

Dialogue, Debate, and Discussion

Both Converging toward and Diverging from Global Paradigms: The Perspective of Yin-Yang Balancing for the Unity-in-Diversity Duality

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I applaud the initiation of a new section in *Management and Organization Review* (MOR) entitled ‘Dialogue, Debate, and Discussion’, and I am compelled to respond to the first perspective article about the global corporate organization by Shawn Pope and John W. Meyer. I expect that this piece will generate an engaged discussion among scholars who are interested in the long-standing debate over the trend toward the convergence or divergence of business mindsets and practices across the world as well as the necessity to engage in universalistic (etic) or indigenous (emic) research (e.g., Li, 2012; Mayer, 2006; Tsui, 2004; the two MOR special issues in 2011 and 2012, and the forthcoming *Asia Pacific Journal of Management* special issue in 2016).

From the outset, I want to make my position as explicit as possible. I both agree and disagree with various aspects of the argument from Pope and Meyer, but my agreement and disagreement are *asymmetrical* with the latter being much larger than the former. In general terms, I agree with Pope and Meyer that there is an overall trend toward globalization, and some features shared across the world are emerging from traditionally separated countries toward one or more global paradigms. However, I disagree with Pope and Meyer regarding their explicit or implicit assumptions as two themes underlying their overall argument: (1) there can be only one standardized global paradigm, and (2) global and local forces can only be framed as a mutually exclusive dualism in accordance with either/or logic. In other words, I think that the position taken by Pope and Meyer is out of balance: too strong on the side of converging homogeneity or standardization, but too weak on the side of diverging heterogeneity or variety. I posit that we can have more than one standardized global paradigm, and it is better to frame global and local forces as a duality of opposites-in-unity in accordance with the Eastern cognitive system of *yin-yang balancing*. The central theme of my view is that it is beneficial to apply the system of yin-yang balancing to the convergence-divergence debate so as

to reframe the ‘conventional wisdom’ rooted in the either/or dualism into a novel meta-paradigm of unity-in-diversity as a yin-yang duality.

More specifically, I seek to make five critical points. First, I agree that we are in the middle of a long-term trend toward globalization, but I do not regard this trend as a simple convergence toward a single homogenous or standardized global paradigm. Rather, I frame this trend as a holistic and dynamic balancing between both convergence (with global forces) and divergence (with local forces) toward a meta-paradigm of unity-in-diversity with some aspects being relatively converging (global forces related more with unity to a higher degree, but never absolutely or fully without any degree of local forces as mutually exclusive), while other aspects relatively diverging (local forces related more with diversity to a higher degree, but never absolutely or fully without any degree of local forces as mutually exclusive). This is the *underlying nature* of international business toward globalization: there would be NO benefits in terms of cross-border synergy for any multinational firms to engage in global activities IF there will be NO diversity in the contexts at the sub-national, national, and/or super-national levels. In other words, globalization, as a global interconnected network of diverse local contexts, cannot be the same as one global homogeneity or standardization. Hence, international business would disappear without the global network of diverse local contexts (Dicken, 2015).

My above view is consistent with, but not identical to, the perspectives of comparative business systems and varieties of capitalism (e.g., Hall & Soskice, 2001; Whitley, 1999, 2007). I maintain that the research streams on business systems and varieties of capitalism have two key limitations. First, they tend to focus primarily on formal institutions, thus lacking the attention to the interplay between both informal and formal institutions (Helmke & Levitsky, 2004). Second, they tend to focus primarily on the institutional dimension of the external context (which is concerned with the *game rule* for task coordination as the institutional motive for action), but they lack the needed attention to the other dimension of external context, which is the *resource pool* for resource configuration as the ability for action, to complement the institutional (both informal and formal game rules) dimension (Granovetter, 1995). To integrate the two separated dimensions of external context, a holistic and dynamic explanation about why the firm exists should take into consideration both economic (including resource pool at the macro level and resource configuration at the meso level) and institutional (including game rule at the macro level and task coordination at the meso level) rationales. It is due to the two core dimensions of business context that we have two categories of economies or societies in the world: the advanced countries as well as the emerging countries, thus the distinctive categories of multinational firms from the advanced and the emerging countries. In short, contextual diversity (on the dimensions of both game rule and resource pool with their holistic and dynamic interplay and joint effect) is the *raison d’être* for the trend of globalization, rather than the simplistic assumption of global convergence. It is worth noting that this debate is not new, and it will certainly continue into the future. For example, in the early 1960s, there was a

debate over the same issue (e.g., Kerr, Dunlop, Harbison, & Myers, 1960), and it had continued until 1980s (e.g., Kerr, 1983) and beyond. It is worth noting that one of the co-authors of the original book, Clark Kerr, later substantially modified his original position by admitting that the industrial societies would remain divergent in the long run (Kerr, 1983).

