Leading, Knowing and Growing from a Wu Wei Perspective:

A Study of Logistics SMEs in Shanghai, China

Submitted by

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I certify that all material in this thesis which is not my own work has been identified and that no material has previously been submitted and approved for the award of a degree by this or any other University.

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ABSTRACT

The aim of the study is to investigate how owner-managers of Chinese SMEs explore and exploit knowledge while growing SMEs in the spirit of Wu Wei. SME growth has been an increasingly important topic, where there is an important link between SME leadership, knowledge and growth. However, a large body of existing research treats knowledge as a static or reified asset or resource such that these studies are mainly concerned with how to create, acquire, transfer or manage knowledge. Following that, the research methods tend to be dominated by quantitative analysis, and weighs towards large organizations in developed economies.

Drawing on the data collected in China, this study employs a mixed-methods approach by administering 103 surveys, wherefrom nine owner-managers are isolated for in-depth interviews at three business stages of SMEs (micro, small and medium). By attending to three dimensions (genuine Wu Wei, You Wei and Wu Bu Wei) of a Chinese Daoist Wu Wei perspective, it re-examines the link between SME leadership, knowledge and firm growth. This empirically-derived work shows evidence of subtle changes embedded in the growing process: While owner-managers stress keeping inherent openness to explore knowledge (genuine Wu Wei) and strategically exploit knowledge deployed in their everyday leadership practice (You Wei), growth evolves as a spontaneous and continuous accomplishment (Wu Bu Wei).

By adopting a Wu Wei perspective, this study makes distinctive contributions to the understanding of leadership, knowledge and growth, where leadership and knowledge co-evolve and disseminate in the dynamic processes of growing as ‘leadership becoming’ rather than ‘knowledge leadership’. Whilst fostering the co-flow and co-evolution of leading, knowing and growing, the owner-managers undertake the role of knowledge generalist, knowledge supervisor and knowledge mentor within micro, small and medium firms.

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CHAPTER 1 INTRODUCTION

1.1 Introduction

The importance of SMEs has been acknowledged across a range of economies (Zhu et al., 2012), and the growth of SMEs has been addressed as a persistent topic in small business research and organizational literature (Macpherson, 2004; Macpherson and Holt, 2006). Specifically, the 'debate and desire' is primarily focused on the 'characteristics and determinants of growth' in SMEs (Cope et al., 2011:270). In the context of small business, the predominating power is nested in the owner-managers in terms of the survival and further growth of the business (Osborne, 1991). Despite the proven importance of leadership in SME firms, leadership has not yet received sufficient attention in the extant literature (Jensen and Luthans, 2006). In particular, there is sparse scrutiny about the changing nature of leadership embedded in the process of growing SMEs (see Greiner, 1972; Kempster and Cope, 2010). Moreover, organizational leadership tends to 'ignore smaller and newer organizations' (Jones and Crompton, 2009:330) or be biased towards examining SMEs in developed economies (Mathews and Zander, 2007).

Chia (1998) points out that traditional thoughts and organizational mentalities are polarized in the western world, particularly in the United States, thereby he urges a call for a more holistic approach of theorizing organizational process by looking into the emergent economies like BRIC (Brazil, Russia, India, China). Indeed, there are more entrepreneurial activities to be found in emerging economies than in mature economies (see Hult et al., 2003; Schumpeter, 1934). As the second largest emerging economy, China is undergoing a booming development of SMEs over the past decades (Atherton, 2008), where 97.3% of enterprises are SMEs according to *The Yearbook of China Small and Medium Enterprises 2013*. Chia's argument relates to that of other scholars (McElhatton and Jackson, 2012; Prince, 2005), who propose a 'reverse' attention from western concepts of leadership to the connexion of Chinese Daoist philosophy in order to bring about 'a more harmonious approach' (Wang et al., 2013:6).

In parallel, knowledge is considered critical to all modes of economies in an emerging knowledge-based society where knowledge is power (Clifton et al., 2015). However, existing research is preoccupied by knowledge creation, transfer and management, where knowledge is reified as an asset or a resource. It fails to fully capture the essence of knowledge which is

more characteristic of being dynamic rather than static. Moreover, studies have primarily adopted quantitative methods with a bias towards manufacturing and high-technology sectors, or mixed sectors in developed economies (Macpherson and Holt, 2006), despite the fact that the service sector plays an increasing role in facilitating all modes of economic development. The opening-up policy of the Chinese economy provides the access to conduct original empirical research in mainland China, where small businesses are increasingly important associated with China's economic growth (Pistrui et al., 2001).

In responding to the above gaps in our existing knowledge, this thesis is a multi-disciplinary effort that builds on four strands of literature – leadership, knowledge, growth, Wu Wei as well as Shi. Wu Wei serves as the heart of Chinese ancient Daoist philosophy: It implies adopting a processual perspective that underlines practising an inherent openness to engage in the processes of exploring and exploiting knowledge whilst keeping detachment to the purpose, whereby the micro potentiality evolves as efficacy in a continuous and spontaneous way. Building on Wu Wei, it offers a distinctive, alternative approach to examining the dynamic interaction and intra-action between leadership, knowledge and growth in micro, small and medium enterprises (SMEs) operationalized through a mixed-methods approach. In particular, this thesis focuses on the fast-growing settings of logistics service sector (hereinafter referred to as logistics or logistics sector) in the transitional economy of China, specifically configured in the Shanghai area, where logistics plays a crucial to the economy yet still remains in the progress of development. The spirit of Wu Wei particularly attends to the ambiguous and fluid status of growing SMEs and developing logistics sector in China.

The aim of this first chapter is to provide an overall setting to the thesis, highlight the significance of this research topic both academically and practically, and present a small narrative of my journey into this topic, as well as the research aim and overall objectives. This first chapter is structured into four sections. The next section narrates my personal journey into SME leadership, growth, Shi and Wu Wei. It is followed by a clear outline of the aim and objectives of this study. Lastly, it illustrates the structure of the thesis and briefly outlines each chapter prior to transitioning to the literature review.

1.2 My journey into SME leadership, Shi, growth and Wu Wei

1.2.1 My journey into SME leadership, Shi and growth

In the talk about ‘leadership v communityship’, Mintzberg (Leadership and communityship, 2014) proposes that the best way to know leaders is – to ‘either marry or work for them.’ I am fortunate enough to have access to both as ‘an observer’ and ‘an inside partner.’ For the former, I used to serve as personal assistant (PA) to top leaders at a variety of multinational companies for more than eight years in Shanghai, which provided me with advantageous opportunities to work closely with leaders coming from various countries. As PA, I was frequently involved with their routine leading activities, such as regular management reviews, executive meetings and interactions with other directors. This working experience helps me to be aware of leadership in large organizations, which appear to be led more by the well-established structures and systems rather than the leaders. For the latter of being ‘an inside partner,’ I am intimately linked to SME leadership as I am married to an owner-manager of SME business. Over the past 10 years, I have been fully exposed to the first-hand data about how my husband’s leadership and business co-evolve from micro to small, because he has never ceased to talk or discuss with me about his routine sensemaking and leadership in his logistics business, along with his ambition to grow his business which is closely related to the notion of propensity of things (Shi). His sharing makes me aware of the importance of SME growth in practice, as growth is imperative for the survival (Steinmetz, 1969). This personal experience has enabled me to develop useful insights into this research topic and the logistics industry as ‘an insider.’ Retrospectively, I can make sense of the difference between large organizational leadership and SME leadership, particularly the nuanced changes embedded in the process of growing SMEs at different stages. For example, in the early stage of micro businesses, my husband was fully occupied by everything – not simply acted as a leader, but more took ‘a figurative role’ and represented the firm in various ways (Holt and Macpherson, 2010), such as a cashier, an HR and a sales representative. Whilst describing his role, he would always begin with ‘I do something by myself’ or ‘I need to teach or demonstrate the staff to do everything.’ Another prominent feature was that his business was beset by a limited base of customers (Floren, 2006; Wynarczyk et al., 1993). However, now that his business evolves and expands to small size, for example, his clients have increased to approximately 100 customers, he tends to talk more about establishing his core management team, introducing IT technology to improve the competitive advantages, and opening branch offices in other regions.

Because of my long exposure to leadership, when I was working on the research proposal to apply for PhD studies, the fascinating topic of leadership occurred to me in a spontaneous

way. But on what perspective shall I focus? Given the owner-managers are more concerned with developing their business rather than maintaining the status quo (Jones and Crompton, 2009:332), indeed, my husband's talks are always associated with firm growth, because a firm, particularly in the case of SME, is subject to exit from the market if it cannot manage to grow. To some extent, it is akin to a grow-or-die situation, as the Chinese market has become increasingly competitive, and the labour costs have increased since the announcement of a new Labour Contract Law in 2008. However, growth follows its own discourse or the propensity of things (Shi). Take an example of the growth trajectory in my husband's case. In its initial establishment, his firm struggled to survive, then expanded during 2004-2007, but followed by a plateau during 2008-2012, despite the fact he made numerous efforts to grow his business in the meanwhile. From 2013, it has been growing quite rapidly and is expected to gain further high growth in the following years. He reflected in the following way:

> After manging the business for so many years, I have developed a better sense of leadership and growth. For example, a few years ago, it was very difficult for us to increase the customers even if we quoted a very low price to them, and it was also very difficult for us to recruit or retain good staff, even if we offered a competitive salary. However, after focusing on logistics sector over 10 years, our firm has developed competitive advantages in the process of serving our customers day in day out. It is quite easy for us to gain key customers and we are in a position to negotiate a good price. And now we do not need to worry about the issues like recruitment or retention. Actually, quite a few talented people who left our firm before, but re-joined us proactively…

In the early years he was so attached to firm growth 'at the expense of peripheral vision' (Tsoukas and Chia, 2002:572), but his wishful goals failed to be realized, because the propensity of things (Shi) had not been formed yet. However, as his firm accrues competitive advantages, growth is spontaneously developed as a secondary accomplishment.

1.2.2 My journey into Wu Wei

Leadership has been explored for 'thousands of years' (Bolden et al., 2011:17) and there is 'a vast literature' (Marturano and Gosling, 2008: xxiii) documenting numerous definitions by different persons (Stogdill, 1974). In the beginning I was struggling with the specific research perspective, but Wu Wei occurred to me soon. In fact, Wu Wei has been living in my mind for many years. It was instigated by my younger brother. Once my sole brother told me that he was practising Wu Wei. Upon hearing this, I felt very upset and wondered why he adopted such a negative and cynical worldview while he was still so young, as I assumed Wu Wei

meant non-acting – a passive and pessimistic perspective. Since then, I have been eager to explore what is Wu Wei, because I intended to 'save' him.

My misunderstanding of Wu Wei is not simply a personal case. As Pheng (1995) points out, most people tend to understand the surface rather than the essence of things. Particularly in the case of Laozi's Wu Wei, his teachings are so esoteric and elusive that they appear not to be in line with the modern civilisation. The misunderstanding or partiality also exists in the academic literature, as Wu Wei is always construed as 'non-activity' or 'governing by doing nothing' (Xing and Sims, 2011:98). After reading widely related to Daoist teachings, the essence of Wu Wei begins to be unfolding to me. It does not simply mean passive non-acting or cynicism but rather proposes an unconventional perspective by unpacking the long-establishing causality such as between doing and targeted performance to rest the focus on the process per se, as Laozi (Ch'u Ta-Kao: 1904) says,

> 'A good traveller has no fixed plans,
> and is not intent upon arriving.'
> -- Chapter 27 (translated by Ch'u Ta-Kao: 1904)

Furthermore, my twice PhD applications are also exemplary of Wu Wei in practice. Dated back to 2005 in my MA, I wanted to pursue a PhD and worked so diligently for half a year that I even managed to publish three academic papers. However, when I was sitting the examinations, I realized that Shi was not ready yet, as it was too challenging for me to work out appealing answers in the exams. Therefore it was not very unexpected that I failed. However, my interest and connexion with leadership had never ceased, as I resumed working with leaders as a PA, and kept reading and reflecting on leadership, though I was not attached to applying for a leadership PhD project at all. In 2012, I submitted an application for PhD project again. It was very unexpected that I was not only awarded of a PhD place at Exeter, but also a full scholarship. I appreciate all my former efforts have been paid off once and for all. It serves as a case in point that 'the process of searching rather than finding' that proves to be more rewarding (Colville et al., 1999). Because the 'searching' efforts can never be wasted; on the contrary, they are incessantly accruing, indeed. The 'finding' hereof refers to the efficacy which is inextricably embedded and co-evolved within the searching process, which I understand as the efficacy of Wu Wei. And the whole process is comprehended as Wu Wei in practice.

To sum up, I understand that my own narrative involves three Wu Weis. First, my connexion with SME leadership studies, particularly with Wu Wei, is something from within, hence it

spontaneously occurred to me (genuine Wu Wei) when I was struggling about the research direction. Second, my PhD application serves as another illustration of Wu Wei. The two PhD application processes demonstrate that success can only be fostered through a long-term strategic engaging process (You Wei) rather than a short-term goal-attached action, alternatively, goals might be better examined in a processual perspective associated with the propensity of things (Shi). Further, Wu Wei is exemplified by the case of my husband's small business growth. Despite the fact that he intended to facilitate his business from the very initial stage, his wishful thinking turned out to be failure, as it was against the propensity of things (Shi). However, as his capabilities of leadership and organizational competitive advantages co-evolve over time, his business grows 'in a detached and uninhibited way' (Wu Bu Wei) (Mintzberg, 2008:167). In this sense, the propensity of things (Shi) is exploited in his business. Put together, the principle of Wu Wei can be identified in three dimensions (namely, genuine Wu Wei, You Wei and Wu Bu Wei), which arguably have resemblance to the way of theorizing organizing by Weick (1979) (see Table 1.1).

Table 1.1 Association between Weick's organizing and Laozi's Wu Wei

Weick (1979:3)	Laozi
Shift the attention from 'organization' as an already accomplished entity with certain 'pre-given properties' to organizing;	Genuine Wu Wei: Shift from pre-given goals to engaging in open-minded exploring;
Stress the process of ongoing, interdependent actions;	You Wei: Stress the process of ongoing exploitation/exploiting;
The micro processes are 'assembled into sensible sequences that generate sensible outcomes.'	Wu Bu Wei: The micro processes of exploration and exploitation are assembled into becoming that generates efficacy.

(Source: Author)

Alternatively, insofar as Wu Wei is practised, the purposes or goals evolve as 'a spontaneously graceful efficacy' (Maclean et al., 2011:33), as Laozi argues,

> 'Tao invariably takes no action, and yet there is nothing left undone.
> … all things will transform spontaneously' (Wu Bu Wei)
> ---- Chapter 37 (Chan, 1970:158)

It is noted that the association between sensemaking and leadership has been widely explored. For example, Pye (1995) suggests understanding leadership as a process of sensemaking, and

Maclean et al. (2012) associate sensemaking with storytelling and the legitimization of business elites. However, they arguably focus on a western perspective or philosophy. For another example, while revisiting sensemaking theory, Holt and Cornelissen (2013) critically review the relevant research and suggest grounding sensemaking theory in Heidegger's phenomenology (Sandberg and Tsoukas, 2011; Zundel and Kokkalis, 2010), which proposes making sense of everydayness from 'within already institutionalized orders' (p.526) mainly in the form of linguistic standards and capabilities. However, it remains a completely western perspective such that it might offer limiting insight to understand the interaction of sensemaking and leadership in China. It is noted that contemporary leaders in China tend to draw insights from traditional Chinese philosophies such as Daoism (like Grint, 2011), particularly Wu Wei and the homogenous concept of Shi rather than transplant the heterogonous notion of institutional orders or theories. In light of this, this thesis attends to a Daoist Wu Wei perspective as well as the concept of Shi to examine senesemaking related to leadership in Chinese business context.

1.3 Research aim and objectives

Drawing on four bodies of knowledge, namely, leadership, knowledge, Wu Wei as well as Shi, and growth, the broad aim of this thesis is to adopt a Wu Wei perspective to unpack how the owner-managers of Chinese SMEs explore and exploit knowledge to grow their businesses. Specifically, this thesis has four objectives:

Objective 1 – To examine the ways in which the owner-managers of Chinese SMEs explore knowledge over time.

Objective 2 – To investigate how the owner-managers of Chinese SMEs exploit knowledge in everyday leadership practice.

Objective 3 – To identify how institutional factors influence leadership associated with knowledge in the context of fast-growing SMEs.

Objective 4 – To explore the interplay between leadership and knowledge in the spirit of Wu Wei in the process of growing SMEs (micro, small and medium) in China.

1.4 Structure of thesis

This thesis comprises seven chapters. The next two chapters focus on literature review. Chapter 2 provides a theoretical overview of leadership, knowledge and SME growth. It begins with the introduction, followed by reviewing leadership as a dynamic process of leading, highlights the importance of leadership in SME context, identifies the research gap and illustrates why this is an important topic to explore. The third section examines the interaction of leadership and knowledge as a process of leading and knowing through exploring and exploiting. The fourth section reviews SME growth literature, including the importance and growth types of SMEs, growth concerns associated with life-cycle/transitions models and an evolutionary perspective. Then it provides an alternative Wu Wei framework, where growth is conceptualized as an ongoing process, a potentiality and a co-evolution. It concludes with a short chapter summary. Chapter 3 highlights the heart of leading and knowing – Wu Wei. It begins by introducing the historical background of Daoist philosophy, then it reviews the previous research into Daoist philosophy, Wu Wei and leadership and identifying research gaps. It then illustrates the important notion of Shi and the three dimensions of Wu Wei. It is followed by a conceptual framework of SME growth and a short chapter summary.

Chapter 4 rationalizes the most appropriate research methodology to address the research objectives through eight main sections. After the introduction section, it begins with the illustration of the empirical context and justification of this study, including the introduction of the Chinese enterprise types, an overview of the institutional context and the importance of logistics industry in China. The next section discusses the paradigmatic concerns in the traditional literature and provides an alternative approach of a Daoist epistemological stance. The fourth section then justifies the mixed-methods approach, and elaborates on narrative approach and visual method in leadership research. The next stage introduces the research design of concurrent triangulation combing both quantitative and qualitative methods, and explains why this research adopts a mixed-methods sampling strategy. The seventh section illustrates how the data have been generated through conducting survey and interviews. The eighth section explains how the data are analysed through transcription, translation and triangulation. The ninth section discusses the relevant ethical issues. It is then concluded by a chapter summary.

The findings and analysis of this study are presented according to four research objectives. Chapter 5 analyses the results associated with objective 1 & 2, which focuses on exploring and exploiting knowledge at three business stages. Chapter 6 is associated with the analysis related to objective 3 & 4, which focuses on the role of institutional factors and Wu Wei. Chapter 7 summarizes the main findings, which are encapsulated in two Wu Wei models. It is then followed by the contributions to knowledge, limitations of this study and recommendations for further research.

1.5 Chapter summary

In this introductory chapter I have outlined the focus, set the boundaries of this thesis and explained why the research topic is important. I have also discussed how the research topics have been developed through situating them within a personal narrative. I have also introduced the research aim and objectives and outlined the structure of thesis. By adopting a Daoist perspective, this thesis makes important contributions to literature by offering insight beyond that of sensemaking and other western approaches. It leads me to ask the following question:

> How do the owner-managers of Chinese SMEs explore and exploit knowledge to grow business in the spirit of Wu Wei?

CHAPTER 2 SME LEADERSHIP, KNOWLEDGE AND GROWTH

2.1 Introduction

Leadership has enduringly been 'a central preoccupation' (McElhatton and Jackson, 2012:442) ever since the existence of human beings, as the concept of leadership permeates and shapes organizational theories, practice and possibilities (Smircich and Morgan, 1982). It is highly valued as one of the most important topics linking to organizational success (Daft, 2010). While entrepreneurship has long been seen as a leading driver for economic growth (see Baumol, 1968; Keilbach and Sanders, 2009; Schumpeter, 1934), the topic of entrepreneurship has only become increasingly important over the past decades (Jones, 2014). In particular, the topic of SME growth has been a persistent topic of debate and discussion (Delmar et al., 2003; Macpherson, 2005; Macpherson and Holt, 2006; McKelvie and Wiklund, 2010). In the process of SME growth, leadership is increasingly evolving into a critical role (Dimovski et al., 2013; Greiner, 1972; Kempster and Cope, 2010). In this study, leader (s) or own-manager (s) will be used interchangeably. As we move from the Machine Age into the emerging Knowledge Era (Cavaleri and Seivert, 2005) or knowledge-based society (Nonaka et al., 2000), the link between SME leadership and knowledge has been recognized as 'the competitive advantage' to foster business success over the long term (Tsoukas and Mylonopoulos, 2004:14).

Despite the clear links between leadership, knowledge and SME growth, the existing literature is beset at least with three problems. First, it tends to be atheoretical, drawing discretely on leadership, knowledge or growth literatures. In view of this, the study serves as a pioneering attempt to integrate various theories together so as to offer a holistic examination. Second, as leadership is dominated by 'positive/neo-positivistic assumptions' (Alvesson, 1996:457) and traditionally deemed as 'a Western invention' (Dimovski et al., 2013:396) distinctively based on 'established codified' principles or knowledge, the dynamics of SME leadership still appear underexplored. Third, the existing research of SMEs tends to be biased towards how to start up a new business, whilst there is a marked scarcity of research examining the changing competence of owner-managers at different growth phrases (Swiercz and Lydon, 2002). These important yet underexplored areas open research gaps for this study.

The chapter aims to review a collection of extant research related to leadership, knowledge and SME growth. The structure of literature review is thematic and organized in this manner. The next section begins by introducing and reviewing the debates related to leadership studies from a processual perspective, which is regarded as a dynamic process of leading. The third section illustrates the link between leadership and knowledge, which is understood as a process of leading and knowing. The fourth section reviews SME growth, which is conceptualized as efficacy of leading by Wu Wei, including three dimensions, namely, as an ongoing process, as capabilities and as a co-evolution. The last section concludes by summarizing the interdisciplinary concepts of leadership, knowledge and firm growth to ground the introduction of Daoism in Chapter 3.

2.2 Leadership: A dynamic process of leading

2.2.1 Leadership as a dynamic process

'What really exists is not things made but things in the making. Once made, they are dead…'

—James (1909/1996:263)

Leadership remains such a fascinating subject that publications in this area has been increasing exponentially (Grint, 2005; Northhouse, 2004). However, as a controversial concept (Bolden et al., 2011), it is hard to define what is leadership (Grint, 2005). As such, leadership has been explored through an alternative way. Northouse (2004:3) proposes that the central components of leadership include the following four dimensions:

a. Leadership as a process
b. Leadership involving influence
c. Leadership occurring within a group context
d. Leadership involving goal attainment

In continuance to that, he defines leadership as 'a process whereby an individual influences a group of individuals to achieve a common goal' (Northouse, 2004:3). While this definition moves beyond the perspective focusing on born traits or characteristics but refers to process, it still emphasizes the attention should be focused on the issues of followers as well as leaders rather than the process of leading. Slightly different, Grint (2005:1) looks at leadership through another four dimensions:

a. Person: WHO are the leaders?
b. Result: WHAT do leaders achieve?

c. Position: WHERE do leaders operate?
d. Process: HOW do leaders get things done?

Among these four aspects, the processual dimension appears to include the others, as it encapsulates the way in which the leaders ('person' as well as 'position') manage to get things done ('result'). In effect, the focus on process rather than position has been widely recognised and become increasingly important. For example, individuals are suggested to be understood as a constellation of continuously sensemaking processes (Maclean et al., 2011), and leadership is seen as a dialogue or process of negotiating, where a small number of prominent figures define the reality of the other members (Smircich and Morgan, 1982). In particular, it is noted that the trend of processual leadership is linked to learning, such as 'leaning to lead' (Grint, 2007), 'learning leader' (Hooper and Potter, 2001), or 'learning leadership' (Antonacopoulou and Bento, 2011). Thereby it is imperative to foster organizational learning (March, 1991), or a learning organization, where the leader takes the role of strategizing the process of learning (Senge, 1990). For example, Grint (2005:3) proposes learning to lead, which is 'performative' by engagement in two senses: being rooted in 'discursive practices' which is constitutive of rather than simply reflects the reality, and as a 'performance' in need of being continuously re-shaped for effectiveness. It indicates that the result or effectiveness is a construction of continuous development evolving in the everyday leading rather than a static being. Alternatively, it emphasizes 'the process of searching rather than finding,' as the process per se proves to be more rewarding (Colville et al., 1999). Enlightened by Odysseus's journey, Gherardi (2004: 35) resonates that 'a journey whose meaning lies in the very act of travelling itself, and not merely in reaching the destination.' This processual perspective is closely associated with Wu Wei, which will be elaborated on in Chapter 3.

Learning can be achieved through at once a horizontal and a vertical trajectory (Shamir et al., 2005). In terms of horizontal, it refers to the terrains such as work, social circles and current family, while the vertical perspective is more related to one's early life experience or the process of maturing from elementary school to high school or to university education. For example, Mumford et al. (2000) highlights the horizontal career experience of leaders, which include: challenging job assignments, mentoring, appropriate training, and ad hoc experience in resolving emerging problems. They contend that leaders can develop competencies and knowledge from career experience over time. Vries and Engellau (2004) further pinpoints that one's early five-year experience plays a significant role in shaping one's desire and ways

to lead by the exemplar of Alexander the Great, who was determined to be an invincible leader instigated by the disharmony between his parents – King Philip and Queen Olympia (Burns, 1979).

In terms of one's vertical perspectives, the individual narrative is regarded as the 'condensation of histories of growth and maturation within fields of social relations' (Ingold, 2000:3), which has been widely explored and examined from an interdisciplinary perspective. For example, based on the longitudinal research by Bruce Avolio, it indicates that approximately 30 per cent of leadership effectiveness is born and the remaining 70 per cent is made (that is, what happens to you after birth). Building on Sigmund Freud's psychoanalysis and Carl Jung's psychopathology, the psychodynamic approach stresses the predominating influence of one's family of origin (Stech, 2004), 'exhibited by parents, teachers, coaches and other adults during the maturation process from childhood, through adolescent to adulthood'(Jackson and Parry, 2008:50) particularly in one's very early impressionable years (Keller, 2003). Given the shaping role of early psychological experience, Burns's (1979) Pulitzer-Prize awarding book – *Leadership*, heavily draws on the psychobiographies of Mohandas Gandhi, Nikolai Lenin, and Adolf Hitler through the lens of their personalities as one of the 'psychological frameworks' (p.49) and the family as predominance of social sources, whereby he argues that the influential imperium is open and dynamic, because the individual passes through series of evolutionary and fluid social systems in the journey from infancy, childhood to adolescence. While psychobiography is a crucial tool in analysing the powerful influence, Burns (1979) also points out that the psychological approach is problematic in a twofold way. On the one hand, it is commonly held that the critically shaping impact of the leaders entirely lies in their early years. On the other hand, given that the basis of psychoanalysis and psychobiography is closely associated with culture, the psychoanalytic approach is particularly western-polarized that tends to be ignorant of discursive and context-specific behaviours (Burns, 1979).

From a nuanced perspective, the role of experience can be categorized into two dimensions: At once framing and open to be unframed. For one thing, the experience leads to framing our thinking, as Reichenbach (1938) argues that the process of discovery is more rather than occurring like a thunderbolt. For example, Weick and Sutcliffe (2005) make the illustration through an example of a nurse, who enacts noticing and bracketing following her habitual framing models that she has formulated during her previous work, training, and life experience. They further point out that 'to make sense of the disruption, people look first for

reasons that will enable them to resume the interrupted activity and stay in action' (Weick and Sutcliffe, 2005:409). These 'reasons' are pulled from frameworks such as 'institutional constraints, organizational premises, plans, expectations, acceptable justifications, and traditions inherited from predecessors' (Weick and Sutcliffe, 2005:409). Coopey et al. (1997:132) also echo that people are able to draw creatively on their memory – especially their personal experience. Personal experience has a defining role associated with one's meaning-making (Smircich and Morgan, 1982). On the other hand, however, experience still remains open to change. As noted by Gioia and Mehran (1996:1229), one's sense can be 'modified in intricate ways out of awareness via assimilation of subtle cues over time.' In other words, one's conceptual route is not a static constellation, but an evolutionary epistemology (Campbell, 1965, 1997) configured in the flux of life, referring to the experience from one's birth to the present which defines the ways which are likely to influence oneself and others (Avolio, 2005).

The other way to make sense of leadership is the distinction between leadership (or leaders) and management (managers). As illustrated in Table 2.1, the debate is regarded as initiated by Zaleznik's (1977) dichotomy of leaders and managers in his article of 'Leaders and managers: are they different?' He suggests that leaders are similar to artists who are more open to embrace chaos and plausibility, whilst managers are more eager to resolve problems, maintain stability and exercise control. It causes a wave of debates surrounding the relevant distinction. For instance, Bennis and Nanus (1985:21) argue that leaders 'do the right thing' and managers 'do things right.' Covey et al. (1994:268) suggest that leadership 'works on the system' while management 'works in the system.'

Table 2.1 The difference between leadership/leaders and management/managers

Leadership/leaders	**Management/managers**	**Proposed by**
Leaders are artists, who keep openness to embrace chaos and plausibility.	Managers are problems-resolvers, who tend to maintain stability and excise control.	Zaleznik (1977)
Leaders 'do the right thing.'	Managers 'do things right.'	Bennis and Nanus (1985:21)
Leadership 'works on the system.'	Management 'works in the system.'	Covey et al. (1994:268)

Leadership is about 'coping with change.'	Management is about 'coping with complexity.'	Kotter (1990:104)

(Bennis and Nanus, 1985; Covey et al., 1994; Kotter, 1990; Zaleznik, 1977)

Central to these debates resides in the differences towards change, for which Kotter (1990:30) claims that while management is about 'coping with complexity,' leadership is about 'coping with change.' He suggests that good management helps to create stability and continuity to organizational routines and processes, whilst leadership is targeted at bringing about change, which shifts the attention from managing routine processes to leading dynamic or strategic processes. Related to growing SMEs which are distinctively imbued with change, leadership is arguably oriented towards dynamics rather than routines. However, it remains underexplored about how individual leaders explore and exploit the knowledge/knowing in the process of growing SMEs. The importance of SME leadership will be elaborated on in the following sections.

2.2.2 The importance of leadership in SMEs

In the context of SMEs, the owner-manager takes 'a figurative role' which is quite often representative of their firms (Holt and Macpherson, 2010:21). It is some key individuals who set the priorities for organizational success and define the trajectory of organizational development (Child, 1972, 1997; Penrose, 1959). As noted, in the process of growing small businesses, it is increasingly imperative for the owner-managers to evolve 'a distinct form of leadership' (Kempster and Cope, 2010:14) to accommodate the growth needs. Greiner (1972:6) echoes that whilst growing a small firm, the first crisis lies in the 'crisis of leadership,' which is regarded as 'the essential ingredient' to deal with complexity and uncertainty (Iszatt-white and Saunders, 2014:258) within SMEs. Hence, the topic of SME leadership surfaces spontaneously, which has been highly valued as a 'critical issue in our understanding of the dynamics of economic development in the 21st century' (Leitch et al., 2013:347).

Notwithstanding the increasing interest on leadership studies, the bulk of research tends to be oriented towards large organizations, while there is a dearth of leadership research that gives sufficient attention to context (Currie et al., 2009; Liden and Antonakis, 2009) and particularly the context of SMEs (Cope et al., 2011). The underlying assumption is that small businesses are simply different from large businesses in terms of scale. However, Welsh and

White (1981) argue that small businesses are distinctively featured by 'resource poverty' (p.18) such that the management approaches dramatically differs from their larger counterparts. Jensen and Luthans (2006) argue that it is important to investigate the process of transforming a founder/owner-manager to be a leader in small firms. Furthermore, the configuration of organizational scale or institutional context tends to be underexplored, as the existing literature tends to overlook the contextual dimensions wherein growth occurs (Clarysse et al., 2011; Currie et al., 2009; Iacobucci and Rosa, 2010; Liden and Antonakis, 2009) and particularly the context of SMEs (Cope et al., 2011). Consequently some studies fail to fully capture the dynamic dimensions embedded in growing small firms over time (Levie and Lichtenstein, 2010). Thereby, while investigating the processes embedded in SME growth (Leitch et al., 2010), it is argued that more attention should be given to examine the relations within the firm and with the immediate surroundings (Swedberg, 2000). This alternative focus is likely to generate 'theoretical and empirical insights' to reconcile the variances arising from various quantitative studies (Wright and Stigliani, 2012:4).

In addition to that, situated in the fluidity of fast-growing SMEs, it is particularly important for leaders to continuously evolve their skills and capacity in order to be in tune with the changing situations (Day et al., 2004). Alternatively, it animates the link between SME growth and knowledge, which has been seen as a legacy of Penrose's (1959) ground-breaking work – *The Theory of the Growth of the Firm* (Penrose and Pitelis, 2002). She argues that business expansion is inextricably associated with the process of acquiring and applying knowledge as resources, which has been widely acknowledged. In other words, the possession of knowledge defines the business growth (Churchill and Lewis, 1983; Greiner, 1972; 1998; Scott and Bruce, 1987) while the lack of managerial knowledge or competences may hinder the firm's capability to grow (Goffee and Scase, 1995; Macpherson and Holt, 2006).

While there is an increasing body of research that investigates how leadership competences or capabilities deal with turbulence or competition in SME settings (Cogliser and Brigham, 2004; D'Intino et al., 2007; Fernald et al., 2005; Frey, 2009; Gupta et al., 2004; Kuratko and Hornsby, 1999; Swiercz and Lydon, 2002; Yang, 2008), there remains scant scrutiny about the ways in which the individual owner-manager explores and exploits knowledge to further business growth. In view of this, this study seeks to resolve them by offering an empirical examination specifically configured in the SME context of China which is associated with leadership and knowledge. `

2.3 Leadership and knowledge: A process of leading and knowing

2.3.1 Knowledge or knowing

There are a variety of reasons about why promising new businesses turn out to be failures, however, it has been increasingly acknowledged that a critical factor that enables a firm to grow and succeed in the long run lies in the leadership capability (Gupta et al., 2004; Kempster and Cope, 2010; Moore, 1999; Perren, 2000; Perren and Burgoyne, 2002; Perren and Grant, 2001). Tsoukas and Mylonopoulos (2004:14) argue that the competitive advantage for business in the future will rely on 'the ability of knowledge leaders to become more balanced in their leadership approach' through learning and inspiring followers. Moreover, it is suggested that the education levels of the owner-managers determine if they can effectively manage an intensified competitive environment (Busenitz and Lau, 1996). That said, there is an array of suffixes used to describe knowledge related studies, like knowledge worker, knowledge organization, knowledge society, knowledge era, knowledge innovation, knowledge creation, knowledge management, and knowledge leadership (Cavaleri and Seivert, 2005). In the settings of SMEs, it depends on the founders/owner-managers to set up organizational blueprints or recipes (Spender, 1989) to explore and exploit knowledge within and beyond the organizations. This raises the question: what are the main characteristics of knowledge from the perspective of SME leadership?

First of all, knowledge is humanistic, otherwise it is only information. Tsoukas and Mylonopoulos (2004:5) explain the difference between information and knowledge by understanding the former as 'knowing *about* something' and the latter as 'knowing *of* something.' For the latter, it can be further elaborated by the notions of 'knowing that' and 'knowing how' (Ryle, 1949). 'Knowing that' is the spectator's knowledge, referring to 'a set of proposition and statements about an object of study', while 'knowing how' is the agent's knowledge, referring to 'a practical matter, a skill' (Tsoukas and Mylonopoulos, 2004:5).

Second, knowledge is distinctively characteristic of being tacit, alternatively, tacit knowledge (Nonaka and Takeuchi, 1995), which refers to something ineffable and rooted in 'action and experience, as well as in the ideals, values or emotions', like 'subjective insights, intuitions, and hunches' (p.7). In Zhuangzi's Daoist teachings, it refers to the insight into 'secret of Nature' (Chan, 1973:191). For example, leadership is considered to be too complex and intuitive to be taught by leadership development programmes (Doh, 2003), and the skills of

leading are hard to be mastered (Riggio, 2008), hence it often requires a degree of tacit knowledge to make judgements (Tsoukas, 2005).

Third, knowledge is a context-specific concept (Nonaka et al., 2000). As Weick (1990) points out, a map does not equal the territory. In other words, devoid of context, knowledge tends to lose its meaning. For example, in view of non-linear and non-sequential crises in growth, Macpherson (2005) calls for more attention to be directed at knowing how to provide solutions 'in a given context' with managers' 'intentionality, or rationality,' which involves exploring, adapting and breaking out of existing path dependencies. It has echoes with the assumption that knowledge or knowing emerges 'in a temporal, contextualized form with a plot, thus enlivening those characters and events, and capturing those nuances that are dropped in the abstraction process' (Hernes and Maitlis, 2010:7).

Fourth, knowledge is more related to becoming rather than being. The notion of knowledge does not simply refer to the awareness of the presence of the context, but also the potentiality – 'to have a sense of what it may become' and 'on how things could be different' (Tsoukas and Mylonopoulos, 2004:5). Argyris criticizes the existing literature for over-emphasizing the status quo as they are, rather than discussing how they might be. Other scholars such as James, Whitehead and Niezsche also argue that the authentic being is actually an endless state of 'everyday becoming' (Chia and Holt, 2007:513). Therefore Tsoukas and Mylonopoulos (2004) propose moving 'beyond the Newtonian regulative ideal' towards formulating 'testable normative theories' so as to effect 'real organizational change' (p.5). For example, while illustrating the notion of becoming, Maclean et al. (2011:30) give an example of a CEO in a shipbuilding company. His life attends to the 'notion of constant discovery,' as he claims that a leader should be 'alive to a world that is becoming…You never reach any plain, there is always still a mountain of knowledge to climb.' In other words, a leader involves continuous exploring and exploiting of knowledge wherein leadership is becoming.

Last but not least, knowledge is characteristic of dynamics. Blackler (1995) critically reviews the contemporary typology of knowledge as 'embodied, embedded, embrained, encultured and encoded' (p.1021), and points out this approach is 'compartmentalized and static.' He proposes understanding knowledge as a more dynamic process of knowing based on activity theory, and argues that this approach is 'mediated, situated, provisional, pragmatic and contested'(p.1021) which emphasizes systems, relevant changes and processes. Following

Blackler, Macpherson (2005: 1139) re-conceptualizes knowledge as an activity rather than as a resource. While an activity system might be an effective approach for exploring innovation and development of collective competencies embedded in any practice and fundamental flux of activity systems (Blackler et al., 2000), the theory per se is problematic, as it is inherently characteristic of 'paradoxes, tensions and incoherence'(Nicolini et al., 2003:17). Therefore it is arguably more appropriate to describe knowledge as a dynamic capability – distinctively characteristic of being dynamic (Nonaka et al., 2000) and social (Brown and Duguid, 2001). It animates a Daoist perspective of knowledge, which stresses 'a located and responsive social skill developed through doing rather than thinking - an emphasis on internal knowing and experience rather than on external instruction'(Prince, 2005:106). Associated with leadership studies in SMEs, it surfaces the dynamic notion of leading-and-knowing.

2.3.2 Knowing by exploring and exploiting

This study is built upon the core concepts of exploration and exploitation proposed by March (1991), who defines exploration as 'things captured by terms such as search, variation, risk taking, experimentation, play, flexibility, discovery, innovation' and exploitation as 'refinement, choice, production, efficiency, selection, implementation, execution'(p. 71). On the one hand, this study echoes the call for more verbs rather than nouns (Weick, 1979) which might contribute to better capture of the dynamic elements characteristic of SMEs; on the other hand, as this study is exclusively focused on Chinese context, it is noted that Chinese differs from western language as 'a language of verbs not nouns' (Prince, 2005:109), and the Chinese language per se represents 'a Weltanschauung' (p.109) that highlights process rather than object. Therefore, this study extends the concept of exploration and exploitation (March, 1991) to exploring and exploiting. The working definition of exploring for this purpose refers to a broad sense of cumulative micro-processes over time by discovering, developing, searching, acquiring, magnifying, amplifying and expanding knowledge/knowing within or beyond the existing repertoire, which is more focused on conceptual evolving or thinking mainly through the lens of individual owner-manager. By contrast, exploiting is oriented towards the behaviour of doing or enacting leading in practice, broadly referring to applying, implementing, refining, managing, distributing, disseminating and transforming knowledge/knowing within or beyond firms.

As March (1991) points out, while adaptive processes refine exploitation more swiftly than exploration so that it brings about short-term organizational effectiveness, it is self-

destructive in the long run, thus it is important to maintain ‘an appropriate balance’(p.71). Since the publication of this text, it has led to various streams of literature seeking to resolve the tension or dilemma between exploration and exploitation, like organizational learning, technological innovation, organizational adaptation, strategic management and organizational design (Raisch et al., 2009). As noted, 661 relevant journal articles have been published, among which 448 appeared in the former five years (ISI Web of Knowledge, January 2012, quoted from Stadler et al., 2014). For example, the existing learning literature primarily seeks to separate exploration and exploitation through various solutions, while the effective integration has yet to be addressed (Stadler et al., 2014). For another example, early work on organizational effectiveness is based on a contingency approach that claims that managers need to weigh towards one of these two dimensions – either exploration or exploitation (Farjoun, 2010; Smith and Lewis, 2011). As suggested by Jansen et al. (2009), exploration may better fit organic and dynamic business contexts whilst the case for exploitation is more suitable for stable and mature settings. In contrast, if organizations pursue exploitation to the exclusion of exploration, they might result in technological lag and processual rigidity (Gilbert, 2005; O’Reilly and Tushman, 2008). However, if organizations pursue exploration to the exclusion of exploitation, they are likely to increase the uncertainty, such problems may arise, like no clear direction, incoherence or demotivation (Birkinshaw and Gupa, 2013). This tension is akin to a metaphor - what an effective manager does is ‘sandwiched between action on the ground and reflection in the abstract’ (Gosling and Mintzberg, 2003:56). Through a different approach, Turner et al. (2012) make a relevant systematic review in order to integrate the polarization of either exploration or exploitation through introducing the concept of ambidexterity to examine ‘the mechanisms for achieving exploitation and exploration’ at various levels (including organizational, group and individual level) (p.327), however, they maintain that its ‘micro-mechanisms’ (p.328) at the micro level could offer valuable contributions but yet remains insufficiently examined.

Nonaka and Takeuchi (1995) claim that this separation of exploring and exploiting may ascribe to the root cause of the dualism or an ‘either-or dichotomy’ (p.32) nested in the conventions of western academia. Therefore, they propose adopting an alternative of oneness by introducing eastern philosophy. However, their theorization has been ‘repeatedly discussed and criticized’ (Gueldenberg and Helting, 2007:101), as it creates a ‘great divide’ by drawing a clear demarcation between the Western (distinctively featured by explicit) and Eastern (distinctively featured by implicit) perspectives of knowledge.

Then how to resolve this dilemma or tension, particularly from a perspective of SME leadership? It does not simply need a right balance between these two domains, more important, it needs a 'shift', which might foster the fluidity between efficacy and efficiency (Jullien, 2004). Following Jullien (2004: viii), the notion of shift is twofold:

> '… a shift away from our normal thinking habits, a move from one framework to another – from Europe to China and back again – which will undermine our representations and get our thoughts moving; and also a shift in the sense of shifting the impediment that is preventing us from perceiving what we have always blocked out of our thinking and, for that very reason, have been unable to think about.'

