emerging economies with relatively lower stability and weaker institutions. Another point to keep in mind is that in a large culture like China, there can be regional variation in culture (Li et al., 2013). Further, cultures change. Li et al (2013) point out that the culture in

HongKong has changed in a fairly rapid period, from high to low on power distance and uncertainty avoidance. In other words, culture should not be treated as a static or homogenous variable; they can be influenced by environmental factors (Li et al., 2013).

The most notable practical implication of the study is that cultural closeness does not necessarily mean the absence of leadership challenges (Selmer, 2007). The study provides evidence in support of a broader conceptualization of 'cultural distance' than envisioned by Kogut and Singh (1988) where only differences in values are considered. We find that the economic, political, and legal environments also matter. This is consistent with Ghemawat's (2007) argument that MNEs should be aware of all cultural, institutional, geographic, and economic distance in considering their global strategy, although his framework focuses on strategic analysis. This is also in line with the latest debate on "distance" in the literature in terms of culture, psychic, institutional, economic as well as geographic distance (cf. Shenkar, 2012; Zaheer, Shomaker, & Nachum, 2012). The findings raise the question as to the value of the Confucian Asian cluster, where cultural distance is reportedly low. Yet the differences, however subtle, can create leadership 'clash points' in the management of employees who belong to the same cultural cluster. This draws attention to the importance of an emic approach in examining encounters between people of "close" cultures. Interpreting observations in China require a consideration of the idiosyncratic nature of Chinese culture, such as family-oriented collectivism that does not appear to extend to the organization.

The research has several limitations. The small sample of in-depth interviews in Study 2 limits the generalizability of the findings, so a larger study that includes a range of industries and demographic groups is warranted. Also, because the data in Study 2 comes from a Japanese company in China, there might be a foreign ownership effect underlining the reactions of Chinese employees towards their Japanese employer. This could challenge the interpretation of the differences in leadership expectations between China and Japan.

However, the interview results were underscored by the survey results in Study 1, so may address these shortcomings to some extent. The sample size was 300 in each country and included a range of industries. A limitation of Study 1 is that it included only white-collar employees. It would be beneficial to sample other employee groups. Despite these limitations, our findings warrant at least two further research areas. One is a further exploration of the high-low context dimension and its influence on leadership challenges. To this end, we suggest future research centered around more interview-based, and/or text-based such as analysis of email correspondence in a research setting with high-context and low-context interaction. Another interesting line of inquiry would be the further examination of work values in China since it appears from this study that rapid economic growth may cause a 'strain' on traditional culture. The interaction of economic development, labour institutions, and traditional culture may result in variable effects on work values in different segments of the work population, such as employees in state-owned and foreign firms. Qualitative studies to explore such unique interactions across segments will serve to deepen our understanding of cross-cultural leadership challenges.

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Appendix 1. Interview protocol

1. What are the major challenges for Japanese managers in leading their team in the

   Chinese context?

2. What is the difference between effective Japanese managers and average/low

   performing ones in the local office?

   o In terms of their attitude, behavior, and interaction with subordinates and other

      managers

3. Do Chinese employees feel stressed in working with Japanese managers? If so, what

   is the source of such perceptions?

   o From strategy building and goal setting to appraisal and feedback, to daily

      communication

Exhibit 1. GLOBE Dimensions for Japan and China

GLOBE Dimension	Japan and China		
	GLOBE scores: Japan	GLOBE scores: China	Relative strength: Japan vs China
Performance rientation	4.22	4.37	--
Future Orientation	4.29	3.68	--
Gender Egalitarianism	3.17	3.03	--
Assertiveness	3.69	3.77	--
Institutional Collectivism	5.23	4.67	
In-Group Collectivism	4.72	5.86	China (+1.14)
Power Distance	5.23	5.02	--
Humane Orientation	4.34	4.29	--
Uncertainty Avoidance	4.07	4.81	China (+0.74)

Source: House et al. (2004).
Note: In this table, a score greater than one-half a point above its comparator indicates 'relative strength'.

Exhibit 2. Leadership CLT Scores for Japan and China

CLT Leadership Dimensions	Japan	China
Charismatic/Value-Based	5.49	5.56
Team Oriented	5.56	5.57
Participative	5.07	5.04
Humane Oriented	4.68	5.19
Autonomous	3.67	4.07
Self-Protective	3.60	3.80

Source: House et al. (2004).

Table 1. Summary of differences in culture, economic development, and institutions

Country	China	Japan
Culture	Collectivism - family oriented Low Uncertainty Avoidance	Collectivism – firm oriented High Uncertainty Avoidance
Economic Development	Emerging Economy	Advanced Economy
	Rapid growth- booming experience	Stagnation/recession experience
Institutions	LMEs- fluid labour market and concentrated decision-making	CMEs- long-term employment and dispersed decision-making

Table 2. The Characteristics of respondents from China and Japan (Study 2)

		China		Japan	
		<u>n</u>	<u>%</u>	<u>n</u>	<u>%</u>
Gender					
Male		122	41	267	89
Female		178	59	33	11
Age Group		61	20	13	4
20-29		144	48	123	41
30-39		94	31	164	55
40-49		1	0	0	0
50-					
Industry					
Manufacturing	Machinery; equipment	29	10	5	2
	Food products	13	4	60	20
	Pharmaceutical products	18	6	3	1
	Manufacturing (others)	54	18	81	27
Non-Manufacturing	Transport; warehousing; distribution	9	3	21	7
	Trading company	11	4	26	9
	Department store; supermarket; convenience store	8	3	3	1
	Retail (others)	10	3	46	15
	Finance; insurance	27	9	12	4
	Real Estate	5	2	8	3
	Telecommunications	12	4	16	5
	Information processing; software	59	20	7	2
	Other services	7	2	5	2
	Others	2	1	6	2
Employment tenure (years)					
0-4		49	16	13	4
5-9		145	48	62	21
10-14		36	12	65	22
15-19		63	21	71	24
20-24		6	2	68	23
25-30		0	0	21	7
Total		300	100	300	100

Table 3. The Characteristics of Interview Samples Study 1 (n=12)

Gender	Male	7
	Female	5
Job Level	Executive	1
	Senior manager	4
	Middle manager	4
	Supervisor	3
Age Group	20-29	4
	30-39	6
	40-49	2
	50-	0