My second point is that, even if we would see more homogeneity or standardization in the future, it is far from certain that such homogeneity or standardization would be in the overall direction of the Western paradigm in general and the US paradigm in particular. It is also far from certain that there can be only one paradigm in the world. Even though Pope and Meyer do not explicitly refer to the Western or US paradigm, there is little doubt that they imply that in the entire article. For instance, they explicitly specify 'English as a common global language', and also implicitly identify the US-based academic journals and business schools as the exemplars to best embody the 'globally standardized criteria' (2015: 175), thus the envy of the rest of the world. There is no doubt that the US paradigm has the biggest influence from a single country to the rest of the world, but the rest of the world, as a collective entity, can also have a salient counterbalancing impact on the US. In addition, there is little doubt the Western paradigm is the leading model in the modern times for the rest of the world, but the non-Western regions of the world are not without any critical influence, not only historically in the past but also in the modern times. For example, it is evident that the managerial practices in Japan, as a non-Western nation, once had a tremendous influence over the practices of many US and European companies in the 1980s and 1990s until the Japanese economy went bust (Nonaka & Takeuchi, 1995; Ouchi, 1981). Further, the reemergence of China and India as global powers also bear far-reaching global implications, especially for the Western powers (Li, 2013). In addition, there is a growing interest in the unique *Nordic model* as an alternative to the US model in recent years (*The Economist*, 2013). By framing globalization as a balancing between convergence and divergence toward a meta-paradigm of unity-in-diversity, I would agree that the differences between single countries may gradually disappearing, but the differences between some regions as the clusters of multiple countries may increase, such as the growing distinctions between the Western region and the East Asian region, between the advanced and the emerging countries, and between the English-speaking region and the non-English-speaking regions in the West (e.g., the Nordic region and Germany) (Nonaka & Takeuchi, 1995; Ouchi, 1981; Simon, 2009; *The Economist*, 2013). I posit that it is highly likely for the world to entertain more than one global paradigm (see Hall & Soskice, 2001; Whitley, 1999, 2007).

Further, it is critical to note that the other perspective article in the same issue by Gordon Redding and Michael Witt (2015) provides the evidence that the US paradigm in terms of typical executive rationale is the exception rather than the rule in the group of five major economies (i.e., Germany, Hong Kong, Japan, South Korea, and the US). For instance, while all other four models emphasize stakeholders, the US model focuses mostly on shareholders. This evidence provides

the support for the criticism that the mainstream research in management is too dominated by the biased US views (e.g., the most popular US-based theories in economics and finance, such as the transaction cost theory and agency theory). This implies that the non-US perspectives, such as the emerging views of transaction value and family-like community (Li, 1998), deserve special attention, and the indigenous research should be emphasized as a legitimate research domain (Li, 2012). I venture to speculate that the distinctive business systems and the varieties of capitalism in the world will further expand into a greater diversity in the future, especially in the context of West-meeting-East (Chen & Miller, 2011). This position is supported by the emerging research streams on the *second-home strategy* in terms of developing the dual-core competences for being truly global players, with one core for the advanced markets and the other core for emerging economies (due to the fundamentally distinctive contexts on the dimensions of resource pool and game rules between the advanced and emerging economies, Li, 2013; cf. Galvin, Hexter, & Hirt, 2010), and also on the *bottom-up innovations* as the disruptive innovations from the bottom of the pyramid as the strategic mechanism for emerging multinational firms to catch up and even leapfrog the traditional multinational firms (Li, 2013). It is increasingly evident that emerging multinational firms differ categorically from traditional multinational firms (Li, 2013).

Third, related to the above point, the Western or US paradigm itself is not a homogenous entity, but also a unity-in-diversity. The English-speaking region and the non-English-speaking regions (e.g., the Nordic region and Germany) in the West have rather distinctive business practices at the micro level and the business systems at the macro level. Further, in the US, the business practices at the micro level in the East Coast regions are rather distinctive from those in the West Coast regions, as Saxenian (1994) highlighted the striking distinctions between the Route 128 in Boston and Silicon Valley in California. In addition, the traditional business models and the new Internet-era business models are categorically different within the US, thus hardly a picture of one single paradigm for all firms in the US. In this sense, a paradigm shift in the US is not only more necessary, but also more urgent, than other parts of the world. For example, the traditional focus on profit for shareholders in the US is being seriously challenged by the more recent view of 'triple bottom lines' for both social goals and economic profit (Elkington, 1997), which is more popular in Europe and Asia than in the US (Cordes, 2013). Also, the traditional winner-take-all incentive system and individualistic value in the US are challenged by the emerging trends toward symbiotic ecosystem, strategic alliance, and cooperative teamwork (Li, 1998, 2013).