Alternatively, it needs an inherently open mind-set to foster this shifting in a spontaneous way. To maximize the effectiveness of this shift, this study proposes adopting 'a spontaneous shift.' Configured in the context of fast-growing SMEs that are characteristic of dynamics, as discussed earlier, the owner-manager takes a shaping role such that the organizational effectiveness or growth is inextricably associated with his/her capability to integrate the dyadic domains of exploring and exploiting. However, the extant reviews are primarily focused 'on the firm level' (Stadler et al., 2014:173) while the role of individual owner-manager has not been fully examined. It is noted that the first obstacle to becoming a knowledge leader lies in how a leader sees the world (Cavaleri and Seivert, 2005). If the leader follows a way of openness, the divide exploration and exploitation might be intersected and integrated by learning and sensemaking, that is, through the continuous forms of learning, thinking, doing and communicating. That said, it necessitates introducing a distinctive principle of Wu Wei, which refers to an inherently open mind-set. By practising Wu Wei, the otherwise tensions or dilemmas between exploration and exploiting are viewed as parallel parts of one entity, where knowing-exploring and knowing-exploiting are blended as a natural flow, as Laozi claims 'the sage embraces the One. And becomes the model of the world' (Chan, 1970:151). By using the owner-managers of Chinese SMEs as the unit of analysis, this study seeks to make a contribution by moving from the existing firm-oriented to individual leadership perspective, as well as incorporating a wide-ranging institutional factor like Shi, which will be reviewed in Chapter 3.

2.3.3 Leadership: Leading by exploring and exploiting knowing

Given the importance of knowledge by exploring and exploiting, there arguably needs to involve the shaping role of leadership, which remains yet underexplored. Drawing on the

extant literature, the following sections discuss the relevant roles which might be associated with how the owner-managers of Chinese SMEs explore and exploit knowledge/knowing.

The role of education, experience and expertise

While owner-managers tend not to value formal management or employee training (Carter et al., 2004), it is noted that coaching and instruction can foster power in terms of deliberate practice (Ericsson et al., 1993). Given the functions of coaching and education, relevant programmes are emerging. For example, Lancaster University as well as 12 other organizations have organized the LEAD (Leadership, Enterprise and Development) programme, which involves education targeted at entrepreneurs (Gordon et al., 2012). Furthermore, notwithstanding that the link remains ambiguous between education and training, and business success, some scholars still assert the importance of education or juxtapose its role with experience. For example, Jones et al. (2014) suggest that education and training contribute to improving human capital which enlarges the repertoire of responses to manage challenges. Wiklund and Shepherd (2003) have echoed this by proposing that education and experience can foster intellectual capital in terms of making sense of ambiguity, increasing cognitive capability to guide behaviour and actions. Bood (1998) also argues that wide-ranging education and experience might enhance the potentiality of providing various responses because it animates the role of experience.

While the association between experience and performance have been widely explored, there is 'inconsistency' in terms of definitional and measurement concerns across studies (Reuber and Fischer, 1994:365). However, they still argue that the significance of some experiences is evident and persistent, such as previous management and entrepreneurship experience and individual professional knowledge. Moreover, there is unanimity that a lack of experience may impact firm performance. Furthermore, it is noted that the impact on firm performance by the experience of owner-managers varies in different industries (Dyke et al., 1992).

With regard to the role of experience, based on an empirical study with data collected from a sample of 43 owner-founded and managed firms, Reuber and Fischer (1994) argue that while the expertise is associated with various experiences, there is a stronger correlation between owner-managers' expertise and firm performance rather than experience. They stress the elements of 'creativity and the ability to change' in terms of defining expertise (Reuber and Fischer, 1994: 367). Read and Sarasvathy (2005) extend this argument further by proposing that expertise cannot be generalized to the neglect of context, as it should be context-related

(Djakow et al., 1927; Ericsson and Smith, 1991). Given the context ‘constantly in flux and unpredictable’ (Jones et al., 2014:166), it is imperative for owner-managers of SMEs to remain open to learning from experience (Gray, 2002) in order to be sensitive and adaptive to the changing environment (Nicholls-Nixon et al., 2000). The process of learning has been seen as central to develop dynamic capabilities (Zahra et al., 2006), and Bowman and Ambrosini (2003) go further by claiming learning per se is a dynamic capability. It is evident that all of these assertions underline the association between learning and managing a growing business.

The role of critical incidents

While any leadership role involves a considerable amount of routine managerial activity, at the same time, effective leadership also needs to make sense of and deal with critical events which potentially disturb the operational efficiency of their organizations. As a result, these non-routine events bring about ‘different’ situations as ‘instigations to sensemaking’ (Weick and Sutcliffe, 2005:414), such as a situation of discrepancy (Orlikowski and Gash, 1994), breakdown (Patriotta, 2003), surprise (Louis, 1980), disconfirmation (Weick and Sutcliffe, 2001), opportunity (Dutton, 1993), or interruption (Mandler, 1984). For example, a critical incident might be something relatively minor such as a human resource problem involving the loss or absence of a key staff member or the recruitment of a new manager. A critical incident might also be something much more significant such as a major problem with an existing product or service, changes in the regulatory or legal environment, the loss or acquisition of a major customer, the need to respond to some actions by a competitor, or an important visit by government staff. It is noted that the learning process often tends to be quick while responding to crises (Clarysse and Moray, 2004).

The role of sensemaking

Given the association between knowledge and experience as discussed earlier, Adair (1989:13) raises the question - ‘are knowledge and experience enough?’ Aldous Huxley (1933:5) sharply points out that ‘experience is not what happens to you. It's what you do with what happens to you.’ Therefore Gosling and Mintzberg (2003:57) strongly suggest that hectic mangers (leaders) ‘desperately’ need to ‘stop and think, to step back and reflect thought fully on their experiences,’ and illustrate this point by quoting from Saul Alinsky, who states ‘most people do not accumulate a body of experience. Most people go through life undergoing a series of happenings, which pass through their systems undigested. Happenings

become experiences when they are digested, when they are reflected on, related to general patterns, and synthesized.' As such, it is imperative to develop a 'reflective mind-set' (Gosling and Mintzberg, 2003), so as to 'notice, bracket, label and categorize the experience' (Schutz, 1967; Weick and Sutcliffee, 2005:411), alternatively, as 'framing' of experience (Goffman, 1974). The way in which meaning is 'created, sustained and changed' is an effective way of understanding the fundamental nature of leadership as a social process, where leadership is understood as the 'management of meaning'(Smircich and Morgan, 1982:261).

Alternatively, this part of knowledge or knowing is distinctively predominated by being tacit, which defies rational knowing, as Mintzberg (1976:53) reflects:

> '…one fact recurs repeatedly in all of this research – key managerial processes are enormously complex and *mysterious* (to me as a researcher, as well as to the managers who carry them out), drawing on the vaguest of information and using the least articulated of mental processes. These processes seem to be more relational and holistic than ordered and sequential and more intuitive than intellectual.'

The importance of sensemaking is arguably surfaced spontaneously, which serves as the 'primary site' where meaning is materialized, and involves 'ongoing retrospective development of plausible images' that help to frame what one is experiencing (Weick and Sutclifee, 2005:409). In this study, sensemaking is understood as an ongoing process composed of 'locating, meaning-making and becoming' (Maclean et al., 2012: 64), where individual agency emerges as 'a locus of meaning' configured in 'liminal conditions between current realities and future possibilities'(Rhodes and Brown, 2005:173). The dynamic association between sensemaking and leadership calls for an alternative framework of leading-and-knowing rather than the conventionally static perspective of knowledge leadership. Furthermore, leadership does not merely refer to a static relationship, but more about an open exploring process through learning and sensemaking in order to bridge the previous with the present. It animates the spirit of Wu Wei, which enables the leader to well-hone a spontaneous shift by adopting an inherent openness while exploring and exploiting knowledge/knowing concurrently from within or beyond. This paves the way for the next chapter which introduces the heart of Daoist philosophy - Wu Wei.

2.4 SME growth

As this study is focused on examining the potential changing nature and transition of leadership roles in the settings of fast-growing SMEs (micro, small and medium), it necessitates introducing the importance of SME growth, related types and conceptualizations of the life-cycle/stage models and evolutionary perspective. By critically reviewing the prevailing perspectives, this chapter aims to ground an alternative of a Wu Wei framework by understanding growth as an efficacy of co-evolutionary leading-knowing-growing in Chapter 3, which might enrich our understanding of SMEs' growth in the West.

2.4.1 The importance and types of SME growth

The development of SMEs consistently serves as 'the engine of economic growth' in all economies (Pistrui et al., 2001:141). Thus the determinants of SME growth have been and continue to be a focus of attention and research (McKelvie and Wiklund, 2010). At a macro level, supposing their growth factors and intervention measures can be identified, it will contribute to economic development and job creation (Leitch et al., 2010). At a micro level, the owner-managers are more concerned with 'developing the business rather than managing the status quo' (Jones and Crompton, 2009:344). To mobilize the creativity (Steyaert, 2004), transform the constraining given and bring about change (Rindova et al., 2009), owner-managers cannot simply be concerned with accepting means as a set of 'given,' rather, they should rely on the repertoire of available actions to be continually evolving and developing (Breslin, 2008). SME growth is perceived as not only desirable but also feasible by owner-managers (Wright and Stigliani, 2013), which primarily resides in their perception of the external environment, their growth ambitions as well as the extent to which they encourage innovation and develop their personal networks distinguish growing from non-growing firms (Hamilton, 2010; Hansen and Hamilton, 2011). Alternatively, it is the owner-manager's disposition and managerial capabilities (organizational, human resource management, marketing and finance) that have the strongest links to firm growth (Barbero et al., 2011; Baron et al., 2011).

While many studies investigate what factors influence SME growth (see Davidsson et al., 2006; Parry, 2010), as well as the association between factors and growth intentions (Cassar, 2006, 2007; Edelman et al., 2010). However, insufficient attention has been paid to examine the 'situated, complex and idiosyncratic' (Macpherson and Holt, 2007: 172) context and configurations of SME growth associated with owner-managers' decision and desirability to

grow (Koryak et al., 2015). It is important because growth cannot simply be understood as the assimilations and accretion of financially-quantified resources (Anderson, 1998; Dean and McMullen, 2007; Parrish and Foxon, 2009), as this bias may neglect other dimensions, like personal, social, spatial and environmental (Achtenhagen et al., 2010; Anderson, 1998; Haugh, 2007; Korsgaard and Anderson, 2011). It is acknowledged that there is a positive link between growth and growth capabilities, wherein the role of leadership should be highlighted (Koryak et al., 2015). Following Koryak et al. (2015), there are two broad forms of growth capabilities: Substantive (growth) capabilities and dynamic capabilities. The first form refers to 'resources and organizational processes as well as managerial decisions' (p.90) that underlies the growth capabilities to enable a SME business to compete in the market. The second form refers to 'the abilities to reconfigure a firm's resources and routines in the manner envisioned and deemed appropriate by its principle decision-maker(s)' (Zahra et al., 2006:918). Koryak et al. (2015) suggest the second form of capabilities can amplify, refine or renew the first form. However, they seem to focus on the capabilities per se, while the nuanced elements at various growth stages remain elusive. Thus the following section will critically review the life-cycle models related to the various growth phases.

2.4.2 Growth concerns: Life-cycle models and an evolutionary perspective

Given the importance of small firm growth, there are an increasing number of studies examining the growth of small firms (Davidsson et al., 2005; Delmar et al., 2003). As Prats et al. (2012:119) point out, existing research about growth frameworks tends to be studied 'at the firm level' and can be categorized into two research communities: the first one weighs towards harnessing 'strategic choices' in terms of resource allocation, whilst the other focuses on the stage models and the related internal challenges. For the former, it is flawed by 'low predictive accuracy' (Wright and Stigliani, 2013:4), particularly, the fluidity of SME settings distinctively defies paradigmatic prediction. For the latter, due to the research approaches influenced by various ontology and epistemology, there remains little coherence and consensus about how and why small businesses grow (Davidsson et al., 2010) where there is 'no empirical confirmation of stages theory'(Levie and Lichtenstein, 2010:317).

Among the numerous research results related to growth, Macpherson (2005) points out three life-cycle models (Churchill and Lewis, 1983; Greiner, 1972; Scott and Bruce, 1987) are particularly influential, which are all based on five-stage growth. Levie and Lichtenstein (2010) have examined 104 models produced in the period ranging from 1962 to 2006, and

claim that there is no agreement in terms of 'what constitutes a stage in the stages literature, how many stages exist, and why stages change'(p.326). They further point out that, notwithstanding that none of the growth models has gained primacy in theorization, Greiner's (1972) model is probably regarded as the most influential. As noted by Jones et al. (2014), Greiner's (1972) model endorses Penrose's (1959) argument that the acquisition and application of knowledge and managerial capability are crucial for growth, which shares three significant similarities (Jones et al., 2014:162):

1. Systems of organizing are essential for the application of resources to achieve growth;

2. Entrepreneurial or managerial capabilities are fundamental resources that define the systems implemented;

3. Innovation to structures and system is required to both renew the organizational resources and to make best use of them.

Jones et al. (2014:162) further argue that whilst the importance of managerial knowledge and competence has been acknowledged by Greiner and other growth models, they do not explore at least two 'how's, namely, how the knowledge is 'acquired or altered' while moving to the next stage and how the managers 'identify and incorporate' new knowledge. Alternatively, the growth models seem to underexplore the changing nature about knowledge exploring and exploiting in parallel with the process of growing. Because Greiner treats an organization as a growing person on the basis of 'the legacies of European psychologists, their thesis being that individual behaviour is determined primarily by previous events and experiences, not by what lies ahead'(Greiner, 1972:38). However, growing is a concept of narrative, which is related to previous, present, and more to the future.

An alternative perspective of growth transition has been addressed by Arbaugh and Camp, (1999), who point out the existing life-cycle models scarcely scrutinize how individual owner-managers manage the growth process, and that the key factor depends on the 'entrepreneurial choice'(p.314) to deploy the resources in the long run, where the transition includes six categories:

- Personal

- The underlying business model

- Organizational/management structure
- The role of the lead entrepreneur
- Financial management
- The external environment

Compared with the conventional notion of 'strategic choices', 'entrepreneurial choice' appears more important by incorporating various dimensions (like people, financing, business model and structuring management), leadership and environmental factor, however, Arbaugh and Camp (1999) acknowledge that the interactions between resource configurations and the specific circumstances remain unanswered.

It is noted that the most recent research focus has moved from life-cycle to an evolutionary perspective (Aldrich and Martinez, 2001; Clarke et al., 2014). From a metaphorical perspective, Clarke et al. (2014) offer a comparison of the two major theorizations as illustrated in Table 2.2.

Table 2.2 Comparison of life-cycle model and evolutionary perspective

Growth as	Key points	Advantages	Disadvantages
Growing organisms	1. Firms are living organism 2.Growth is predictable and linear following life-cycle models	1. Move away from non-humanistic view on organizations; 2. Simplify the complicated growth process	1. Neglect the agency role of the individual entrepreneur 2. Underexplore the role of external environmental events
Evolution	1. Firm has an idiosyncratic nature 2. Growth is a natural selection by variation, adaptation, selection and retention	1. A more open-minded perspective; 2. Able to offer more appreciation of the dynamics, diversity and inter-connectedness over time	1. A deterministic quality 2. A competitive twist - neglect a collaborative relationship by stressing an 'either-or' rather than 'both-and' logic

(Adapted from Clarke et al., 2014)

Given the disadvantages of these two perspectives, the authors propose adopting an alternative, co-evolutionary perspective, wherein the owner-manager, the firm and

environments are all integral aspects that contribute to the firm growth. Where it allows for the intentional intervention by the owner-manager, they stresses 'a complex, inter-dependent and mutually constituting ecosystem' (Clarke et al., 2014:243) as a wholeness. However, this exposition of co-evolution tends to be descriptive by simply describing the relational epistemology, collectivity and multidimensionality, where the defining role of Shi in Chinese context is still elusive. Shi functions as a constituent of external environments, which is central to growth and can be explored and exploited by the role of SME leadership. The notion of Shi will be further reviewed in Chapter 3. Furthermore, 'a common way to distinguish process thinking from other approaches is to associate it with the becoming of things' (Hernes, 2014: 39). The notion of becoming is fundamental to the process of growing, which is 'inherently future oriented' (Maclean et al., 2011:30). This stance accords with the Chinese way of thinking that is more concerned about becoming rather than being as mentioned earlier, and growth is seen as a spontaneous efficacy by practising Wu Wei.

In light of this, this study will introduce a Wu Wei framework of SME growth in next chapter, investigating the interplay and interaction between the role of leadership, firm and Shi, which are fundamental to SME growth.

2.5 Chapter Summary

This chapter has provided an overview of three strands of literature –leadership, knowledge and SME growth. This body of literature aims to ground the introduction of Wu Wei and Shi in the subsequent chapter, which is crucial to understand the topic and serves as the basis for the presentation of the research in chapter 5 & 6. The following is a brief summary for this chapter.

First, given the importance of leadership topic, the traditional research tends to lean towards large organizations. The defining role of leadership configured in the SME settings remains underexplored, where leadership works more like a dynamic process of leading. Second, while the significance of knowledge has been extensively explored, there remains scant attention about the interacting process of leading and knowing, namely, how owner-managers of SMEs explore and expand knowledge through learning and constantly sensemaking, and how they exploit and disseminate knowledge in everyday leadership practice. These two 'how's are understood as a process of leading and knowing. Lastly, notwithstanding that growth has been an increasingly important topic, SME growth remains underexplored in a

holistic way. Given the dynamic characteristics embedded in growing SMEs, SME growth is better understood as dynamic capabilities rather a static quantification. By critically reviewing the existing life-cycle models and evolutionary perspective, this thesis proposes understanding SMEs growth from a broad sense of co-evolution that is constitutive of leading, knowing and growing. This alternative perspective is closely related to Wu Wei and Shi in Chinese context, which will be elaborated on in the subsequent chapter.

CHAPTER 3 DAOISM AND ITS IMPLICATON FOR LEADING, KNOWING AND GROWING IN SMES

3.1 Introduction

It is acknowledged that contemporary leaders in China continue to draw insights from traditional Chinese philosophies such as Daoism and tend to be less committed to the controlling Confucian philosophy (like Grint, 2011; McElhatton and Jackson, 2012; Ralston et al., 1999; Wang et al., 2012). Thereby this chapter elaborates on Daoist thinking to better ground this study particularly in Chinese business context. Specifically, this chapter is structured in this manner. It begins by introducing the historical background of Daoist philosophy which is akin to the settings of growing SMEs, and the strong association between Daoist teachings and Chinese leadership. Then it is followed by critically reviewing the research into Daoist philosophy, Wu Wei and leadership. After that, as the major part of this chapter, it exposes the two core concepts (namely Shi and Wu Wei) of Daoist philosophy that informs this study. Building upon that, a Wu Wei framework of SME growth is illustrated. Then it concludes by a short summary with a link to the research aim and objectives.

3.2 Historical background of Daoist philosophy

Laozi was reported to be born during the chaotic Spring and Autumn periods (770-221 B.C.), when Zhou Dynasty lost its control, the old moral codes lost their validity, and a new social order had not been established yet. The new regional rulers attempted to seek talented sages to enhance their political power, which fostered a favourable environment for flourishing contemplation of 'nearly timeless written language' and 'disparate intellectual threads' (Sawyer, 2004:ix) known as the 'hundred schools of thought' in Chinese ancient history. Building on Max Weber and Talcott Parsons, a famous Daoist scholar - Hu (2009) proposes ancient Greece, Israel, India and China experienced 'a philosophical ground–breaking' (p.12) during the 1000 years B.C. Hu further points out that the ground-breaking in China was primarily represented by Confucianism, Monist and Daoist philosophies. According to Hu, the former two schools are more inheriting rather than radically transforming the old ideology of benevolence, whilst Laozi transcends it by proposing a natural way of following Dao rather than the imposing and suppressing benevolence, for example, as he argues when 'The

great Dao fades away; There is benevolence and justice'（Lin, 2012:18). It seems that the essence of openness in Daoist philosophy might help with Burns' concerns (1979:1): 'we search eagerly for leadership yet seek to cage and tame it.'

As suggested by Kellerman (2010), the most classical leadership scholarship is originated from ancient Greece and China, and leadership could be studied through an interdisciplinary approach like integrating history, philosophy, literature and art. Northouse (2004) also suggests looking at leadership by a distinct philosophy. Given that this study focuses on examining Chinese leadership, it is argued by Barney and Zhang (2009) that it is crucial to utilizing indigenous Chinese models and approaches rather than purely transplanting western theories. In terms of Chinese philosophies related to leadership, Bolden et al. (2011) subscribe it to Dao De Jing and the The Art of War, however, the latter tends to lend itself to military education as one of the 'must reads' (McElhatton and Jackson, 2012:450). They further point out 'some of the world's most eminent and widely published leadership scholars have fallen prey to ascribing particular philosophical concepts to Confucianism when in fact the concepts in question primarily derive from one of the other schools: Daoism or Legalism' (McElhatton and Jackson, 2012:447), which functions as 'the philosophical foundation of Chinese leadership' (McElhatton and Jackson, 2012:454). Daoism has been widely explored by both indigenous and western academics. For example, Grint (2011:5) stresses that Daoist writings are 'ideal for the essence of Chinese leadership,' as they are at once historical and artistic, philosophically detached yet psychologically engaged, thus they are still powerful to illuminate the essence of modern Chinese leadership. As noted, while China has been ideologically dominated and constrained by Confucianism for thousands of years, the new Chinese President Xi proposed that leaders should take a Daoist stance: 'Ruling a big country is like cooking a small fish' (Chan, 1970:168). This compelling example might shed light to leadership scholars and practitioners all over the world.

Lastly, it is worth pointing out Taoism/Daoism has been used interchangeably in the literatures. Their implications are fuzzy, which can at once refer to Tao/Dao religion and Taoist/Daoist philosophy. As this study solely focuses on its philosophical perspective and follows Chinese Pinyin system which will be discussed in Chapter 4, Daoist philosophy is used in this thesis. The following two sections will introduce its two key concepts – Shi and Wu Wei.

3.3 Research into Daoist philosophy, Wu Wei and leadership

Research into leadership or management by Daoist teachings have been extensively explored in modern business practices such as leadership (Dreher, 2002; Heider, 2014) and management areas (Messing, 1992). Sometimes it is examined in parallel with other ancient Chinese teachings. For example, Ma and Tsui (2015:14) address leadership broadly built upon three dominating Chinese philosophies, namely Daoism, Confucianism and legalism. In terms of Daoism, they argue that it is targeted at 'born rulers' based on the elements like non-over-leading, non-action, empowering, striking a right balance and selflessness, where they link Daoism to five contemporary leadership models, namely, laissez-faire, servant leadership, authentic leadership, empowering leadership and paradoxical leadership. Notwithstanding a broad perspective of Daoism in their study, they examine the link between 'no action' and leadership effectiveness, particularly, they use the metaphor of water to explain three features of 'Daoist leaders' - invisible by non-interference, 'powerful' and 'nourishing'(p.15). Dimovski et al. (2013) also link Daoist teachings to water by particularly stressing the concepts of 'wei wu wei, zi ran and wateristic leadership' (p.383). While they also review the other two traditional frameworks (namely Confucian philosophy and legalism) for SME leadership, they still emphasize an alternative framework of Daoist philosophy simply because it is 'a relatively new approach' (p.398) to study leadership. Opdebeeck and Habisch (2011) examine compassion management from the perspective of business ethics through integrating Chinese classical traditions (namely, Daoism, Confucianism and Zen Buddhism) and Western Christian teachings of Jesus. Similarly, Adair (1989:51) also juxtaposes the teachings of Laozi and Jesus to explore servant leadership, where he argues that Laozi's thoughts should not 'be lightly dismissed as unrealistic.' In terms of servant leadership, Bold et al. (2011) regard Mintzberg (1999)'s 'quiet management' as an allusion to Laozi's teachings, because he states 'Indeed, the best managing of all may well be silent. That way people can say, 'we did it ourselves.' Because we did.' Here the underlying message is to subscribe the achievement to the followers so as to help them feel competent by themselves. Northouse (2015:293) argues that 'all of us have a need to feel competent' and offers an example – 'after completing a complex assignment, an employee would be gratified to hear the manager say, 'You did that assignment exactly the way it needed to be done.' He argues this competence-admitting contributes to fostering highly motivation. Put together, the points of Mintzberg and Northouse are reflected by Laozi as follows:

‘(The great rulers) value their words highly.
They accomplish their task; they complete their work.
Nevertheless their people say that they simply follow Nature (Zi Ran).’
-- Chapter 17 (Chan, 1973:148)

Given Wu Wei is a ‘core principle’ in Daoist philosophy, Xing and Sims (2011:99) utilize a narrative approach to critically examine the association between Wu Wei and self-reflexivity, which are identified as three forms reflexivity, namely, ‘flow, self-protection and excuse for failing’(p.97). It is a compelling empirical work by interviewing top executive and senior manages exclusively from eight banks in China. Notwithstanding that it is solely focused on the banking industry, their sample of banks includes at once state-owned ones (like Bank of China, and Industrial and Commercial Bank) and private banks (like Hua Xia Bank and China Minsheng Banking Corporation), which fall into two distinctive ownerships in China: the former belong to public sectors, whilst the latter to the private. Given that the mixed sample per se is problematic, the research findings invite further examination. Differently, from the lenses of culture and language, Prince (2005) compares the presuppositions of leadership dominated in Eastern Daoist perspective to Western approaches, which involves such demarcations as locating or controlling the environmental contexts, engaging or shaping role of leadership. He highlights the importance of these insights, which remain ‘consistently overlooked or downplayed in Western theorizing’ (Prince, 2005:105), and urges the call to ‘reinvestigate the importance of process and bring it into the *core* of our leadership models’ (p.120). Given the importance connexion between Daoist philosophy and leadership, the impact and effectiveness of taking a Daoist leadership stance remains underexplored, not least with its link to knowledge management by building on empirical work in Chinese SMEs. It is assumed that following Daoist philosophy, in particular, Wu Wei, could maximize the efficacy of leadership, with a link to SME growth. Thus it invites this empirical study to use Wu Wei as the heart of leadership model to capture the dynamic interaction of leading, knowing and growing in Chinese SMEs. The next section will illustrate the Chinese indigenous concept of institutional factors – Shi, which is closely linked to SME leadership and growth.

3.4 The importance of Shi: The propensity of things

While referring to Daoist philosophy or Dao De Jing, most debates and discussions tend to surround the notions about Dao and De (like Lee et al., 2008; Hu, 2009). Dao refers to the philosophy or the Way, which at once creates everything and serves as a principle indicating

that human beings should follow a natural course to be in harmony with nature. De proposes fostering a harmonious relationship with Dao (Lee et al., 2008; Dimovski et al., 2013). While those notions are certainly important, Laozi stresses the defining role of Shi:

> ‘The Dao (the Way) engenders them,
> Virtue nurtures them.
> Material reality confers physical form on them
> And propensity brings them to full fruition.’
> – Chapter 51 (Jullien, 1999:222)

It is evident that while the Way (Dao) ‘engenders’ and virtue (De) ‘nurtures’ things, it is the propensity (Shi) that actualizes and completes them ‘to full fruition’ (Jullien, 1999:222). Alternatively, it implies that Shi entails and extends the dimensions of Dao and De. Further, given that Dao and De manifest the natural order (Feng, 1947; Waley, 1968), it is Shi that leads to the culmination in efficacy, effectiveness or efficiency, which will be revisited later. Given the importance of Shi, it remains overlooked and underexplored in the contemporary SME leadership inquiries. Hence, this section seeks to offer an account of it. As Shi is a plural notion entailing Shì (势) and Shí (时), before further exploring the individual implication, it is worth pointing out that these two characters look exactly the same while presented in English by Pinyin, yet their tones are different in Chinese. Therefore, they are marked with tones in this study so that they are differentiated.

As noted, there is an array of notions related to Shi in China. For example, Li (2008) exposes six typologies of Chinese Shi, namely, military strategy, legalism, Confucianism, Daoism, boxing and calligraphy. Given that this study is based on a Daoist perspective, it is primarily focused on the Shi of Daoist. Following Jullien, the Chinese concept of Shi is a common word for the Chinese with no fixed meaning. Shi can be translated as ‘position’ or ‘circumstances’, and at other times as ‘power’ or ‘potential’, but he embraces the ‘ambivalence’ of the word and gives it the far-ranging meaning of ‘the kind of potential that originates not in human initiative but instead results from the very disposition of things’(Jullien, 1999:12). If this part of Shi is engaged and exploited, it can arguably contribute to organizational competitive advantage. Specifically, the notion of Shì acts as a heuristic of the propensity of globalization, internationalization, e-commence, technology, industry and government policies, and the aspect of Shí as a heuristic like business opportunity.

Linking to leadership research, Hooper and Potter (1997:41) propose incorporating 'driving forces' and 'restraining forces' into 'force field analysis', which works as a tool for change leadership to add value to the organization. However, their analysis model simply describes the tensions between these two forces rather than bringing about a solution or conversion. Thereby it seems better to adopt the plural notion of Shi so as to bridge the gap and create real change through dynamic conversion.

3.4.1 As the position: Shì

First, Shì refers to the conditioning, shaping and defining power, which emphasizes more about being. As discussed earlier, Daoist philosophy was originated in a chaotic period, where the rules and scholars struggled with how to comprehend and contemplate the complex world. The way of their thinking was reflected in the writings which came from 'the observation and contemplation of the forces at work in the environment, from the sympathy with the microcosmic self to the energies of the macrocosm' (Minford in Introduction to sun-Tzu c. 400 BCE/203: xxv). It indicates a Chinese way of interpreting reality, which begins by 'identifying a particular configuration (disposition or arrangement)' prior to understanding the arrangement of things, because the reality is seen as being situated in a 'closing system' and working in a spontaneous way, where changes take place from 'the power relationship' (Jullien, 1999:221) inherently within, and the 'disposition' implies the 'tendencies' of things. He further points out that the tendency or propensity is characteristic of being ineluctable – and that is the notion of Shì.

The importance of Shì has been addressed widely over a long period in Chinese culture. For example, it is metaphorically conveyed by the famous poetic rhetoric of Bai Li: the flow of water in Yellow River is akin to torrents coming down from heaven; It keeps flowing towards the sea, and never returns. It is suggested the mediating force of environment on strategy or behaviour, as nature inherently constitutes a narrative element or paths (Prigogine, 2004), which exists beyond human beings. Thus Chinese people tend to follow this motto – Following the Shì, flourish; going against the Shì, fail.

In this spirit, Shì has some resemblance to the notion of physics in Stoicism. For the Stoic, there are many dimensions functioning as universal Reason that defy any change. They are powerful, influential and controlling but exterior to human beings, to which we must submit ourselves. These unchangeable aspects fall into 'the domain as Fate' (Case and Gosling,

2007:95). For Stoicism, the present is 'the only dimension of real life' and it stresses a notion of 'living at the moment', where hope is 'the greatest calamity' (Opdebeeck and Habisch, 2011:783). However, for Shì, it is not simply featured as a defining power, but also as a potential situation and oriented at future and becoming. This refers to the second part of Shi as a potentiality.

3.4.2 As the potentiality: Shí

While one dimension of Shi works as 'the regulating principle' (Jullien, 1999:238), the other dimension of Shi serves as a proxy of potentiality and opportunity, which can be enacted proactively through the act of 'strategically exploiting the propensity emanating from the particular configuration of reality.' In this sense, Shi alludes to Shí (时) as an agential structure, which refers to 'opportunity' or 'chance' (Jullien, 1999:267). According to Laozi, exploiting Shì can bring about Shí over time through incessant accumulating energy, wherein the maximum effect is becoming as efficacy, as he puts it in this way:

'A tree thick enough to embrace
Grows from the tiny sapling
A tower of nine levels
Starts from the dirt heap
A journey of a thousand miles
Begins beneath the feet

The one who meddles will fail
The one who grasps will lose
Therefore, sages do not meddle and thus do not fail
They do not grasp and thus do not lose'

--- Chapter 64 (Lin, 2006:64)

In this spirit, the conversion between Shì and Shí denotes a shifting process of bridging being and becoming, which might be illustrated by the example of Barack Obama. In the 2008 US Presidential Election, he was projected with American hopes and beliefs so that he became the symbolic embodiment of an American dream, wherefrom Bolden et al. (2011:20) argue that 'leaders are both *constrained* and *enabled* by the systems in which they find themselves and their successes and failures are integrally linked to the contributions of those that precede, succeed, and surround them.' On the contrary, supposing they are against Shí, they might be entangled and lead to failure. The intersection or one-ness of constraining and enabling efficacy of Shi is further elaborated on by Jullien (1999:178):

> ‘Anything that appears as a result of circumstance in the course of history acts as a force and is endowed with efficacy. On the one hand, a historical situation – seen as a set of factors operating in a particular way – can be used to determine events objectively, since it allows one to constrain the initiative of individuals; on the other hand, every such situation is new and unprecedented in character, one particular movement in an evolving process. As such, it cannot be reduced to previous models; it leads the course of things constantly to take new turns…’

In this respect, things may be better understood as a notion of thing-ing, which can bring about a configuration system. As Ye notes (Hu, 2009), if we adopt a perspective of dynamic thing-ing rather the static thing, we move to a process perspective, where things tend to evolve from being Wu (referring to nothing) to You (referring to becoming something). This animates the notions of Wu Wei and becoming, which will be elaborated on in the following section.

Taken together, Shi is a plural notion characteristic of a dual nature. In terms of the dimension of Shì, it functions as the underlying principle, the conditioning and defining power as ‘the key to the actualization of things’ (Jullien, 1999: 222) so that it shapes our exploration and progress of knowledge. Regarding Shí, it refers to opportunities or ‘an inherent potentiality at work in configuration’ (Jullien, 1999:14). Shì and Shí co-exist as latent forces. Linking to leadership practice, Shi cannot be simply ignored, as Shì can be explored and exploited as Shí. Lastly, Jullien (1999) suggests that Shì is not a parochial perspective endemic to Chinese thoughts but also ‘able to reach beyond the confines of its own cultural specificity’ as an ‘illuminating logic’ so as to ‘illuminate something that is usually difficult to capture in discourse: namely, the kind of potential that originates not in human initiative but instead results from the very disposition of things’ (p.13).

3.5 Wu Wei as the heart of leading, knowing and growing

The unique importance of Dao De Jing has been highlighted by Chan (1970:136), who claims that ‘Chinese civilization and the Chinese character would have been utterly different if the book Dao Te Ching had never been written.’ Moreover, the Daoist teachings hold an enduring fascination not just for the Chinese but also for Westerners (Nelson and Peebles, 1991). Linking to leadership, Daoist philosophy is highly valued as one of the main philosophical foundations of Chinese leadership (Cheung and Chan, 2005; McElhatton and Jackson, 2012). It is noted that Daoism is the key philosophical teaching that differentiates Chinese managers’ thinking and behaviour from westerners (Chen, 2002; Cheung and Chan,

2005; Leung et al., 2002). While Daoist philosophy can be understood through various lenses, leaders may only pursue and practise some elements of Daoist philosophy (Lee et al., 2008). In terms of its association with leadership, the most important dimension certainly culminates around Wu Wei, which has been valued as 'an Occam's Razor in an Oriental version' (Needham, 1969:429), the most important or core principle of Daoist philosophy (Chan, 1970; Prince, 2005; Xing and Sims, 2011).

However, despite the enduring value of Wu Wei, its explanation and application tend to be 'partial and unhelpful' (Xing and Sims, 2011:98). As a result, it has generated bulks of debates and yet remains a forlorn attempt to reach a consensus. More importantly, there is scarcely empirical research that systematically investigates how Daoism, particularly Wu Wei, influences SME leadership in China. As suggested by Smircich and Morgan (1982), the process of leadership is particularly evident in 'unstructured group situations,' where it emerges 'in a natural and spontaneous manner' (p.258). Moreover, the unstructured and turbulent entrepreneurial settings of SMEs are particularly akin to the original background of Daoism. In light of this, the study primarily focuses on Wu Wei rather than adopting a broad sense of Daoist approach, with an attempt to re-visit this ancient canon by offering an account from contemporary entrepreneurial leaders in a systematic way (namely, micro, small and medium businesses).

Before exploring the essence of Wu Wei, it is worth explaining its literal meaning or translation. Literally, Wu often indicates none-ness or nothing and Wei acting. As for Wu Wei, it has been translated in a variety of ways, like 'non-assertion, inaction, striflelessness, non-striving, striving with the inner life, action-in-inaction, the non-resistance of self-movement,' but it is noted that 'none of the terms fully explains it' (1992:41) (quoted from the shrine of wisdom). Creel (1970) suggests understanding Wu Wei in two ways – contemplative and purposive. The contemplative Wu Wei has little implications in practice, rather, it represents 'the philosophy in the original purity'(Creel, 1970:5), including relinquishing the normative thinking, attuning oneself to 'the rhythm of the seasons' and holding fast to 'the unfettered wholeness' of one's own thoughts so as to provide 'a haven of inner strength'(p.4). The purposive Wu Wei refers to a technique for enhancing control and power by 'refusing to struggle against the natural course of things' (Nelson and Peebles, 1991:59), such that the sage (leaders) can really perform leadership among their followers. Alternatively, this aspect of Wu Wei denotes strategic action to reform the world (Creel, 1970;

Loy, 1985). Hu (2009:59) further points out that the heart of Daoist philosophy implies that by engaging in the natural law (Shi), Wu Wei can be transcended to Wu Bu Wei. He cites the story of Cook Ding as a case in point: while being in tune with the natural structure of the ox (Wu Wei), Cook Ding performs (You Wei) cutting and chopping as natural as nearly Wu Wei (Wu Bu Wei). This is supported by Zhuang Zi, who says 'do nothing, and everything will be done.' In this spirit, the impact of Wu Wei on leadership in this study is identified as three dimensions: open-minded exploring knowing (genuine Wu Wei), strategic exploiting knowing (You Wei) and becoming (Wu Bu Wei). Alternatively, Wu Wei can be understood as Wu Wei, You Wei and Wu Bu Wei.

3.5.1 Wu Wei as open-minded exploring knowing (genuine Wu Wei)

Challenges of exploring knowing by a closed mind-set

While exploring knowing, a closed mind-set is problematic in three ways. First, for example, in terms of spirituality**,** Bruder (2013) highlights case examples of owner-managers who are beset with their mental health struggles (like depression, anxiety and hypomania) while handling the tumultuous process of starting up a nascent business. This situation necessitates cultivating a relaxed and serene mind-set so as to follow the flow of nature (Yu, 1987; Peterson et al., 1994). From a nuanced perspective, owner-managers tend to be blinded by previous success, which can result in 'inertia of success' or the issue of 'paradoxical intent' (Frankl, 1963), self-fulfilling prophecies (Edwards, 2001) or the process of simplification (Miller, 1993).

Second, it may result in problems at once from external and internal perspectives**.** From the external perspective, given bounded rationality (March, 1978) and personal as well as collective unconsciousness (Jung, 1959), there are 'unknown knowns' and 'unknown unknowns' (Schamanek, 2012:217). From the internal perspective, it is noted that people tend to be blocked by their 'intellectual baggage' (Prince, 2005: 112). For example, an individual is expected to take a variety of roles in life. In the case of the role of transition, Ibarra and Barbelescu (2010), Ebaugh (1988) and other academics describe the personal interior narratives that people have with themselves as they consider giving up a role and switching to something new, and Van Gennep (1960), Turner (1982) and Lewin (1951) advance that the letting-go process may 'not appear so neat' and provide 'a metaphorical route-map of experiences', alternatively, there is 'un-forgetfulness' or 'un-concealment.' As the Neo-

Platonist, Thomas Taylor says (quoted in Anon, 1936:59), 'although in the course of her journey she may forget much... yet her forgetting will be the means of her remembering...', or rather, 'un-forgetfulness' or 'un-concealment.' It is evident that the 'personal interior narrative' or the 'un-forgetfulness' always exists *in our mind-set*, which may play a negative role in the process of learning the unknown things. For example, Chia (2011) cites the phenomenon of Black Swans (Taleb, 2007), which may seemingly be marginalized from our focal attention but actually are ubiquitous. Consequently, we are urged to 'lay siege on this unthought which commands and controls us' (Morin, 1992:16).

Moreover, a non-openness mind-set may also hinder an effective way of sensemaking. For example, as Weick et al. (2005:416) point out, sensemaking processes are 'not always sanguine' which is supported by the archetype of the case in Bristol Royal Infirmary's (BRI). Springborg (2010:11) echoes that 'sensemaking based in habitual modes of analysis tends to get fixated, returning continually to old ways of understanding the world.' Therefore, Collins (2001) proposes looking out of the window, not just in the mirror. Similarly, Tsoukas and Chia (2002:573) stress the importance of maintaining an inherent openness as follows:

> '…the carrying out of an organizational activity simultaneously involves the existence of certain generic rules containing a canonical image of the activity to be carried out and the noncanonical, particularistic practices of the actors involved in it, which are consequences of *the inherent open-endedness* of the context within which organizational action takes place.'

Given the problems by non-openness, Daoism proposes that one should 'forget everything one ever knew and work on it' (Nelson and Peebles, 1991:59). It animates the importance of adopting an alternative way to exploring knowing effectively.

An alternative perspective by practising Wu Wei

In continuance to the problems of keeping close-mindedness as discussed earlier, it calls for an open-mindedness of Wu Wei to explore the otherwise 'unthought and unthinkable' realm (Chia, 2010:115) by overflowing the conventional thought categories (Bergson, 1946; James, 1911/1996; Whitehead, 1926/1985; Morin, 1977/1992) as Laozi suggests:

> 'Abandon learning and there will be no sorrow.'
> --- Chapter 20 (Chan, 1970:149)

This startling argument seems to go against traditionally western view on knowledge-exploring. Prince (2005) argues that Daoist practice does not really mean abandoning learning, but aims to 'be stripped of intellectual baggage'(p.112), follow the flow by freeing

oneself from frustration and move to a sense of effortless but effective action by practising emotional attachment (Csikszentmihalyi, 1997). Alternatively, it proposes an alternative way of learning, which is akin to learning to learn (Bateson, 1972), learning by unlearning (Antonacopoulou, 2004, 2009) or 'learning to unlearn' (Chia and Holt, 2007:506), as illustrated by Laozi in this way:

'Dao is empty (like a bowl),
It may be used but its capacity is never exhausted.
It is bottomless, perhaps the ancestor of all things.'
-- Chapter 4 (Chan, 1970:141)

Specifically, the Wu Wei perspective of exploring knowing is important in three aspects. First**,** it begins with doing spiritual or psychological exercises by focusing on the process of doing per se in parallel with keeping openness or non-attachment to the results. It helps to enhance individuals' strength, as it fosters positive psychology (Peterson and Park, 2009) and transforms individuals' positive experience, positive traits and positive institutions (Cameron et al., 2003*)*. It is acknowledged that the entrepreneurial leaders situated in SME businesses are often beset by the liability of newness (Stinchcombe, 1965) for 'lack of proven track records, obvious asset value and profitability' (Clarke and Holt, 2010: 69). As such, practising Wu Wei enables them to nurture individuals' strengths and elements for self-flourishing (Fredrickson, 2001; Seligman, 2002; Seligman and Csikszentmihalyi, 2000). From a Daoist perspective, knowledge/knowing begins by knowing oneself, as Laozi says:

'He who knows others is wise;
He who knows himself is enlightened.
He who conquers others has physical strength.
He who conquers himself is strong.'
-- Chapter 33 (Chan, 1973:156)

Alternatively, knowing oneself is a technique for self-enlightenment, which contributes to nurturing one's strength and competitive advantage such that one is reinforced to be strong and powerful within.

Second**,** the pursuit of Wu Wei can foster an openness mind-set to effectively engage in the propensity of things - Shi as discussed earlier, which exists as an independent defining power out of our control. Because Wu Wei represents 'inactivity', or 'taking no action that is contrary to nature', alternatively, 'letting Nature take its own course' (Chan, 1970:136). Alternatively, Prince (2005:116-117) terms it as 'non-doing doing' and elaborates it in a metaphorical way:

> '…When one is fully connected with the ebb and flow of what is happening in the environment, then action can become spontaneously appropriately to *the prevailing circumstances*…But it requires deep understanding, *knowledge* of and *openness* to change as it actually occurs, not as we think it ought to occur, overcoming those intellectual structures that function, as it were, as phantoms that we have created for ourselves.'

Prince's (2005) illustration highlights the antecedent of keeping an inherent openness to engaging Shì and exploring knowledge, in that Shì can be converted to Shí (opportunities).

It animates the third aspect of an openness mind-set while cultivating an effective and flexible way of exploring knowing. Given the un-forgetful, unknown, unthought of knowledge or knowing, it calls for an open sharing and exploring conduits. On the one hand, the leader can adopt an inverse learning approach by learning (Grint, 2005) from the followers. On the other hand, he or she is not just restricted to the internal audience like employees, but also open to extensive external relations, such as learning from reading, internet, friends, families, suppliers, customers, mentors, professional consultancies, competitors, industrial seminars, social networking, training, formal education or further education like MBA programmes. The learning may also be stimulated by critical incidents, like a government visit or acquiring a key customer. Moreover, the specific way of learning can also be very flexible. For example, Chinese people stress the habit of reading as a way to explore knowledge. While the main aim of reading is to foster leadership, the books may not necessarily be related to leadership or management, but open-ranging, which could be philosophy, history or even literature. And the reading can be conducted at any flexible time or venue, such as in the office, on the way to the office or just before bedtime. By practising Wu Wei, the seemingly non-exploring could turn out to be an extremely effective way of exploring, as the Chinese proverb says, 'purposively-cultivated flower fails to flourish, whilst non-purposively-grown willow will be woody[1].'

Put together, the spirit of Wu Wei might foster an inherent openness of blandness (Jullien, 2004) or maturity (Kant, 1784/1991) such that it can help to avoid ideologies or 'boxed-in' thought (McElhatton and Jackson, 2012), selective perception (Zajac and Bazerman, 1991), or path dependence (Bettis and Wong, 2003). Thereby it enriches the studies such as cognitive inertia (Tripsas and Gavetti, 2000), managerial myopia (Levinthal and Posen, 2007; Miller, 2002) or organizational 'inertia and blind spots' caused by a self-reinforcing narrative mechanism (Geiger and Antonacopoulou, 2009: 412).

[1] Quoted from an ancient Chinese doctrine 'Essay on Expanding Wisdom'.

3.5.2 Wu Wei as strategic exploiting knowing (You Wei)

As equally important as the first dimension of Wu Wei is 'what do leaders do while practising Wu Wei?' It is directly about strategic exploiting, or You Wei, which is the opposite to Wu Wei (genuine non-acting). This serves as the primacy of Wu Wei, as Wu Wei is essentially less concerned with genuine non-action (Xing and Sims, 2011) or non-striving (Mears, 1922), rather, more about a way of strategically enacting and reforming the world (Creel, 1970; Loy, 1985) or 'striving through the power of Inner Life'(Mears, 1922:10). Following Shrine of wisdom (1960), the spirit of Wu Wei means not attempting to 'force things prematurely, nevertheless there is nothing of essential value left undone' (p.20). That is, 'doing what comes naturally'(Ma and Tsui, 2015:15) or 'unimpeded action performed through cultivating and freeing oneself from burdens and stress' (Xing and Sims, 2011:99). In this manner, Wu Wei is identified as the following three aspects:

Empowering and delegation

The importance of empowering and delegation has been claimed by Laozi thousands of years ago:

> 'Ruling a big country is like cooking a small fish.'
>
> -- Chapter 60 (Chan, 1970:168)

Enacting empowering and delegation implies that the leader is willing to relinquish the conventional control and involves everyone to explore and exploit knowledge, which can help to foster genuine organizational learning (Macpherson et al., 2003) through enhancing the absorptive capability. In the spirit of Daoist teaching, empowerment is an often-quoted dimension, and the relevant leadership style is characteristic of maintaining a low profile, leading by example and encouraging followers to their ownership (Johnson, 2000). Further, empowering leader behaviour also includes participative decision-making, coaching, informing and showing concern (Arnold et al., 2000). Concerned that it may not be enough to simply establish a causal relationship between a number of empowering behaviours and effective team performance, Srivastava et al. (2006) conducted a survey on management teams in 102 hotel properties in the United States to examine the moderating role of knowledge sharing and team efficacy, in that their findings indicated a positive relationship between empowering leadership and knowledge sharing and team efficacy. That is why Laozi says:

> 'I take no action (Wu Wei) and the people of themselves are transformed.

I love tranquillity and the people of themselves become correct.
I engage in no activity and the people of themselves become prosperous.'
-- Chapter 57 (Chan, 1970:167)

Linking to the context of growing SMEs, the empowering and delegation is particularly important, as Perren and Grant (2001:7) point out:

> 'Indeed it appears that informal management and leadership practices are the most effective in emergent businesses. Clearly there is a need for more formal management and leadership practices as the business grows and it is at this stage the entrepreneur's fear and problems with delegation may have a detrimental influence on development.'

Therefore it is imperative for the owner-managers to follow Wu Wei to enact empowering and delegate properly in their leadership practice.

A soft approach of people management

In the spirit of Wu Wei, the leader tends to adopt a 'soft' approach in people management as a technique to 'hide one's power behind soft actions and follow the flow' (Xing and Sims, 2011:107), as Laozi says:

'Can you understand all and penetrate all without taking any action (Wu Wei)?
To produce things and to rear them,
To produce, but not to take possession of them,
To act, but not to rely on one's own ability,
To lead them, but not to master them.'
-- Chapter 10 (Chan, 1970:144)

It is akin to the notion of soft human resource management (Guest, 1987), which stresses employees as the greatest value and the key to organizational success. This technique is highly valued by Laozi, because seemingly soft and weak implies promising and powerful within or softness can conquer the hard. In terms of people management, it can foster motivation within. For example, drawing on case studies of two Chinese high-technology private firms, Wang et al. (2012) suggest that the integration of various factors comprise a complicated and dynamic business context in China, and the factors include philosophical traditions and cultural values, individual, organizational and transitional factors. While examining the influence of Chinese cultural heritage on leadership, the authors review the teachings of Confucianism, Daoism, and legalism, and argue Daoist leadership stresses the function of role modelling and 'motivating followers and other constituencies to do more than they originally expected to do as they strive for higher-order outcomes' (Bass, 1997:133).

In this sense, it fosters a positive environment where the leader seems to do nothing (practising genuine Wu Wei) and the followers are self-motivated to enact proactively (You Wei).

Therefore Laozi particularly and repetitively stresses the importance of adopting a soft approach to lead people, as he believes:

> 'The softest things in the world overcome the hardest things in the world.
> Non-being penetrates that in which there is no space.
> Through this I know the advantage of taking no action (Wu Wei).'
> -- Chapter 43 (Chan, 1970:161)

Contrarily, if it is hard, it has lost its potentiality, as he states as follows:

> 'When man is born, he is tender and weak.
> At death, he is stiff and hard.
> All things, the grass as well as trees, are tender and supple while alive.
> When dead, they are withered and dried.
> Therefore the stiff and the hard are companions of death.
> The tender and the weak are companions of life.
> Therefore if the army is strong, it will not win.
> If a tree is stiff, it will break.
> The strong and the great are inferior, which the tender and the weak are superior. '
> -- Chapter 76 (Chan, 1973:174)

For example, this technique can be applied in terms of talent retention. While handling people who are exiting the organization, the leader might practise Wu Wei by keeping a very open attitude to welcome them back if they like. By this way, these people can be particularly motivated and tend to have a high royalty. The leader appears soft, but his or her behaviour actually generates power within and the external power may not be genuinely powerful. The power of softness is analogous to water as follows:

> 'There is nothing softer and weaker than water,
> And yet there is nothing better for attacking hard and strong things.
> For this reason there is no substitute for it.
> All the world knows that the weak overcomes the strong and the soft overcomes the hard.'
> -- Chapter 78 (Chan, 1973:174-175)

Water is at once soft and flexible, alternatively, in Laozi's words, Zi Ran. Lee et al. (2008) argue that it is an effective way to comprehend Daoism through the metaphor of water. The water-like or wateristic element is interpreted as personality features. It is first proposed by Watts (1975), then developed by Lee (2003; 2004) and further elaborated by Lee et al. (2008). Dimovski et al. (2013) even conceptualize it as 'wateristic leadership personality' (p.383).

Strategizing without design

M.R.A.S. (1913:86) claims that Wu Wei is about 'acting without design, spontaneously, as by nature', and it is analogous to water, which 'flows without desiring it.' This element particularly accords with the ceaselessly changing environment. Back to Heraclitus, it has been noted that all things are in flux such that no one can step twice into the same river. Indeed, changing is constitutive of reality, and change is 'inherent in human action' (Tsoukas and Chia, 2002:570). Concerning that reality is characteristic of change or changing, leadership is essentially 'about coping with change' (Kotter, 1990:104). This argument is also echoed by Grint (2005), who states that leadership is 'concerned with direction setting', and is 'essentially linked to change' (p15).

Hooper and Potter (1997:33) further claim that it is one of the main roles of leaders is to 'develop the abilities of all followers within the organization to enable them to thrive on the change process.' As changing is constitutive of reality, any pre-emptive assumptions or paradigms must be futile, as the 'management guru'- Tome Peters claims that 'predictability is a thing of the past' (Hooper and Potter, 1997:32). Similarly, concerning 'the dynamic nature of practice', there is a fundamental call for a shift of focus from conceptualizing the institutional nature as a force for stability (Gherardi, 2006) to 'the practise of practice' (Antonacopoulou, 2008), as the performed practice has the potential of transformation and making a difference through the interaction between the central dimensions of practice, including 'practitioner, phronesis, purpose, procedures, principles, place, past, present, potential future projections'(Antonacopoulou, 2009:423). As such, we are suggested to adopt 'strategy without design' by following 'a spontaneous order' (Chia and Holt, 2009:25), because the persuasiveness of change (Tsoukas and Chia, 2002) imposes 'practical limits on any strategy' (Jullien, 1999:32). Alternatively, it is indicative of strategizing as practising or 'strategy-as-practice' by focusing on strategic learning so as to integrate the 'micro and macro forces' that affect practising (Antonacopoulou, 2006:4).

3.5.3 Wu Wei as becoming (Wu Bu Wei)

While Wu Wei stresses the interventional role of strategic exploiting, it draws dramatic demarcation from the western epistemology. Following the previous discussion that leadership is seen as 'about coping with change'(Kotter, 1990:104), there are a plethora of

‘normative models of change’(Iszatt-White and Saunders, 2014:164) among western academics, such as the 10-step model (Kanter et al., 1992), n-step model (Collins, 1998), 12-action-step model (Nadler, 1998), ten-key-to-change model (Pendlebury et al., 1998), and eight-stage model (Kotter, 2012). Take the example of Kotter’s (2012) model, which includes establishing a sense of urgency, creating a guiding coalition, developing a vision and strategy, communicating the change vision, empowering broad-sensed action, generating short-term wins, consolidating gains and producing more change, and anchoring the new approaches in the culture. His model is seen as an extension of the unfreeze-move-refreeze model (Lewin, 1958) as illustrated in Table 3.1.

Table 3.1 The unfreeze-move-refreeze model

Stage	Features
Unfreeze	Preparation phrase: dissatisfied with the status quo, aware of the need for change, and be prepared for change
Moving	Actual change phrase: implement by introducing new systems and polices, and by conducting training and development
Refreeze	Embedding phrase: celebrate success, reward desired behaviours, and other forms of positive reinforcement to consolidate the changed results

(Source: Adapted from Lewin, 1958)

While these models are widely spread, they have been criticized as ‘very static’, which cannot capture the essence of change as an ongoing process by simply taking a ‘snapshot’ of the ‘synoptic’ nature ‘in a linear fashion’ to achieve organizational success (Iszatt-White and Saunders, 2014:165). It is pointed out by Ladkin et al (2010) that those models are largely originated from the dominating dualism of cause and effect, which underpins the western epistemology.

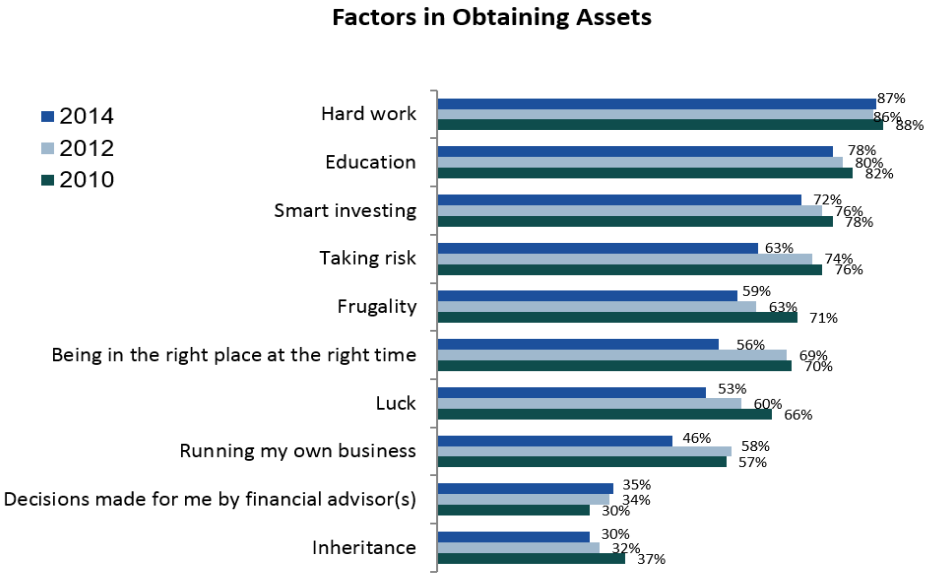
In sharp contrast, given the changing environment, Chinese Wu Wei stresses adopting a fully open perspective to expand the repertoire of knowing by exploring and exploiting, in the process of which the spirit of Wu Wei directs things to thrive on their own in the future. Alternatively, by developing a deeper capacity within, success can be achieved effortlessly (Yu, 1987). It attends to a Chinese way of thinking - it is less concerned about static being, but more about the capacity to enact upon, which contributes to efficacy or maximum effect and animates the notion of efficacy (Jullien, 2004) as follows:

> '… a concept of efficacy that teaches one to learn how to allow an effect to come about; not to aim for it (directly) but to implicate it (as a consequence), in other words, not to seek it, but simply to welcome it – to allow it to result.'

This open mind-set moves beyond the hijack of the 'linear fashion' (Iszatt-White and Saunders, 2014:165) - and that is the essence of Wu Wei. As pointed out by Jullien (2004), this Chinese concept of efficacy is markedly different from the conventional concept from Europe or at least the legacy from the Greeks, where efficacy is based upon abstract concepts or projected models as a deliberately-established goal. The underpinned assumption held by Westerners is that human agents are the centre of the world or above everything such that they can conquer almost anything (see Fung, 1948; Johnson, 1985).

Contrarily, the Chinese way stresses engaging in the world, which inherently possesses a potential; alternatively, it proposes a way 'to carry a potential', as 'the situation itself carries a certain potential that we should identify and then let ourselves be carried along with it' (Jullien, 2004:vii). This surfaces the other underpinned mentality beheld by Chinese people, that is, future-orientation. For example, through administering a questionnaire that explicitly focuses on future orientation and work dynamics (Chinese Cultural Connection 1987), the research results indicate a high score on the dimension of long-term perspective and future orientation, which is in sharp contrast with the findings that regard China as characteristic of a stagnant society (Hofstede, 1991; 1993; House et al., 1999; Javidan and House, 2001). The empirical evidence is not only limited to China, but also indicated in western settings. For example, Figure 3.1 is a report compiled by the Spectrem Group, ranking the top contributors to their wealth accumulation by involving 13,200 investors in the U.S. with a net worth of over $25 million. While individual success or efficacy can be examined differently, building wealth may still serve as an important factor or clue to generate some insights. It is illustrated that the majority credit hard work and education as the top two contributors to their success or efficacy. The results represent the significance of engagement to develop capability from within rather than conquering a deliberately-established goal from the external. The high rank of luck also echoes the importance of keeping open-mindedness to let things thrive on its own, which has implications of a Wu-Wei perspective of growth as discussed in the next section.

Figure 3.1 Factors in obtaining assets



(Source: Spectrem.com, 2015)

3.6 A Wu Wei framework of SME growth

Given the identified gap in the existing discussions of SME growth as discussed in Chapter 2, this study offers an alternative framework in the light of Wu Wei. In this spirit, growth spontaneously evolves as an efficacy of leading by Wu Wei, identified as three dimensions: ongoing micro-processes, capabilities and co-evolution.

Growth as ongoing micro-processes

Configured in the settings of SMEs, the distinctive feature is no more than fluidity. The process of exploring new opportunities to further growth is an inextricable characteristic of making sense of ambiguity and uncertainty as reflected by Wright and Stigliani (2013:9):

> 'Growth by definition is an inherently uncertain process characterized by a high level of ambiguity with respect to both the context and final outcomes. As a consequence, when facing firm growth, entrepreneurs repeatedly have to make sense of ambiguous and changing information extracted from uncertain external environments.'

To engage with the uncertainty, it largely depends on continuously exploring and exploiting tacit knowledge by learning and sensemaking in practice rather than simply acquiring explicit

knowledge as a given. To expand the repertoire of knowing, Laozi stresses the importance of beginning with exploring small, as in the spirit of Wu Wei, small can evolve to be big:

> ‘Act without action (Wu Wei).
> Do without doing…
> Deal with the big while it is small.
> Difficult undertakings have always started with what is easy,
> And great undertakings have always started with what is small.
> Therefore the sage never strives for the great,
> And thereby the great is achieved.’
>
> - Chapter 63(Chan, 1973:169)

The exploring and exploiting of knowledge at a ‘small’ level might appear to do without doing anything (Wu Wei), but in effect, it serves as ongoing and accumulative micro-processes of refining and magnifying. In the context of entrepreneurial SMEs, the exploring and exploiting processes are secured by effective leadership, where the leaders take a shaping role to nurture a learning organization or knowledge context such that the employees interactively juxtapose learning and knowing with doing within the organization and beyond by involving a wide group of stakeholders, like suppliers, customers and partners. Thereby the collective knowing/knowledge (the ‘great’) is enhanced and becoming at the firm level. This transforming process of small-and-big is akin to ‘the silent transformations’ by Jullien (2011:2):

> ‘To grow - we do not see growth, whether we are looking at children or at trees. And yet one day when we see them again we are surprised at how the trunk has already become thick or that the child is so tall that he now comes up to our shoulder.’

For example, the phenomenon of silent transformations could be illustrated in Xiaoping Deng’s reflection in 1987 on China’s growth in the first eight years of implementing Chinese reforming policies:

> ‘All sorts of small enterprises boomed in the countryside, as if a strange army appeared suddenly from nowhere … was not something I had thought about. Nor had the other comrades. This surprised us’ (Zhou, 1996: 106).

The reformers had not foreseen the key to their own reforms. Thereby, practising Wu Wei, growth is more like an ongoing efficacy of leading by knowing embedded in the everyday organizational routines rather than in financial statements. It also resonates with practice-oriented nature of ‘learning leadership’– ‘leadership is to be engaged with, it needs to be understood as practice’ (Antonacopoulou and Bento, 2011:71).

Growth as capabilities

Hooper and Potter (1997:33) claim that it is one of the main roles of leaders is to 'develop the abilities of all followers within the organization to enable them to thrive on the change process.' Particularly, as the business size-band expands and moves from survival to further growth, it becomes increasingly important to develop competitive advantages to further idiosyncratic innovation. It is suggested that 'firms can innovate not only by recombining the resources they control, but also by harnessing those of the partners, suppliers and customers who participate in their business model' (Zott and Amit, 2007:195). Rather than simply reduced to financial numbers, growth should be examined and understood in a more broad sense. It is not only indicated by the quantified numbers like increased sales revenue, profit and employees, but more by qualified potentialities, such as the dynamic capabilities of leaders and followers, highly self-motivated employees, a capable and stable core management team, customers' stickiness, operational capability, a positive organizational culture, better industry experience, key knowledge of the industry, established systems. These qualities can ensure the entrepreneurial business to flourish over the long run rather than on a short term. For example, the individual growth by learning is seen as 'a growth experience' (Handy, 1995:10), which is resonated by the notion of 'learning how to grow' by 'resolving the crisis of knowing' at the firm level (Macpherson, 2005:1129).

Taken together, a Wu Wei perspective of leading by knowing enhances the capabilities of SME growth, alternatively, growth is becoming, as Laozi states:

'Being and non-being produce each other;
Difficult and easy complete each other;
Long and short contrast each other;
Sound and voice harmonize with each other;
Front and back follow each other.
Therefore the sage manages affairs without action.'
-- Chapter 2 (Chan, 1973:140)

Growth as co-evolution

Daoism stresses interconnectedness or interrelationship, as 'the Universe is essentially a single whole and is in reality indivisible' (Nelson and Peebles, 1991:59). Thereby growth cannot be simply understood at a firm level, but requires a co-evolutionary perspective by orchestrating correlative factors - the individual growth, the firm, a wide group of stakeholders and external environment. As discussed earlier, the role of Shi is a crucial constituent of environments, identified as propensity and potentiality. Take the analogy of

surfing on a current. From the Western co-evolution perspective, the owner-manager and firm are regarded as the surfers *on* the current. That is, the owner-manager and firm are discrete constituents of the ecosystem, where the current is still there even devoid of the owner-manager and firm. However, in the spirit of Daoism, it is the owner-manager-and-firm-*within*-the-current rather than the notion of current-and-surfer. Given the plurality of Shi, on the one hand, the owner-manager and firm are constituents of the current (the propensity - Shì) - no owner-manager and firm, no current (Shì); on the other hand, as the agents, the owner-manager and firm can explore and exploit the current (the market trend and business opportunity - Shí). When growth is examined in this light, it spontaneously surfaces the understanding of owner-manager-in-Shi and firm-in-Shi in patterns of exploring and exploiting. Growth and potentiality of further growth can only evolve by enhancing the harmony with the current, rather than going against it. As Nelson and Peebles, (1991: 59) state: 'by flowing along with nature, rather than swimming against the current, one's ends can be achieved without effort or action.' While the western co-evolution perspective also stresses a both-and rather than an either-or logic (Clarke et al., 2014), it still alludes to a cause-and-effect dualism like the surfer and the current. The Wu Wei perspective of co-evolution reframes our way to see the evolution does not take place discretely or individually, but on the level of the wholeness by engaging with Shi, as Jullien (2011:8) claims: 'Because it is the whole that is modified, and that nothing can be isolated from it, what is clearly in becoming, and is even displayed before our eyes, is not seen.'

Specifically, the notion of Shi refers to the combination and complexity of wide-ranging environments, such as employees, customers, suppliers, natural environment, cultural norms, government policies, industrial competition, local and global propensity. It emphasizes engagement rather than competition. As suggested by Levie and Lichtenstein (2010), attention should be given to the dynamic relation between the owner-manager, the firm and environment of market. The ways of collaborating with suppliers and customers can enable the firm to access knowledge about market trends and complement the lack of business skills (Pellikka amd Malinen, 2014), which hones the development of competitive advantage so that growth grows gradually. Jullien (2011) frames this process as the 'silent transformations'- it is in process, but not yet perceived by us as follows (p.8):

> '...in Chinese thought transformation is global, progressive and situated in duration, resulting from a correlation of factors. Since 'everything' within it transforms itself, it is never sufficiently differentiated to be perceptible. We do not see the wheat ripen, but we do notice its results…'

The silent changing process is also resonated by Mintzberg (1999) as follows:

> '…change that seeps in slowly, steadily, profoundly. Rather than having change thrust upon them in dramatic, superficial episodes, *everyone* takes responsibility for making sure that serious changes take hold…Call this natural continuous improvement.'

Consequently, growth does not necessarily refer to a dramatic change but continuously ongoing changing as micro-processes, which may be seemingly invisible. It is different from the conventional approach, which tends be described as 'to achieve the growth' or 'aim for the growth' such that it segregates the process of doing and leading. In contrast, this study proposes an approach akin to 'of the growth' or 'in the process of growing', as firm growth is embedded in the everydayness of leading and knowing, where the firm, the individuals and Shi co-evolve as becoming. Alternatively, growth evolves as a secondary development of efficacy through practising leading by Wu Wei rather than purposive acting – and that is Wu Bu Wei (becoming).

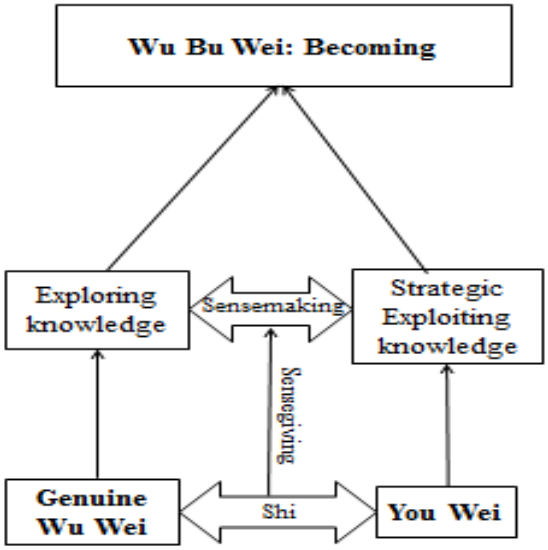
3.7 Chapter summary

Leadership is often deemed as 'a Western invention,' which is distinctively based on 'established codified' principles or knowledge (Dimovski et al., 2013:396). As such, the conventional perspectives on leadership and knowledge fail to fully capture the dynamics and fluidity of growing SMEs. Moreover, despite the association between contextual knowledge and SME leadership, the existing literature tends to overlook the dimension of context wherein growth occurs (Clarysse et al., 2011; Iacobucci and Rosa, 2010). Thus it is imperative for the owner-managers to adopt a Wu Wei approach to effectively explore and exploit knowing. By adopting an alternative Daoist perspective, it emphasizes 'a located and responsive social skill,' or 'internal knowing and experience' embedded in the micro-processes of doing rather than dissected thinking (Prince, 2005:106). Furthermore, notwithstanding that growth has been an increasingly important topic, SME growth remains underexplored in a holistic way, in particular, the defining role of Shi appears to be excluded in the existing literature. In light of this, it is crucial to adopt a Wu Wei perspective to integrate the various elements including leadership, knowledge and growth, where growth continuously and spontaneously evolves as efficacy of leading by Wu Wei.

To sum up, practising Wu Wei is so significant that it works as the heart of leading, knowing and growing in Chinese SMEs. As illustrated in Figure 3.2, practising Wu Wei refers to

keeping openness to explore knowledge in parallel with strategic exploiting knowledge, which is intersected by sensemaking and informed by Shi. In this process, becoming spontaneously evolves as the efficacy, as it is inherently embedded in the everyday micro processes of leading. That is why Laozi says, 'by practice of Wu Wei, there is nothing that cannot be done.' Alternatively, by doing nothing, one is able to do everything (Feng, 2000; Yu, 1987), which is the essence of becoming or Wu Bu Wei. By infusing the enduring Chinese ancient teachings, this study seeks to further enrich and extend this fascinating research topic associated with SME leadership, knowledge and growth.

Figure 3.2 A Wu Wei framework of leading, knowing and becoming



(Source: Author)

CHAPTER 4 METHODOLOGY

4.1 Introduction

This chapter explains and justifies why the specific research context, particular paradigmatic stance, research methods techniques and analysis procedures have been applied in this study. It begins by justifying the research topic configured in the context of Chinese SMEs, which provides an overall setting for the empirical work and demonstrates the importance of this topic, including the introduction of Chinese enterprises, the overview of institutional context associated with SMEs, and an introduction of logistics industry in China and Shanghai. It is followed by paradigmatic concerns, where the contentious concepts about paradigms in the West are critically reviewed, and an alternative Daoist epistemological stance is then proffered. The fourth stage focuses on the justification of a mixed-methods approach through combining the qualitative approach (narrative interviews and visual method) and quantitative survey to generate a robust database. It also argues why this study particularly adopts a narrative approach and the supplementary visual method. After that, the research design is illustrated: This study uses a triangulation of quantitative and concurrent nested design (Creswell et al., 2003), which gives primacy to qualitative data, including in-depth semi-structured narrative interviews, plus visual representations and archival sources (like organizational webpages, flyers, and internal magazines/documents) accessible to me. The sixth stage explains why this study adopts mixed-methods sampling strategy to collect not only numeric but also narrative data (Teddlie and Yu, 2007:85). Then it elaborates on how the dataset are generated through both survey and interview processes. The eighth stage discusses data analysis, which includes the issues of transcribing and translating, triangulation of quantitative and qualitative data analysis. After that, it discusses ethical concerns related to this research. This chapter is concluded with a short summary, indicating the research context, methodology and methods are consistent with the aims and objectives of this study.

4.2 Research context: The overview of Chinese SMEs

Developing economies serve as the engine of the global growth in the future, as the GDP of the BRICs (Brazil, Russia, India and China) could exceed that of the original G6 developed economies by 2050 (Wilson and Purushothaman, 2003). According to Hult et al. (2003) and

Schumpeter (1934), there are more entrepreneurial activities to be found in emerging economies than in mature economies. Poutziouris et al. (2002) further point out that transitional economies are characterised by new businesses during the early stages of their development. The nascent businesses in a transitional economy make more economic contributions than either state-owned enterprises (SOEs) or newly-privatized businesses (McCarthy et al., 2010). In the context of China, McMillan and Woodruff (2003:153) argue that new businesses serve as drivers of reform, which contribute to 'creating jobs, supplying consumer goods, mobilizing saving and ending the state firms' in the emerging and fast-growing market. Contrarily, a weak SME industrial base plays a negative role in terms of creating employment and nurturing innovations (Poutziouris et al., 2002). Furthermore, SME growth not only makes contributions to the dynamism of the Chinese economy and social development (Krug, 2004), but also to social stability, as unemployment is growing to be a serious issue in China (Lee and Warner, 2004). Hence, it has been well documented that that SMEs make significant contributions to the GDP growth and employment ownership (Garnaut and Huang, 2001) as a driving force in the unique context of China (Byrd and Lin, 1990; Li, 2003; Li and Matlay, 2006). For example, according to the Yearbook of China Small and Medium Enterprises 2013, it is reported that 97.3% of the enterprises belong to SMEs, which contribute to 58.7% of the total sales revenues, and over 60% of GDP (Zhu and Sanderson, 2009). Moreover, their employees are equivalent to 70% of the total workforce (Lin and Ho, 2011), and their contributions even account for 80% in terms of urban employment (Zhu and Sanderson, 2009).

While China has been highly valued as 'the world's largest, fastest growing, and most dynamic consumer market' for launching new business (Fernandez and Underwood, 2009: xvi), however, Chinese SMEs are facing enormous pressures like globalization, technological innovation and social change (Yu et al., 2001), alongside the increasingly high costs such as resources and labour force, which critically challenge the survival of the non-state-owned enterprises (Tsai, 2007). It is reported that 68% of SMEs will fail in their initial five years, only 19% can survive six to ten years, and only 13% can last for more than 10 years (CTIBJ, 2008). As such, it animates the importance of how to effectively manage SMEs so that they can maintain growth in an increasingly competitive context (Cunningham and Rowley, 2010). While the topic of SMEs has been drawing growing attention because of their significant contribution to the Chinese economy (Poutziouris et al., 2002), however, there remains a lack of in-depth empirical examination about the association between leadership and the

development of private enterprises in China (Pistrui et al., 2001). This is a major oversight, because the development and growth of private nascent business essentially depends on effective leadership (Hitt et al., 2011). Hence, this study aims to explore this important topic to enhance our understanding in this terrain.

4.2.1 The introduction of Chinese enterprise types

China adopts a distinctive approach to entrepreneurship and private businesses (Pistrui et al., 2001). Compared with developed economies, it has been argued that the influence of enterprise types in China enforces a stronger impact on leadership behaviours and organizational cultures which can differentiate organizational performance (Mendenhall et al., 2004). As such, it is imperative to introduce the related knowledge to offer an empirical background. According to the ownership of enterprises, they are categorized as follows:

- State-owned enterprises (SOEs): ownership by all the people
- Non-state-owned enterprises (NSOEs)
    - Collectively-owned enterprises (COEs): ownership by the workers
    - Private-owned enterprises (POEs): individual or private ownership
    - Others (such as foreign-owned enterprises and foreign-domestic joint ventures)

Compared with NSOEs, the SOEs are distinctively featured in the following three aspects (Pyke et al., 2000):

1. They are established and supported by central government investment;
2. They are monitored by central government authorities or regional representatives;
3. They are enlisted in the central government strategies, financially supported by the government and targeted at returning to the nation.

It is evident that SOEs are largely operated in a controlling way. For example, the result of a survey indicates that 78% of SOEs claim that their largest supplier is also SOE, and 60% claim that their largest customer is also SOE (Broadman, 1999). Compared with SOEs, the POEs have much more flexibility such as with their human resource management practices (Pyke et al., 2000). The majority of POEs in China are composed of SMEs with no more than 15 employees on average (Starr, 1998) and SMEs are mostly private (Zhu et al., 2012).

In terms of SME definition, there is no general, legally-binding or universal definitions (Cunningham and Rowley, 2010), and their definitions are subject to change within a country

or region. For example, the definitions and criteria of SMEs in China have been modified four times since 1949. The category of micro business is initially added to 'Standards of Small and Medium-sized Enterprises' in 2011. Moreover, SMEs are defined against the industry, employees and sales revenues in China. For example, according to the Regulation of SME Types issued in 2011, the following is a comparison of SME definition between logistics, retail and IT technology service industries (see Table 4.1) based on employee number. It is evident that the individual definition varies against the industry. Given that SMEs are featured by immature financial systems, it is hard to confirm the accuracy of sales revenues, hence they are solely defined against the number of employees in this study.

Table 4.1 A comparison of SME definition between logistics, retail and IT technology service industry

Industry	Medium	Small	Micro
Logistics	300≤X<1000	20≤X<300	X <20
Retail	50≤X<300	10≤X<50	X<10
IT Technology Service	100≤X<300	10≤X<100	X<10

(Source: Author) (The X refers to the enterprise).

Prior to 1978, China used to be dominated by a state planning mode in the form of SOEs. With the Provisional Regulations on Private Enterprises published in 1988, the legal employment in the private sector began to be recognized by the Chinese government, thereafter private organizations, particularly SMEs, began to blossom over the past decades (Atherton, 2008) and play 'a decisive position' in China's economy (Haibin, 2012:227). Consequently, the next section reviews the importance of Chinese SMEs.

4.2.2 Overview of institutional context

A bulk of literature indicates that the Chinese macro environment has an important impact on its enterprises (Li and Atuahene-Gima, 2001; Li and Rugman, 2007), as China adopts a unique approach - a mixed 'socialist market economy', to SME and private enterprise, which is unique even to other communist countries (Pistrui et al., 2001). As suggested by Chen

(2006), Chinese SMEs have experienced three major development phases associated with China's reform and opening policies:

- Phase 1 (1978 – 1992): the rapid development of SME sector
- Phase 2 (1992 – 2002): the reform and further development of state-owned SMEs
- Phase 3 (2002 – present): the consolidation and further development of SME sector by providing more fertile environments

According to an OECD 2015 report, China's economic growth rate appears more gradual, and one of the top three predominating priorities is to maintain and foster the quality of growth in China and strengthen market mechanism to ensure adherence to the rules of policies. Thus it is imperative to present an overview on this distinctive business context, which is at once nurtured by preferential government policies and beset with constraints and challenges. The features of unique Chinese business contexts are closely associated with the notion of Shi that has been illustrated in Chapter 3: the ambiguity and favourable government policies can be linked to the potential aspect of Shi (namely, Shí); the unfavourable government policies are likely to constrain SME growth, which can be linked to the conditioning factors (namely, Shì).

Ambiguity and opportunity in the business context

One of the distinctive features of SMEs is that they are highly sensitive to ever-changing propensities and external environments (Hill and Stewart, 2000) because institutional fluidity can serve as an opportunity for developing business successfully (Cox and Camp, 2001). For example, an international survey of 1,045 entrepreneurs from 17 countries, though mostly from developed economies, who were the finalists in Ernst & Young 2000 global competition, indicates that institutional turbulence serves as an opportunity for success rather than an excuse for failure (Cox and Camp, 2001). China serves as a case in point, as the institutional environment is basically undeveloped, where 'the market-supporting institutions are largely absent, and the existing laws tend to be unclear and essentially unenforceable' (Ahsan and Musteen, 2011:380). Linking to Chinese SMEs, on the one hand, the SME activities are conditioned and defined by the ambiguous and changing institutional environment. On the other hand, the environment fosters numerous opportunities so that thousands of SMEs blossom in China. It is noted that one of the key features of SMEs is that they are highly sensitive to changing propensity and external contexts (Hill and Stewart, 2000). The institutional context is important to incorporate 'a full context' to examine the 'attenuated

leadership' structures within the SME firms. For example, Greiner proposes the length of business stage change varies according to industry, and Prats et al. (2012) suggest that there is great difference to manage growth between low-growth contexts and high-growth contexts. Given the important association between institutional elements and growth, it animates the vital role of Shi, which works as a defining role of the institutional environment in the Chinese context, as discussed in Chapter 3, but it has been scarcely scrutinized in the extant academic literature on SME leadership studies, particularly in the western academic community. This research aims to fill up this gap by adopting the endogenous notion of Shi in China while analysing the effectiveness of SME leadership.

Favourable government policies

Despite China's negative SME environment 30 years ago which was followed by a chaotic transition, Fernandez and Underwood (2009) claim that the present environment for SMEs in China are 'more welcome' (p.12) than Silicon Valley in the US, boasting all the positive elements for business start-ups, including the strong demand in the fast-growth market and favourable government support; thus they argue that China is 'the right place at the right time for many types of entrepreneurs' (p.13). Furthermore, the openness policy also plays an advantageous role to facilitate phenomenal growth in China (Bao et al., 2002; Chen and Fleisher, 1996).

Given the importance of SMEs, the Chinese government has been making extensive efforts to enhance the quality and competitiveness of SMEs (Chen, 2006) by providing preferential policies. For example, the State Council has published favourable tax policies towards micro/small business, with free value-added and business tax if the monthly sales revenue is below RMB 20K. Furthermore, the beneficiary firms also include those whose sales revenues are between RMB 20-30K during the period of October, 2014 until the end of 2015 (SHEITC Government, 2015). Furthermore, the State Council has issued a call since 2014 – 'everyone does entrepreneurship and innovation', which indicates that entrepreneurship has been highly valued by the Chinese government.

In addition to the supportive macro environment, an array of relevant organizations has also been established to nurture entrepreneurship. For example, a non-profit organization - Youth Business China (YBC) was set up in 2003, which adopts the model of Youth Business International and attempts to marshal various resources from social sections over China. YBC particularly aims at supporting young entrepreneurs to start up their business by providing

entrepreneurial mentoring or training, incubation funding and networking support. As of 2014, YBC has set up 52 offices throughout China with more in the pipeline, and the umbrella of YBC offices has successfully supported 8,020 start-ups (YBC, 2015). China has also established the Entrepreneurship Foundation for Graduates (EFG), which aims to 'create a favourable entrepreneurial environment by promoting commercialization of scientific and technological breakthroughs and to cultivate creative entrepreneurial talents' (Entrepreneurship Organization, 2015). Taken together, on the one hand, the institutional immaturity per se serves as a conducive incubation for entrepreneurial opportunities for exploring and exploiting (March, 1991). On the other hand, the Chinese government has been endeavouring to play a positive role to facilitate entrepreneurship and SME growth.

The challenges of SMEs

Government policies vary significantly in different countries, and they are subject to change over time (Zhu et al., 2012). In the case of China, government attitudes towards SMEs have also varied significantly. Prior to 1978, China used to be dominated by a state planning mode in the form of SOEs and in contrast, the private businesses were suppressed and biased by the centralized economic policies (Su and He, 2010). With the Provisional Regulations on Private Enterprises published in 1988, the legal employment in the private sector began to be recognized by the Chinese government, thereafter private organizations, particularly SMEs, began to blossom over the subsequent decades (Atherton, 2008) and increasingly they play 'a decisive position' in China's economy (Yu, 2012:227).

While there are favourable policies and conditions, there remain numerous problems or challenges for SMEs. Compared with large enterprises, small businesses are additionally constrained in terms of size and resources (Acs and Audretsch, 1988; Rothwell and Dodgson, 1993; Taymaz and Üçdoğruk, 2009). Moreover, it is noted that 'the legal system in China is still largely subject to the arbitrary interpretations of regional government' (Hoskisson et al., 2000; Li and Atuahene-Gima, 2001). Specifically, as suggested by Poutziouris et al. (2002:397), Chinese private small businesses are limited by the following six constraints:

1. A lack of long-term financial resources
2. A lack of knowledge (i.e. management, financing, marketing and technology)
3. Increasingly fierce competition
4. A lack of institutional support (like banking service or industrial training system)
5. Underdeveloped government policies and mechanisms

6. Insufficient channels for knowledge sharing

Given the importance of SMEs (e.g. Byrd and Lin, 1990; Li, 2003; Li and Matlay, 2006) and the constraining challenges faced by SMEs as illustrated above, it surfaces the importance to understand the fundamental problematization associated with SME growth in China.

It is noted that some research is problematic by adopting cross-sectional approaches (Davidsson et al., 2007), as Greiner (1972) points out the length of time between evolutionary and revolutionary life-cycle stages is closely related to the growth rate within the industry. In light of this, this study attempts to provide a systematic and in-depth examination on the changing nature of leading and knowing embedded in the micro-processes of growing micro, small and medium businesses respectively, in that primacy is given to qualitative method by exclusively focusing on the logistics industry, specifically configured in the area of Shanghai, China because of its important role in China's economy as discussed in the following section.

4.2.3 The importance of logistics industry

> 'Logisticians deal with unknowns. They attempt to eliminate unknowns, one by one, until they are confident that they have done away with the possibility of paralyzing surprises.' --- Pagonis (1992:2)

The quotation underlines the importance of logistics, though it is particularly configured in the Gulf War rather than a generic business setting. Logistics refers to 'the process of planning, implementing, and controlling procedures for the efficient and effective transportation and storage of goods including services, and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements' (Liu, 2014:392). Following the definition by CSCMP, logistics is a subcategory of Supply Chain Management (SCM). Compared with its counterparts in developed economies, logistics service providers in China remain young and immature (Liu, 2011) and an emerging industry. They are mainly focused on providing traditional service, like transportation and warehousing (Zhou et al., 2008). In parallel with the emergence of e-commerce, express services are growing very fast. As such, this study follows the categorization in Yearbook of China Small and Medium Enterprises 2013, where three subsets are listed, namely, transportation, warehousing and express. Hereafter, transportation refers to third-party logistics providers (TLP), which play an important role in global supply chain management with the increasing tendency of outsourced logistics activities (Li et al., 2008). Outsourcing to TPL are common in developed economies in Europe, North America and Australia

(Bhatnagar et al., 1999), whilst it is also emerging in developing countries like China, India, Malaysia and Mexico (Wang et al., 2006).

Overview of logistics industry in China

China is undergoing a second reform, moving from an economy relying on labour-intensive industries to tertiary industry, particularly to service-oriented industries (Johnson et al., 2006). Following this change, the importance of logistics services in China has been recognized since the beginning of 2000 (Zhou et al., 2008). The logistics industry plays a significant role in China's economy (Lin and Ho, 2010) and has been highly valued as 'one of the ten restructuring and revitalization industries' since 2009 (Liu, 2012:393), or one of the important drivers for the national economy and business in China (Wu, 1999). Despite the 'underdeveloped infrastructure, government regulations, and regional protectionism,' China's logistics system has been deeply influenced and modernized by three main factors, namely, the strong economy, the entry to the World Trade Organization (WTO) and e-commerce (Jiang and Prater, 2002). As pointed by March (1991), the term 'industry' implies a set of standardised and regulated practices as well as efficiency and management behaviour, which are embodied in the organizational theories such as leadership. In the case of China, the logistics industry was highly controlled, which began to open up since 2005 in accordance with the terms of the World Trade Organization (WTO) (Wang et al., 2006). After that, an array of multinational enterprises began to set up distribution centres in China. It was reported that there were over 800,000 logistics organizations in China in 2009 (Zhou et al. 2008).