Fourth, the emerging form of network organization resembles the traditional form in the East Asia rather than the traditional form in the US (Li, 1998, 2013). Further, related to the theme of West-meeting-East, the overall power shift from the US to China is emerging. For example, in the sector of high-technology manufacturing, the global share of China has been catching up rapidly with that of the US in the past decade. According to a report by the US *National Science Board*

(2014), the global share of *high-tech manufacturing* in China rose from merely 8% in 2003 to 24% in 2012, only behind the global share of US at 27%; even in the *commercial knowledge-intensive services* (including business, financial, communication services, without the public services of education and health), the global share of China grew from less than 3% in 2004 to 8% in 2012, which was at the same level as Japan, even though still behind the US share of 32% as well as the European Union's share of 23%. Further, Boston Consulting Group (2011, 2015) has published two reports about the rapid rise of the Chinese firms as new global challengers in multiple industries, such as automotive supply, construction equipment, and chemicals as well as telecommunications equipment, solar and wind power, coal power, rail rolling, power generation, power transmission, and civilian aerospace. Finally, in the consumer sector, foreign firms are finding it increasingly challenging to attract and keep the Chinese consumers in the more recent years when the market becomes more mature, as shown in a recent survey that the Chinese local firms have taken away the market share from the foreign firms for the third year in a row, as aided by their faster adaptation of novel business models (*Global Times*, 2015). All the above indicate the emerging shift of power from the US to China, which reflects the salience of West-meeting-East, including the political implications (Rudd, 2015) and economic implications (McKinsey Global Institute, 2015).

Finally, the need for diversity is not only salient to business practices but also to everything in our life. In particular, diversity is central to biological life in general in terms of bio-diversity because diversity is needed to generate any possible mutation for evolution (Gaston, 2000), which would be the similar case in the social life, consistent with the law of requisite variety (Roth, 1956). I argue that converging homogeneity or standardization tend to be more superficial (e.g., the general menus of McDonald's and Kentucky Fried Chicken), while the deeply rooted diverging heterogeneity or variety remains strong (e.g., the locally adapted menus of McDonald's in India and Kentucky Fried Chicken in China as distinctive from the menus in other locations). In this sense, converging homogeneity or standardization tends to concentrate on the dimension of resource pool (e.g., the domains of technology and economics), while diverging heterogeneity or variety tends to lie on the dimension of game rule (e.g., the domains of culture and society). Further, it is even more likely that converging homogeneity or standardization tends to be more abstract in basic principles (e.g., economic goals of efficiency and effectiveness, division of labor, and corporate governance), while the specific applications of such abstract principles tend to lean toward diverging heterogeneity or variety, similar to the distinctive roles of the etic and emic research (Li, 2012). Finally and most critically, diversity is also central to novelty in innovation (Hewlett, Marshall, & Sherbin, 2013). Diversity is particularly necessary for management research and practice as a counterbalance to unity (March, 2005), thus toward a balance in duality (Li, 2012). In this sense, the notion of duality can be best understood from the system of *yin-yang balancing* rooted in the traditional Chinese

philosophies, which can explain the holistic and dynamic links between opposite forces, including convergence and divergence, etic and emic, formal and informal forces, institutional and economic rationales, and contextual effect and agency enactment. In other words, it explains why and how opposite forces co-exist, for healthy tensions, to complement each other, while in conflict in the same aspect and at the same time. I posit that the system of yin-yang balancing is potent to serve as a ‘meta-feature’ by interlinking diverse perspectives into a unified system as a holistic and dynamic unity-in-diversity because it is the only cognitive system that can truly embrace and appreciate paradoxical opposites as partial tradeoff due to their partial conflict, and partial synergy due to their partial complementarity (Li, 2012).

In conclusion, the article by Pope and Meyer will facilitate the debate over the overall direction of our research as etic or emic in nature. While I agree in some aspects to certain degrees, I take issue with the primary position of Pope and Meyer. I posit that the reality is most likely to be a holistic and dynamic balance between convergence (unity) and divergence (diversity) as a duality. To fully explain the duality of unity-in-diversity as a meta-feature of our reality, we need to adopt the system of yin-yang balancing.

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