According to Logistics Mid & Long-term Planning 2014-2020, published by China's State Council, the total logistics cost amount to RMB 19.8 billion in 2013, which is 3.1 times of that in 2005. The totality of logistics added value account for 14.8% China's service industry and 6.8% of China's GDP. The employees in this industry account for 28.9 million people. As of 2012, there are 754 logistics parks in China, plus a warehousing area of 1.3 billion square metres. Given the importance of logistics, China's 12th Five-year Plan clearly proposes the call to 'flourish modern logistics industry' by publishing a series of official planning and supporting policies, like 'Logistics Industry Adjustment and Flourishing Planning.'

Due to the vast geographic size of China, it is hard to establish a national logistic system throughout the whole country, therefore most logistics service providers in China are of small size whilst large-scale ones tend to be limited (Jiang and Prater, 2002). This argument is supported by the report issued by the People's Bank of China, where 99% of Chinese logistics organizations are SMEs, which produce 99% of the total logistics revenue. Among the three subsets (TPL, warehousing and express), Chinese TPL SMEs are estimated to increase 16-25% per annum (Haibin, 2012).

Despite the fast economic growth, the Chinese logistics industry remains at an early developing stage and beset with various challenges and constraints, mainly identified in two aspects. On the one hand, its development is impacted by the immature market mechanism and institutional constraints (Hong and Liu, 2007), and cultural differences and legislation and law enforcement (Goh and Ling, 2003; Langley et al., 2007). On the other hand, the Chinese logistics industry is impacted by the high mobility and talent shortage. According to the OECD (2015), there is an urgent need to improve the practical and soft skills, and knowledge in the fast-growing sectors like services. As commented by Nigel Hea, Managing Director of Hays Asia Pacific, 'the mobility of people across the region for the right career is definitely on the increase. A critical success factor for any organisation in the coming year will be how effective they are at driving organisational performance through people and that success factor is the same for all of our clients across the Asia Pacific region.' According to a report conducted by Hewitt in 2009, the voluntary turnover of Chinese logistics industry was 10.9% and the passive lay-off was 4%, with the rates growing year on year. Only 21% of logistics staffs have a college or higher education background (Lin and Ho, 2011). The high mobility and low education background result in a workforce shortage (Huang, 2011).

Notwithstanding the crucial role of the logistics industry, particularly SMEs, the issue of SME leadership appears as a neglected research domain in the mainstream management or organization studies literature. For example, whilst reviewing the literature on China-based logistics research, Liu (2012) selects 91 articles published in eight leading relevant journals during 2001 and 2012. While some other areas have also been visited, such as human resource issues, regulation/policy and relationship management, the importance of leadership has yet remained underexplored. As such, this study aims to fill in this gap by offering endogenous insights through empirical work in logistic SMEs of China.

The importance of logistics industry in Shanghai

The logistics industry has been regarded as one of the key industries in Shanghai and favourably supported by the Shanghai municipal government so as to boost its further development (Hong et al., 2004). The Shanghai logistics industry boasts to be one of the most mature industries in the Yangtze Delta and China, and is advantageously supported by both the central government and Shanghai Municipal government as one of the pillar industries. It is estimated that there were 1,800,000 employees working in the Shanghai logistics industry in 2010 (Man et al., 2008).

Notwithstanding the booming market of Shanghai logistics, 90% of enterprises belong to SMEs (xd56b.com, 2015), among which 85% focus on conventional and low-ended TPL services, like transportation and warehousing, and only 15% of them are involved with the value-added and high-end service, like logistics consultancy and supply chain management (Guo, 2010). Furthermore, as noted by Huang et al. (2003), their average business life is generally only 4.5 years according to a survey conducted by the Industry and Business Association of China in 2002. One of the main problems lies in the poor management (Li & Fung Research Centre, 2008). Therefore it surfaces the importance to investigate the ways of growing SMEs through effective leadership/management.

4.3 Paradigmatic concerns

This section first criticizes the paradigmatic wars in the West, and then provides an alternative Wu Wei approach.

4.3.1 Paradigmatic wars in the western tradition

This study adopts a mixed-methods approach to collect and analyse both qualitative and quantitative data. It is noted that mixed-methods research has been beset with a ‘major issue’ in rationalizing appropriate ‘paradigmatic foundations’ (Tashakkori and Teddlie, 2003:4). Thereby there are incessant debates examining the advantages and disadvantages of quantitative versus qualitative research, such that they have led to ‘paradigm wars’ in social science research over the past decades (Feilzer, 2010; Shannon-Baker, 2015). For example, some researchers (see Burrell and Morgan, 1979; Polit and Hungler, 1995) suggest that paradigms vary epistemologically and ontologically by the choice of a qualitative or

qualitative method, where the assumption is based on paradigmatic dissonance (Tashakkori and Teddlie, 2003). However, other researchers (see Dzurec and Abraham, 1993) argue that the distinction may not necessarily exist when it comes to the selection of the objectives, scope and nature of research across methods and paradigms, and Lincoln and Guba (2000) also argue that it is sensible to adopt mixed methods to collect data by following the same paradigm.

Despite the bulk of literature well documenting and delineating the 'wars', it is noted that the debates tend be 'unproductive' (Feilzer, 2010:6) with 'little consistency' (Shannon-Baker, 2015:1) or 'little agreement' (Feilzer, 2010:7). As Biesta (2010) points out, one of the key problems is that the notion of paradigm per se is as constraining as 'a container concept' (p.98), which frames the whole discussion in a selective manner. As a result, the discussions that surround the 'dominant paradigm' (Morgan, 2007:49) tend to bring about 'fractions, oppositions, and polarization' (p.99). Maxwell (2011) further argues that paradigms might mislead the researchers to be predominated by certain beliefs without taking other beliefs into reasonable consideration. However, Shannon-Baker (2015) contends that paradigms can be useful to provide 'practical implications' (p.2) for the novice researchers by guiding their processes of enquiry, so it necessitates the discussion of paradigms hereof before transitioning to the research methods.

Linking to leadership, Grint (2015) criticized the inconsistency and inefficiency embedded in the scientific paradigm and proffers an alternative approach of interpreting leadership as an art or arts. Specifically, Grint (2015) critically reviews three traditional and popular approaches of leadership analysis, upon which he proposes a fourth one, namely, the constitutive approach (see Table 4.2). First, with regard to the trait approach, it excessively polarizes leaders – leaders are born rather than developed where context seems insignificant. Contrarily, the situational approach weighs excessively towards context, which remains reminiscent of an explicit approach towards leadership – 'certain contexts demand certain kinds of leadership' (Grint, 2001:3). If so, it might be presumed that all the SMEs would expect to grow and succeed led by a certain form of leadership, though as discussed in Chapter 2, the growth of SMEs tends to be considerably rare and idiosyncratic. Regarding the contingent approach, the roles of individual and context are 'knowable and critical' (Grint, 2000:2) such that goals or success can be achieved by a paradigmatic computation and analysis of self-awareness and situation. However, leadership in SME context is mainly

oriented at dealing with unknowable contexts, which defies explicit analysis but more rely on implicit and open sensemaking.

Building on critically reviewing the afore-mentioned three approaches, Grint (2015) proposes the fourth approach, namely, the constitutive approach. He claims that the understanding of the situation is interpreted and 'monopolized' by the leaders (Grint, 2015:5). While he rejects the traditional perspective of regarding the conditions as objective (in his term, essentialist) but contested (in his term, non-essentialist), there are at least two problems in his approach. For one thing, though he regards leadership not as a science but as 'an art' (Grint, 2015:8), he still stresses that leader's interpretation is the truth rather than simply an interpretation, which seems quite self-contradictory. Moreover, supposing leadership is an art or arts, the beauty of the art (s) arguably lies in the eyes of beholders. Alternatively, other people ('the beholders') are also critical. This is related to the second problem in his argument: It is excessively oriented at leader's agential role, where other people, things or materials are ignored. While leadership might be an art or arts, it might also be a 'thing-ness', where material things 'play an active role in generating, transmitting, legitimizing and undoing meanings associated with leadership' (Braidotti, 2013; Hawkins, 2015:952; Latour, 1994, 2007; Orlikowski, 2007). In other words, it is linked to the Daoist co-constitutive stance, where leadership is co-produced (Hawkins, 2015) by leaders as well as a broad sense of things, objective materials or the environments as discussed in the next section.

Table 4.2 An interpretative approach to leadership in the West

Approach	**Analytical Form**	**Epistemological Stance**
Trait	The leader's traits are crucial while the context is not.	Essentialist: Stressing objective conditions
Contingent	Both the leader and the context are knowable and important.	
Situational	The leader's behaviour is subject to the change of the situation.	
Constitutive	The context/situation depends on the interpretation of the leader.	Non-essentialist: Stressing contested conditions

(Adapted from Grint, 2015)

4.3.2 Operationalization of a Daoist interpretive approach

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Given the challenge to reach a consensus in western academia as discussed earlier, Morgan (2007) proposes four helpful alternatives for the traditional paradigms prevalent in social science, namely: worldviews, epistemological stances, shared beliefs in a research field and model examples. However, Morgan (2007) still claims that the researcher must begin by examining the 'central concept' of a 'dominant paradigm' in the area of social science research, for which he defines as 'systems of beliefs and practices that influence how researchers select both the questions they study and methods that they use to study them'(p.49). As suggested by him, understanding paradigms as epistemological stances is regarded as the 'best known', 'the most wide-spread' (Morgan, 2007:52) and dominant version associated with social science research methodology. Compared with the version of worldviews which are so broadly wide-ranging that they include 'everything' (p.52) yet offer little practical guidance in combining research methods, this epistemological stance takes 'a narrower approach by concentrating on one's worldviews within the philosophy of knowledge' and draws attention to 'the deeper assumptions that researchers make' (Morgan, 2007:52).

Said (1979) claims that the Orient (mainly referring to China and Japan) is the source of European or western civilizations and languages, and has helped to 'define Europe (or the West)' (p.9). As discussed in Chapter 3, this research is based on Chinese Daoist philosophy, in particular, on its core principle – Wu Wei. This oriental foundation may help to define the western understanding of paradigm as a Daoist epistemological stance in this research. The inherently open-minded stance of epistemology fostered by the spirit of the Chinese indigenous Daoist philosophy particularly attends to this study. It is worth pointing out that this study focuses on how to consciously 'operationalize' paradigms rather than enter the incessant debates about 'whether paradigms are useful' (Shannon-Baker, 2015:3). As discussed in Chapter 3, Wu Wei emphasizes co-constitution, co-flow and co-evolution. Building upon Grint's interpretative approach of constitution (2001, 2015), this thesis introduces an alternative co-constitutive approach to examine (SME) leadership, which presumably helps to sidestep the conventional 'wars' identified in two aspects: Reconciling tensions between epistemology, methodology and methods, and effectively operationalizing this research.

First, Wu Wei openness helps to reconcile the hierarchical tensions between epistemology, methodology and methods. Feilzer (2010) argues that the choice of a particular social science research method is 'a reflection of researchers' epistemological understanding of the world' (p.7), either in an implicit or explicit way. This study follows the definition of methodology by McGregor and Murname (2010: 2):

> 'The word methodology comprises two nouns: method and ology, which means a branch of knowledge; hence, methodology is a branch of knowledge that deals with the general principles or axioms of the generation of new knowledge. It refers to the rationale and the philosophical assumptions that underlie any natural, social or human science study, whether articulated or not. Simply put, methodology refers to how each of logic, reality, values and what counts as knowledge inform research.'

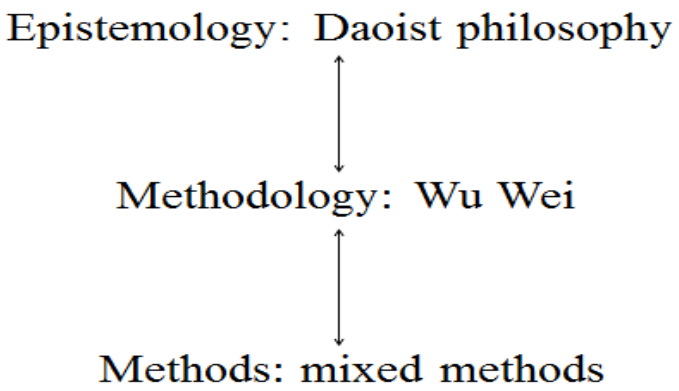
With regard to the association among epistemology, ontology and methods, following Morgan (2007), this study also rejects the hierarchical stance prevalent in metaphysical paradigms that weigh heavily towards the epistemological aspect and stress ontological assumptions by shadowing methods, but suggests that ontology and epistemology are loosely connected (Giere, 1999; Hacking, 1999; Zammito, 2004). As illustrated in Figure 4.1, methodology is placed at the centre, connecting the philosophical level of Daoist epistemology and the technical level of mixed methods as well as sidestepping the otherwise top-down traditional approach of conducting research (Morgan, 2007). However, this research ignores the explicit assumption of devoting 'equal attention' to three dimensions (Morgan, 2007:68), because it appears to be underpinned by 'the epistemological priorities of an alphabetic-literature culture' so that it arguably 'precludes the possibility of attaining a form of direct unmediated knowing' (Chia, 2003:953). Rather, it proposes a Daoist way of experiencing the reality 'in the raw' by being 'attuned to this discrepancy' where 'all other concerns' will be 'displaced' and genuine sense will arise from 'experiencing life projects as inherently open, without specific direction or even form, and from such openness transformative meaning might arise' (Holt and Cornelissen, 2014:527).

Second, the Wu Wei stance helps to operationalize the research in an effective way. In line with Wu Wei, action 'does not go against the grain of nature' (Needham, 1956:71), rather, the researcher co-constitutes with 'the spontaneous self-organization of nature', 'not in defiance or ignorance of it' (Allen, 2010:153). As a study to explore the role of leadership in the growing SMEs, there arises a fundamental question: How do the owner-managers grow an SME business which is characteristic of ambiguity, fluidity and complexity? Alternatively,

are there any paradigmatic formulas for them to grow the business? It is acknowledged that business success per se might be similar, but the process to success is inarguably different. As discussed in Chapter 2, SME businesses are distinctively characterised by idiosyncrasy (Burns, 1979; Wang et al., 2012). Thus it is hard to for the researcher to pre-perceive whether SME leadership resides in the individual leader's traits, the context or the situation. It also rules out the possibility to understand SME leaders can convince followers of accepting their interpretation as the truth (Grint, 2001, 2015), particularly about how to growth SMEs. Thus it is presumed that the distinctive SME settings make the conventional framing and compartmental paradigms in the West appear infertile, as they fail to comprehensively capture the unique dynamism of the contextual elements. Rather, it calls for the researcher to keep openness by asking 'what's the story here?'(Weick and Sutcliffe, 2005:410), which may enable the researcher to effectively explore and engage in the 'intrinsic flux of human action' (Tsoukas and Chia, 2002:570) of the interviewees rather than to be pre-empted by the priori assumptions of the researcher.

In short, this thesis extends Grint's (2001, 2015) constitutive approach by proposing a co-constitutive Daoist approach, which arguably exerts 'major impact' on reconciling the paradigmatic wars associated with the mixed-methods approach, and makes relevant intersection not only 'possible' but also 'desirable' (Morgan, 2007:52). Adopting a Daoist epistemology and taking a Wu Wei methodology have the compelling advantages of enabling the researcher to extensively explore the emerging 'raw' data rather than compartmentalizing data through a pre-defined paradigm, and to subtly attend to a seemingly incompatible paradigm (Tashakkori and Teddlie, 2003) by tactfully triangulating mixed research so as to better inform the research objectives. The following section elaborates on how the technical level of mixed methods is applied to this study.

Figure 4.1 The association between epistemology, methodology and methods



(Adapted from Morgan, 2007:69)

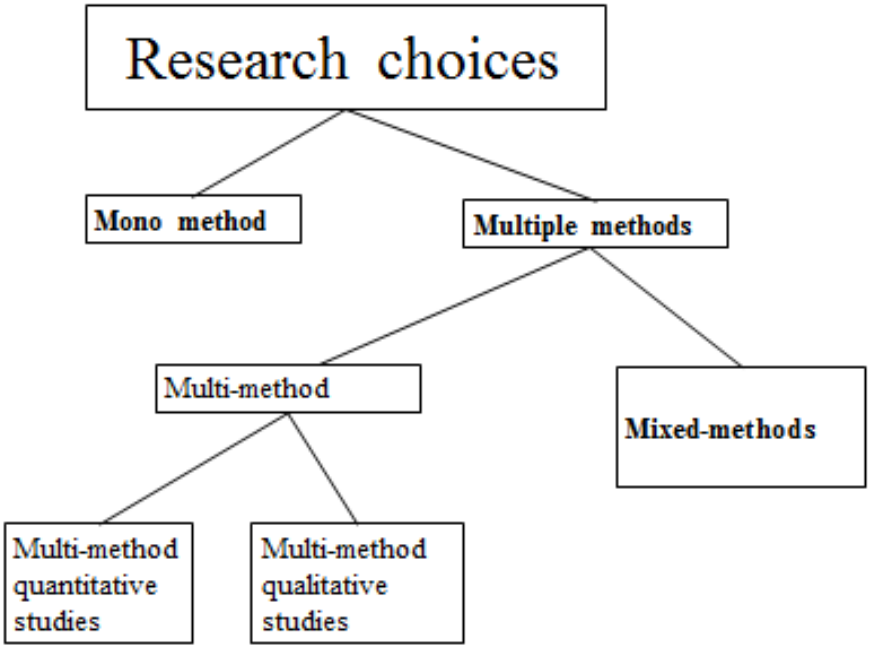
4.4 Justification of research methods

This section first justifies the choice of adopting a mixed-methods approach, and then illustrates the suitability of using narrative and visual methods in this thesis.

4.4.1 Mixed-methods research

This study adopts a mixed-methods approach because it uses both quantitative and qualitative methods for data collection and analysis procedures (Saunders et al., 2009). According to (Saunders et al., 2009) (see Figure 4.2), there are two research choices – mono method and multiple methods. Mono method refers to using a sole data correction technique and analysis procedures, while multiple methods adopts more than one data collection technique and analysis procedures to examine the research questions. With regard to multiple methods research, it is composed of multi-method and mixed methods. As for a multi-method approach, while it combines more than one data collections technique, it only adopts either a quantitative or qualitative world view (Tashakkori and Teddlie, 2003). Differently, mixed-methods research uses both quantitative and qualitative methods to collect data and conduct analysis, which can either be concurrent or sequential (Saunders et al., 2009). Since this thesis uses both quantitative and qualitative methods to collect *and* analyse the data rather than either quantitative *or* qualitative analysis, this is a mixed-methods research.

Figure 4.2 Research choices



(Source: Saunders et al., 2009:152)

This mixed-methods approach responds to the incessant debates surrounding the advantages and disadvantages by adopting a sole method of either quantitative or qualitative method (Feilzer, 2010). On one hand, numerous research in leadership have used a quantitative approach (Alvesson, 1997), because questionnaires boast some advantages such as rapid, cost-saving and providing a wide range of coverage such that it might enhance the relevance to policy decisions (Easterby-Smith et al., 2008). Despite these distinctive advantages, it is criticized as an 'inflexible and artificial' approach (p.71) by administering the pre-designed questions which leads to ineffectiveness in our understanding the dynamic processes (Easterby-Smith et al., 2008). For example, Alvesson (1996) regards survey as 'the sad state of the art' (p.457), which only mirrors common assumptions, values or behaviours but distance the meaning from the situation. On the other hand, compared with well pre-designed quantitative method (Tashakkori and Teddlie, 1998:96), qualitative approaches are more open and conducive to generating a richer, more complex and meaningful account of data (Bryman et al., 1988; Martin and Turner, 1986), which are mainly comprised by interviews (Alvesson, 1996) in relevant interview contexts. Nevertheless, given that meaning cannot be separated

from context (Wittgenstein, 1970), the interviewing data may be 'too context-dependent' to capture other elements – either 'in the mind of the interviewee or in the organization 'out there' (Alvesson, 1996: 465). Furthermore, one of the major weaknesses of qualitative face-to-face interviews is that the interviewees might be impacted by the interviewer's subtle signs of disagreement/agreement through body gestures, mannerism or verbal responses (Lavrakas, 1993).

Given the weaknesses of using a singular approach as discussed earlier, this study employ between-methods triangulation of combining both quantitative and qualitative approaches as illustrated below:

Part 1 Quantitative approach: With an aim to collect responses to research objectives concerning the significance level such as the role of Wu Wei and knowledge of firm growth, as well as demographic and organizational profile;

Part 2 Qualitative approach: With an aim to explore a more in-depth and situated interpretation of the leading, knowing and growing processes by listening to the selected interviewees as well as collecting visual representations.

This mixed-methods approach aims to decrease the 'deficiencies and biases that stem from any single method' (Mitchell, 1986:19) and to increase 'the potential for counterbalancing the flaws or the weakness of one method with the strengths of another' (p.21). Moreover, between-methods triangulation helps to collect a blend of quantitative and qualitative dataset, which can be mutually illuminating (Bryman, 2006a, b) by providing pluralistic grounds (Creswell, 2003) and various perspectives to the research (Easterby-Smith et al., 2008).

Consistent with the research aims and objectives of this study, questionnaires, semi-structured interviews and visual presentations are deployed to collect both quantitative and qualitative forms of data (shown in Table 4.3).

Table 4.3 Research objectives, methods and primary dataset

Objectives	**Methods**	**Primary Data**
Objective 1: To examine the ways in which the owner-managers of Chinese SMEs explore	1. Quantitative: survey 2. Qualitative: - semi-structured	1. Questionnaires: Collecting the demographic and organizational profile, and the ways of exploring knowledge 2. Interviews including real-time stories

knowledge over time.	interviews - secondary data	(mainly for micro businesses) and retrospective stories (mainly for small and medium businesses)
Objective 2: To investigate how the owner-managers of Chinese SMEs exploit knowledge in everyday leadership practice.	1. Quantitative: survey 2. Qualitative: - semi-structured interviews - visual data - secondary data	1. Questionnaires: Investigating the ways of exploiting knowledge 2. Interviews including real-time stories (mainly for micro businesses) and retrospective stories (mainly for small and medium businesses) 3. Visual data (research-generated office photographs) and secondary data (like company webpages and archival sources)
Objective 3: To identify how institutional factors influence leadership associated with knowledge in the context of fast-growing SMEs.	1. Quantitative: survey 2. Qualitative: - semi-structured interviews - secondary data	1. Questionnaires: Collecting data about the influence of industrial competition and government policies 2. Narratives about the influence of industrial competition and government policies 3. Review secondary data such as government policies or regulations
Objective 4: To explore the interplay between leadership and knowledge in the spirit of Wu Wei in the process of growing SMEs (micro, small and medium) in China.	1. Qualitative: - semi-structured interviews - visual data - secondary data 2. Quantitative: survey	1. Questionnaires: Investigating various ways of knowledge exploring and exploiting 2. Interviews including real-time stories (mainly for micro businesses) and retrospective stories (mainly for small and medium businesses) 3. Visual data (research-generated office photographs) and secondary data (like company webpages and archival sources)

(Source: Author)

This mixed-methods approach fits well in this study for a number of reasons. First, given that questionnaires are appropriate to collect data on 'simple and relatively fixed issues' (Alvesson, 1996: 461), this information (ownership of the business, annual turnover and growth rates) facilitates appropriate sampling, as this study focuses on SME leadership at three distinctive business stages. As the questionnaire design is based on the literature review, it also helps to examine the research objectives in a specific yet comprehensive way. For example, in Section 4 (see Appendix 1), the questionnaire entails the specific elements of exploiting knowing, like through staff training, sharing with key or all employees, through formal meetings and IT systems. Second, this research is primarily based on qualitative interviews, which are semi-structured yet open to emergent themes. As 'a cornerstone' for understanding leadership, qualitative approach enables the role of researcher to be akin to a 'spelunker or cave explorer' (p. 107) by examining the phenomena at deeper and unexplored levels through collecting first-hand data (Conger, 1998). I had the opportunity to ask flexible questions, which helps to complement the weakness of static self-completion questionnaires. It helps to increase the understanding of the link between leadership, knowledge and firm growth. Third, given that rich insights might be ignored in the former two forms, the research data is supplemented by visual representations accessible to this study, some of which are research-generated as observational material in the fieldwork. For example, I took photographs of some office premises, as they seem related to the research objectives. Last and most importantly, as both quantitative and qualitative are beset with limitations, the mixed methods are conducive to balancing the weakness of a singular approach so as to generate a blend of 'multiple forms of data drawing on all possibilities'(Creswell, 2003:17). On one hand, the standardized surveys collect results by involving a wide-range of participants (macro), while flexible interviews generate in-depth insights by focusing on a small number (micro). As such, the issues like 'macro' and 'micro' levels (Bryman, 1998), objectivity and subjectivity (Alvesson, 1996) are balanced. On the other hand, the photographs have the advantage of being captive (Wittgenstein, 1953), which contribute to capturing the otherwise elusive Daoist elements. As such, the combination of mixed data sources presents a methodologically compelling and original study.

4.4.2 Narrative approach in leadership research

The narrative approach is regarded as a source of inspiration and model building for business studies (Czarniawska, 1997), and used as a crucial means to better understand organizational

phenomena (Boje, 2001, 2008; Brown, 2006; Brown et al., 2008; Czarniawska, 1998, 2004; Gabriel, 1995, 2000, 2004; Rhodes and Brown, 2005). Boyce (1995) argues that this method produces an abundance of knowledge which cannot necessarily be available otherwise. Gabriel (1995) further points out that personal life stories open a privileged window on an individual's organizational experiences. It helps the narrator to be known by others, and in the meanwhile, it is also a way for the narrator to acquire greater self-knowledge and a more 'authentic inner self' (Townley, 1995).

Despite the increasing prevalence of narrative based leadership studies, such an approach has yet to be developed for understanding the link between SME leadership, knowledge and firm growth in the context of SMEs. This empirical research is primarily conducted through a narrative approach as a dominant means to explore the interaction of leading and knowing, and to examine its inherent linkage to firm growth. The narrative interviews involve the retrospective accounts of former experience (like family background, and formal education and training), description of current role and organizational challenges, and prospective plans or strategies for the next two years. It helps to unfold the trajectory of leading and knowing by encouraging the owner-managers to reflect on how they overcome crises or what changes they make, where business evolves as a secondary accomplishment. In the process of interviews, I frequently used the question 'could you give me some examples?' as a means of enticing more stories, and focused on asking why and how narratives emerged and under what conditions they influenced leadership, knowledge and firm growth. I was particularly sensitive during the narrative interviews to capture the experiences, feelings, and subjective impressions of interviewees. I did not ask the interviewees to recount stories directly from their life histories; rather, I asked them to relate their leadership practice from three perspectives, namely, individual, interpersonal and institutional.

Narrative interviews are 'relational processes' (Rhodes and Brown, 2005:173), wherein the response of the interviewer matters (Pye, 2002). Moreover, it is impossible for the researchers to 'be separated from the sensemaking process', rather, it depends on both explicit and tacit knowledge of the researchers to present an in-depth analysis and interpretation of the data, where theories must be 'relevant to' the researchers per se (Easterby-Smith et al., 2008:63). Given my long-term exposure to the Shanghai logistics business, as explained in Chapter 1, I have developed the relevant explicit knowledge of this sector, like the increasing labour cost and decreasing profit margins. This enabled me to sympathize with the interviewees, particularly in cases where they talked about challenges or barriers. A number of the

interviewees tended to recount positive rather than negative issues, where my sympathy played a significant role in directing the conversation and enticing more information. Further, given the homogeneity of linguistics and culture, it enabled me to establish a good rapport with the interviewees by communicating in the same language (Tsang, 1999), and to capture subtle and tacit elements like laughing, eye contact, or even the volume, speed and fluency of their talking emerging in the process of narrating. For example, an interviewee (Xue) highlighted the significance of a visit by the mayor of Shanghai city, after which his business began to enter a fast-growing stage. I asked him 'why the mayor visited his company rather than others'. He laughed, in the meanwhile, his face blushed immediately. He answered: 'of course, we did some activities for it.' The implication of 'activities' was captured by me, particularly through the unnatural reaction of laughing and facial expression. For another example, an interviewee (Shu) otherwise talked slowly at a low voice, however, he suddenly increased his volume and speed whilst recounting how a Freudian book influenced his worldview and opened a door to him.

4.4.3 Visual method in leadership research

Given the distinctive power in cognition and in memory (Anderson, 1980; Tversky, 1974), there emerges a shift from the 'linguistic turn' (Rorty, 1979) to the 'pictorial turn' (Mitchell, 1994) in some academic disciplines like humanities. While the visual method enjoys a growing attention in business and management research (Bryman and Bell, 2011), a 'blind spot' (Guthey and Jackson, 2005; Strangleman, 2004) has yet been conceived and it remains under-explored and under-theorized (Styhre, 2010). Responding to the call for a 'pictorial turn' (Mitchell, 1994), this study makes use of some visual representations as an adjunct to the primary data collection for two reasons. First, because Chinese people tend to be attached to aesthetic representations, particularly to colours and pictures (Nie et al., 2009), it serves as an experimental attempt to facilitate the broadening of leadership theories in Chinese settings. Moreover, the 'visible' data overcomes the limitations of the other two methods (i.e. surveys and interviews adopted by this research) so as to present a more compelling interpretation of the data.

Whist the visual data entails a wide range including 'graphic and artistic images, the visual content contained on websites, and video data including film and YouTube clips'(Bryman and Bell, 2011: 553), this research solely uses static photographs rather than moving types. Visual data includes pre-existing material like the content on the websites, internal

presentation material and flyers provided by the interviewees, and research-generated visual data like photographs taken in the process of interviews (Bell and Davison, 2013). Both forms of data are used in this study. Bryman and Bell (2011) propose that photographs are commonly used in business research for the following three functions (p.554):

- As prompts
- Illustrative
- As data

Following this guideline, this study makes use of visual representations 'as prompts' in the process of conducting interviews, and as 'illustrative' means and supportive 'data' whilst presenting the research findings in Chapter 5 and 6.

Visual representations as prompts

In the process of conducting fieldwork, I kept being sensitive to visual representations in fieldwork, and used them as prompts (Kosslyn et al., 1995) to encourage the interviewees to narrate their stories in the process of semi-structured interviews. For example, the interviewee (Shu) was quite reserved, and appeared to be unwilling to elaborate on his answers. In the middle of the interview, he happened to leave his office for a lengthy call over his mobile. I observed his office carefully, which appeared to be characteristic of a strong Daoist element, particularly regarding its wall. Thereby, upon his returning, I encouraged him to talk about Daoism by asking, 'your office wall is quite different. Why does it look like that?' To my surprise, he replied with a long narration: he was originally from Suzhou, where it is famous for Suzhou Traditional Garden (STG). Moreover, he argued that STG served as a best representation of Daoism in Chinese traditional culture. The photograph also helps to illuminate otherwise ineffable Daoism, which will be elaborated on in the following chapter.

Visual representations as illustrative

Given that visual study is claimed to be driven by the 'changing nature of organizations'(Bell and Davison, 2013:170), this study focuses on investigating the flow of leading by knowing configured in the growing SMEs, where the firms are distinctively imbued with change and fluidity. Given the advantage of being 'visible', the visual data will be used as an 'illustrative' means to support the research aims and objectives. Further, this research is based on a Daoist perspective, where Laozi says,

‘The Dao that can be talked of is not the eternal Dao
The name that can be named is not the eternal name.’

-- Chapter 1 (Chan, 1970:139)

As suggested by Hawkins (2015), objects can ‘play a functional and symbolic role in leadership’ which might disseminate ‘leadership values’ (p.953) explicitly or passively. Prown (1982:2) argues that artefacts are considered to ‘reflect, consciously or unconsciously, the beliefs of individuals who made, commissioned, purchased or used them, and by extension, the beliefs of the larger society to which they belonged.’ In light of this, while analysing the research data, this study will capitalize upon the visible field-generated photographs to illustrate and unfold the otherwise elusive and tacit implications of Daoist elements, which can neither be ‘talked of’ nor ‘named’ by linguistic expressions. For example, both Jun and Quan disassociated themselves from Wu Wei, in (each of) their office(s), an board was hanging, inscribed with – ‘She De’ and ‘Ji Jian Wei Xiong’ respectively. Their implications accommodate a Daoist perspective, which will be elaborated on in due course later. For another example, Ziqiang emphasized the importance of a learning organization in his narrative interview, which can be perceived from the framed photographs of his organizational training and learning hung in the meeting room. I have noticed various types of artefacts appeared in the interviewees’ office settings.

Visual representations as data

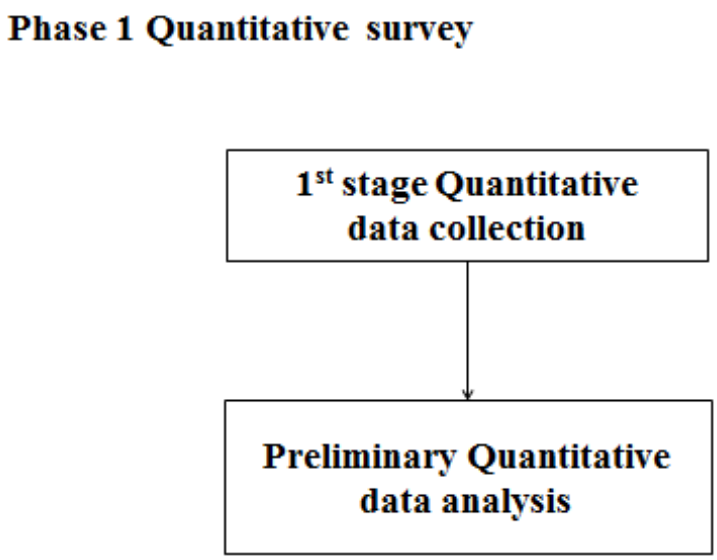
The visual data are supplementary to the qualitative interviews. This study makes use of the existing visual data on the webpages of targeted firms, which have been less explored by management research (Bell and Davison). Yet they are not used at their ‘face value’ (Bryman and Bell, 2015:554). The images on the webpages and the office premises are publicly accessible as rhetoric devices to disseminate individual and collective narratives of knowing related to the individual entrepreneurial leaders and organizations. This study analyse the visual data as a visual representation of exploiting knowing by the owner-managers of Chinese SMEs, as an attempt to enliven and enrich the narrative study of leadership in Chinese SMEs and to encourage further research in this field.

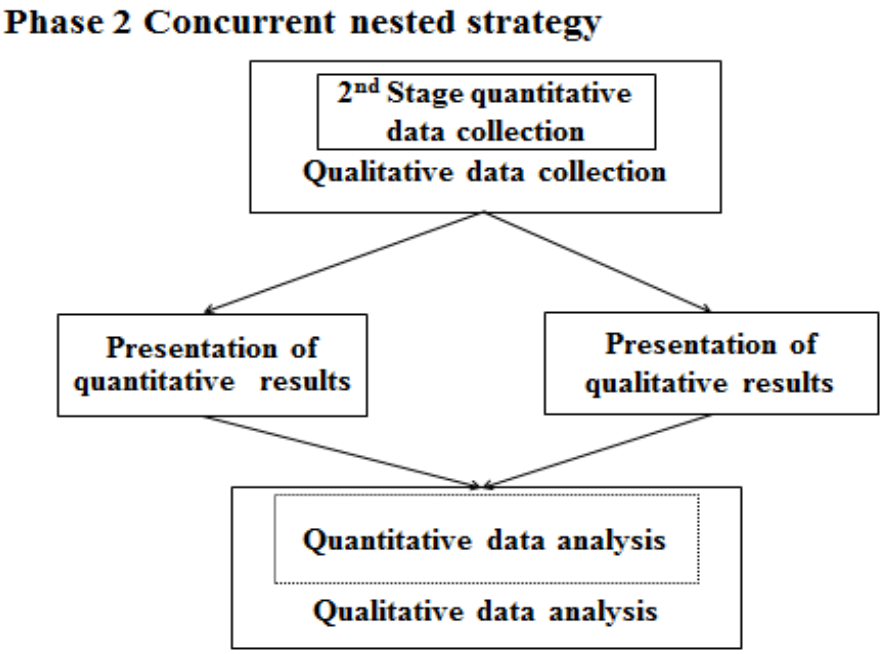
4.5 Research design

The research design aims to collect the data effectively, efficiently and extensively. This study adopts a triangulation of quantitative and concurrent nested design (Creswell, 2003), by

tactfully blending quantitative and qualitative methods to better understand the links between leadership, knowledge and firm growth. While it is built on a mixed database, it is worth pointing out here that this is a qualitative-driven research, where the primacy is given to the qualitative interviews. Specifically, this study involves two phases (see Figure 4.3). Quantitative data were conducted in two phases. Phase 1 administered a quantitative survey, including a pilot and a major survey. The pilot survey was initiated to test the effectiveness of the instrument, the speed of the feedback and the rate of response. Insomuch as the pilot survey indicated that the response was considerably inactive, a preliminary analysis was conducted to select sampling. In Phase 2, the survey continued to be administered, where the dominance was the primary qualitative research. After the dataset was completed, the data were analysed, which will be discussed in more detail below.

Figure 4.3 A triangulation of quantitative and concurrent nested strategy





(Adapted from Creswell, 2003:214)

Given that narrative approaches are unsuitable for large numbers (Riessman, 1993), the survey approach corroborates the results by involving more participants, with an attempt to offset the weakness of the qualitative research. Further, the database is supplemented by visual representations, secondary data and internal material like flyers, internal magazines and webpages.

As such, this research design helps to collect multiple data 'in a shorter period time' of conducting fieldwork and to generate 'well-validated and substantiated findings' (Creswell, 2003:217). Additionally, reflexivity commenced during the pilot survey and continued throughout the whole process of collecting data recorded in the field notes. In this way, the instruments, including questionnaire and Interview Guide Questions (IGQ) (see appendix 1 and 2) have been continuously reviewed and refined. After the data collection, all the interviews were transcribed and sent back to the participants for validation. Following that, the transcripts were translated, coded and analysed. The questionnaires were analysed through SPSS 22 software.

4.6 Mixed-methods sampling strategy

Sampling is a crucial step in terms of conducting any research project, because it is obviously not 'practical, efficient or ethical' to broadly examine the whole population (Marshall, 1996:522). Deming (1960:26) supports that sampling contributes to 'better interviewing (testing), more thorough investigation of missing, wrong or suspicious information, better supervision, and better processing than is possible with complete coverage.' Teddlie and Yu (2007) suggest there are four taxonomies of sampling strategy for mixed-methods study, namely, 'probability sampling, purposive sampling, convenience sampling and mixed methods sampling (MMS)' (p.78). As a mixed-methods research, this study aligns with the MMS strategy, which triangulates probability sampling, purposive sampling and convenience sampling to generate both 'numeric and narrative data' (Teddlie and Yu, 2007:85). This strategy particularly fits this study for a number of reasons.

First, given that China is a large and complex country, this study adopted convenience sampling by solely focusing on the Shanghai Logistics Entrepreneur Association (SLEA) of logistics industry which was empirically important as well as practical in terms of gaining access to data. With respect to research on SMEs, there are generally major difficulties with this kind of research, including gathering data and the unwillingness to support academic research (Wright and Hoa, 2001). In the case of collecting data in China, Cooke (2002:23) points out that 'in general, academics in China do not have much bargaining power in negotiating research access with business organizations, which do not have a tradition of supporting social science research either in the form of survey or case studies.' A variety of studies show that personal relationships are significant in undertaking academic research in China, where it tends to be challenging to gather data without connections (e.g., Cunningham and Rowley, 2008; Ding et al., 2006; Zheng et al., 2006). Given that I am originally from Shanghai, I gained access to SLEA through personal contacts. I attended the 2nd Shanghai Logistics Entrepreneur Association Conference (SLEAC) on 3rd March, 2014, where I was introduced to its vice Chairman – Yongjun Chen. He agreed to support my research, and sent me the name list of SLEA. Therefore, the sampling frame is purposefully selected based on the SLEA members, because they are mostly active owner-managers of the logistics sector. Since micro businesses are probably not included on the list of SLEA, the sampling frame involves a small number introduced by personal contacts so that the pool of sampling is inclusive of the targeted micro, small and medium businesses.

Further, Shanghai is acknowledged as a typical example of an entrepreneurial city in mainland China, known for its positive urban governance and practices (Hook, 1998) with

approximately 500,000 SMEs as of 2010 (Yu, 2012). As such, the significant role of Shanghai in terms of the SMEs and logistics sector arguably accommodates the requirement of precision, whilst this study does not attempt to generalize the findings to other non-logistics industries. Consistent with replication logic, a researcher looks for 'either rather similar cases or very different cases' (Blumberg et al., 2011:167). This study works on 'similar' ones, because cases of the same industry help to 'minimize sample variation beyond the variance in terms of industry' (Clarke and Holt, 2010:72). In line with this, the study solely focuses on the SME owner-managers of SLEA in Shanghai logistics sector, where more similarity was evident.

Consistent with the aims and objectives of this research, the interviewees were respectively from three distinct business stages, namely: micro, small and medium business, with employees ranging from 0-19, 20-299 to 300-999. The definition of the business stage in the logistics sector is issued by the Chinese government, which involves two key indicators – staff number and annual sales revenue. Given the difficulty in collecting accurate financial data from Chinese firms as shown in former studies (Brouthers and Xu, 2002; Peng and Luo, 2000), particularly in the context of SMEs, financial statements may not necessarily be available as they may not have a systematic financial system. Hence, the only measure for the sampling for this research is based on the number of employees (see Table 4.4).

Table 4.4 Business Stages of Chinese logistics SMEs

Business Stage	Micro	Small	Medium
Staff	0-19	20-299	300-999

Nine owner-managers of SMEs (including one from the pilot studies) were selected for in-depth semi-structured interviews respectively, whilst one interviewee invited his two project managers to join as well. The participants were primarily based on the dataset of the survey, supplemented by a limited number of personal contacts from micro business. Given the research objectives surrounding leadership and knowledge, the research focused on firms which were established, managed and owned by a sole or main owner-manager for two reasons. First, new knowledge tends to be channelled through the owner-managers, who present pervasive influence on the organizational performance. More importantly, since this study is based on Wu Wei, the nine owner-managers were particularly selected because they

had the highest scores while answering the 32nd question in the survey – 'To what extent do you lead by Wu Wei?' It is assumed that they tend to adopt a Wu Wei approach in their leadership practice. Given the small sample, all the interviewees are male so as to neutralise gender and age[2] in this study, wherein they are all middle-aged, ranging from 30s to 50s. Their education backgrounds varied substantially, ranging from high school to International MBA. The breakdown is illustrated in Table 4.5. In the following section, I describe how the data were generated in four phases.

[2] Whilst it is recognised that gender and age are two important social characteristics to explore in the context of SMEs, this was not the focus of this research project.

Table 4.5 Sample frame for interviews

Business Stage	Name	Gender	Title	Venue	Growth 1	Growth 2
Micro	Feng	Male	GM	GM's office	3	3
	Qing	Male	GM	GM's office	4	5
	Rui	Male	GM	GM's office	3	3
Small	Xue	Male	Co-Chairman	Meeting room	3	4
	Yuan	Male	Chairman & GM	Meeting room	3	4
	Quan	Male	GM	GM's office	3	5
Medium	Shu	Male	President	President's office	5	5
	Jun	Male	President	President's office	3	3
	Qiang	Male	CEO	Meeting room	4	5

(Source: Author’s fieldwork)

4.7 Data generation

As discussed above, the study comprises multiple resources: survey, interviews, visual representations, secondary data and internal archives. Specifically, the data were generated in four phases.

4.7.1 Survey

The quantitative survey aimed to identify sampling for further interviews, and to complement the major research of qualitative interviews. It involved two parts: pilot survey and a major survey. All the participants consented to sign on the Participant Consent Forms (PCF) (see Appendix 4).

The design of the questionnaire instrument

The research instrument was designed on the basis of the literature review related to leadership, knowledge and firm growth. The questionnaire explains the theoretical concepts of leadership and knowledge through lay terms so that the instrument may not be 'an error source' (Yang, 2007:534). It is a self-completion questionnaire (See Appendix 1). In the process of developing the survey, the questionnaire was initially composed in English and a back translation (Brislin, 1976) was applied to translate it into Chinese.

As questionnaires can be used to measure behaviours of leaders (like Podsakoff et al., 1990; Arnold el., 2000), I also developed a questionnaire in line with the research aims and objectives of this study, which contains six sections entailing 37 questions as well as one confirmation about willingness to participate for further interviews (see Appendix 1):

- Section 1: About yourself
- Section 2: About your business
- Section 3: About knowledge exploring
- Section 4: About knowledge exploiting
- Section 5: About Wu Wei and knowledge
- Section 6: About institutional influences

The first section entails choice questions containing two and four groups, while the second section is mixed by choice questions and rating-scale ones. In the remaining four sections, two are solely composed of Likert-type scale questions, which 'ask the respondents to express their degree of agreement/disagreement with issues' (Tashakkori and Teddlie, 1998:104). Each rating is measured on a five-point scale, ranging from very low (Rating 1) to very high (Rating 5) as shown in Table 4.6:

Table 4.6 The Likert-type scale

1	2	3	4	5
Very low	Low	Moderate	High	Very high

Specifically, the first section (questions 1-7) is mainly about the interviewees' demographic information, which helps to collect background information such as the individual business ownership, work experience, age and education background. The second section (questions 8-15) is mainly about organizational profile, including the variables such as the number of employees and growth rates, which contribute to selecting appropriate sampling for further interviews. The third (questions 16-23) and fourth sections (questions 24-31) are about the ways of knowledge exploring and exploiting, which respectively entails eight questions. The fifth section (questions 32-35) investigates the importance of Wu Wei and knowledge in terms of leadership. Regarding the role of knowledge, it examines the association between knowledge and business growth, and the specific impact of tacit knowledge and explicit knowledge. The last part (questions 36-37) examines the institutional influences, including logistics completion and government policies. The questionnaire ends up with a confirmation about whether or not the respondents would like to participate in further research.

Pilot Survey

The pilot study aimed to pre-test the instrument and the speed of response. Six questionnaires were administered to participants by an email attachment. It was accompanied by a cover letter, which had a brief introduction about the survey, and indicated that any comments would be appreciated with respect to the layout, wording or meaning of the questionnaire. Despite the fact that all the participants were based on personal contacts, only one response was received swiftly. After several rounds of emailing and phoning, 6 feedbacks (100%) were returned, which lasted for almost one month. The slow response highlights the difficulty

of conducting quantitative research in China, at least, in the developing logistics sector. No comments on the instrument were collected from the respondents, therefore it was justified to use the instrument in the major survey.

Main survey

Concerning the difficulty of collecting feedbacks as indicated in the pilot study, I refined the layout of the questionnaires by means of shrinking the line spacing from 1.5 lines to single, thereby the otherwise 3-page questionnaire was down-sized to two pages, which appeared more compact to the participants. The questionnaires were subsequently distributed to 202 participants, which were composed of all the members of SLEA plus some personal contacts. While all the participants were either introduced by the vice Chairman or on personal contact, it was still very difficult to collect the responses. The name list of SLEA contained their individual names, company names, and mobile numbers, whilst there was no email address. Initially, I tried ringing the individual member to get their email addresses respectively. I began with a quick self-introduction and indicated that I was introduced by the vice Chairman – Mr Chen. A small number agreed to give me their email addresses on the condition that I texted them afterwards, whilst the majority did not show sufficient cooperation: some of them may have been at a meeting or on a business trip so that it was an inappropriate time for communication. A few of them were even so unfriendly with the call that they hung up without letting me finish. In view of this, I superseded ringing by texting, where I also began with a quick self-introduction, indicated that I was introduced by the vice Chairman Chen and expressed sincere wishes for their cooperation. This approach proved to be more effective, as the majority informed me of their email addresses. After several rounds of emailing and texting, 103 questionnaires were returned with the response rate at 51%.

The survey was used in three ways. Firstly, it assists sampling appropriately, which has been discussed in the sampling section. That is, the sampling frame must accommodate such variables like the sole or main ownership, high ratings of past and prospective growth, appropriate numbers of employees of each business stage, and willingness for further research. Further, it generates complementary data to the primary research of narrative interviews. Lastly, it helps to facilitate the interviewing process. Whereas the questionnaire response provides some basic information related to leadership and knowledge, I sometimes quoted information from there in the process of interviewing. For example, whilst interviewing Rui, I asked him what influenced his leadership. He did not think of any

influential factor for a while. In order to keep the storytelling process uninterrupted, I reminded him 'your questionnaire said it was influenced by a key person. Could you tell me the story about it?' This proved to be a very useful technique, as he began to narrate how he had been deeply influenced by his former boss. This technique also implied I was well-prepared for this conversation, which contributed to impression management.

4.7.2 Interviews

The qualitative interviews comprise the major part of this research. The cohort comprises 10 interviews, inclusive of two for pilot studies and eight main studies. One pilot study (namely, Jun's story) fits this study so well that it is further used as one case together with the other eight in the main study. All the participants consented to sign on the Participant Consent Forms (PCF) (see Appendix 5) and most of them agreed to use their real names in this thesis. The interviews are semi-structured following the IGQ (see appendix 2), but they are open to emerging stories. All the interviews were tape-recorded, transcribed and translated. Regarding the vehicle of language, all of them were conducted in Chinese, where a few interviewees occasionally used English to express a small number of terms.

Instrument: IGQ

The semi-structured narrative interviews are primarily composed of two parts based on IGQ: real time interviews based on the current life stories and tracing back interviews by retrospective life stories. Real-time process interviews enable the researcher to be more engaged with the uncertainties and to better capture the temporal phenomena which are incessantly ongoing (Weick, 1999). For example, I tended to begin with 'what is your current role?' Following that, I stimulated the interviewees to reflect on their businesses in more depth by asking: 'what is the biggest challenge at the moment? How do you plan to resolve it?' These questions encourage the interviewees to talk about the current situation, which comprise 'temporal data.' Given that the firm growth is conceptualized as a future-oriented concept – becoming, the interviewees were asked to recount their strategies or plans for the next 2 years.

Concerning the 'unknown' outcomes, sole real-time interviews are not sufficient to conceptualize, whilst retrospective studies are complementary to process conceptualizations with known outcomes. This method is conducive to compare cases at various stages of growth so as to develop a better understanding of SME leadership as a flow of knowing in

practice. This method was used in two ways. First, I encouraged the owner-managers to trace back the trajectories of growth stages by asking 'if you look back, how many business stages would you define in the process of growing your business?' I also asked them to provide the sales revenue and employee numbers respectively. This process was particularly targeted at those of medium and small business. Second, I followed the critical incident technique so that the interviewees were encouraged to review 'breakdown situations', where I asked, 'could you describe 1 or 2 critical incidents, like financial crisis, exit of key staff/customers, acquiring new customers, and innovating new products/technology? How did you manage it? What did you learn from the critical incidents? Did you change anything as a result, or do you plan to? If not, why not?' The critical incident technique may enable the researcher to directly move to the heart of the issue and excavate robust data (Flanagan, 1954). Particularly, it has been used as an effective technique in terms of researching small firms (Holt and Macpherson, 2010). For instance, Thorpe used this technique in his PhD project, where he encouraged the owner-managers of small businesses to narrate their obstacles to growth, and to expose how they managed to handle the problems. I also encouraged the owner-managers to reflect and narrate one or two critical incidents, and to explain what they had learned. Whilst tracing back these incidents, I focused on those primary elements that directly influenced the business growth. Some owner-managers narrated 'positive' incidents, mainly about the acquisition of key customer(s), whilst the others 'negative' incidents, mainly about the exit of key staff(s). The former ones tend to be the critical stages where the firms began to grow rapidly. The latter ones served as useful learning episodes, which helped to refine their leadership, like establishing new systems or organizational structures. The information is closely related to the research aims and objectives, as it is useful to explore either the ways of developing knowing or both ways of developing and disseminating. The advantage of tracing back is that the relevant outcomes are known in advance, and the researcher has a sense about what a process study will have to expose (Langley and Tsoukas, 2010) to achieve a better understanding of the patterns of events leading to positive or negative outcomes (Repenning and Sterman, 2002).

Consistent with the research objective of investigating the ways of exploring knowledge, I tried to entice more insights by encouraging the interviewees to recount how their previous influential experience and various communications (with managers and employees, with suppliers and customers, and through social networking) influence their leadership development. Given the avowed link between human resource management and competitive

advantage in Porter (1985)'s value chain framework, particularly concerning the importance of delegation and coordination in the growth stage of Scott and Bruce (1987)'s model, I asked the interviewees if they had established a core management team and encouraged them to share their experience in terms of people management. Lastly, given that the research examines the influence of institutional factors, the interviewees were stimulated to narrate not only what were the specific factors but also how the factors influenced their leading and knowing in the context of growing SMEs. As such, the IGQ integrate various perspectives (individual, interpersonal and institutional) from the lenses of retrospective, real-time and prospective.

Pilot interviews

Two pilot interviews were conducted based on personal contacts. The first one was Liang, who was president of a listed company, and the other was Jun, who was president of a medium-sized logistics company as well as the executive director of SLEA and SLEAC. The latter case fits with this study so compactly that it is further used as a sample of medium business.

The pilot study made a number of contributions to this study. Firstly, it tested the instrument and helped to confirm whether the questions and relevant feedback can support the research aims and objectives. Secondly, it improved the practicality of interviewing skills like the professional preparation, effective interaction, and process-facilitating, as I was a nascent researcher. On the one hand, I underwent some self-reflexivity after the pilot interviews, and realized that I seemed to have spent excessive time taking notes during the pilot interviews so that I did not make best use of the limited time. On the other hand, whilst I played back the recording, I felt that I occasionally jumped into the interviewees' narration without eliciting a complete story. Most importantly, the pilot study helps to modify the IGQ and to enhance the interviewing process. For example, in the pilot study, I asked for the opinions about Wu Wei as a part of Question 8 in IGQ. Despite Jun's story is a case in point of leading by Wu Wei in action, he still considered himself as a non-Wu-Wei-ist. It supports Pheng's (1995) argument that most people tend to understand the surface rather than the essence of things, so that it is hard for them to accept Laozi's philosophical implications. Moreover, Laozi's teachings appear not to be in line with the modern civilisation such that people tend to dismiss them as irrelevant to the real life. Enlightened by the pilot study, whilst conducting the major interviews, I focused on listening rather than occupying myself with notes-taking, as listening

is regarded as ‘one of the main ingredients of the interview’(Bryman and Bell, 2011:478). Regarding Wu Wei, I endeavoured to entice evidence relate to the essence rather than raised it directly.

Upon the completion of this pilot study, the major interviews commenced in parallel with the major survey. With the consent of the interviewees, both pilot and major interviews were tape-recorded.

Main interviews

Informed by the pilot study, I revised the IGQ and invited 8 owner-managers for in-depth semi-structured interviews in Shanghai between March and April, 2014. As a fairly unexperienced researcher, I followed the call of Dawson (1997) to ‘get my hands dirty’ and to ‘experience and discover new skills and understanding by engaging in the practice of data collection and drawing close to the subject’ (p.392). The interviewing process involves four parts as follows.

Prior to each interview, I reviewed the questionnaire feedback and webpages as a preliminary research about the interviewee and targeted company. To begin with, I exchanged my name card with the interviewees, had a short self-introduction about myself, and briefed the research aims and objectives to the interviewees. Given that the interviewees tend to be busy, I stated that the interview would last for one hour. However, half of them lasted for one and a half hour, plus one as long as 3 hours. All the owner-managers were interviewed in each of the firms, either at the interviewees’ personal offices or their meeting rooms, which were decided by the interviewees. Despite no incoming call from the fixed phones in the process of interviewing, five interviews were interrupted by mobile calling and one by an employee for a short inquiry.

Despite that the IGQ had been sent to the interviewees by email in advance, I still prepared a printed copy and asked if he would like to have a quick review. It was not very unexpected that none of the interviewees had read IGQ in advance, but the majority of them were interested to read it as an improvisation.

Given the significance of developing rapport and impression management, I was dressed neither excessively professionally nor casually, as Dawson (1997:392) argues that ‘dress codes can significantly influence the development of research rapport in the field.’ Further, the interviewee and I had a ‘hands-on’ informal conversation rather than jump to academic

conversation immediately. For example, one interviewee asked me where I was originally from. Coincidentally, his wife and I were from the same province. By this way, we developed some connexion of town fellowship. For another example, a leader mentioned his daughter was doing MSc in Canada. Following this, I shared some overseas studying experience with him as a warming-up conversation.

While the interviews were mainly structured by IGQ, they also welcome openness (Pettigrew, 1997) and 'contingencies' (Dawson, 1997). Alternatively, the guide questions (focus), follow-ups (more depth) and probes (clarifications) were carried out in a flexible way to follow emerging themes (Rubin and Rubin, 1995). For example, one interviewee of small business began narrating his story before I could ask him anything. In case of this interview, I followed 'openness' and delicately direct him to my IGQ. For another instance, in the beginning of an interview, the interviewee asked me whether I was using qualitative or quantitative research method. Though I was surprised at his inquiry, as he was the sole interviewee who posed this issue, I said it would primarily be based on qualitative interviews. It was unexpected that he reacted sharply, 'qualitative method is completely useless at all compared with quantitative one. I only believe in numbers.' In face of this 'contingency', I maintained a friendly smile, and justified the rationale of qualitative research by explaining that 'leadership is an art. It is hard to quantify an art with numbers, isn't it?' Obviously my explanation was accepted by him such that our conversation continued in a smooth way.

Informed by the pilot study, I did not occupy myself by taking notes but simply writing down some key information whilst conducting the major interviews. Given that this study aims to capture the elements of process, I frequently asked 'could you give me some examples?' as a means of eliciting more 'processes' or stories. This technique proved to be helpful in this study, as the interviewees frequently reacted positively to this requirement.

After each interview, I made a wrap-up, including some key words or sentences taken in the interview, and observations of the site like the dressing code of the interviewees and layout of the premises. I also summarised the answers to IGQ, where the key points of the conversation were highlighted. It significantly assisted in the subsequent transcription and particularly in coding the themes for the codebook.

4.8 Data analysis

In this section I will first discuss how the data was transcribed and translated. Then I will explain how the mixed data was analysed, including the quantitative analysis, the qualitative analysis and the nested triangulation of quantitative and qualitative analysis.

4.8.1 Transcription

Despite the fact that all the interviews were delivered in Chinese, the interviewees would talk with various accents. Therefore, in the process of transcription, I had to listen to the recording repeatedly so as to ensure the reliability and validity of transcripts. Given that transcribing is 'very time-consuming' (Bryman and Bell, 2011:483), a 60-minute tape-recording required approximately 5 hours to transcribe verbatim. The length of transcripts ranges from 5,828 to 14,921 in Chinese characters, with a mean length of 10,000 Chinese characters. The whole cohort of 10 interviews (including a pilot study) resulted in 114 pages.

4.8.2 Translation

Translating tends to be more time-consuming than transcribing. Given the data collected in China, this study involves a considerable amount of translation or relevant issues in three areas. First, it is about the instruments, including the core questionnaire, PCF and IGQ, all of which were initially written in English and back-translations (Brislin, 1976) were applied to cope with the linguistic transfer. Further, all the interviews were conducted in Chinese, so the recording was initially transcribed in Chinese and afterwards translated to English, which involved a substantial workload. Last but not least, as this study is based on Dao De Jing, it involves frequent quotations from translated versions. Hereof the first part involves a small amount of translation and it is not difficult to accomplish, whilst the latter two are substantial and complicated. As such, they are elaborated on below.

In the process of translating the transcripts from Chinese to English, I adopted the combination of transliteration and contextualized translation. The transliteration approach is used for translating proper nouns by following the standard system of Chinese pronunciation system – Pinyin. Notes may be provided if they are not readable. Moreover, it is occasionally used for some complicated meaning where there are no equivalents in English. However, the transcripts may involve some culturally specific terms such that they may appear alien to non-indigenous people, as language is conventionally related (Di and Nida, 2006). Supposing the translations are frequently supplemented by lengthy notes, the thesis may appear clumsy.

In view of this, some terms or texts may follow a contextualized translation method. For example, the Chinese term 'Zheng Wei' (政委) is an important role in Xue's story. Originally, it is a term exclusively used in military forces as the political commissar who is representative of the head of a party, but it has weighed towards referring to lower levels since the 1980. Currently, the meaning of this term has been enlarged in a broader sense, which refers to administrative duties such as public relations and counselling service. However, it is metaphorically used in Xue's story, which can be translated as 'helper' in his story rather than a lengthy note.

Further, there are various English versions of Dao De Jing, many of which may be dramatically dissonant with each other. There are multiple reasons. First, the accuracy of its original Chinese versions, even concerning the sequence of the 37-chapter Dao section and 44-chapter De section, remains a moot point. Second, the translators may be from a wide variety of backgrounds, ranging from research communities to laymen. Third, the text of Dao De Jing per se is so compact (only appropriately 5000 words), philosophical and elusive that different translators may present different understandings in their translations. In order to improve the accuracy of comprehending Laozi's thoughts, this study quotes from the translations of Chan (1970) and Lin (2006), as I have made comparisons between dozens of different versions and feel these two are comparatively more accurate.

4.8.3 Triangulation of data analysis

This study adopts an approach of triangulation to analyse the robust dataset, which involves 'the combination of two or more methods of analysing data' (Thurmond, 2001: 254). In a broad sense, it refers to combining quantitative and qualitative data analysis, though the dataset includes quantitative data and qualitative data which include both interviews and visual representations. Specifically, the procedures of data-analysis can be grouped into three stages and presented in Chapter 5 sand 6 as follows:

- Stage 1: Presentation of quantitative results
  - Section 1: Preliminary ongoing analysis for sampling
  - Section 2: Analysis of the complete cohort of 103 questionnaires
- Stage 2: Presentation of qualitative results
- Stage 3: Nested triangulation of quantitative and qualitative analysis leading to a comprehensive discussion, analysis and conclusions

To answer each research objective, the research results of the quantitative and qualitative analysis are first presented in a compartmental way to paint a clear picture without the potential conflict by the counterpart results. Then the quantitative and qualitative results are triangulated, synthesized, elaborated and corroborated in the analysis section to 'seek convergence among the results' (Creswell, 2003: 222), which fosters a spontaneous shift to conclusions. However, as this study gives primacy to the qualitative research, the quantitative and qualitative research are not treated equally, analysed through a concurrent nested (Creswell, 2003) triangulation, namely, the quantitative analysis is nested in the predominance of qualitative analysis. The data-analysing process is elaborated on in the following sections.

Phase 1: Quantitative analysis

The quantitative analysis follows four steps: editing the questionnaires, coding the answers, data entry into the statistics software programme and conducting statistical analysis, which are discussed in detail below.

Step 1 Editing

After administering the survey and collecting the responses, I began with the first step of editing in order to identify and confirm any errors or omissions and enhance the quality of the data for four purposes including accuracy, consistency, uniformity of being entered, completion, and making arrangement for coding (Emory and Cooper, 1991). In this process 10 questionnaires were rejected because they were not completed in an appropriate or satisfactory way, or the respondents did not belong to the logistics industry or the Shanghai area. For example, two respondents were from logistics facility manufacturers and one was from Zhejiang province. Given that this study is exclusively focused on logistics industry located in Shanghai, those inconsistent responses were not used.

Step 2 Coding

Coding refers to the tasks involved in 'transforming edited questionnaires into machine-readable form' (Kent, 1996:206) through assigning numeric or other symbols to group the answers into a number of classes or categories (Emory and Cooper, 1991). The questionnaires of this study solely included close-ended questions, which have the advantages of being easy to 'measure, record, code, and analyse' so as to improve 'efficiency and specificity' (Emory and Cooper, 1991:457). Questions 14-37 were designed in Likert scaling,

so these questions had been pre-coded. For the other thirteen questions (Question 1-13), the codes adopted numeric coding. For example, the codes of Yes and No in Question 1 were coded as 1 and 0, and the codes of A, B, C and D were coded as 1, 2, 3 and 4. By this way, the questionnaires were ready for data entry.

Step 3 Data entry

Given the completion of the editing and coding procedures, the data were entered into the SPSS (Statistical Package for the Social Science) software programme, which is regarded as one of the oldest yet the most popular statistics software programme (Corston and Colman, 2000). Where this study not only examines the whole cohort of 103 responses but also compare the three business stages (micro, small and medium), the data were created in four matrixes (n=103, 22, 41 and 26) in order to make the test more easily and accurately.

Step 4 Statistical analysis

Univariate and bivariate analysis were used in this study, which were presented by descriptive and inferential statics to describe the demographic details and test statistically significant relationship. Univariate analysis examines one variable at a time. The demographic and organizational profiles are presented through frequency and percentages tables. Moreover, it uses median and mode to measure the central tendency, standard deviation to measure dispersion, and one-third of the mean as a counterpart to the value of standard deviation to validate the representation of the central tendency in the distribution (Balsley, 1970). The tested variables include the roles of leading by Wu Wei, overall importance of knowledge, the specific importance of explicit and tacit knowledge, key ways of exploring and exploiting knowledge, the influence of industrial competition and government policies. Bivariate analysis uses two variables at a time 'in order to uncover whether or not the two variables are related' (Bryman and Bell, 2011:346). In this study, bivariate analysis is used to identify any relationship between a series of independent variables (demographic and organizational profiles) and two dependent variables (leading by Wu Wei and growth by knowledge). The tests results are presented through tables.

As explained earlier, the results of questionnaires are used for three purposes: to select appropriate sampling for in-depth interviews, to frame the IGQ, and to complement the analysis of qualitative data. For the purposes of sampling and framing IGQ, an ongoing preliminary analysis was conducted based on the collected responses from participants, which was mainly focused on the demographic and organizational variables, such as the sole or

main owner-manager (Question 1), the number of employees (Question 12), Growth in the past 2 years (Question 14), Growth 2 in the following 2 years (Question 15), the role of leading by Wu Wei (Question 32), the close link between knowledge and growth (Question 33), and the willingness of further participation. This information was used as a benchmark for sampling so that the interview candidates were owner-managers who established the firms, and their firms had experienced rapid growth in the last 2 years and were expected to further grow over the prospective 2 years at each business stage (namely, micro, small and medium).

Phase 2: Qualitative analysis

The qualitative analysis begins with coding, which refers to 'a way of relating our data to our ideas about these data' (Coffey and Atkinson, 1996:27). The researcher read and reflected the transcripts repeatedly to gain a better sense of the data, where coding was conducted more appropriately. During this process, I kept compiling and updating memos through inserting comments and highlighting the supportive narration on the transcripts as well as in a separate document. Thematic analysis was chosen for coding in the current study, as this approach helps to organize and analyse various information 'in a systematic manner' and to enhance 'accuracy or sensitivity' in terms of understanding and interpretation of the research targets (Boyatzis, 1998:5). Thematic analysis aims at creating a profile for the three business stages (micro, small and medium). Some themes or sub-themes are formulated on the basis of literature review, whilst some emerge from the empirical data. The collected visual representations and secondary data are also coded as supportive data for the themes.

While linking the empirical data to my understanding about leadership, knowledge and firm growth based on the literature review, I developed an initial codebook (see Table 4.7). The themes include exploring knowing, exploiting knowing, influence of institutional factors and firm growth. These themes are divided by three business stages, that is, micro, small and medium. The sub-themes include key points from the interviewees, which are related to literature review and inducted as the dimensions like learning and sensemaking, people management, strategizing, ongoing process of developing competitive advantages and Shi.

Table 4.7 Initial codebook

Category	Business stage	Sub-theme
Exploring knowledge	Micro, small and medium	Learning; sensemaking
Exploiting knowledge	Micro	People management; Customer management; Teamwork like a family
	Small	People management; Structuring, supervising and controlling; Strategizing; Organizational culture
	Medium	People management; Re-structuring, Strategizing; Organizational culture
Influence of institutional factors	Micro, small and medium	Industrial competition; Government policies; Shi
Firm growth	Micro, small and medium	Ongoing and co-evolving process; Developing competitive advantages

(Source: Author's fieldwork)

Pettigrew (1997:338) claims that process can describe and explicate 'how some entity or issue develops and changes over time.' Given that leadership is not a thing but a relationship (Burns, 1979), this study adopts processual perspective (Leitch et al., 2012) to capture the interaction of leading and knowing unfolding over time in the process of growing SME, ranging from micro, small to medium. While conducting the analysis, I tended to quote directly from the narration of the interviewees, as the stories of the interviews are 'crucial building blocks' for the study, which can best support the phenomena under investigation (Coviello and Munro, 1997). Additionally, the qualitative data analysis is occasionally supplemented by quantification. For example, the importance of Shi is quantified by the frequency of occurrence emerged in the interviews.

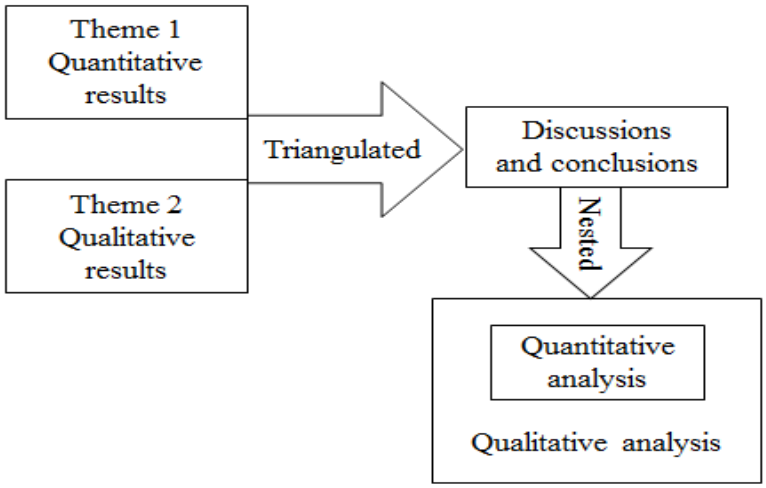
Phase 3: Nested triangulation of quantitative and qualitative analysis

The triangulation of data analysis refers to combining two or more statistical testing or techniques while identifying similarities or seeking various views for the same topic with the

aim for validation (Denzin, 1970; Kimchi et al., 1991; Thurmond, 2001). Given that leadership is considered as an 'art rather than a science' (Grint, 2001:27), it is arguably justified to give primacy to qualitative research, while the quantitative analysis is nested in the dominance of qualitative analysis as illustrated below.

Creswell (2003) proposes that the researcher may choose to either qualify the quantitative data or vice versa in case of concurrent research design. I have used both. On one hand, I choose to qualify the remaining data of the questionnaires in the process of coding to create sub-themes, which are compared with themes from the qualitative data set. On the other hand, I also 'quantify' qualitative data. For example, while analysing the key ways of learning, 14 sub-themes of learning that emerged from the interviews are 'quantified' through counting the frequency of occurrence. In summary, the triangulated findings enable a more complete understanding by avoiding a monolithic research design (Denscombe, 2008).

Figure 4.4 Nested triangulation of data analysis



(Source: Author)

4.9 Ethical issues

Given ethical issues are embedded in conducting any research (Guillemin and Gillam, 2004), this section looks at the relevant issues emerged in this study. I begin by discussing the ethics that arose in the course of conducting this research. After that, I expose the linguistic issues as this study was conducted in China.

With regard to the ethical concerns, the study follows the four areas proposed by Diener and Crandall (1978):

- Harm to participants;
- Informed consent;
- Privacy;
- Deception.

The Academy of Management (AoM) Code of Ethical Conduct states that the researcher should assess carefully the possibility of harm to the research participants, and endeavour to minimize it. The harm hereof may not only refer to physical harm, but also include 'emotional and social harm' (Guillemin and Gillam, 2004:272). To avoid the possibility of physical harm, all the interviews were conducted at the interviewees' organizations – either at their own offices or meeting rooms, which were decided by the interviewees. However, I met with a special case. One of the survey participants agreed to accept my further interview, and rang me for an urgent appointment at a private club. I tried to propose meeting at his company, but he still insisted having a talk at a private club. Concerning the possibility of physical harm, I had to abandon the meeting because it could be unsafe for me to meet a male interviewee at such an informal venue. He even kept texting and ringing me such that I had to switch off my mobile. Further, the possibility of emotional harm may arise in the course of the 3rd and 5th questions of IGQ:

- Could you describe 1 or 2 critical incidents, like financial crisis, exit of key staff/customers, acquiring new customers, innovating new products/technology? How did you manage it? What did you learn from the critical incidents? Did you change anything as a result, or do you plan to? If not, why not?
- Do you have a core management team? If yes, how did you establish it? Could you share some experiences/lessons about how to manage people well?

For instance, before I was able to ask any question, Quan made a detailed narration about how his long-term deputy GM suddenly resigned. It was obvious that he was making great efforts to control his emotions in the course of narrating this story, from which he realized the rhetoric of trust between the employer and employees. To avoid harming his emotions, I was very careful about asking the further questions related to this story. I asked him 'how much influence does his resignation bring about?' rather than 'how much negative influence does his resignation result in?' For the latter part of the fifth question, it was probable to cause

emotional harms, because the entrepreneurial leaders tend to hold high levels of self-esteem that they may dislike talking about lessons. For instance, Yuan was otherwise very proactive to answering all the other questions except talking about the lessons of his people management. One of the reasons may be the presence of his two project managers. The lessons may 'harm' his self-ego in front of subordinates. Hence, he simply replied, 'many stories of this. We could talk separately.' Making sense of it, I managed to save his face by citing a related example, 'one of entrepreneurial leaders has told me about a disappointing story of his deputy GM.' It worked, as he consented to share his thoughts about it.

To secure the confidentiality of this study, I have prepared two Participant Consent Forms (PCF), one for survey and the other for interviews, both of which have been approved by the Ethical Officer and first supervisor at the University of Exeter Business School prior to commencing the field work in China. In the quantitative part, as the survey was mainly conducted by email, both the questionnaire and the PCF (see appendix 4) were sent to the participants by attachment. Moreover, the following was stated in the beginning of the questionnaire:

> This is a confidential questionnaire for my PhD research on leadership and knowledge management in SMEs.

Following the principle that 'participation is almost always voluntary' (Hammersley, 1995:109), at the end of questionnaire I asked the participants of the survey to choose whether they would like to participate in further research. I explained that 'upon your agreement, face-to-face interviews will be conducted between March and April, 2014, for which you would be prepared to share your life stories.'

In the course of doing the qualitative interviews, I always explained in the beginning that the interview was solely used for academic research. Following that, I presented the PCF (see Appendix 4) and asked the interviewees for their signature, both in pilot and major studies. This helped release their concerns about commercial confidentiality. Seven interviewees agreed to use their authentic names both of themselves and their companies, whilst the other 3 preferred to accord a pseudonym to preserve anonymity.

Concerning the issue of privacy, I would ask for permission before taking some photos of their offices. Moreover, as stated earlier, this research is based on the list of SLEA. As suggested by Yongjun, it cannot be disclosed to a third party in order to protect of the privacy of those members. Hence the list cannot be attached in this thesis.

The fourth principle is about deception. The AoM Code of Ethical Conduct states:

> ‘Deception should be minimized, and, when necessary, the degree and effects must be mitigated as much as possible. Researchers should carefully weigh the gains achieved against the cost in human dignity.’

Following this principle, despite the fact that the PCF stated the issue of recording interviews, I would still ask for permission before I switched on the recorder for the interviews. Only one interviewee did not give consent to the recording. I switched off the recorder and put it in my notebook, but he still suspected that it had not been switched off yet. I had to show the equipment to convince him about it, but he agreed that I could take notes. Thus, while the interview was not recorded, the notes are still helpful to inform this study.

As Lee-Treweek and Linkogle (2000) point out that it is almost neither feasible nor desirable to completely clarify the research to the participants. It particularly accommodates this study, which is based on the esoteric Chinese philosophy - Wu Wei. As discussed in Chapter 3, Wu Wei tends to be misunderstood by the layperson. It was tested in the first pilot study of Jun. Despite the fact that he fits well with the essence of Wu Wei as shown below, he still disregards himself as following Wu Wei:

> I: When you are leading your firm, do you prefer having plans in advance or focusing on doing things better? Alternatively, changes go faster than plans?
>
> Jun: Plans are fake. Plans serve more like a vision. The world is changing so fast that your plans may not work out at all if the context changes. We prefer ‘acting by following the propensity (Shi)’: it involves plans, but we are open to changes while acting, otherwise, we are certain to fail.

Given this, I eschewed talking about Wu Wei directly in the following interviews, which did not mean to incur deception, but simply to avoid misunderstandings.

5.0 Chapter summary

This chapter has argued why and how this research has been designed, conducted and analysed in a rational and effective way. It highlights the importance of examining the association between leadership, knowledge and growth of logistic SMEs based on the sampling from SLEA who are illustrative of the Daoist Wu Wei approach based on the results of survey. By critically reviewing the paradigmatic ‘wars’ in the western tradition, it justifies adopting an alternative Daoist epistemological stance in this study. Furthermore, it also rationalizes using mixed-methods, visual method and narrative approach in this

leadership research by generating a robust dataset (including questionnaires, narrative interviews and visual representations), which balance the issues of objectivity and subjectivity (Alvesson, 1996) at both macro and micro levels (Bryman, 1998), nevertheless, primacy is given to the narrative interviews consistent with the research aims and objectives. In view of the inactive response in the pilot survey, a concurrent triangulation research design was used through paralleling the main survey with interviews, which proved effective in data collection in a constrained period. Given the difficulties of collecting research data on SMEs, in the case of China, this study adopted convenience sampling by collecting the data through survey and interviews.

As the study was conducted in China, the related issues of transcription and translation have been discussed in order to justify and validate a rigorous research approach to generate a reliable research data. The device of transcript confirmation enhances the validity of the dataset and the use of computer-assisted SPSS 22 as quantitative data analysis increases the reliability of this study. The qualitative analysis used thematic framework analysis and grouped according to three business stages, which aims to create a 'business-staged' analysis so that potentially nuanced differences at each business stage (micro, small and medium) could be perceived.

In short, this chapter has justified the research methodology and methods used in this study. They were driven by the previous two theoretic chapters, where the importance of the current research topic and theoretical gaps had been demonstrated and identified, whereas this chapter has explained how the research gaps can be addressed in the most appropriate way. The following chapter begins the process of analysing the data.

CHAPTER 5 RESEARCH OBJECTIVE 1 & 2: EXPLORING AND EXPOITING KNOWLEDGE

5.1 Introduction

After the presentation of theoretical literature and justification of the particular research methodology, this chapter analyses the results and findings related to the first and second research objectives, namely, how the owner-managers of Chinese SMEs explore and exploit knowledge. As stressed in Chapter 4, this study adopts a qualitatively-driven mixed-methods approach (Mason, 2006), thereby the analysis employs concurrent nested triangulation analysis: The quantitative and qualitative results are illustrated in parallel, then the quantitative analysis is nested in the primacy of qualitative analysis. Specifically, this chapter is structured as follows. The second section begins with an illustration of the demographic and organizational profile in quantitative and qualitative research. It is followed by presenting the quantitative and qualitative results related to the key ways in which the owner-managers of Chinese SMEs explore knowledge. Then the quantitative findings are nested in the qualitative research through triangulation to answer the first research objective. The similar structure is employed in the fourth section, which also begins with the presentation of quantitative results, then qualitative results. After that, the quantitative findings are nested in the qualitative ones to investigate the second research objective.

5.2 Sample demographic and organizational profile

In this section, I will first illustrate the sample demographic and organizational profile in quantitative research. Then I will discuss the sample demographic and organizational profile in qualitative research

5.2.1 Sample demographic and organizational profile in quantitative research

Sample demographic profile

Given that this study uses the individual owner-manager as the unit of analysis, the demographic profile of the sample is examined, which tends to be examined as the role of human capital or ‘skills approach’(see Katz, 1995; Mumford et al., 2000), and highlighted as the key influence on the way in which small firms develop (Thorpe and Clarke, 2008). The

demographic variables include sole or main ownership, experience in SME and large organizations, duration in current role, age and education background.

As illustrated in Table 5.1, the majority of the participants are the sole or main owner-managers of their firms, which account for 57.3%. It indicates that the sole or main ownership of SMEs is still dominant before the business expands to a larger scale, where the ownership is subject to change in case of involving external investors. Given that this research investigates the process of knowing, the leaders' past experience cannot be ignored. In order to make a close examination, the past experience is divided into SME experience and experience in large organizations. From the 103 respondents, 59 (57.3%) had SME leadership experience before starting up their current business. Regarding the experience in large organizations, the respondents tend to either have no relevant experience, with 6 to 10 years or over 10 years, which account for a similar percentage (25.2%, 26.2% and 24.3). This implies that the respondents tend to start up their business after a long process of accumulating former leadership experience, either in large organization or SMEs. Interestingly, the respondents with 6 to 10 years at their current role also represent the largest one group (34%), and the second largest group also have experienced a long process of leading practice - with above 10 years' experience (30.1%). Hence it is not unexpected that the smallest group (3.9%) comes from the young respondents aged below 30 years, and in a stark contrast, the largest group (40.8%) are aged between 41 and 50 years old, followed by the second largest group aged between 31 and 40 years old (34%). Logistics in China remains at an early developing stage, where both the leaders and employees tend not to have as high-level education as those in IT sector. The table below shows the largest two groups of the respondents hold either a diploma or a bachelor degree (35.9%), whilst those with high degrees like a PhD or Master only accounting for 17.5%, and there are still 10.7% with only high school education or less.

Table 5.1 Demographic profile of participants

Characteristic	Numbers	Percentage
Sole/main ownership		
No	44	42.7%
Yes	59	57.3%
SME experience		
No	44	42.7%
Yes	59	57.3%

Experience in large organization		
None	26	25.2%
< 2 years	8	7.8%
2-5 years	17	16.5%
6-10 years	27	26.2%
> 10 years	25	24.3%
Duration in current role		
< 2 years	10	9.7%
2-5 years	27	26.2%
6-10 years	35	34.0%
> 10 years	31	30.1%
Age		
21-30 years old	4	3.9%
31-40 years old	35	34.0%
41-50 years old	42	40.8%
above 51 years old	22	21.4%
Education		
PhD/Master	18	17.5%
Bachelor	37	35.9%
Diploma	37	35.9%
High school or below	11	10.7%

(Source: Author's fieldwork)

Sample organizational profile

This study focused on 'fast-growing' SMEs solely configured in one sector. This section presents a close examination related to the organizational profile of the sample including eight dimensions as illustrated in Table 5.2. It begins by the sub-category of the logistics sector, namely, third-party logistics, warehouse, (international) express and (international) freight forwarding agent. The overriding majority of the sample is from third-party logistics firms, representative (84.4%), whilst the percentage of the other three sub-categories appears significantly low (3.9%, 7.8% and 3.9% respectively). Regarding the family ownership, 72.8% of the sample is run on a non-family basis. In context of SME business, formal archives like financial reports and a core management team is a useful implication linked to the organizational management system. 89.3% and 78.6% of the respondents stated that archives and a core management team were available in their firms. Given that this study defines micro, small and medium business based on the number of employees, it is significant to collect the relevant information so that the sample can be grouped for analysis purposes. As

shown in the table, the largest group is of small business (39.8%), followed by medium and micro business (25.5% and 21.4% respectively), where the smallest is from large business (13.6%). Notwithstanding that annual turnover may be used as an indicator of defining business size, it is not adopted in this study in case of its potential inaccuracy in the context of SMEs. However, the data may serve as reference to employee numbers. In case of this sample, large business is the biggest group (34%), followed by medium and small business whilst micro business only accounts for 10.7%. Growth represents an important concept in this study, which is sub-divided into past growth in the last two years and prospective growth over the next two years. The information of growth rates is collected through a 5-point Likert scale ranging from very low (coded with 1) to very high (coded with 5). In terms of past growth, the highest number (n=41) is at a moderate rate (39.8%), whilst the lowest (n=8) is at a level of 'very low' (7.8%). It seems that most respondents are confident about prospective growth, as 39.8% of them expect 'high' growth, 34% 'moderate' growth and no one chooses the rate of 'very low'.

Table 5.2 Organizational profile

Characteristics	Numbers	Percentage
Sub-category of logistics		
Third-party logistics	87	84.4%
Warehouse	4	3.9%
（International）Express	8	7.8%
（International）Freight Forwarding Agent	4	3.9%
Family business		
No	75	72.8%
Yes	28	27.2%
Having archives		
No	11	10.7%
Yes	92	89.3%
Core management team		
No	22	21.4%
Yes	81	78.6%
Employees		
0 - 19	22	21.4%
20 - 299	41	39.8%
300 – 999	26	25.5%
above 1000	14	13.6%
Annual turnover		
< RMB 2M	11	10.7%
RMB 2M – 29M	27	26.2%

RMB 30M - 299M	30	29.1%
above 300M	35	34.0%
Growth in the last 2 years		
Very low	8	7.8%
Low	22	21.4%
Moderate	41	39.8%
High	19	18.4%
Very high	13	12.6%
Prospective growth		
Very low	0	0.0%
Low	6	5.8%
Moderate	35	34.0%
High	41	39.8%
Very high	21	20.4%

(Source: Author's fieldwork)

5.2.2 Sample demographic and organizational profile in qualitative research

Sample demographic profile

Based on the sample in the survey as discussed above, three owner-managers from each business stage are selected for in-depth interviews. The sample of owner-managers from micro businesses is Feng, Qing and Rui. As illustrated in Table 5.3, while their ages vary ranging from 30s to 50s, they share much in common in other aspects. As noted, all of the three leaders have considerably low education backgrounds – no more than high school. Referring to ownership, all of them share their firms with their wives, but they are the majority owners. Two of them have no previous leadership experience before running their current businesses. The exceptional case is Feng, who has run his own business before. However, all of them have previous work experience. The sample of owner-managers from small businesses is representative of Xue, Yuan and Quan, all of whom are SLEC members and selected from the survey. As indicated in Table 6.8, their ages range from 30s to 50s, and their education backgrounds range from college, BA and MBA. Regarding the businesses ownership, Yuan and Quan are the sole owner-managers, while Xue holds the majority of share. Among the three interviewees, only Xue had both previous leadership experience in large organizations and entrepreneurial experiences in three cases. Yuan worked in a large state-owned enterprise but took a non-leadership role before establishing his current firm. Quan is an exceptional case in terms of experience - he lacks any previous (leadership)

experience, and was financially supported by his family to set up the businesses directly after finishing his Bachelor studies.

The sample of owner-managers in medium businesses is Shu, Jun and Qiang. Similar to the sample within micro and small businesses, it is notable that their ages also range from 30s to 50s. Slightly different, they appear all well-educated: Shu has got an international MBA degree, and the remaining two also hold BA degrees from prestigious universities. Moreover, all of them have wide exposure to leadership or entrepreneurial experience previously: Shu and Jun had (entrepreneurial) leadership experience before setting up their current businesses. While Qiang lacks entrepreneurial experience, he has worked in a large state-owned enterprise over 10 years before. All of them possess the major ownership of their firms. Shu and Jun are introduced to participate in this study through my family relationship, while Qiang is recommended by the vice Chairman of SLEC –Chen.

Table 5.3 Sample demographic profile in qualitative research

Business stage	Interviewee	Age	Education	Ownership	Former leadership experience	Former work experience
Micro	Feng	40s	High school	Main	Yes	Yes
	Qing	50s	Below high school	Main	No	Yes
	Rui	30s	High school	Main	No	Yes
Small	Xuefeng	30s	BA	Main	Yes	Three times
	Zhiyuan	50s	College	Sole	No	No
	Daquan	40s	MBA	Sole	No	No
Medium	Shu	40s	MBA	Main	Yes	Yes
	Lijun	50s	BA	Sole	Yes	Yes
	Zhiqiang	30s	BA	Main	Yes	No

(Source: Author's fieldwork)

Sample organizational profile

Following the illustration of demographic sample profile, this section introduces their relevant organizational profile. The sample of micro businesses is respectively Zhenghong, Shenhan and Xiongrui. As shown in Table 5.4, Zhenghong is the youngest one whilst Shenhan the oldest. All the three firms belong to family businesses and are co-managed by

the interviewees and their wives. It is interesting to note that all their wives work as the accountant to control the financial issues, which is quite common in Chinese micro businesses. Unanimously, all of them are sub-contractors of third-party logistics, and their employees are close to 20. In addition, Shenhan has been merged into a large organization, where Qing acts as the Deputy General Manager of logistics business unit. Therefore, his narration is mainly retrospective, focusing on his previous leadership in the micro business of Shenhan. Similarly, Xiongrui has entered a franchising agreement with a large, fast-growing networking-logistics firm, but it remains an independent legal entity.

The sample of small firms are EXBOX, Xinyingyuan and Dajin. As illustrated in Table 6.9, compared with the remaining two, EXBOX is a quite young enterprise as it was established in 2011. It is noted that none of them is run on a family basis, however, they differ dramatically in terms of sub-category, which are about express, warehousing and third-party logistics respectively, though they may also involve a small amount of overlapping businesses. Moreover, their businesses scales also differ, where Dajin is the biggest one with over 280 employees while the newly-established EXBOX is the smallest one of the three with no more than 100 employees.

The sample of the medium-sized firms are Grand, Manc and Wins. As shown in Table 5.4, only Grand is run on a family basis, where Shu holds 70% of the share and his wife accounts for 30%. There are more similarities between Manc and Wins, for example, both firms adopt a franchising model to expand their business networks over China. Moreover, they both have close to 1,000 employees in the holding companies. Comparatively, Grand is the smallest one with more than 300 employees.

Table 5.4 Sample organizational profile in qualitative research

Business stage	Firm	Established	Family business	Sub-category	Employees
Micro	Zhenghong	in 2010	Yes	Sub-contractor	15
	Shenhan	in 1998	Yes	Sub-contractor	16
	Xiongrui	in 2005	Yes	Sub-contractor	19
Small	EXBOX	in 2011	No	Express	below 100
	Xinyingyuan	in 1998	No	Warehousing	over 150

	Dajin	in 1997	No	Third-party	over 280
Medium	Grand	in 2004	Yes	Third-party	More than 300
	Manc	in 2000	No	Third-party	Close to 1000
	Wins	in 2008	No	Express	Close to 1000

(Source: Author's fieldwork)

5.3 Objective one: To examine the ways in which owner-managers of Chinese SMEs explore knowledge over time

This section aims to examine how owner-managers explore knowledge in practice. It begins with the presentation of quantitative results, including the overall importance of knowledge of based on all the participants in the survey (n=103), the comparison at three business stages of SMEs (n=89), and the overall importance of tacit and explicit knowledge (n=103). Then the key ways of exploring knowledge at each stage are elaborated on and compared. After that, relevant insights about exploring knowledge are further illustrated based on qualitative research. Then the findings of quantitative and qualitative research are triangulated in the last analytical part.

5.3.1 The importance of knowledge and key ways of exploring knowledge in quantitative research

The importance of knowledge

Given that this study examines the association between leadership, knowledge and growth, it is imperative to investigate the importance of knowledge. This section analyses its validity of overall importance from all the respondents and a comparison study at three business stages. The data were collected through the question – 'To what extent does knowledge facilitate your business growth?' The respondents were required to rate the question through a 5-point Likert Scale, namely, from 'very low' (coded with 1) to 'very high' (coded with 5).

The overall importance

The test of overall importance also combines two tests through a Chi-square test and a descriptive statistical test. Table 5.5 illustrates the number of valid respondents (n), mode, mean score, standard deviation, value of Chi-square test (χ^2), 1/3 of the mean score and

significance value. The testing results show that the mode (n= 103) is coded with 4, which indicates knowledge has a 'high' significance in terms of facilitating firm growth. The mean score (4.04) is also high and representative of validity, as the standard deviation is 0.84<4.04/3=1.35. Moreover, the significance value of 0.00 (below 0.05) as well as the large value of χ^2 (33.12) also represents the validity and significance of knowledge in terms of firm growth. Therefore, the overall importance of knowledge proves to be valid and strong statistically. The statistical results confirm that knowledge plays a defining role while fostering business growth or success (e.g. Churchill and Lewis, 1983; Greiner, 1972; 1998; Penrose, 1959; Scott and Bruce, 1987; Tsoukas and Mylonopoulos, 2004) in the knowledge Era (Cavaleri and Seivert, 2005) or knowledge-based society (Nonaka et al., 2000).

Table 5.5 The overall importance of knowledge associated with growth

Statement	n	Mode	Mean	Std. Deviation	χ^2	1/3 of the Mean	Sig. value
To what extent does knowledge facilitate your business growth	103	4	4.04	0.84	33.12	1.35	0.00

(Source: Author's work)

The comparison on the role of knowledge at three business stages

As the association between knowledge and firm growth has been validated in the previous test, this section pays a closer attention to the nuances at each business stage. As with the previous format, the valid respondents from each stage (n) are 22, 41 and 26 respectively, exclusive of 14 respondents from large business. The comparison study entails the number of respondents (n), mode, mean, standard deviation, and 1/3 of the mean respectively from micro, small and medium business. The results are ranked based on the mean scores.

Table 5.6 The comparison on the role of knowledge at three business stages

Business stage	Statement	n	Mode	Mean	Std. Deviation	1/3 of the Mean
Medium	To what extent	26	4	4.15	0.68	1.38

Micro	does knowledge facilitate your business growth	22	5	4.05	0.95	1.35
Small		41	4	3.93	0.91	1.31

(Source: author's work)

As illustrated in Table 5.6, the three mode scores are either 'very high' (coded with 5) or 'high' (coded with 4). Moreover, all the mean scores are approximately equal to 4.00, representative of a substantial validity of association between knowledge and SME growth. Furthermore, each of them has a small value of standard deviation (0.95, 0.91 and 0.68 respectively), much lower than the relevant 1/3 of the mean score (1.35, 1.31 and 1.38 respectively). Therefore, the statistical results verify the positive and strong linkage between knowledge and firm growth and support the results demonstrated in the previous section. Further, it appears that the importance of knowledge appears high in medium and small business whilst it appears slightly lower in micro businesses.

The importance of tacit and explicit knowledge

Situated in the entrepreneurial settings which is distinctively characteristic of 'idiosyncrasies' (e.g. Wang et al., 2012), knowledge does not simply refer to an 'identikit' of explicit and static concept, but more to tacit knowledge or knowing as discussed earlier. As such, it necessitates the attempt to test the specific significance of explicit knowledge and tacit knowledge. Through the questionnaire, the respondents rated two statements – 'To what extent do you lead based on explicit knowledge?' and 'To what extent do you lead based on tacit knowledge like hunches or gut feeling (Nonaka and Takeuchi, 1995)? Table 5.7 demonstrates the number of respondents (n), the mode, the mean, the standard deviation, the χ^2, the 1/3 of the mean score and the significance value.

There were 103 respondents who answered the questions. Through Chi-square tests, the significance values are 0.00 coupled with large χ^2 values in both cases, indicating the validity of both explicit knowledge and tacit knowledge. Moreover, both of them have small standard deviation values which are smaller than the 1/3 of the mean scores. Therefore, this further confirms that the mode and mean scores for explicit knowledge and tacit knowledge are valid representations of the central tendency in the distribution. Given that the mode and mean scores for explicit knowledge appear lower than those for tacit knowledge, which statistically

implies owner-managers tend to lead based on tacit knowledge rather than on explicit knowledge.

Table 5.7 The importance of tacit and explicit knowledge

Knowledge Type	Statement	n	Mode	Mean	Std. Deviation	χ^2	1/3 of the Mean	Sig. value
Explicit knowledge	To what extent do you lead based on explicit knowledge	103	3	2.96	0.989	61.03	0.99	0.00
Tacit knowledge	To what extent do you lead based on tacit knowledge	103	4	3.48	0.979	59.09	1.16	0.00

(Source: Author's fieldwork)

Key ways of exploring knowledge in quantitative research

In order to address the first objective of this study, this section examines the key ways of exploring knowing in micro, small and medium business respectively. A comparison analysis is also presented based on the results of the individual rankings so as to identify any potential nuances among the three business stages. The results of each ranking illustrate the valid number of the respondents who answered each statement (n), the mode, the mean score, the standard deviation, and the 1/3 of the mean score. The key ways of exploring knowing are ranked based on the mean scores. The data associated with exploring knowing were collected through the following eight questions as follows on a 5-point Likert scale:

- To what extent does your family influence your leadership?
- To what extent does your formal education influence your leadership?
- To what extent does your past work experience influence your leadership?
- To what extent do your employees influence your leadership?
- To what extent does social networking influence your leadership?
- To what extent do critical incidents (like financial crisis/exit of key customers) influence you?

- To what extent do key individuals (like mentors/consultants) influence you?
- To what extend do books/magazines influence you?

Micro business

This section illustrates the key ways of exploring leading in the context of micro business (see Table 5.8) to address the first objective of the thesis. The valid number of participants (n) is 22. All the mean scores appear approximately moderate, ranging from 2.82 (close to moderate) to 3.91(close to high). The majority of the values of standard deviation are smaller than 1/3 of the mean scores, with the exception of two ways - 'influenced by family' and 'influenced by social networking'. As suggested by Balsley (1970), when the value of standard deviation is larger than the 1/3 of the mean, the mean score partly loses its representation. Thereby the statistic results demonstrate that the leaders of micro businesses tend to be less influenced by their families or social networking, while they are more likely to be influenced by personal relationship like key individuals, critical incidents in the process of leading and formal education background which are ranked in the top three factors (ranked 3.91, 3.82 and 3.77 respectively). More insights were collected from the in-depth interviews, which are discussed in the subsequent two chapters.

Table 5.8 Key ways of exploring knowledge in micro business

Ranking	Statement	n	Mode	Mean	Std. Deviation	1/3 of the Mean
1	Influenced by key individuals	22	4	3.91	0.92	1.30
2	Influenced by critical incidents	22	4	3.82	1.01	1.27
3	Influenced by formal education	22	5	3.77	1.07	1.26
4	Influenced by employees	22	4	3.77	0.69	1.26
5	Influenced by reading	22	3	3.55	1.14	1.18
6	Influenced by past work experience	22	4	3.41	0.91	1.14
7	Influenced by family	22	4	2.95	1.33	0.98
8	Influenced by social networking	22	1	2.82	1.44	0.94

(Source: Author's fieldwork)

Small business

This analysis examines the context of small business (see Table 5.9). In this case, the number of valid participants (n=41) is larger than that of micro or medium business. Following Balsley (1970), the overriding majority of the ways are a substantial and valid representative of the central tendency in the distribution, as their values of standard deviation are smaller than the 1/3 of their mean scores, with a singular exception of 'influenced by family'. As illustrated in the table, based on their mean scores, the leaders seem to explore knowing mainly by critical incidents, reading and previous work experience, whose means are close to high (coded with 3.83, 3.76 and 3.68 respectively) and modes are unanimously high as 4. In contrast, factors like family, employees and formal education appear less important, where their mean scores are coded with 3.29, 2.9 and 2.88. In a broad sense, the statistical results demonstrate that the leaders tend to explore knowing by learning from critical incidents, books and previous work experience.

Table 5.9 Key ways of exploring knowledge in small business

Ranking	Statement	n	Mode	Mean	Std. Deviation	1/3 of the Mean
1	Influenced by critical incidents	41	4	3.83	0.92	1.28
2	Influenced by reading	41	4	3.76	0.87	1.25
3	Influenced by past work experience	41	4	3.68	0.93	1.23
4	Influenced by social networking	41	3	3.46	0.71	1.15
5	Influenced by key individuals	41	4	3.37	0.8	1.12
6	Influenced by formal education	41	3	3.29	0.9	1.10
7	Influenced by employees	41	3	2.9	0.89	0.97
8	Influenced by family	41	3	2.88	1.03	0.96

(Source: author's fieldwork)

Medium business

As with the previous analysis in micro and small business, this section follows the same analytical procedure with 26 valid respondents (n). As illustrated in Table 5.10, all the means scores are above moderate level (coded with 3), which suggest the leaders of small business

are open to explore knowing in various ways. In cases of 'influenced by key individuals' and 'influenced by family,' their values of standard deviation are slightly larger than 1/3 of the mean scores, which implies their representations partly lose their value (Balsley, 1970). With regard to the other six ways, 1/3 of the mean scores appear larger than the values of standard deviation, therefore they can be used as representative values. The ranking results indicate that the three factors (namely, critical incidents, past work experience and reading) are more influential than other ways, as their mean scores are coded with 3.96, 3.81 and 3.81, which are nearly 4 (high). On the contrary, the factors such as key individuals, formal education and family seem less important with the lowest mean scores.

Table 5.10 Key ways of exploring knowledge in medium business

Ranking	Statement	n	Mode	Mean	Std. Deviation	1/3 of the Mean
1	Influenced by critical incidents	26	4	3.96	0.6	1.32
2	Influenced by past work experience	26	4	3.81	0.75	1.27
3	Influenced by reading	26	4	3.81	0.8	1.27
4	Influenced by social networking	26	4	3.73	0.92	1.24
5	Influenced by employees	26	4	3.65	0.98	1.22
6	Influenced by key individuals	26	4	3.35	1.23	1.12
7	Influenced by formal education	26	3	3.15	1.01	1.05
8	Influenced by family	26	3	3.08	1.13	1.03

(Source: Author's fieldwork)

Comparison of three business stages

To investigate any nuances of exploring leading at each stage, Table 5.11 presents the comparison analysis. While the specific ways of exploring vary at the individual business stage, the role of critical incidents seems to be very important and the role of family less or even least important in all SMEs. Moreover, it appears that small and medium businesses share more common grounds compared with micros ones. For example, the ways such as reading, past work experience and social networking have similar high rankings in small and mediums firms, while family or formal education plays a less important role. Although the leaders of micro business are also less likely to be influenced by their families and also care

about reading by themselves, formal education is important for them. Further, they seem to be particularly attached to the 'weak ties' (Granovetter, 1973) in 'closed networks' (Jones et al., 2014:72) such as their personal relationships with key individuals rather than the broad sense of social networking. As the firm grows to small or medium stage, it seems that the leader extends their networks by adopting a more open social networking, which is thus ranked in the fourth place in both small and medium businesses. In brief, with regard to exploring knowing, the statistic results suggest that critical incidents are crucial for all the SME leaders while the role of family tends to have little influence.

Table 5.11 Comparison of exploring knowledge in SMEs

Ranking	Micro	Small	Medium
1	Influenced by key individuals	Influenced by critical incidents	Influenced by critical incidents
2	Influenced by critical incidents	Influenced by reading	Influenced by past work experience
3	Influenced by formal education	Influenced by past work experience	Influenced by reading
4	Influenced by employees	Influenced by social networking	Influenced by social networking
5	Influenced by reading	Influenced by key individuals	Influenced by employees
6	Influenced by past work experience	Influenced by formal education	Influenced by key individuals
7	Influenced by family	Influenced by employees	Influenced by formal education
8	Influenced by social networking	Influenced by family	Influenced by family

(Source: Author's fieldwork)

5.3.2 Key ways of exploring knowing in qualitative research

Micro business

To address the first and fourth objectives of this study, this section presents the results about the ways in which the owner-managers (namely, Feng, Qing and Rui) explore their knowing in three micro firms (namely, Zhenghong, Shenhan and Xiongrui). Table 5.12 provides an overview of the exploring dimensions that emerged from the interviews, which will be further illustrated in more detail below through the sub-themes.

First, all three interviewees highlighted the importance of critical incidents to enhance their knowing. It is particularly evident in the case of Feng, who mainly explored knowing from critical incidents. In addition, he also talked about his learning experience through communicating and serving his customers, and emphatically stressed the role of sensemaking in practice, which will be revisited later. Among the three owner-managers, it appears that there are more similarities between Qing and Rui. While critical incidents acted as an important way to learn, both of them explore their knowing from key person(s), reading books, leadership training programmes and logistics-related social networking. In addition to that, Rui also learned by using IT technology. For example, he would often 'baidu' or 'google' information on baidu.com and google.com, wherefrom he could draw cues about the 'Shi' of logistics industry. This will be further discussed below. Among the multiple ways of learning, both of them subscribed only a little to the role of training, but more to key person(s). It is interesting to note that all of the key persons they referred to took a leadership role. Qing has been deeply influenced by two key persons whilst Rui by one. In Qing's case, he regarded the two key persons as his 'Saviours', as they did not only enable him to increase customers, but more important, mentored him about how to lead. For example, he related how he had been deeply influenced by Secretary Chen - the vice Chairman of SLEC:

> Sectary Chen is more than a brother to me. If I had not met with him, I could not move to the current position… First, it was he who proposed I should start up my own businesses rather than simply acted as a logistics truck driver for him. Then he offered a substantial amount of financial capital to support me to start up the businesses, for which he did not charge any interests at all. Moreover, he mentored me about how to manage people and businesses. For example, he taught me how to test whether a person is reliable: assign one to deal with an issue, which may incur the cost of RMB 10,000, but give one RMB 12,000 as a test. If one returns the extra amount, it indicates one's reliability, and vice versa.

In this account, Qing's 'Saviour' helped him in three ways: proposing doing entrepreneurship, providing financial and technical support. Furthermore, Qing added that this technique proved to be useful in his leading practice indeed, which implies that experience could contribute to enhancing intellectual or human capital (Wiklund and Shepherd, 2003). He seemed to keep openness to absorb explicit knowledge directly from external sources. However, the role of key person(s) seems nuanced in the case of Rui, who deemed his key person as an 'Enlightening Mentor':

> He was my previous boss 10 years ago…He has deeply influenced my conceptual perspective...More importantly, he serves as a role model of learning to change. While working in his firm before, I didn't think he was much superior to me. But

> later, after joining in Amway Company and attended some training programme, he seems to have been completely transformed to another person, no matter in terms of his capability or communication skills…He has mentored me in many ways. His influence can be best described by the proverb – 'one learns more by travelling numerous miles rather than simply by reading numerous books; one learns more by dealing with numerous people rather than simply by travelling; one is enlightened more by Mentors rather than simply dealing with numerous people.' In short, he has enlightened and influenced me too much.

The message suggests that Rui appears to be more enlightened in a tacit 'conceptual' way by the 'Enlightening Mentor' rather than to absorb explicit knowledge from him.

The role of reading seems also different in the three cases. Qing tends to absorb explicit knowledge. For instance, while talking about reading the books by the famous Chinese entrepreneur - Ka-shing Li, he related 'I want to know how he managed his businesses and what he experienced…I have even learned how to organize meetings from his books, as I didn't know how to do it before.' He seems to be very open to explore explicit knowledge like organizing meeting by reading. However, there is slight variance in the case of Rui, who does not explore explicit knowledge but also tacit influence such as his conceptual frame. For example, he suggested he had benefited a lot by reading the list recommended by his 'Enlightening Mentor':

> At that time, I was eager to make money. He recommended me to read some books like Anzhi Li's 'How to succeed', and Rober Toru Kiyosaki's 'Rich dad, poor dad', because he thought there were some useful techniques about how to make money in the books. So I began to read them…gradually, I am aware that some concepts are really very helpful and illuminating.

While talking about the role of social networking, Qing and Rui mainly focused on logistics-related events, though infrequently. During the interviews both of them repeatedly referred to the constraints by their low education backgrounds and lack of leadership capabilities, which seems to endorse the positive role of education and experience (like Jones et al., 2014; Wiklund and Shepherd, 2003). Due to this, Qing chose to merge his previous firm with a large organization (X) while Rui entered franchising with a fast-growing large networking-logistics firm (Y). Both of them regarded it not only as a learning opportunity, but more importantly, as a way to co-evolution. When being asked if there is any change on his leadership as a result of the merger, Qing described the impact in this way:

> I have not even finished my junior high school, so I need to learn a lot … in the past, I had no idea about where our business should move …But I have changed greatly after entering the merging with X. I have been learning a lot from X, such

> as standard management and organizational culture. It can also bring about other advantages. For example, there is potential for my business to be developed rapidly through making use of their established management systems and financial capital; Moreover, X promised promoting our merged logistics section to be a public-listed firm within 3 years. If so, the value of my firm will be substantially enlarged.

In this narrative, he mentioned a number of positive (potential) influences for him as well as for his business, including enhancing management capability, organizational culture, management systems and financial capital, which otherwise lacked in his previous micro business. Rui maintained a similar view on the advantages of franchising, as he suggested that 'Y provides mature management systems and authorizes my firm to use its brand.' Moreover, he expected that the franchising per se would make his firm becoming in the future, as Y's business engaged in Shi, which will be revisited below.

Situated in the context of an entrepreneurial firm, it is distinctively characteristic of 'uncertainty, ambiguity and rapid changes' (Burns, 2007:233), which defies any 'ready' solution from any textbooks, key persons or training programmes. Particularly in the sample of this study, they all appear to have low education backgrounds and lacked explicit knowledge, and therefore they had to rely heavily on drawing plausible cues from the practice, as Qing pointed out: 'The biggest challenge lies in my low education background…but I feel I am very good at sensemaking[3].'While various ways of learning emerged in the interviews, there was yet a consistent theme which had been repeated and highlighted by the three interviewees, namely, they enacted sensemaking in the process of everyday leading. It is worth pointing out that due to language variance between English and Mandarin, they may not necessarily utilize the same academic word as sensemaking in their narrations yet with very similar implications. In this study, as suggested by Maclean et al. (2012:17), sensemaking is understood as a process of 'locating, meaning-making and becoming'. Take Feng as an example. He reflected: 'In fact, while dealing with any issue, I always spend quite a long time in sensemaking[4].'The following illustrated how he explored the knowing about people management (particularly about staff motivation) by sensemaking in practice:

> How to motivate staff? What is the root cause? I keep thinking about it every day. I did not make sense of it at all in the first year, as I adopted a dictatorial leadership based on my previous military experience, which proved to be very

[3] Originally, Qing used the Chinese term 'Wu-xing' (悟性), which is equivalent to 'sensemaking' in English.

[4] Originally, Feng used the Chinese term 'Mo-suo' (摸索), which is similar to 'sensemaking' in English.

> ineffective. Then I try to locate myself in the staff's standpoint: for example, if I am a common staff, what do I need? Does the firm satisfy my needs? … Gradually the right way to lead becomes unfolded to me, which at least proves to be very useful in my firm.

The message suggests that Feng began by 'locating' himself in the place of his employees, wherein he endeavoured to tease out what are 'meaningful' for them and to satisfy them. By this way, his firm seemed to becoming, as he further explained,

> I always try to satisfy their personal needs. For example, once an employee faced up with difficulty: his girlfriend had no place to live as they could not afford to rent an apartment. As soon as I learned this, I managed to accommodate his girlfriend for free…by this way, they are all highly self-motivated - essentially, my firm is becoming…

The sensemaking process is also reflected in Rui's case. In effect, the interview per se acted as a sort of reflecting process for him, where he was trying to draw meaning from his previous experience:

> Sometimes I may develop some tacit feelings by communicating with others. The knowledge cannot be explicit, but I feel they are very illuminating. For example, I may be struggling with one issue over one or two months. However, after communicating with my friends or Enlightening Mentor, the solution may be suddenly unfolded to me. 'Ah, this problem can be resolved by this way!' Then it is spontaneously sorted out…But I cannot fully transplant others' thoughts to my firm. Rather, I have to make adjustment so that they can accommodate my firm's needs.

Drawing from the plausible message of knowledge (as he 'cannot fully transplant others' thoughts') sharing by other people but locating himself in his own idiosyncratic situation, Rui endeavours to tease out meaning (by making relevant adjustment), wherefrom his knowing is naturally becoming.

Taking the various ways of exploring knowing into account, it reveals that the three owner-managers tended to be constrained by their low education backgrounds and their knowing was mainly shaped by critical incidents, key person(s), reading and sensemaking in practice. In addition, two owner-managers benefited from other experience like merging or franchising with large firms. The three owner-managers seem to be less influenced by other ways such as training, industry social networking, former experience and customers. Whereas the specific ways of exploring knowing varies slightly, they all were open to absorbing explicit/tacit knowledge and enacting sensemaking constantly. By this way, their knowing is becoming.

Table 5.12 Exploring knowing within micro business

Theme	Sub-theme	Representative Quotes
Learning	1. Critical incidents	1. A few years ago three key supervisors left my firm, took away some of our customers and established their own firm as our competitor. From this incident I have been aware of the crucial importance of people management. If I employ the right people, they can bring about numerous value; on the contrary, they may cause trouble like pushing me into 'fire'. (Rui)
	2. Former experience	2. I had military service experience, where I learned that one must try to make sense of a way to survive by oneself. (Feng)
	3. Key persons	3. My mentor is the Saviour in my life. He enabled me to change my conceptual perspective and worldview. (Rui)
	4. Reading	4. I read books, at least 10 pages every day. Because I have a very low education and don't know how to lead the firm as it grows. (Qing)
	5. Training	5. I attend some leadership training programmes. I feel training per se is very expensive and not very useful, but it can be very helpful to communicate with other participants after the training, as we are all leadership practitioners and not competitors. Therefore they may be open to offer suggestion to me, which may be very illuminating after my self-reflection. (Qing)
	6. Industry social networking	6. I mainly focus on some logistics-related events or conferences as a way of communicating. (Rui)
	7. Merging/ Franchising	7. I have learned a lot through merging into the large organization, such as systematic management, awareness of risk. I didn't have this knowledge when I was managing my private tiny business. (Qing)

	8. Customers	8. My firm has made special efforts to serve the customers. During this process, i have learned a lot about how to serve customers and maintain a stable relationship with them. (Feng)
Sensemaking	1. In practice	1. After experiencing some issues or resolving some problems by myself in practice, I have spontaneously learned a lot and made some changes… It seems that I keep thinking about it and then the way towards a solution starts to make sense to me. (Rui)
	2. Underpinned by openness	2. I always spend lots of time trying to make sense by openness. For example, I had no idea about how to lead at all in my first year, where my leadership proved to be very wrong…Then I tried to keep openness in the process of leading. Gradually I realize that if want to understand my employees, I should let them understand me first. By this way, my leadership is becoming more effective. (Feng)

(Source: Author's fieldwork)

Small business

In continuance to the introduction of the sample profile (demographic and organizational), this section presents the aspect of exploring knowing in small firms to address the first and fourth research objectives. Table 5.13 provides an overview of the inductive approach of identifying the ways of exploring, which will be elaborated on in more detail below.

First, all three owner-managers explore knowing through critical incidents, for which Quan is a particular case in point. As the first thing in the interview, he proactively recounted a long story about how the deputy General Manager (DGM) suddenly resigned after working with him for more than 10 years, wherefrom he was instigated to re-examine his leadership:

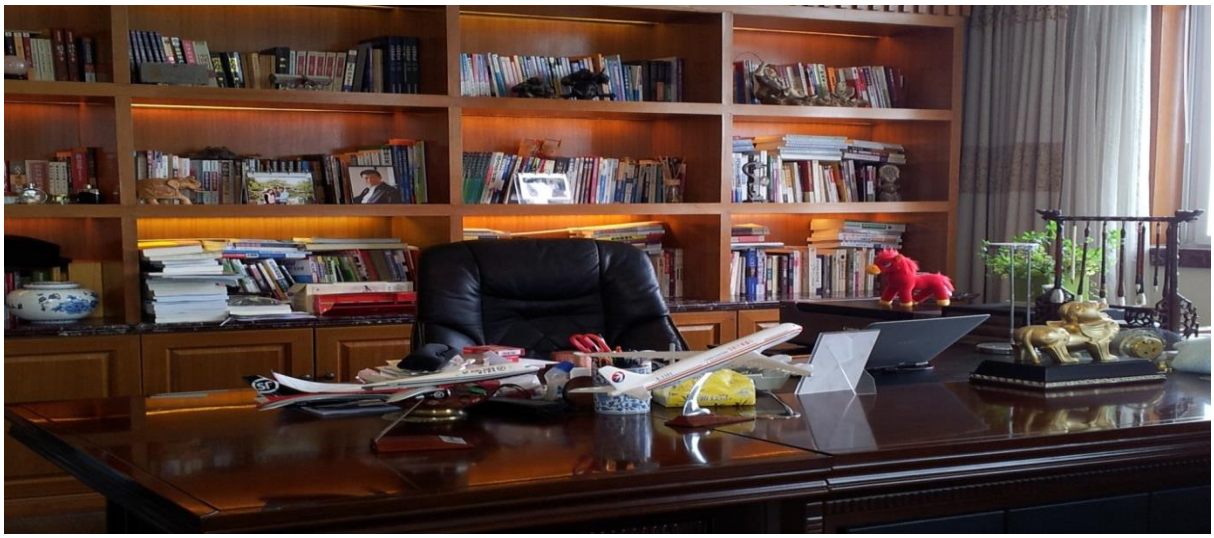
> Over the past 15-17 years since the establishment of this firm, the most impressive thing was no more than that my DGM suddenly resigned last summer, who had worked with me for over 10 years… His resignation affected me very much - Alas, my leadership has got a problem!? After that, I began to re-examine my leadership… In the past, I only focused on external marketing, and the internal management and operations were fully in his charge. Since he left, I began to monitor the internal issues as well, where I have identified much room for making improvement…I realize the crucial aspect of leadership is to set up goals, then keep challenging the goals…

In the quoted reflection, the stimulus of DGM's resignation culminates in the interjection of 'Alas', which offers an impressive illustration about how Quan was instigated to engage in sensemaking (Weick and Sutcliffe, 2005:414) by this sudden yet influential incident.

A second common way adopted by three interviewees was to explore knowing by reading, though there is slight variance in the specific aspects, like the quantity and purpose. For example, in the case of Xue, he focused on reading books by Chairman Mao and Jack Trout, where he has learned about how to manage people from the previous and how to do marketing and innovation from the latter. But he emphasized 'leadership is really like art' rather than simply about absorbing knowledge from books. For Quan, he reads books as a sort of spiritual exercise, as he explained, 'doing businesses is simply for my living, which can never enter my spiritual world…reading helps to develop ambitions in myself and tolerance towards others.' However, in Yuan's case, reading is constitutive of his life, as he reads over 500 books a year. Given the quantity of his reading, it may not be surprising that he reads widely, ranging from literature and history to whatever appeals to him. Figure 5.1 and 5.2 were taken in his office and tea room, where the distinguishing feature inarguably lies in books. However, while being asked if his leadership is influenced by his reading, he claims,

‘I prefer not to transfer directly what has been summarized by others…The process of practice also indicates that it is ineffective to completely follow what is written in the books. We are in a changing world…’ Taken together, it appears that all of them stress the importance of reading, but they seem to weigh towards tacit knowledge in practice.

Figure 5.1 Yuan’s office



(Source: Author’s field work)

Figure 5.2 Yuan’s tea room

(Source: Author’s field work)

With regard to previous experience, Quan distinctively differs from Feng and Yuan, as he lacks any previous experience (neither leadership, entrepreneurship nor work experience) before setting up his businesses. He regards it as a disadvantage and results in his slow personal development, which implies the positive link between various experiences and human capital (Bood, 1998; Wiklund and Shepherd, 2003):

> I engage in self-development very slowly. I excuse myself for not having rich experience like others so that I cannot learn from there. I had no experience at all but simply set up my own businesses directly after completing my BA. That's why I have to engage in a long sensemaking process and seem to make progress very slowly. Otherwise, I may develop myself and businesses better and faster.

Contrary to Quan, Xue is exposed to multi-dimensional experiences, ranging from his early experience as a student leader while doing his BA, previous work experience in large organizations and previous entrepreneurship experience as many as three times. Among these rich experiences, he particularly stresses the shaping role of his early leadership experience, wherefrom he has been transformed from an introvert to extravert person. It seems to echo the argument that leadership tends to be influenced by one's early experience (like Burns, 1979, Jackson and Parry, 2008):

> I acted as President of Students' Association for two years. This experience has exerted a substantial influence on me - pushed me from an introverted to extraverted trajectory… After that, my extravert personality has been ignited and developed - I realized I can be social, though I was forced to...

In his narration, Xue seems to stress the importance of his extraversion, which might be linked to his preference to share knowledge with others, which will be re-visited below. In addition to that, Xue has also been influenced by a couple of key persons, training programmes, friends, former education, customers, his original hometown culture (characteristic of entrepreneurship), and IT technology. For instance, while being asked how he led his team (actually only one Research & Development staff) to work out the design of EXBOX machine, he explained his BA was closely related.

In the case of Yuan, he and his knowing are more related to sensemaking in practice rather than other ways. Given that he is influenced by his previous boss in terms of people-related techniques while working in a large state-owned enterprise for 15 years, he still argues, 'he didn't teach me how to lead. I just kept observing and sensemaking while working with him.' Additionally, he likes communicating with a number of his old friends about leadership skills as a way of knowledge sharing. Additionally, he adopts a unique way of learning and

reflection through making tracing records for the exit staffs. For example, if they outperform in their new employers, it implies that his firm (Xinyingyuan) does not provide a positive environment to foster their development such that they choose to leave. In such cases, he will organize the management teams to reflect where Xinyingyuan needs to improve. On the contrary, if they underperform in their new employers, it implies that they are not good employees.

As for Quan, in spite of his lack of experience, he seems to be open to other ways of exploring knowing. First, as illustrated earlier, he is particularly impacted by the critical incident of his DGM's sudden resignation. This surprise (Louis, 1980) or breakdown (Patriotta, 2003) provided him an opportunity (Dutton, 1993) re-examine his leadership by identifying any disconfirmation (Weick and Sutcliffe, 2001) in the organizational routines and made relevant modification. For example, he fired the HR director and executed 5S systems (namely, sort, straighten, shine, standardise and sustain). Second, he also benefits from reading, which enables him to make self-reflection and to improve tolerance towards other people. Furthermore, he is greatly influenced by a key customer. At the outset, he regarded it as 'an unreasonable challenge,' as the customer required the KPI should be as high as at 99%, which was re-negotiated to be 96%. While it is tough, it has been managed to be realized, where he has been aware that 'management needs to dare to set goals and speak them out, no matter whether or not it can be realized.' He described it as 'a game-playing process,' which turns out to be 'a good learning opportunity,' as his firm has substantially improved its service quality. Moreover, he stresses the importance of friendship stickiness, which acts as an effective way for him to share knowledge and sensemaking. It is reflected in an example, where he has developed a close relationship with his friends while doing an Executive MBA programme (EMBA):

> I cherish valuable friends and the stickiness of friendship. For example, I graduated from China European International Businesses School (CEIBS)'s EMBA programme last year. We were grouped into a small mentoring team, where we swopped the role of mentor. This process has enabled us to make in-depth self-reflexivity, and the team members have developed a very sticky and stable relationship since then. We still share knowledge frequently like having meals together, where we discuss problems with each other. This proves to be very helpful for me.

With regard to the importance of doing the EMBA programme in a leading business school, CEIBS, he emphasizes its contribution in terms of forming a habit of sensemaking rather than simply absorbing explicit knowledge from there:

> Doing EMBA programmes is certainly very helpful, but…it is something like … (he is trying to find a suitable term) 'uselessly useful'[5]. That is, it is impossible to make use of the acquired theories item by item. Alternatively, it is more like 'where a poet intends to write a good poem, he/she should be detached from the poem per se but look beyond'[6]. In the process of doing this programme (EMBA), I have developed this sense: I tend to think more openly by locating myself in others' places and see how they resolve problems. As a mirror, it enables me to make a self-reflexivity more effectively about where I can improve. This is something most valuable for me rather than any explicit theories.

To sum up, each of them seems to have their own idiosyncratic ways of exploring knowing though also sharing some common grounds, which might be termed as learning and sensemaking. Moreover, it seems that openness underpins all the narrations, though the specific dimensions vary: Given the importance of innovation in EXBOX, Xue seems to apply sensemaking to explore innovative ideas while the remaining two are oriented at how to improve their organizational procedures and systems in their leadership practice.

[5] Quoted from Zhuang-zi.
[6] Quoted from Lu-you, an ancient poet

Table 5.13 Exploring knowing within small business

Theme	Sub-theme	Representative Quotes
Learning	1. Critical incidents	1. The sudden resignation of deputy General Manager instigated my sensemaking very much. (Quan)
	2. Former experience	2. At the latter stage of my second entrepreneurship, my firm was merged by a large one so we lost our control but were controlled by others. In the status of being controlled and closed, I experienced some terrible frustration for some period, where I made sense of the value of my belief in openness. Thus, in my third entrepreneurship, I consciously stressed the concept of openness. (Xue)
	3. Key persons	3. In the process of my entrepreneurship, I have been impacted by some distinguished external persons. For example, I happened to know a deputy General Manager of H company a few years. It was he who guided me to be aware of and enter 'marketing'…He was my guide...Even update to now, I still make reference to his marketing style. (Xue)
	4. Reading	4. I am deeply influenced by reading, particularly by the books of Chairman Mao and Jack Trout. I have read a lot books by Chairman Mao, where there are some unique insights about strategy and management…I read Jack six/seven years ago, then I was suddenly aware that his thoughts were fundamental to marketing. I am actually still practising his theories. (Xue)
	5. Training	5. I have attended some training programmes, which might impact me somewhat indirectly. (Xue)
	6. Industry social networking	6. I am particularly impacted by some visits organized by the Logistics Entrepreneurship Committee. For example, I was deeply impressed when I was recently visiting the large fast-growing businesses like Haibo and Kaiqian. I am aware of an obvious big gap between us and them. And above all, I need to be more open-minded to facilitate my business further...(Xue)
	7. Customers	7. My leadership has certainly been influenced by our customers…Upon reflection, I feel there is a great value while we try to meet with the customers' high requirements….We have learned a lot from them. (Quan)

	8. IT technology	8. I was struggling about how to resolve the problems facing the operational model of Chinese express delivery industry. But I couldn't sort it out, then I tried to source if there were solutions in other countries, mainly through yahoo and google…Interestingly, I did read some reports related to it in Germany...(Xue)
	9. Employees	9. We learn through studying our employees. For example, we try our best to trace up the exited employees. In case they perform better, we will reflect our own system - why do they perform better? Where should we improve our system? ... We want to 'see' ourselves better, and we need a 'mirror'. (Yuan)
	10. Friends	10. I have a number of long-term good friends… They influence my leadership. We are not just friends, but also learn from each other. (Quan)
	11. Formal education	11. My bachelor education was about mechanic engineering, so it was not difficult for me to design the EXBOX through studying the delivery box of Germany, and I am always the leader of our core technology. (Xue)
	12. Hometown culture	12. I have the DNA of doing entrepreneurship and innovation, because I am originally from Yu'er, Zhejiang province, where there is a strong entrepreneurship culture…I am certainly influenced by it. (Xue)
Sensemaking	1. In practice	1. There are multiple ways that have influenced me ... But the most important way is, certainly, in practice… Continuously, and in practice, I have gradually made sense of what are correct and what are wrong. (Quan)
	2. Underpinned by openness	2. In the process of 5-year growing, we have experienced too many failures … but we are open to accept them as a part of our life. (Yuan)

(Source: Author’s fieldwork)

Medium business

This section illustrates the ways of exploring knowing in medium businesses related to the first objective of this study. The ways can be categorized as learning and sensemaking in practice and underpinned by openness. Table 5.14 provides an overview of the ways of exploring knowing identified in medium businesses, which will be elaborated on in more detail below. The following part will begin by presenting the three shared ways of exploring knowing (namely: employees, critical incidents and previous experience). Then the next part will focus on the nuances in the individual cases, namely, Shu, Jun and Qiang.

While exploring knowing, the three owner-managers share much in common including learning from employees (particularly from key employees), critical incidents and previous leadership/entrepreneurship experience. First, all of them stressed the important role of critical incidents emerging in their leadership practice. For example, Qiang recounted a story which imposed a strong influence on his leadership in terms of strategically locating his firm in the market:

> We did not have a clear marketing orientation and struggled at the low-end competition. Later we entered agreement with a strategic partner – Alibaba company, which is a critical turning point for us. After that, we switched to focus on e-commerce service through network operation model.

Second, they suggested the influence by employees. For instance, Shu talked about how he learned to resolve conflicts from a key employee:

> The Customer Service Director is very good at resolving conflicts, which is my weakness. So I have tried to make sense of how he understands the conflicts and to observe the techniques by which he manages to resolve them. In this process, I have learned a lot.

Third, given that the influence of previous experience can be 'projected upon possible futures' (Hernes and Maitlis, 2010:27), all the interviewees highlighted the significance of their previous leadership experience. For example, Qiang related a story about the deep influence in a state-owned company where he had worked for more than 10 years. During this period, he particularly pointed out the influence by his previous boss:

> My prior work experience and boss have exerted a deep influence on me. In the previous state-owner company, I started as a common staff and later promoted to be General Manager, where I attribute my success to perseverance and continuous learning. My previous boss impressed me deeply in terms of his delegation style and conceptual perspectives.

In addition, each interviewee has their individual ways of exploring knowing. In the case of Shu, he emphasized the role of extensive reading and his formal education, which he would apply to sensemaking in everyday leading. He suggested that the variety of exploring knowing helped to shape his leadership style. The distinctive feature in case of Shu is that reading actually comprises an important part of his life, and he associated it closely with his effective leadership. His reading tends to range widely, from literature, history, management to philosophy. However, whilst being asked which book(s) influences him most, he referred to his early readings:

> Regarding the most influential books, it should be attributed to my early reading at high school. The book that influences me most is Freudian dream theory. I do not mean it provides me with knowledge; rather, it opens a completely new world to me – a new conceptual perspective. Prior to that, my outlook was totally a Chinese way based on my school and family education as well as other information. However, Freudian books guided me to look at human beings, life, and society from a western perspective. Since then, I tend to adopt an integrative perspective of combining eastern and western views, and constantly comparing practice with theories. Only by this way, I can develop more in-depth insights of things. Gradually, I have sensed that this way proves very effective in my leadership practice.

Although he observed: 'massive reading is never a waste,' he juxtaposed reading with sensemaking and stressed that 'reading and sensemaking in practice are equally important.' Because he suggested the 'in-depth insights' were the results teased out of 'constantly comparing practice with theories.'

In the case of Jun, his distinctive ways of exploring knowing includes logistics-related social networking, training programme and customers. Among these, he highlighted the shaping role of a leader-as-mentor training programme, which improved his human capital (Jones et al., 2014) so much that he had already introduced it into his own organization:

> The training has changed me fundamentally and from within. It has not only helped to sort out my thoughts, but also changed my way of perceiving things. Additionally, it has also provided some techniques about how to act as a good mentor: while leading a firm, the leader's role will end up with acting as a mentor through communicating and demonstrating them how to do their jobs.

Moreover, he also emphasized the importance of sensemaking for which he quoted the Chinese proverb: 'A fall into the pit, a gain in your wit.' Here he suggests one can draw plausible cues from previous mistake so as to enhance one's latter knowing in practice.

In the case of Qiang, as mentioned earlier, he highlighted the influence by his previous experience as well as previous boss in a large state-owned enterprise. He narrate that 'I started from acting as a common staff, and later promoted to the General Manager,' wherein he had sensed the importance of learning continuously.

> We are a service company, so we rely on our people…Our industry changes really too fast. It poses the questions to us: Can our team follow up the change? Can our team learn to follow up the change?

In order to be in alignment with the changing industry, he claimed that he had been trying to develop Wins as 'a learning organization' (Senge, 1990).

To sum up, while the three owner-managers seem to adopt various ways to explore knowing, they unanimously highlight the significance of tacit knowing through constant sensemaking in their journey (Maclean et al., 2011). They also confirm the importance to acquire explicit knowledge through 'leaning to lead' (Grint, 2007:231) or to practise 'learning leadership' (Antonacopoulou and Bento, 2011).

Table 5.14 Explore knowing within medium business

Theme	Sub-theme	Representative Quotes
Learning	1. Critical incidents	1. Shanghai Expo 2010 was a very important learning project for us, as it had extremely high-level requirements. In fact, it acted as a test on the learning capability of logistics suppliers, including lots of international standards…Our whole team made tremendous efforts to meet with the requirements, where we learned a lot...(Shu)
	2. Former (entrepreneurial) leadership experience	2. The current third-party logistics firm was established in 2000, but I did relevant entrepreneurship such as express delivery before. (Jun)
	3. Key persons	3. My previous boss has a deep influential on me, such as delegation and conceptual mind-set. (Qiang)
	4. Reading	4. I prefer making self-improvement through self-studying, for example, I seldom attend social networking but spend long time reading …Knowledge is infinite. (Shu)
	5. Training	5. That mentoring programme helps to clarify my mental frame from within. (Jun)
	6. Industry social networking	6. The logistics-related social networking is a good learning platform. For example, by attending logistics forums, I can have the chances to communicate with some excellent experts of this industry, to listen to their talks or suggestion. It proves to be very heuristic. For instance, i decide to introduce an IT system through networking from there. (Jun)
	7. Partners	7. Our strategic partner - Alibaba has critically impacted us about how to locate our business in the market. (Qiang)
	8. Customers	8. We have experienced losing some key customers. From there, I have been aware of the importance to harness customer stickiness so that we will not be replaced easily by other suppliers. (Jun)

	9. Employees	9. Leadership is not a one-way influence, but mutual. For example, some managerial staff are recommended by professional head-hunters, so they certainly have some strengths within. Of course I can learn something useful from them. (Shu)
	10. IT technology	10. Before bedtime I always spend some time on internet as a way of learning. (Shu)
	11. Formal education	11. I established this cold supply chain business partly because I learned supply chain during doing my MBA programme.(Shu)
Sensemaking	1. In practice	1. My understanding of leadership is mainly based on reading, thinking and sensemaking in practice.(Shu)
	2. Underpinned by openness	2. Many things cannot be done based on explicit theories …only subjective openness can make it, because the situation is always ambiguous. (Jun)

(Source: Author's fieldwork)

5.3.3 Analysis

To investigate the first objective about how owner-managers of Chinese SMEs explore knowledge/knowing over time, this section begins by referring to the results of exploring knowing generated from the quantitative research. It is followed by elaborating on the insights from the qualitative research, where it begins by using SMEs as the unit of analysis to uncover the underpinned spirit of exploring, and investigate the specific exploring ways through a horizontal and a vertical approach. Then it examines the potential nuances of exploring by the leaders of micro, small and medium businesses.

First of all, the findings in this study suggest that managing entrepreneurial business is not 'the privilege' of a small number of people with the 'objective possibility of doing it' (Schumpeter, 1934:81). Rather, it can be made possible through various ways of exploring knowledge. For example, the comparative study of micro, small and medium firms in quantitative research statistically illustrates that the SME leaders tend to adopt multiple ways of learning from critical incidents, past work experience, individuals or employees, formal education and reading. Contrary to the argument that family functions as the predominance of social sources (Burns, 1979), the quantitative research indicates that the influence of family appears insignificant. The qualitative research supports the results of the quantitative research by providing richer insights. For example, they explore knowing without a deliberate 'objective' (genuine Wu Wei) but in an open-mind, unintentional and detached way in the process of doing the leading, which will be re-visited below. Based on the presentation of qualitative results as discussed earlier, Table 5.15 provides an overview of the key ways of exploring knowing derived from the interviews, which will also be elaborated on in more detail below. It is worth pointing out that this table is ranked simply by frequency of occurrence, while each way may have different levels of impact on the individual entrepreneur. Take the example of Qing, while critical incidents are significant to him, the most or equally important way seems to be ascribed to key persons like Secretary Chen.

In all the accounts of the qualitative research, there are two consistent themes, namely, the leaders explore knowledge/knowing through learning and sensemaking. Put differently, the interviewees see themselves as learning leaders (Hooper and Potter, 2001), because they learn to lead (Grint, 2007) or adopt learning leadership (Antonacopoulou and Bento, 2011). As discussed in Chapter 2, learning can be achieved through a horizontal and a vertical approach (Shamir, 2005), so the following discussions are presented through these two lenses. This

study indicates the majority of the owner-managers emphasize the horizontal way of exploring knowing through their latter or current leadership practice. First, it is supported by both quantitative and qualitative results that critical incidents serve as an utmost way of learning and sensemaking: in quantitative research, learning from critical incidents is ranked in the first places within small and medium businesses and the second within micro ones; in qualitative research, Table 5.15 indicates that it has the highest frequency, which actually pervades in the cohort of nine accounts. For example, before being asked any question in the interview of this study, Quan began by narrating a lengthy story about a sudden resignation by his deputy General Manager. This 'traumatic' episode serves as 'instigation' to his sensemaking (Weick and Sutcliffe, 2005:414), as he was triggered to ask 'critical developmental questions' (Greiner, 1972) like: 'Alas, my leadership has got a problem!?' In short, the findings reflect the complexity and multiplicity of the notion of critical incidents as a learning-by-doing process (Cope and Watts, 2000), as the critical incident varies in the individual leader's case, thus creating various meaning systems (Kegan and Lahey, 1984). While the sensemaking process may be initially instigated at the individual leader's level, however, critical incidents are 'not discrete, isolated events'(Cope and Watts, 2000:113), thus they tend to be dissolved and disseminated to the firm level as organizing and collective sensemaking in action (Pye, 2005). For example, through sensemaking from the critical incident, Quan began to re-examine his organizational system.

Second, this study reveals that the majority of the owner-managers tend to learn by reading. Particularly in the cases of Yuan and Shu, the former claims that his annual reading exceeds 500 copies per annum while the latter persistently spends at least two hours reading per day over the past 10 years. However, insofar as leadership does not function in a vacuum (Jackson and Parry, 2008; Porter and McLauglin, 2006), there is almost a unanimity that the dominance of reading is to enable the interviewees to develop a 'located' skill so that they can act coherently (Tosoukas and Chia, 2002) in the distinctively unique business context of China (Boisot and Child, 1999) rather than to provide universally established or codified explicit knowledge or principles (Dimovski et al., 2013). Alternatively, reading contributes to enhancing their capabilities of tacit knowing rather than merely providing explicit knowledge. Only a minority of interviewees (such as Qing) in micro businesses suggest a deviating voice, in that they have also absorbed explicit knowledge from books such as how to organize meetings due to the constraints of their low educational backgrounds in the process of further growing their business.

Third, the role of key persons seems to be important in both quantitative and qualitative research. As discussed earlier, the leaders of micro firms seem to be particularly influenced by the way of key persons which is ranked in the first place. Similarly, in the qualitative research, most interviewees also highlight the impact of the key persons. It is noted that the key persons recounted by the interviewees are mostly their previous leaders. Some interviewees even claim it had a defining impact on their ways of exploring knowing. For example, Rui highlights the paramount role of a key person, who served as his 'Enlightening Mentor', because his 'conceptual perspective and worldview' had been fundamentally facilitated by his personal mentor. However, as indicated by the comparison results on micro, small and medium firms in the quantitative research, as the businesses grow to small and medium sizes, the role of key persons appear to descend while the role of broad social networking ascends. While this relationship is portrayed as strong ties and weak ties in the West (like Jones et al., 2014), it is termed as guanxi in China, which is sub-categorized as embedded guanxi and stranger guanxi (Li and Liu, 2010). Embedded guanxi refers to personal and social ties by family and shuren (friends), and stranger guanxi refers to market or relationships that are developed through business networking (Li and Liu, 2010). Their studies indicate that small and nascent businesses tend to rely more on personal guanxi while the medium to large ones more on market guanxi. Differently, this study demonstrates that embedded guanxi is important for all SME leaders to explore knowing, though it seems to be particularly paramount for the leaders of micro firms. Further, while stranger guanxi appears more important in small and medium businesses, this study demonstrates that the 'strangers' tend to be from the same industry rather than broad social networking. It might be termed as 'strong-and-weak ties' or 'embedded-stranger guanxi'. Alternatively, the findings in this study may enrich the understanding of activity theory in the context of Chinese SMEs, where the leaders tend to focus on the collective but industry-situated knowing (e.g. Blackler, 1995) so that they can develop shared knowledge of their activities (e.g. Brown et al., 1989; Lave and Wenger, 1991) in the specific logistics industry.

Regarding the importance of former experience, the research reveals that prior (entrepreneurial) leadership/management and education experience seem to exert evident and persistent influence on the owner-managers with a link to organizational performance (Reuber and Fischer, 1994). For example, Shu and Xue attribute SME leadership to their formal education while Qing and Quan regard it as a constraint for lack of good education or prior leadership/management experience. This study complements the existing literature in a

number of important ways. First, the cohort of nine owner-managers suggests a multi-dimensional impact through experience, which may not necessarily be developed in a business setting. For example, Xue particularly delineates the defining early leadership experience such as acting President of Students' Association back to their university education period. Second, this study pinpoints that the duration of exposure to leadership practice in large organizations influenced their leading and knowing. As shown in the quantitative tests on the association between demographic profile and leadership/knowledge, either leadership or knowledge is associated not simply with previous experience in leading SMEs or large organizations, but also with the lengthiness. The findings are further supported by qualitative research. For example, Qiang emphasizes the deep influence by his former leadership experience in a state-owned company where he worked for more than 10 years. On the contrary, some owner-managers felt constrained for lack of exposure to leadership or entrepreneurship before establishing their current business. For example, in the case of Quan, as he lacked previous experience (in terms of leadership, entrepreneurship and even work experience), he saw it as a disadvantage so that his self-development operated at a slow pace. Moreover, this study demonstrates that the owner-managers are more associated with the 'primary site' of everyday practice, which operates as the heuristics for them to engage in 'ongoing retrospective development of plausible images' (Weick and Sutclifee, 2005:409) by keeping openness. In short, this study provides rich insights about how leaders explore and expand knowing through learning and sensemaking in practice.

This study also reveals a multiplicity of other conduits of exploring knowing, including customers, training, employees, friends, or strategic partners. Moreover, with the increasing importance of IT, this research reflects that it is not only a useful tool to acquire information, but more importantly, to enable them to make sense of the propensity of the industry within the macro environment. Additionally, given the constraints of newness particularly in the nascent micro business, a minority of the interviewees adopt merging or franchising as a way of exploring knowing. It seems to offer a deviating voice to Greiner's model in that engagement with alliances and mergers occur in the mature stage.

With regard to the vertical approach of one's trajectory (Shamir, 2005), while the previous literature have explored the predominating influence of one's family of origin (Stech, 2004), or the influence 'exhibited by parents, teachers, coaches and other adults'(Jackson and Parry, 2008:50) particularly in one's very early impressionable years (Keller, 2003), this study offers further insights that the owner-managers may also be greatly nurtured by the

entrepreneurial culture wherein they were born, thereby they prefer to manage their own business rather than work for other enterprises such as in cases of Rui and Feng. Furthermore, this research supplements the influential factors at one's early stage by involving the impact of early reading. For example, in the case of Shu as discussed, his early reading on Freudian books had such an enduring and defining impact that he has completely changed his way of thinking and sensemaking by shifting from a China-oriented to a worldly mind-set (Gosling and Mintzberg, 2003), as a result of which he tends to adopt an open style (McCarthy et al., 2010) in his leadership practice.

Having used SMEs as the unit of analysis, the following part analyse any potential nuances at each business stage (micro, small and medium). While there are commonalities as discussed above, this study has also identified some marked differences. First, compared with micro business, it appears that small and medium firms share more resemblance in terms of the key ways of exploring knowledge. For example, with regard to the most important way of exploring, the leaders in small and medium businesses tend to explore tacit knowledge from critical incidents, while those from micro businesses rely more on key persons to explore both explicit and tacit knowledge. Second, while this study partly supports previous literature which argues that tacit knowledge plays a crucial role for owner-managers (Jones et al., 2014), it further pinpoints that tacit knowledge seems to be more important for leaders from small and medium firms, however, as for leaders from micro businesses, both tacit and explicit knowledge is important. Alternatively, for micro business, it is important for such firms to explore 'knowing about something', 'knowledge of something' (Mylonopoulos, 2004), 'knowing that' and 'knowing how' (Ryle, 1949), whilst 'knowing how' (Ryle, 1949) or managerial knowledge (Curran and Small Business Research Trust, 1986; Gray and Stanworth, 1991) appears more important in the context of small and medium firms. It suggests that knowledge is a context-sensitive concept such that its association with owner-managers cannot be generalized through blanket-like arguments (such as tacit knowledge is crucial for owner-managers, Jones et al., 2014). Rather, it should be incorporated into the situated context, such as whether it is situated at a micro or small/medium business stage, in China or in the UK. Lastly, the ways of exploring knowing in small and medium businesses seem to be more multi-dimensional than in micro ones. As shown in Table 5.15, the sum of ways to exploring in micro firms is 16, while they are 21 in both small and medium firms. It alludes to a co-evolving process of knowing-exploring and business-growing. Furthermore,

there is a common theme indicated by all the narratives that all the interviewees adopt an openness while exploring knowing, which will be further elaborated later.

Taken together, this study makes three major contributions in terms of exploring knowledge/knowing by Chinese SME owner-managers. First, the owner-managers adopt a multiplicity of ways to explore and expand their knowing. In all the accounts, the owner-managers claim that their learning process constitutes rather than reflects the reality (Grint, 2005), which alludes to learning to be a SME leader (Jones et al., 2014). However, they tend not to merely absorb or acquire explicit knowledge, but more through the interwoven processes of reading, learning, talking, acting, reflecting in a continuous process, which might be described as 'sensemaking to be a SME leader'. Moreover, reading is a dominant and distinctive element repeatedly stressed by the major accounts in this study. Therefore, this study suggests: 'Sensemaking and reading to be a SME leader' in Chinese SMEs. Second, while the existing literature of firm growth has well-documented the importance to accumulate, apply and (re)configure the resources such as knowledge to accommodate the growing crisis, the associated 'how' or 'why' issues remains underexplored (Macpherson, 2005). This study provides the insights about how knowledge/knowing is explored and amplified, and what specific ways of exploring are considered salient in each stage of Chinese SMEs, and why these processes are effective. Lastly, a frequent theme that emerged from the interviewees and was interpreted by all the accounts is the role of sensemaking. The owner-managers attend to sensemaking as a spontaneous 'shift' (Jullien, 2004) between exploring and exploiting, which helps to resolve its problematization such as 'tension' (Knight and Harvey, 2015) or 'dilemma' (Stadler et al., 2014). In short, the research findings suggest that the process of exploring knowing by SME leaders is more like a dynamic process of leading, knowing and growing rather than a static concept of 'knowledge leadership' (Skyrme, 2000; Viitala, 2004).

Table 5.15 Key ways of learning by interviews in phase 2

Ways of learning	Interviewees									Frequencies
	Micro			Small			Medium			
	Feng	Qing	Rui	Xue	Yuan	Quan	Shu	Jun	Qiang	
Critical incidents	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	9
Reading		Yes	Yes	Yes	Yes	Yes	Yes	Yes		7
Key persons		Yes	Yes	Yes	Yes				Yes	5
Customers	Yes			Yes		Yes	Yes	Yes		5
Industrial social networking		Yes	Yes	Yes				Yes	Yes	5
IT technology			Yes	Yes	Yes		Yes		Yes	5
Training		Yes	Yes	Yes				Yes		4
Employees					Yes		Yes	Yes	Yes	4
Former leadership/ entrepreneurship experience				Yes			Yes	Yes	Yes	4
Friends				Yes	Yes	Yes				3
Merging/ Franchising		Yes	Yes							2
Formal education				Yes			Yes			2
Hometown culture			Yes	Yes						2
Partners									Yes	1
Sum of frequency	**Micro=16**			**Small=21**			**Medium=21**			**58**

Source: author

5.4 Objective 2: To investigate how the owner-managers exploit knowledge in everyday leadership practice

5.4.1 Key ways of exploiting in quantitative research

To answer the second research objective, this section investigates the key ways of exploiting knowing by the owner-managers of SMEs. Following the same procedure as the previous analysis on exploring knowing, it also begins by using each business stage as the unit of analysis, then presents a comparison study in order to identify any potential nuances among the SMEs (namely, micro, small and medium). The test results statistically illustrate the valid number of respondents who answered each statement (n), the mode, the mean score, the standard deviation, and the 1/3 of the mean score. All the ways of exploiting knowing are ranked based on their mean scores descending from the largest to the smallest. The data were collected through the following 8 questions on a 5-point Likert scale.

- To what extent do you encourage staff training?
- To what extent do you share knowledge with key employees?
- To what extent do you share knowledge with all employees?
- To what extent do you use IT systems for internal communication?
- To what extent are you good at using new ideas?
- To what extent are you resistant to change?
- To what extent does your leadership change as the business grows?

Micro business

This part examines the key ways in which owner-managers of micro business exploit knowledge, where the number of valid respondents (n) is 22. The results are presented in Table 5.16, which are ranked according to mean scores. From Balsley (1970)'s perspective, all the scores of the exploiting ways are unanimously substantial and valid representations of the central tendency in their distribution, as their standard deviations are less than 1/3 of the mean scores. Almost all the ways of exploiting have quite large means, descending from 4.23 to 3.59. The only exception is the way of 'resistant to change' with a low mean score coded with 2.23, which offers a reversal perspective to imply that the leaders of micro business are

open to change. Therefore it suggests that the leaders of micro firms are open to exploit knowing through multiple ways.

From the ranking table, the most important way is ‘knowledge sharing with all employees’ with the highest mean score of 4.23. The secondary important way is ‘staff training,’ followed by ‘using new ideas’ and ‘knowledge sharing with all employees.’ The results suggest that the leaders stress expanding and disseminating knowing in their firms. The underpinned reason might be that they are constrained by their smallness (Aldrich and Auster, 1986), which refers to such constraining elements as ‘the lack of knowledge, skills, information, finance and equipment’ in the early business stages (Jones et al., 2014:80). Thereby they seem not to pay substantial attention to IT systems for internal communication or leadership change.

Table 5.16 Key ways of exploiting knowing in micro business

Ranking	Statement	n	Mode	Mean	Std. Deviation	1/3 of the Mean
1	Share knowledge with all employees	22	5	4.23	0.87	1.41
2	Encourage staff training	22	5	4.18	1.01	1.39
3	Using new ideas	22	3	3.77	0.97	1.26
4	Share knowledge with key employees	22	3	3.77	1.07	1.26
5	Delegate as the business grows	22	4	3.73	0.77	1.24
6	Leadership change as business grows	22	3	3.68	0.95	1.23
7	Use IT systems for internal communication	22	4	3.59	1.18	1.20
8	Resistant to change	22	2	2.23	0.67	0.74

(Source: Author’s work)

Small business

This analysis examines key ways of exploiting knowing in the context of small business, with the number of 41 valid respondents (n). As illustrated in Table 5.17, almost all the values of standard deviation are smaller than the 1/3 of the mean scores, except that the way of ‘using IT system for internal communication’ has a slightly great value of standard deviation such

that it partly loses its value of representation. Further, the majority of the mean scores are between ‘moderate’ (coded with 3) and ‘high’ (coded with 4) without much telling difference. The sole exception is about ‘resistant to change’, whose mean score (coded with 2.32) is lower than the moderate level. It endorses the tendency of keeping openness to the changing reality. Therefore, the results suggest that the leaders of small firms appear to adopt more multi-dimensional ways of exploiting knowing.

The rankings in the table demonstrate that the most important four ways of exploiting knowing are ‘knowledge sharing with key employees’ (coded with 3.78), ‘using new ideas’(coded with 3.63), ‘leadership change as business grows’ (coded with 3.59) and ‘encourage staff training’ (coded with 3.56), whose mean scores are all close to high (coded with 4). Comparatively, the other three ways (namely, using IT system, delegating and knowledge sharing with all employees) appear slightly less important. But as indicated by the attitude to change, the leaders seem to be ready to accept the possibilities of changing. In short, the leaders of small firms seem to adopt an open approach while exploiting knowing.

Table 5.17 Key ways of exploiting knowing in small businesses

Ranking	Statement	n	Mode	Mean	Std. Deviation	1/3 of the Mean
1	Share knowledge with key employees	41	4	3.78	0.82	1.26
2	Using new ideas	41	4	3.63	0.66	1.21
3	Leadership change as business grows	41	3	3.59	0.84	1.20
4	Encourage staff training	41	3	3.56	0.81	1.19
5	Use IT systems for internal communication	41	4	3.39	1.2	1.13
6	Delegate as the business grows	41	4	3.37	0.86	1.12
7	Share knowledge with all employees	41	3	3.17	0.95	1.06
8	Resistant to change	41	3	2.32	0.61	0.77

(Source: Author’s work)

Medium business

This part looks at the key ways of exploiting knowing in medium business (n=26). As illustrated in Table 5.18, all the values of standard deviation are smaller than the 1/3 of the mean scores, which suggests they are a valid representation of the central tendency in the distribution (Balsley, 1970). With regard to the tendency of exploiting knowing, the highest score is 4.23 (from 'high' to 'very high') while the lowest score is 2.77 (close to 'moderate'). It means that the leaders of medium businesses tend to exploit knowing by sharing knowledge with key employees of management teams. As discussed earlier, the lowest score of 'resistant to change' indicates the highest tendency to adopt openness in a reversal way. As the businesses grow to a medium size, they expect to have overcome the two major barriers of the liabilities of newness (Stinchcombe, 1965) and smallness (Aldrich and Auster, 1986). Thereby, on the one hand, they have the financial capability to set up IT systems. On the other hand, the increasing employee number also animates the need for making internal communication through IT systems rather than in a direct way. Likewise, the growing businesses also stress the importance of delegation, changing leadership styles and using new ideas for making innovation with high scores (one coded with 3.88 and the other two with 3.77). Comparatively, staff training and knowledge sharing with all the employees seem slightly less important, though they still maintain above moderate level. Overall, all the means scores appear fairly large, which suggest that the leaders tend to actively enact various ways of exploiting to further grow their businesses.

Table 5.18 Key ways of exploiting knowing in medium business

Ranking	Statement	n	Mode	Mean	Std. Deviation	1/3 of the Mean
1	Share knowledge with key employees	26	4	4.23	0.71	1.41
2	Use IT systems for internal communication	26	4	4.04	0.6	1.35
3	Delegate as the business grows	26	4	3.88	0.65	1.29
4	Leadership change as business grows	26	4	3.77	0.71	1.26
5	Using new ideas	26	3	3.77	0.86	1.26
6	Encourage staff training	26	3	3.42	0.58	1.14

7	Share knowledge with all employees	26	4	3.42	0.9	1.14
8	Resistant to change	26	3	2.77	0.91	0.92

(Source: Author's work)

Comparison of three business stages

This part investigates the potential nuances of exploiting knowing in micro, small and medium business stages. First, as illustrated in Table 5.19, all the SMEs seem to be open to change and new ideas, as 'resistant to change' is unanimously ranked in the final place and 'using new ideas' is rated fairly high in all the SMEs. Second, while knowledge sharing is regarded as the most important way of exploiting in all SMEs, there is difference between micro and small/medium businesses. The owner-managers of micro firms tend to share knowledge with all the employees rather than only the key ones, therefore knowledge sharing with all employees is ranked at the highest level while knowledge sharing with key employees at a moderate level. Contrastingly, the owner-managers of small and medium firms seem to mainly focus on sharing knowledge with the key employees like management team, thus the rankings of 'share knowledge with key employees' and 'share knowledge with all employees' appear to be reversal to those of micro firms. The underpinning reason is that small and medium firms have a considerable number of employees according to the definitions of SMEs. For example, the medium firms may have nearly 1000 employees so that the owner-managers may focus communications more on the management levels rather than extensively on every employee, which tends to be transported by organizational culture. On the contrary, given the small size of no more than 20 employees in the micro firms, the owner-managers tend to have more associations with all the employees. Third, the role of IT systems seems to increase as firms grow, as it is ranked in the 7th place in micro, 5th in small and 2nd in medium firms. It suggests that the repertoire of tangible resources increase as the SMEs grow. Fourth, it is noted that delegation becomes increasingly important in the context of medium firms. Interestingly, while the leaders of small firms tend to change their leadership style as businesses grow, they seem not to attend to delegation as those of micro firms, as 'delegate as the business grows' is ranked at an even lower level in the small firms than that in the micro ones. The reason may be that as the business size increases, it surfaces the need to establish systems or structures, where it needs more supervising and controlling rather than delegating.

Overall, the results of comparison indicate that there are differences in terms of exploiting knowing among the three business stages. Notwithstanding the nuances of rankings, the statistical results suggest that small and medium businesses appear to exploit knowing in a more similar way compared with micro businesses.

Table 5.19 Comparison of exploiting knowing at three business stages

Ranking	Micro	Small	Medium
1	Share knowledge with all employees	Share knowledge with key employees	Share knowledge with key employees
2	Encourage staff training	Using new ideas	Use IT systems for internal communication
3	Using new ideas	Leadership change as business grows	Delegate as the business grows
4	Share knowledge with key employees	Encourage staff training	Leadership change as business grows
5	Delegate as the business grows	Use IT systems for internal communication	Using new ideas
6	Leadership change as business grows	Delegate as the business grows	Encourage staff training
7	Use IT systems for internal communication	Share knowledge with all employees	Share knowledge with all employees
8	Resistant to change	Resistant to change	Resistant to change

(Source: Author's fieldwork)

5.4.2 Key ways of exploiting in qualitative research

Micro business

To answer the second objective of this thesis, attention has been paid to the ways of exploiting knowing. In the context of micro business, the owner-managers are more visible and take 'a figurative role' (Holt and Macpherson, 2010:21) of their businesses. As such, while being asked about their role of leadership, all three owner-managers described themselves as a 'generalist'. For example, Feng explained, 'I am in charge of everything, including employees, customers, operations and other issues.' When being encouraged to

categorize his major role, he reiterated that ‘I am in charge of the whole thing’, but added that ‘consistent with the change of the market.’

Among the three accounts, there is much in common in terms of exploiting knowing, like following a free flow of knowing, adopting a flat management approach through democratic decision-making, emphasizing employee participation through delegation and high levels of communication. These dimensions are exemplified in four aspects of leading: responsible people management, effective customer management, cohesive team work like a family, and self-motivated by a shared coherent vision. Table 5.20 provides an overview of the identified dimensions that emerged from the interviews, which will be elaborated on in more detail below. While being asked about why they lead in that way, they use nuanced expressions yet similar implications. For example, Feng explained, ‘I just follow my intuition’, Rui narrated, ‘I follow the flow of my sensemaking’, and Qing summarized ‘it is a free flowing and I lead ad hoc. It is more like people managing people rather than people managed by systems’. It appears that all of them are open to a free flow of knowing, which is similar to the approach of institutive leadership (Gosling et al., 2012). The underlying reasons may be that they all have considerable low education backgrounds as discussed earlier, and they tend not to be content in terms of their leadership experience, as none of them had taken a leadership role either in large organizations or SMEs in the past.

With regard to people management, they appear to be preoccupied by all the operational issues, ranging from staff recruitment, motivation, retention and team work, where they all allude to openness, as Feng illustrated, ‘as a leader, I keep an open mind in various ways so that the employees can understand me better’. For another example, Qing recalled his openness towards staff exit which he deemed as an effective way of retention:

> I have my own unique way of retaining good employees. For example, an excellent employee (doing customer service) exited and re-joined Shenhan three times. In the meanwhile, she even worked for our competitors. However, I told her, ‘Shenhan keeps an open door to you all the time. You are always welcome to come back whenever you want to.’ Finally, she is determined to work for Shenhan and has been staying here till now.

Additionally, all the three owner-managers suggested the importance of role modelling in mobilizing staff commitment, wherein employees were motivated within. For instance, at Qing’s firm, whereas employees come to office at 8.30am, he arrives at 7.30am every day. Similarly, it is echoed by Feng:

> Above all, I lead by example and work as a loader so that I actually work harder than the employees. If there is a small amount of goods in need of loading, I finish it by myself rather than bother them to do it. By this way, they can see my behaviour, which fosters cohesiveness.

By using the verb 'bother', he wanted to stress his role modelling by doing the loading by himself, as he expected that his 'visible' action would certainly act as an effective way to disseminating the knowing to his employees.

As the three micro firms still struggled to survive and develop, they appeared to attach great importance to customer management, for which they followed their own idiosyncratic ways. It is exemplified in two stories recounted by Qing about providing quality service and increasing customers:

> Once DHL needed to distribute some goods from Wuhan to Shiyan city. As it was close to Chinese New Year, the majority of logistics firms were shut down. DHL learned from friends that my firm could deliver quality service all the time, so they approached us for help. And we did make it...Similarly, once the largest garment company in Hubei province urgently needed to transport some goods from Wuhan to Shanghai on the night of Chinese New Year. They failed to find any logistics supplier and contacted with us by a friend's recommendation. They asked me to quote for the service. I only quoted the same price as normal working days. They insisted paying double cost, but I rejected, though I actually needed to pay double salary to my employees during the public holiday.

While being asked why he rejected to accept the double payment, he explained:

> Profits are certainly important, but I do not put profits as the first thing. On the contrary, I am open to some loss temporarily. Because I feel my temporary loss may help to increase customers. And it does prove to be true. In the previous two cases, DHL felt so appreciated that my firm became their first sub-contractor logistics supplier. So it is with the latter one, who proactively provided all the logistics businesses to us.

The notion in the quoted two stories is not only related to customer management per se, but more important, future-oriented co-evolution, as he cared about his customer's benefits and focused on fostering long-term potential returns rather than maximizing short-term profits. By this way, his firm did expand its potentiality without extra deliberation in the long run, as DHL became his long-term customer rather than a short-term customer transaction after this incident.

As to teamwork, all three owner-managers used cohesiveness as a proxy of organizational culture. It was particularly evident in the case of Feng, who spoke of cohesiveness as many as five times in his narration. Moreover, he also adopted democratic approach and flat

management through soft communicational skills. He deemed it as a collaborative knowledge sharing which makes his firm becoming:

> If an issue is decided only by me, it is a probability of nine out of ten that they won't do it proactively. In case their thoughts are not correct, I communicate with him or her like this, 'I feel it may be better to make a slight adjustment like this. Do you think it is fine?' Through this way of discussing rather than demanding, they are encouraged to think it over and more ready to accept my thoughts. On the contrary, if I order them to change simply based on my own requirements, they will reject, and our team cannot be as cohesive as a family, as they have their own thoughts too.

Using the expressions like 'brothers and sisters', 'like a family' and the metaphor of 'fish and water', Feng painted a rather family-like picture of a close relationship between him and the followers. This point was also picked up by the other two owner-managers, who also attributed their firm growth to a good team work. For instance, Qing stressed that good team work had enabled him to develop a good reputation in the logistics sector:

> In terms of organizational management, I do not weigh towards my own profits, but care about building our team. For example, I offer 5% of the share to the main staff. Everyone can 'see' the benefits… I feel very proud of my team… In our sector, everyone knows that I have developed an excellent team, because I well understand that it is impossible to grow my firm only by myself. (Qing)

Chinese micro logistics firms tend to provide accommodation for their employees. So it is with the three firms in this study, where all three interviewees adopted a caring attitude towards employees' livelihoods. They suggested that it could enable the employees to be self-motivated within, which could enhance the cohesiveness of their firms and foster a shared vision, as Feng illustrated:

> Last year we recruited a girl with Bachelor's degree. She has such a high degree, but she is very stable and works excellently in my firm. Why? Let me tell you the story. Once she told her colleague that it was her birthday while having working lunch together. I happened to be out of office that day but learned about it in the following day. I approached her and said, 'Alas, how can I forget such an important thing!' Immediately I arranged my wife to drive her to buy a gift. My wife bought her a pair of boots priced at RMB 400 (with an emphasized voice). Moreover, I apologized to her again, 'Xiao Zhao, I am so sorry that I forgot your birthday.' By this way, she is deeply moved and performs in a highly self-motivated way. --- Why are my employees self-motivated? This is the answer – put yourself in his/her place, and think about what they hope for, then try to satisfy them. By this way, they all feel happy and highly self-motivated – and we work together just like one mind and heart.

Put together, the three owner-managers might vary slightly in terms of exploiting knowing, but they share much in common: They manage people by keeping openness and flat management; they are preoccupied by the daily routines as a knowledge generalist in charge of everything; as to future, they seem not to speak of a deliberate strategy but a coherent vision as their employees appear to be highly self-motivated like a family.

Table 5.20 Exploit knowing in micro business

Theme	Sub-theme	Representative Quotes
People management	1. Openness	1. While communicating with my employees, I keep absolute openness. It is a conversation of heart to heart. (Qing)
	2. Flat management	2. I respect them very much, in return, they also respect me... I keep telling them that not me but all of them are free to make decisions on the organizational issues. (Feng)
Structuring	Focused on the routines like customer management	One of my main roles is to manage the customers. Particularly all the key customers are managed by me. (Rui)
Strategizing	A coherent vision	As to future, of course I have some good visions...but it requires appropriate people to support me. I expect they could share the same value and vision as me, want to work hard and focus on the future rather than on the short term. (Rui)
Organizational culture	Team work like a family	I treat them as equally as my brothers and sisters so that they do not feel pressure at all while working in our firm. (Feng)

(Source: Author's fieldwork)

Small business

With reference to the second research objective, this part presents the ways of exploiting knowing configured in small business. Given that all three firms had already experienced phrases of growth since their initial establishment, the interviewees were encouraged to reflect on the changes of their leadership roles (if any). For example, Xue reflected in this way:

> Of course my role has been changing. In the beginning, there were only a couple of employees, so I had to do everything by myself, ranging from doing R&D and marketing to even sourcing the office premise and loading goods by myself. Later we have developed an R&D centre, and then I can focus on marketing penetration and cultivating a team. For one thing, the firm depends on a team rather than myself for further development; For the other, our businesses model is so innovative that I need to do experimentation before delegating the team. Thus my role is changing and multi-dimensional.

Xue's reflection indicates the changing nature of leadership as business grows. However, he uses such terms as 'in the beginning' and 'later' rather than a well-defined business model such as Greiner (1972)'s. Table 5.21 provides an overview of how the owner-managers of small firms exploit knowing. Specifically, the key ways of exploiting knowing are organized around four sub-themes: people management, structuring, strategizing and organizational culture.

First, the overriding importance of people management has been emphasized by all three interviewees. While being asked how to manage people and to cultivate an effective team, they unanimously described it as a long process underpinned by openness. It is echoed by Burns (2007:235), who claims that an effective team 'do not just happen, they have to be developed, and that can take time.' For example, Quan illustrates how to establish the managerial team in his firm:

> They are mainly developed internally, as it is too risky to recruit externally. Of course, the current employees were recruited externally before, but we tend not to recruit managerial staff directly from outside. Generally, they started from low positions and gradually climbed to their current levels.

Table 5.21 Exploit knowing in small business

Theme	Sub-theme	Representative Quotes
People management	1. Openness	1. Chinese economy system defines the low status of private businesses. Let's describe in metaphor. Will Yao Ming join our firm? No. Will Liu Xiang join our firm? No. We must be open to the constraints that the candidates in our industry tend to be at a low level. (Yuan)
	2. Internal cultivation	2. The majority of our staff are internally cultivated. The key staff must pass our special "observation and test" as a first step, then they will be provided with enough internal and external training. (Xue)
Structuring	1. Structuring	1. Our systems are not completely established yet. We have too many staff at a basic level, who need to be further developed…our performance system is not established yet. (Yuan)
	2. Supervising	2. Management is PDCA, that is, plan, do, check and act. In practising it, I have been aware that if the boss does not know something, he/she should not expect the employees can know it, even including some professional areas such as HR and financing...for many things, i have to supervise them. (Quan)
	3. Monitoring	3. What is the relationship between me and the employees? The employer and the employed. Trust does exist, but monitoring is also important. (Yuan and Quan)
Strategizing	In practice	It is hard to make a 5-year strategy. We plan to expand our business to the whole country within 2-3 years, but our plan depends on the supporting conditions, such as financing and bidding situation. (Xue)
Organizational culture	1. Functional	1. The essence of organizational culture includes three elements, namely, vision, mission and value. This culture must be shared by the employees so as to mobilize their ownership. (Xue)
	2. Dysfunctional	2. Our growth is supported by our culture, however, the stabilized culture may also stifle innovation. (Yuan)

(Source: Author’s fieldwork)

He further explained that he accepted the constraints of human resources and transformed them into advantages:

> In the logistics sector, the employees tend not to have a high education background, which of course limits our operational capabilities. However, it also contributes to stability, as it is hard for them to find a better job by job-hopping. They have developed their unique value here, because they have acquired a good knowledge about our company, colleagues, customers and suppliers. In case they leave this platform, they are certain to lose their value. Thus they tend to be stable. On the contrary, if one is an MBA graduate from a key university, one can find a new job very easily. While the salary is certainly high, it is very difficult to win his/her ownership. We are facing such a challenge at the moment...

In Quan's story, while keeping openness to accept the things as they are, the otherwise disadvantages of low-level employees are converted to organizational advantages: As these employees can realize their unique value through a special constellation with internal and external audience via his organizational platform, they are 'encouraged and motivated to grow into job' characteristic of high stability, in contrast, those 'simply recruited externally' are costly but hard to buy-in and retain (Burns, 2007:219).

Second, while the firms have nearly developed a core management team to accommodate the current needs of business growth, the owner-managers still engage in structuring the systems, for which where they take the main role of structuring, supervising and controlling. In the case of EXBOX characteristic of being innovative, Xue highly stressed the importance of keeping an open rather than controlling organizational culture. He took the leading role to set up the structure through sensemaking in practice, then to supervise and empower the team. It varies in the cases of Quan and Yuan, who not only engaged in structuring and supervising, but also monitoring and controlling, as illustrated in a metaphor by Quan:

> 'The dust will not disappear by itself if a broom does not appear.'[7] Moreover, the broom should appear every day. For example, in the past, I reviewed the performance on a monthly basis. But now I do it on a weekly basis or even daily. The shorter the monitoring period, the better the organizational performance.

In this narration, the leader was analogous to the 'broom,' and laziness or mediocrity as 'dust,' through which he alluded to the significance of monitoring in order to enhance the organizational efficiency. It implies that a complete system remains not yet established in his firm.

[7] Quoted from Chairman Mao.

Third, they held a common view that developing the formal system was a long process, which was open to continuously modifying and refining. This process was described as 'a five-year fighting' by Yuan:

> It took us more than 5 years to make sense of whether departmental or project management system fits us better. Initially, we adopted departmental systems, but realized departments failed to communicate effectively. Then we switched to project management system, but problems arose among project managers. So we switched to departmental system again…but later we went back to project management again. At the moment, we adopt a hybrid of both …In this long process, we have experienced many ups and downs. It is much like fighting for five years.

Further, regarding the changing environment, all the three interviewees stressed the importance to keep openness while strategizing in practice. For example, Quan reflected:

> The environment is changing so fast that we need to refine the strategies in the process of practice. In this regard, we have to admit that our capability is not as strong as we have assumed, alternatively, Shi is stronger than us. Thus we need to continuously make refinement in the process of doing…

Lastly, as revealed in all three accounts, organizational culture is also underpinned by openness, though it might vary slightly. Xue highly stressed fostering an open organizational culture so that 'every employee can be fully self-motivated and self-energized within - and be beautiful and amazing. By this way, they can create the expected value, or even more than that.' This philosophy is disseminated through his office setting (see Figure 5.3), which is distinctively characteristic of 'being open.' As shown in the picture, there is a large open space in the middle and each working station is separated by transparent glass at EXBOX, while the setting in the Chinese offices by tends to be crowded by working stations which are generally divided by opaque barriers. As such, it is not surprising that he had no personal 'closed' office but shared the openness with his employees.

Figure 5.3 EXBOX's office

(Source: Author's fieldwork)

However, in the case of Quan, organizational culture is perceived in a different way, who emphasizes the importance of goal setting so that everyone can be directed by their individual goal, though it remains open to change in practice. He held the view that this kind of organizational culture can foster his firm's growth. Yuan seemingly demonstrated a dialectical view by keeping openness to the functional and dysfunctional dimensions. On the one hand, he invested approximately RMB 500K per annum to create a harmonious organizational culture like organizing parties, sightseeing trips and meals, which were particularly targeted at the managerial team. Interestingly, as a part of the organizational culture, he would even accommodate the parents of the managerial team when they visit Shanghai. There are twofold purposes for this: For one thing, he believed 'the firm growth is nurtured by the harmonious culture;' for the other, he assumed he could get to know the employees in a holistic way by knowing their parents and families. On the other hand, he was aware of the dysfunctional dimension of the culture, which may stifle the firm further. For example, he metaphorized his HR director as 'an old doctor of Chinese tradition medicine' who had rich HR experience, but she tended to be close-minded rather than be open to new things or engage in any innovation. Despite her dysfunctional dimensions, he thought it

unethical to remove her as she had been working for him for 16 years. Furthermore, his firm was constrained by 'resource poverty' (Welsh and White, 1981:18) such that it could not offer a higher salary to hire a better replacement. However, he has been aware of the urgency to adopt an innovative model.

It is observed that all three firms employ visual artefacts to disseminate knowing, like calligraphic art in office, office setting, brand logo and webpages, which symbolize either their personal philosophy or organizational values. For example, Figure 5.4 is a calligraphic art (Ji-jian-wei-xiong) hung in Quan's office, which indicates a process of accumulation (Ji-jian) enables power (Xiong). It appears that this philosophy had been enacted in his leadership practice, as he emphatically talked about the process of constant sensemaking.

Figure 5.4 Calligraphic art in Quan's office

(Source: Author's fieldwork)

Moreover, visual artefacts are also evident on organizational webpages, which help to disseminate organizational values or philosophy. For example, EXBOX proposes 'we cannot create time, but we can change the efficiency' as its organizational philosophy - highlighting its high efficiency through the tool of EXBOX. Similarly, Dajin proposes 'organic growth and sustainable development' so that the firm will be 'the most successful logistics provider

in China.' Particularly, the function of visual artefact is exemplified in Xinyingyuan's logo (see Figure 5.5), which is designed by Yuan. Reflected in this symbol, the round shape means 'Heaven' and the horizontal line 'Earth', which symbolizes the institutional environment.

According to Jullien (1999:222), 'Earth and Heaven, through their 'disposition,' embody the antithetical and complementary principles presiding over everything that happens', where it is ''its propensity', Shi', that 'always leads it to 'conform with and obey' the initiative emanating from Heaven' and 'provides the key to actualization of things.' Within the round sphere, there are two Y-like symbols, which have two implications: on the one hand, it implies that the firm's future is fostered by a collaborative team; on the other hand, it alludes to a win-win strategy between the firm and customers. Moreover, the round sphere also symbolizes the sun, indicating that the firm is as becoming as the rising sun in the morning. As such, the organizational as well as Yuang's personal philosophy is encapsulated and disseminated through this visual artefact.

Figure 5.5 Logo of Xinyingyuan

(Source: from Xinyingyuan's webpage)

To sum up, it is apparent that the owner-managers and their small firms do not only apply and amplify explicit knowledge, but more importantly, distribute and disseminate tacit knowing through multiple means.

Medium business

This section presents the results of exploiting knowing to address the second and fourth research objectives. It begins by examining any change during their growth journey. Then it illustrates four aspects of exploiting knowing that have emerged in the interviews. After that, it presents visual representations to make the discussion more visible.

All the firms had experienced phases of growth, the three owner-managers were encouraged to reflect on their roles at different stages so as to identify potential role changing. Unanimously, all of them stressed that their roles had certainly changed as their businesses grew over time. For example, Jun reflected the change through three stages:

> My role has been changed at different stages. Just like Matsushita Kounosuke said, at the initial establishment, the leader stands in the front of the team and leads them to do the job - we *do* the job. Gradually, the leader steps back to be among the team – let's do the job *together*. Later, the leader steps further back till the end of the team so as to push/support the team. Currently, my role is mainly focused on people management, strategizing, technological innovation and establishing a learning organizational culture through our networks in China.

In the three cases presented, they described their current roles as mainly focused on four aspects: people management, strategizing, restructuring and fostering an organizational culture as illustrated in Table 5.22. Specifically, first, they all emphatically stressed the paramount link between people management and firm growth, as Jun pointed out: 'the root cause of the firm growth lies in the people.' Similarly, Shu claimed that: 'as a leader, the key role is to manage people.' Given all three firms are expected to experience rapid growth over the upcoming years as indicated in their questionnaire responses, they expressed that their current managerial teams could hardly accommodate their further growth, therefore, they were all preoccupied with expanding managerial members, as Qiang reflected:

> People issues are the biggest challenge, as we are a service firm, highly dependent upon the qualities of employees. Moreover, managerial employees are continuously in need so as to accommodate the firm growth, but it is very difficult to find the appropriate people particularly in the logistics sector.

Whereas they all argued that they had been making continuous efforts to cultivate employees internally, it was yet still hard to satisfy the growing needs. As such, they partially depended on recruiting externally through recommendations by head-hunting professionals. However, as pointed out by Qiang, it seemed very difficult to find the appropriate talent, which was analogous to win a prize in the lottery by Jun. He even quoted a proverb – 'It is easy to

acquire one thousand soldiers, but hard to find one good general.' Here the 'one good general' means an appropriate managerial talent, as he believed 'it really makes a great difference if one can find an appropriate talent for the firm.' However, given the challenging reality, they all kept openness so as to make the best of the constraining situation. For example, Jun narrated a sensemaking process about how to make trade-off while managing people:

> I have tried building up a core management team for several times over the past 7-8 years, but the team always appears inappropriate. The journey is like searching for a life partner...Some people may appear incapable in the beginning, but prove to be very qualified later on, and vice versa. Everything tends to be changing and changed...Sometimes the employees may have problems in moral characters or other aspects, but the leader still has to keep them. As an SME, we do not have sufficient capital to offer a big platform to attract talents, so we have a limited access to talents. Part of the reason may be that Chinese enterprise system is not mature enough. But the main reason is that, the employees of the private enterprises are originated from as low end as wild grass…The leader wants to resolve this issue over time, whereby new employees or solutions may be available.

Likewise, Shu argued: 'it is impossible to find the perfect person.' But he seemed to adopt a more strategic stance by leading the imperfect person to 'grow into the firm':

> After the new staffs are recruited, the leader needs to guide them to grow into the team by identifying their potential strength and motivating them accordingly - And that's a leader's task.

Second, all three owner-managers suggested that they were engaged in restructuring firms to accommodate further growth. For example, in the case of Grand, Shu intended to enact management innovation by adopting the approach of Amoeba concept in order to accommodate the firm's rapid growth:

> My firm will maintain rapid growth in the next three years, where it faces a big challenge in terms of human capital, particularly of expanding the managerial team… As such, I need to create a positive environment such that they can fully make use of their capabilities. I will not follow the traditional way to lead this firm like through 'red tape' or bureaucracy. Rather, I prefer the approach of Amoeba concept proposed by Inamori Kazuo, which will enable every amoeba to fully enliven itself.

It varies slightly in the case of Manc, where Jun preferred technological innovation by introducing a new technology system. In the case of Wins, Qiang stressed he had been continuously engaging in restructuring his firm. The reason may be that his firms began with a quite well-established budgeting system and a core management team in place, all of whom were his previous colleagues in a large organization where he was General Manager. He

suggested ‘the continuous re-structuring focuses on linking the problems emerging in practice to our structures and systems. We wish to make the details of the structures and systems more exquisite and well-honed in order to improve our management.’

With regard to strategy, they all highlighted the changing environment which defied predetermined strategies, and they expressed their preference of understanding it as a direction. For example, while being asked about the 5-year strategy, Qiang demarcated plans and strategies by ‘quantified plans and qualified strategies’:

> We have a direction for the following 3-5 years. But it depends on the implementation every year. Because we are open to try something new and innovative in the process of operation…so for 3-5 years’ planning, it is more like qualified strategy rather than quantified plans…

The primary message conveyed here appears better to follow a spontaneous order and adopt strategizing without design (Chia and Holt, 2009).

The fourth aspect is about fostering a powerful organizational culture. As suggested by Greiner (1972), once a business enters into Phase 4, it tends to face the crisis of being straightjacketed by ‘red tape or bureaucracy’. In view of this, all three owner-managers emphasized the importance of learning, and in effect, they endeavoured to foster a learning organizational culture. For example, Qiang put it in this way:

> Our business belongs to innovation per se. If we do not learn, we are certain to fail. Learning is a must for all the staff. We are fostering a happy learning environment so that everyone can make improvement. They can also learn externally from our partners, suppliers, customers, etc. But the way of learning is still open to improve so that everyone can learn efficiently. Crucially, everyone should make progress every day.

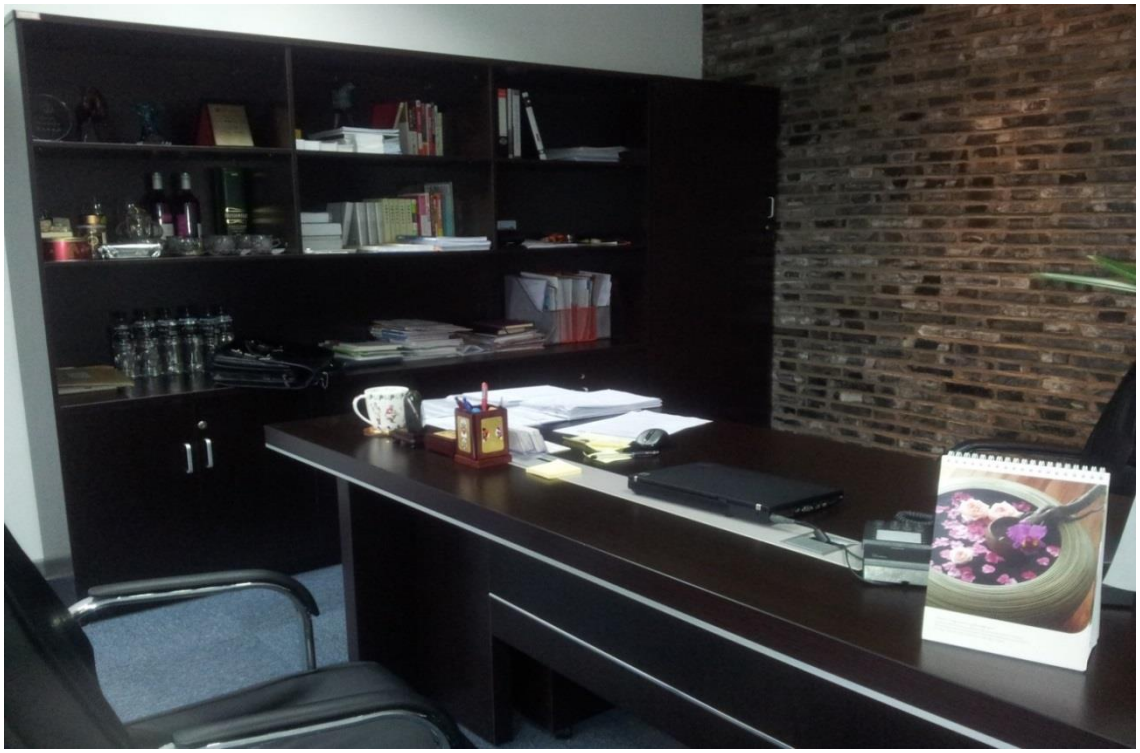
Additionally, it is worth noting that their knowing has also been disseminated through visual artefacts, including company webpages, office setting, internal newsletter or even media such as WeChat. Take Shu as a case in point. He was born, grew up and did his undergraduate studies in Suzhou (close to Shanghai), which is famous for Classical Gardens of Suzhou (CGS). Without any guiding question, he proactively exposed the link between CGS, ancient Daoist and Confucian thoughts, and leadership in the following way:

> I am originally from Suzhou, where I grew up. CGS acts as the best representative of the combination of ancient Chinese Daoist and Confucian thoughts, which appears very rare in other places. The ancient leaders adopted Confucianism externally ‘in public’ whilst engaged to Daoism internally ‘at home’. CGS was their residence, namely, mainly for their living. Therefore, CGS is distinctively

> featured by Daoist thoughts in multiple ways, such as asymmetry, engaged in nature by Zi Ran and Wu Wei. Because the ancient leaders realized that they could live happily only by being engaged to Daoism, as it proposes 'one could be King externally through internal cultivation.' The contemporary leaders should also adopt this thought, no matter if it was 500 years ago, or 500 years later.

The message illustrated above is evidently disseminated through in his office setting, which is implicitly characteristic of Daoist philosophy in terms of the natural colour, desk calendar, pen container, and particularly the back wall as shown in Figure 5.6. The back wall is genuinely made of natural bricks which represent a natural element, while modern office settings tend to be decorated with plaster and paint. Shu explained it was because of his long-term exposure to Suzhou culture, thus he preferred this kind of natural style. His office can be perceived as an impressive 'visual rhetoric', which convincingly alludes to his Daoist view on leadership.

Figure 5.6 Shu's office



(Source: Author's fieldwork)

As noted, visual artefacts are also exemplified in Jun's office setting, representative of a calligraphic art (see Figure 5.7). Literally, the two Chinese characters (She-de) mean 'giving up' and 'getting', which typically alludes to the dialectic tension of Daoist element and has

been widely accepted in the domains of life or management in China. When being encouraged to talk about the implication of the two characters, he explains:

> *She* and *De* are interdependent – where there is nothing, there is no point giving up something. Thus *She* is built upon *De*. Then it works like this – 'the more one gives up, the more one gets; the less one gives up, the less one gets; if one gives up nothing, one gets nothing.' The essence can only be perceived through one's own sensemaking in openness, rather than be achieved through deliberation…so I always keep openness towards it … As the proverb says, 'if one wants to be detached from the worldly life and hides oneself in the countryside, it is only a 'small detachment'; rather, if one hides oneself in the city centre, it is a 'big detachment.' It stresses that it is one's inner cultivation that counts more, and it must interplay with the external environment.

Figure 5.7 Jun's office

(Source: Author's fieldwork)

As mentioned earlier, all three owner-managers highlighted that human capital played an overriding role as the engine of firm growth. Therefore, their firms tended to disseminate people-oriented organizational culture through various ways, like webpage, internal newsletter and even WeChat. For example, in the case of Grand, in the 2nd Grand Newsletter of 2014, one whole page covered the 2013 New Year Party, which was not only a celebration for the upcoming 2014, but also a reflective behaviour over the past 2013. In this coverage, it reflected upon the trajectory of Grand over the past 10 years since its establishment, and contributed the firm's growth and development to the employees by quoting Xin-yu's poem –

‘whoever drinks water, he/she should not forget the original source of the water’[8]. The message conveyed here is that the employees are the original source of Grand’s growth.

Taken together, as illustrated by the three accounts, it appears that while the owner-managers exploit explicit knowledge in leading medium businesses, they weighed towards tacit knowledge derived from previous experience and tacit knowing in parallel with leadership practice. Furthermore, while they also highlighted the overriding role of human resource, they had established a core management team in their individual firms, thus their roles were more about expanding their managerial team rather than preoccupied with recruitment or people development. Moreover, as their firms had experienced phrases of growth, the owner-managers’ roles grew out of structuring, supervising or monitoring but focused on re-structuring through innovation. Given the changing context, the three owner-managers were engaged in strategizing in practice and stressed fostering a learning organization to be in alignment with the change.

[8] Quoted from Zheng-diao-qu written by Xin-yu, who was a senior officer in South Dynasty of China. He was assigned to visit a country of North Dynasty, wherein his original country was conquered and destroyed. Notwithstanding that he was offered a senior position by North Dynasty, he kept thinking about his original country during his 28-year service in the new country so that he composed this poem.

Table 5.22 Exploit knowing in medium businesses

Theme	Sub-theme	Representative Quotes
People management	1. Openness	1. The leader still has to accept the low-level employees, namely, let the wild grass grows naturally, even though they might be an iceberg or bomb. (Jun)
	2. The right people as the key to success	2. The essence to an enterprise is nothing else but its people. (Qiang)
Re-structuring	Restructuring through innovation	I prefer the Amoeba concept, but we are not ready yet and still in the process of learning and sensemaking it. (Shu)
Strategizing	In practice	Strategies are fake, which can are more like a vision. The world is changing really too rapidly. One may make out a good strategy today, but if the macro environments change, it might turn out to be completely wrong tomorrow. (Jun)
Organizational culture	Learning organizational culture	To establish a self-motivated learning organization. (Quoted from Jun's organizational webpage)

Source: author’s fieldwor

5.4.3 Analysis

To investigate the second objective, this section begins by illustrating the quantitative and qualitative results, which is followed by elaborating on the qualitative insights through four sub-themes, namely, people management, structuring/re-structuring, strategizing and vision/organizational culture.

The results from the quantitative research reveal that the owner-managers of this study tend to share knowledge with (key) employees, and fostering a learning organization appears important in all the SMEs as they encourage staff training and delegation, or change their leadership as the businesses grow. The overview of the research findings from the qualitative interviews (see Table 5.23) provides richer and complementary explanation, which will be further discussed below.

There is a consistent theme from the data that it is the employees that are central to the firm growth, for example, Qiang stresses: 'The essence to an enterprise is nothing else but its people.' It implies that human capital is crucial to the development of SMEs (Kotey and Slade, 2005; Sels et al., 2006). The owner-managers highly stress the importance of retaining talent, which might help to close off irrational potentials and minimize uncertainty (Aldrich and Auster, 1986). However, the findings in this study suggest that the HRM practices in SMEs cannot be simply portrayed as 'informal' (Kotey, 1999; Ritchie, 1993; Wilkinson, 1999). On the contrary, it might be better understood as a formalizing process constitutive of being informal (micro), controlling (small) and formalizing (medium), where each business stage seemingly weighs towards a different approach. In the context of micro firms, the owner-managers tend to adopt an informal way such as flat management and delegation to foster a family-like environment, where information and knowledge can flow in a natural course and everyone can do what comes spontaneously (Ma and Tsui, 2015). For example, Feng claimed that he regarded employees as brothers and sisters. Interviewees also highlighted the function of role modelling, which greatly encouraged followers to take greater ownership of tasks within the firm (Johnson, 2000). For example, Feng and Qing work hard as a role model for their employees: Feng would work as a loader by himself when there was not much goods to unload, and Qing said he would arrive at his office at 7:30am every day while the office time starts at 8:30am. As the business size evolves with more employees, the leaders stress the importance of cultivating a managerial team so that the responsibilities can be delegated to middle managers. When the firm moves to a medium

stage, the managerial team tend to be well established, where the leaders focus more on strategic human management like talent management, retention plans and motivation schemes rather than general human issues like the routine recruitment or salary calculation. However, the interviewees of medium firms claim that their firms grew so rapidly that the sole way of developing and cultivating people internally could not satisfy the needs, therefore recruiting increasingly became one of 'the most frequent and important activities to manage' (Kaulio, 2003:165). To resolve the crisis of talents, the leaders sought to recruit people externally by professional human resources firms. This study suggests that there is an increasing importance to balance the external relationship (beyond the firm) and internal relationship (within the firm) (Hite and Hesterly, 2001) by establishing professional contacts (Hill et al., 2002; Jones et al., 2014), recruiting talented experts (Kaulio, 2003) or expanding the managerial team from outside the organization (Littunen, 2000; Littunen and Tohmo, 2003). Moreover, as the business grows into small or medium size, leaders are less concerned with financial investments to create a controlling culture (Baron et al., 1999), but engage in encouraging and cultivating the staff so that they can 'grow into a job rather than simply be recruited externally' (Burns, 2007:219). In short, this study offers a detailed and systematic examination on the formalizing process of people management in the process of growing businesses from micro, small to medium in China.

Regarding organizational structure, the findings reveal variance at each stage. Within micro firms who had a lack of established systems, the narratives told by the owner-managers imply a notion of being a generalist, because they appear to take 'a figurative role' of the firm (Holt and Macpherson, 2010:21) to be 'in charge of everything'. The stories told by the owner-managers of small businesses are more intimately related to a role of supervisor, wherein they tend to be occupied with supervising the development of a managerial team to establish the structures and systems, and to control and monitor the operational routines, as 'the dust will not disappear by itself if a broom does not appear' (Quan). Looking at the owner-managers of medium businesses, they seem to have delegated and empowered the routines to the well-established managerial team, to whom they provide mentoring and mainly focus on 'leadership' as discussed earlier. They turn to resolve the crisis of bureaucracy (Greiner, 1972) through management (Shu), technological (Jun) or continuous innovation (Qiang). Thus, associated with knowledge, the individual role of owner-managers in this study could be identified as knowledge generalist, knowledge supervisor and knowledge mentor in micro, small and medium businesses respectively.

Given the changing reality (Tsoukas and Chia, 2002), it seems that all of the leaders shift from a predictable perspective of predetermining strategy so as to thrive during the change process (Hooper and Potter, 1997) through a coherent vision, direction or strategizing in practice. To be in line with the flow (M.R.A.S., 1913) or linked to change (Grint, 2005), all the accounts stress the importance of individual and collective sensemaking by fostering a learning culture within their firms. For one thing, the role of the owner-manager is seen to create a context where knowledge and learning can be valued (Macpherson and Holt, 2007), alternatively, the employees will 'be beautiful and amazing' and 'create the expected value, or even more than that' (Xue). For the other, this study indicates that it is more like a co-evolving process enlisting the relevant stakeholders, where the owner-manager cultivates, fosters and facilitates a context for exploiting and magnifying knowledge.

Moreover, this study highlights that the owner-managers are more associated with the 'primary site' of everyday practice, which operates as the heuristics for them to engage in 'ongoing retrospective development of plausible images' (Weick and Sutclifee, 2005:409) by keeping openness. For example, Yuan described the process of selecting either departmental or project management as 'five-year fighting', but he as well as his team kept openness in the process of testing the routines (Nelson and Winter, 1982) rather than adopted ex ante projections.

Additionally, this study demonstrates that Chinese leaders tend to follow a 'pictorial turn' (Mitchell, 1994) by using visual representations. For example, as discussed in Chapter 6, Quan, Shu and Jun hung pictures of Chinese calligraphy in their office as a sensegiving vehicle of their leadership values (Hawkins, 2015). For another example, Yuan uses a special organizational logo to transport his leadership values and organizational culture. This visual technique enables growing SMEs to 'move from an equivocal reality to an unequivocal reality' through the physical and virtual ways (Jones et al., 2014:80), and also contribute to convincing others of their managerial decision-making, particularly in the settings characteristic of ambiguity (Holt and Macpherson, 2010).

Taken together, in making sense of the process of exploiting knowing, this study reveals some elements described in the conventional life-cycle stage models (see Churchill and Lewis, 1983; Greiner, 1972, Scott and Bruce, 1987), but the complexity of the changing nature embedded in managing growing businesses cannot be oversimplified by any growth model. Rather, this study indicates that it is more like a dynamic process of incessant

exploiting rather than exploitation. Moreover, this study indicates the owner-managers tend to make use of visual representation as a tool of sensegiving while disseminating and expanding their personal and organizational knowing. Furthermore, while this study supports the association between leadership and knowledge, the results further reveal that it is not simply about applying entrepreneurial and managerial knowledge (Penrose, 1959), or creating knowledge through a synthesizing process (Nonaka and Toyama, 2003), wherein knowledge is evidently examined as assets or resources. Rather, this study indicates it is more like a dynamic process of leading, knowing and sensemaking, where sensemaking synthesizes the spontaneous shift between explicit and tacit knowledge, and where the owner-managers take the roles of knowledge generalist, knowledge supervisor and knowledge mentor at each business stage (micro, small and medium) configured in the business context of China, particularly in the area of Shanghai.

Table 5.23 Key ways of exploiting knowing in phase 2

Business Stage	Exploiting knowing				Sub-themes	
	People management	**Structuring/ re-structuring**	**Strategizing**	**Vision/ organizational culture**	**Underpinned by openness**	**Leadership and knowledge**
Micro	1. Openness 2. Flat management	Focused on the routines like customer management	A coherent vision	Team work like a family	Yes	Knowledge generalist
Small	1. Openness 2. Internal cultivation	1.Structuring; 2.Supervising 3.Monitoring	Strategizing in practice	Functional and dysfunctional	Yes	Knowledge supervisor
Medium	1. Openness 2. The right people as the key to success	Restructuring through innovation	In practice	Learning organizational culture	Yes	Knowledge mentor

Source: author

CHAPTER 6 RESEARCH OBJECTIVE 3 & 4: THE ROLE OF INSTITUTIONAL FACTORS AND WU WEI

6.1 Introduction

This chapter seeks to investigate the third and fourth research objectives. As with the previous chapter, the following two main sections also begin by presenting quantitative results, which are followed by qualitative results and then triangulated analysis. Specifically, to answer the third research objective about the importance of institutional influence, the quantitative analysis is based on univariate analysis. It begins by examining the overall influence of industrial competition (n=103), then makes a comparison among the three business stages (n=89). Similarly, it also examines the overall influence of government policies, which is followed by the comparison study at three business stages. The quantitative results are followed by the presentation of qualitative results which are organized in three business stages through sub-themes. Shi emerges as a third theme in interviews while there are only two themes tested in quantitative research, namely industrial competition and government policies. Then the quantitative and qualitative findings are triangulated in the analysis part.

The third section investigates the fourth research objective. A bivariate analysis is conducted to test (potential) association between the profile of the sample (demographic and organizational) and the two main dependent variables (leading by Wu Wei and knowledge). Regarding the qualitative results, as with the Chapter 5, they are also grouped into three business stages and adopt a thematic analysis which is based on the emerging sub-themes. Then the quantitative results are triangulated in the predominating qualitative analysis.

6.2 Objective 3: To identify how institutional factors influence leadership associated with knowledge in the context of fast-growing SMEs

To research the third objective, the results from quantitative research are presented, followed by the insights from the qualitative research. The third stage triangulates the mixed data which leads to the main findings.

6.2.1 The influence of institutional factors in quantitative research

In quantitative research, the institutional factors comprise industrial competition and government policies. To answer the third research objective, this part aims to statistically test the impact of institutional factors on leadership associated with knowledge in rapidly growing SMEs. It begins with the examination of the overall influence of industrial competition, then pays closer attention to each distinctive business stage. Following that, the overall influence of government polices is analysed, as well as a comparison of the results. As conducted previously, the examination of overall influence integrates two test results, namely, Chi-square test and frequency test (see the breakdown in appendix 4), presented in the number of valid respondents, mode, mean score, standard deviation, value of Chi-square test (χ^2), 1/3 of the mean score and significance value. After the overall influence is confirmed, it makes a comparison study among three business stages to explore any nuances.

The influence of industrial competition

The overall influence

This section examines the overall influence of industrial competition, with the number of valid respondents (n) being 103. The participants were asked to rate the question 'To what extent does logistics competition influence your business?' through a 5-point Likert scale. As indicated in Table 6.1, the most frequently occurring mode is coded with 3, which represents a moderate significance. The standard deviation is 0.88, which is smaller than 1/3 of the mean (1.17), the significance value is 0.00 < 0.05 and the value of χ^2 (62.58) is large. Therefore, the result statistically confirms the importance and validity of industrial competition. Overall, the statistic results of the test indicate that industrial competition has a positive and moderate influence on SME businesses.

Table 6.1 The overall influence of industrial competition

Statement	n	Mode	Mean	Std. Deviation	χ^2	1/3 of the Mean	Sig. value
To what extent does logistics competition influence your business	103	3	3.5	0.88	62.58	1.17	0.00

(Source: Author's fieldwork)

Comparison of three business stages

The previous analysis statistically verifies that industrial competition has an impact on SME business. This section pays closer attention through testing each stage (see Table 6.2) and examines the ranking based on the mean scores. The valid respondents (n) of micro, small and medium business are 22, 41 and 26 respectively. The results show that all the values of standard deviation (0.81, 0.88 and 0.82 respectively) are smaller than of 1/3 of the mean, thus it implies industrial competition has impact on SMEs. Comparatively, the mode and mean scores of medium firms appear higher than those of micro and small business. In brief, it further confirms the previous result that industrial competition has a moderate influence on SMEs. Specifically, it appears to have the strongest impact on medium businesses compared with small and micro businesses.

Table 6.2 The comparison of industrial competition at three business stages

Business Size	Statement	n	Mode	Mean	Std. Deviation	1/3 of the Mean
Medium	To what extent does logistics competition influence your business	26	4	3.77	0.82	1.26
Small		41	3	3.32	0.88	1.11
Micro		22	3	3.09	0.81	1.03

(Source: Author's fieldwork)

The influence of government policies

The overall influence

This section statistically examines whether government policies have any overall influence on SMEs. All the respondents (n=103) were asked to rate the question – 'To what extend do government policies influence your business?' through a 5-point Likert scale (see Table 6.3). The mode in this test is coded with 3 and the value of mean is 3.07. The value of standard deviation remains smaller than of 1/3 of the mean, though these two values tend to be close. Further, the significance value is also below 0.05. Therefore, the result is similar to that illustrated in 'the influence of industrial competition', that is, a moderate influence on SME businesses.

Table 6.3 The overall influence of government policies

Statement	n	Mode	Mean	Std. Deviation	χ^2	1/3 of the Mean	Sig. value
To what extent do government policies influence your business	103	3	3.07	0.97	55.88	1.02	0.00

(Source: Author's work)

Comparison of three business stages

Given the influence of government policies has been demonstrated in the former section, this analysis examines nuances (if any) of the influence at each distinctive business context (see Table 6.4) solely through descriptive statistics test. Likewise, the valid respondents (n) are 22, 41 and 26 respectively from micro, small and medium business. All the values of mode are coded with 3 and the values of mean are close to 3, which represent a moderate significance. However, the value of standard deviation in micro business is 1.11, which is larger than 1.03 (1/3 of the mean). In brief, the results further confirm that government policies have a moderate influence on SMEs, though it appears slightly less important to the micro firms.

Table 6.4 The comparison of government policies at three business stages

Business Size	Statement	n	Mode	Mean	Std. Deviation	1/3 of the Mean
Medium	To what extent do government policies influence your business	26	3	3.2	0.85	1.07
Small		41	3	3.1	1.00	1.03
Micro		22	3	3.09	1.11	1.03

(Source: Author's fieldwork)

6.2.2 The influence of institutional factors in qualitative research

The influence of institutional factors are further examined in the semi-structured interviews. The following presentation does not only illustrate the impact of industrial competition and government policies, but also the third factor of Shi which emerged in the interviews.

Micro business

With reference to the influence of institutional factors, as noted, all three owner-managers mentioned the immaturity of Chinese logistics sector. For example, Feng suggested: 'The logistics marketing is very immature and chaotic. It has not yet grown to be systematic or regularized.' Given their small scale businesses, they unanimously agreed that there was a limiting influence on their firms either by the industrial competition or government policies, as Rui related:

> The cost of human capital has certainly been increasing. In China, the role of Shi is crucial, where some firms may close down by some government policies. However, since my firm is still very small, I prefer to spend my energy on my own businesses rather than those macro factors like government policies or logistics competition.

In this account, while Rui confirmed the negative impact of government policies, he disregarded the influence of government policies or industrial competition on his own micro business. However, he stressed the importance of powerful Shi, which is in effect a commonly-held view by the three owner-managers as illustrated in Table 6.5. For another example, whist being asked about the future of his firm, Feng repetitively emphasized the changing environment and the invisible power of Shi, thereby he could only engage in rather than predetermine it:

> The marketing environment tends to be changing so fast that I am really not able to have a specific plan for the future. But I am confident my firm will develop. Everything is changing so fast, so I really can't plan it well…

Where Shi is a plural concept which entails position (Shì) and potentiality (Shí), all three owner-managers also spoke of the potentiality which can be explored by proactively engaging in it. It is particularly evident in the case of Rui, who emphatically stressed its importance for six times in his whole narration. He explained why he decided to enter franchising to Y:

> The e-commence in China grows extremely fast – this is Shi. Supposing one buys the heavy goods such as painting and bathroom equipment, they cannot be delivered by express firms, and it is too expensive to be transported by the sub-contractors. The Y company is located in the middle way – integrator of express delivery and sub-contractors. It helps to dramatically decrease the logistics cost of recipients. As the needs in marketing arise, Y came into being spontaneously. Therefore, my firm has entered franchising agreement with Y.

In this account, the propensity of e-commence refers to Shì, and the Y company emerges as the secondary development of Shì, which represents Shí. He set about establishing franchising

with Y, by which he expected to be able to explore Shí. For another example, while Qing repetitively spoke of his disadvantage with a considerable low education, he deemed it as his advantage that he had developed some expertise of Shi related to the logistics sector:

> I have always been paying a close attention to the Shi of this sector, and I pride myself for understanding it very well. At least, I know where this sector is moving towards in the following one or two years. It is important to grow my business.

By being attentive to Shi, Qing thought he had developed knowledge about Shi as well as the future of logistics sector. He believed it would contribute to his business growth.

Table 6.5 The influence of Shi in micro business

Theme	Sub-theme	Representative Quotes
Shi (frequency=8)	As the position (Shì)	I always pay close attention to the Shi of e-commerce, because it strongly influences our business. (Feng)
	As the potentiality (Shí)	We enter franchising agreement with Y, because it accords with Shi…I believe there will be business opportunities for us. (Rui)

(Source: Author's fieldwork)

Taken together, in the three cases presented, the influence of institutional factors on micro businesses can be interpreted in Table 6.6. Where the micro businesses tend to be influenced by the industrial competition and government policies in a slightly moderate way, however, the quotations presented reveal a consistent interpretation of Shi, which is constitutive of position and potentiality.

Table 6.6 Institutional factors in micro business

Interviewee	Industrial competition	Government policies	Shi
Feng	Moderate	Moderate	Strong
Qing	Moderate	Moderate	
Rui	Moderate	Moderate	

(Source: Author's fieldwork)

Small business

With reference to the third objective, this section presents the results about the influence of institutional factors on small businesses. It begins by confirming the overall influence of the institutional environment, and then illustrates the impact of three specific dimensions, namely, industrial competition, government policies and Shi. First, all three owner-managers emphasized the influence of the institutional environment. For example, when being asked about why his firm grew rapidly in 2009, Yuan began by talking about the positive macro environment:

> Our firm developed and customers increased fast during 2004 and 2009, when the Chinese economy was booming. Moreover, the industry of Chinese real estate was at the point of soaring so that everywhere was full of money.

As Yuan's logistics business mainly focuses on warehousing which needs to lease large premises, he did not begin by talking about the growth per se, rather, he located his firm in the macro environments of Chinese economy as well as real estate. By this way, he aimed to imply the intimacy between his organizational growth and the configured institutional environment. As shown in Table 6.7, he metaphorized the conducive environment as 'a typhoon,' where 'even a pig can climb up a tree.'

Second, while each firm belongs to a distinctive sub-category (namely, express delivery, warehousing and third-party) as explained earlier, there is a considerable agreement on the moderate impact by the increasing industrial competition despite some nuances. Specifically, in the case of Xue, on the one hand, he confirmed the competition as something that is 'impossible to avoid in China,' on the other hand, he added that the express delivery businesses in China would be further differentiated by the competition, in the process of which his firm could certainly explore and exploit business opportunities. In Yuan's opinion, the logistics industry was influenced by the overriding propensity of e-commerce and internet technology rather than the logistic competition per se. As for Quan, he pointed out that the industrial competition resulted in low profits for all the logistics firms.

Third, all the interviewees agreed that government policies could exert moderate-strong influence on their firms and weret subject to changing rapidly. However, their opinions also varied between Xue and the remaining two. Xue regarded it as a positive influence, as his firm had been beneficially supported by government policies and organizations. However, the remaining two owner-managers suggested their firms had been negatively impacted, such as

replacing the businesses tax with a value-added tax and transportation policies. For example, when being asked about the influence of government policies, Quan talked about the negative impact as well as its feature of fluidity:

> They certainly have a quite strong influence. For instance, we are deeply influenced by the new tax policy, which replaces the businesses tax with a value-added tax. This policy has incurred much burden to our firm, so it is with the social security policy as well. Moreover, the government policies tend be proposed today and published tomorrow…

Furthermore, while talking about the importance of institutional factors, they all stressed the powerful factor of Shi. As discussed in Chapter 2, Shi entails two dimensions as at once the position (Shì) and the potentiality (Shí). All three interviewees suggested that they did not only maintain consistent attention to it but also proactively engaged in it. Table 6.7 provides an overview of the role of Shi. First, with regard to the powerful propensity (Shì), for example, Quan claims that 'Shi is more powerful than human agencies'. Furthermore, as for the potentiality aspect, Xue is a case in point. He even claimed that EXBOX was established in alignment with Shi. His narration began by analysing the weakness of the current business model in the express delivery industry:

> The traditional model about express delivery is a way of door-to-door manually. Its efficiency is very low, which may cause some potential problems. First, the delivery efficiency is constrained by the quantity of packages. Chinese private enterprises soared 50% last year, hence a large quantity of packages could not be delivered in time manually... Secondly, it may not be in a safe way for the receipts to have the couriers enter their homes, especially for young kids, old people and single young women… Our businesses model is as automatic as an ATM machine…The advantage is that the delivery efficiency can be improved essentially, where the difference between EXBOX and the traditional express model is just like high-speed trains and the traditional ones…There are already over 2000 box machines of this kind in Germany with over 5 million users. Therefore EXBOX follow the Shi of this industry. It can handle the large quantity of the demand so that it will accommodate the needs of e-commence development over the prospective 5-10 years.

The message above indicates that Xue followed Shi to explore businesses opportunities, wherefrom he developed confidence about his businesses model by 'locating' its application in Germany. In his opinion, it is of paramount importance to make sense of Shi and then make use of its potency and potentiality as business opportunities, because Shi represents 'the trajectory of the industry'.

Table 6.7 The influence of Shi in small business

Theme	Sub-theme	Representative Quotes
Shi (frequency=13)	As the position (Shì)	We have to confess that Shi is more powerful than humans. (Quan)
	As the potentiality (Shí)	As the Chinese proverb goes, 'while there comes a typhoon, even a pig can climb up a tree.'(Yuan)

(Source: Author's fieldwork)

Put together, as summarized in Table 6.8, there is an agreement on the moderate influence by industrial competition and the strong impact by Shi, but the interpretations of government policies vary among the three interviewees.

Table 6.8 The influence of institutional factors in small business

Interviewee	Industrial competition	Government policies	Shi
Xue	Moderate	Strong; Positive	Strong
Yuan	Moderate	Strong; Negative	
Quan	Moderate	Strong Negative	

(Source: Author's fieldwork)

Medium business

This section illustrates the results linked to the third and fourth objectives about the influence of institutional factors. It is commonly accepted by the three owner-managers that the industrial competition in logistics sector presents a strong influence. For example, Qiang points out: 'the industrial competition is far fiercer than that in developed economies.' Similarly, Jun not only agreed about the competition but also the fluidity:

> Logistics is a fully competitive sector, that is, completely open to any competition. If the firm has advantages, it can survive. Otherwise, it cannot. Moreover, there will be numerous changes in this sector over the upcoming 2-3 years, therefore the operations need to be adjusted accordingly.

In terms of government policies, the medium businesses are negatively influenced by the policy about replacing the businesses tax with a value-added tax, which results in lower

profits for the firms. It appears to them that government policies are more favourable towards large organizations rather than SMEs.

As reflected in the three narratives (see Table 6.9), a consistent theme is presented referring to the immaturity of logistics sector, the uncertainty of the fast-changing environment and the global influence of IT, which were interpreted as Shi, as Jun explained:

> Logistics is a highly institution-sensitive sector, which is inextricably linked to the national economy and fast-changing world. You may have planned for something today, but it may need to be completely overturned as the institutional environment may change tomorrow. Therefore, we must follow Shi and enact accordingly. Shi exists everywhere – in the sector, on the internet, in customers, etc. Planning is necessary, but it should be open to adaptive adjustments, otherwise, it will be subject to fail.

Given the predominant importance of *Shi*, they all highlighted their efforts to understand and engage in Shi, which was exemplified in Qiang's narration:

> Chinese market is yet to be mature, which involves a long process. It is acceptable for me that the market needs to experience such a stage. From the point of firms, first, they should be adapted to the environment so that they can survive. Then they should try to explore opportunities so as to usher in the mature market in the future. Moreover, the environment cannot be changed by any single firm, which needs to be guided by the government. What the firms can do is to engage in the competition so as to survive.

The main message conveyed here is that the firms need to accept what cannot be changed existing in the environment, then proactively enact upon what can be changed. To provide an elaborate illustration, Qiang related a story about why Wins gave up one old business – Direct Mail Advertising (DM), as it was against Shi:

> We have given up DM businesses, which consisted of our newspaper-distribution businesses …In the past, there was a demand in the market. However, its marketing share was decreasing and not promising in the future, alternatively, it would not be becoming. Thus we gave it up. To be frank, we do not care about challenges or difficulties, but we do care if it is becoming. For example, a large number of e-businesses firms do not make profits, but why do they still strive for it? Because there is a substantial potentiality within, alternatively, it is becoming. That's why they are open to the temporary loss, and oriented at a promising future. We are all targeted at it.

Qiang's view about becoming is similarly maintained by the remaining two. As noted, Shi does not only refer to the extant situation, but more important, to the orientation towards the future, which is certain to benefit the firms in the long run.

Table 6.9 The influence of Shi in medium business

Theme	Sub-theme	Representative Quotes
Shi (frequency=14)	As the position (Shì)	We should follow Shi. Otherwise, we are doomed to fail. (Jun)
	As the potentiality (Shí)	We gave up DM business, because it is against Shi. (Qiang)

(Source: Author's fieldwork)

In summary, the influences by the three aspects of institutional factors are demonstrated in Table 6.10. The owner-managers of medium businesses suggested that industrial competition might impose a significant impact, while government polices seemed to be a moderate level. They all talked about the Shi - they all adopted openness to accept the unchangeable aspect while proactively engaging in what can be enacted upon.

Table 6.10 The influence of institutional factors in medium business

Interviewee	Industrial competition	Government policies	Shi
Shu	Quite strong	Moderate	Strong
Jun	Very strong		
Qiang	Very strong		

(Source: Author's fieldwork)

6.2.3 Analysis

With reference to the third objective, the quantitative research examines two institutional factors (the impact of industrial competition and government policy), while the third factor (Shi) emerges from the qualitative research. Both quantitative and qualitative data in this study reveal that the overall impact by industrial competition and government polices appear quite similar among three business stages, ranging from moderate to high impact (see Table 6.11). However, the qualitative research findings also reveal nuanced and deviating voices reflecting multiplicity in terms of exploring and exploiting institutional factors at each business stage, which will be elaborated on through three sub-themes as follows, namely: Impact of industrial competition, government policy and Shi.

The impact of industrial competition: At a moderate-high level

Despite the similar level of impact by industrial competition, particularly between small and micro businesses, it appears slightly higher in medium firms while the least in the micro ones. Academic accounts suggest that competition in the Chinese logistics sector is increasingly fierce (Poutziouris, 2002). It is resonated by this study. For example, Qiang suggests that it is fully developed and even more competitive in China than in developed economies. There is yet a deviating voice in terms of exploiting the impact. Given the limiting impact on micro businesses, leaders tended to be more concerned with their own businesses rather than the macro factors (like Rui). However, the owner-managers of small and medium businesses seemed to pay more attention to the changes of the macro environment. The competition was seen in a plural way. On the one hand, the competition is currently so pervasive that the firm must be open to embrace it. On the other hand, it tended to be ever-changing, therefore it is important for the firm to remain open to adaptation and to be in line with the changing reality. Additionally, as illustrated in Chapter 5, it is notable that the leaders of small and medium firms are better educated than those of the micro ones. The research findings echo the previous literature that the leaders in charge serve as the extension of their SME businesses (Lumpkin and Dress, 2001), where those at a high education level can manage the intensified competitive environment in a more effective way (Busenitz and Lau, 1996).

The impact of government policy: At a moderate level with pros and cons

With regard to the impact by government policy, while the overall impact seems to be at the same level of being moderate, the interviewees mentioned the pros and cons reflecting multi-voiced influences. On the one hand, it is commonly viewed that government policies are subject to change (Zhu et al., 2012) and some policy like replacing the business tax with a value-added tax and new Labour Contract Law tends to decrease their profit margins, which may be more favourable towards large organizations. This echoes the extant literature that compared with large enterprises, Chinese private small businesses are constrained by underdeveloped government policies and mechanisms (Poutziouris et al., 2002) in terms of size and resources (Acs and Audretsch, 1988; Rothwell and Dodgson, 1993; Taymaz and Üçdoğruk, 2009). On the other hand, some interviewees perceive that the Chinese government provided a positive environment for SME business (Fernandez and Underwood, 2009). For example, EXBOS is greatly supported by the Shanghai municipal government,

because there are favourable policies to support the logistics industry for further development (Hong et al., 2004) in the entrepreneurial city of Shanghai (Zhang, 2011).

The impact of Shi: Changing and powerful at a high level

There was a consistent sub-theme emerging in the cohort of nine narratives, where the frequency for the occurrence of Shi is as high as 35 times. All the interviewees highlight the defining role of Shi (Laozi's chapter 51) by being sensitive to the ever-changing external business context (Hill and Stewart, 2000; Sui, 2000), which is at once a conditioning force (Shì) and 'endowed with efficacy' (Shí) (Jullien, 1999:178). The Shi in the Chinese logistics sector can be identified as immature, fluid, and intimately influenced by the global tendency of IT and e-commerce. As the logistics sector yet remains to be fully developed in China, all the accounts suggest they are challenged by the immature market mechanism and institutional constraints (Hong and Liu, 2007). Given that it is 'a highly institution-sensitive' sector (Jun), it is paramount for the leaders to adapt, engage and enact upon Shi so that their business can survive and succeed. Because the institutional turbulence could be worked to the firm's advantage so as to promote business success (Cox and Camp, 2001). Therefore, the interviewees suggest the importance to be adapted and adjusted to the conditioning Shi in an open way. On the contrary, supposing a business section is against Shi, they would give it up. This study reveals that the owner-managers tend to draw plausible cues of Shi through sensemaking while managing their businesses, though the specific ways of individual owner-managers may vary. For example, Rui talked about his efforts to make sense of Shi by IT technology, while Qing thought he had developed a unique advantage as he has sense-made the Shi in the logistics industry. Moreover, the primary message conveyed in most accounts suggests that the entrepreneur, the firm and the Shi co-constitute and co-evolve, as a Daoist perspective sees the Universe as 'essentially a single whole and is in reality indivisible' (Nelson and Peebles, 1991:59). This is in a stark contrast to the western dualism like structure and agency, but stresses a both-and, rather than an either-or logic (Clarke et al., 2014). Seen in this way, the research reveals that SME business in China is essentially characterised by the 'liability of newness', 'change and adaptation' (Wong, 2008:23), where the abiding concern for the owner-managers is to cope with change (McCausland, 2008) and the complex situation (Scobell and Wortzel, 2005) through perceiving and engaging in the fluidity of the environment, which is crucial for firm growth (Nicholls-Nixon et al., 2000). Furthermore, the sub-theme of Shi emerges in this study, but seems to be overlooked by the previous literature. The findings illustrate that the propensity of Shì can be explored and exploited by adopting

openness so that Shí evolves, with the prospect of firm growth over the long run. This study contributes to the agency-structure tension or dilemma (see Reed, 2003) by providing empirical examples of how the two concepts are linked in terms of Chinese owner-managers. Alternatively, through integrating Shì and Shí into Shi (agential structure/institutions), it reconciles the debates between balcony (structure/institutions) and Romeo (agency), where strategic management research has been regarded as 'all balcony and no Romeo' while entrepreneurship research as 'all Romeo and no balcony' (Venkataraman and Sarasvathy, 2005: 652).

Table 6.11 The impact of institutional factors (very low, low, moderate, high, very high)

Phase	Participants			Industrial competition	Government polices	Shi		Sub-themes
Phase 1	Overall (n=103)			Moderate - high	Moderate	Not explored in the survey, as it emerged from interviews		**Sub-theme 1-2**: A moderate impact by industrial competition and government policies; **Sub-theme 3**: Shi emerged in the interviews, which refers to position and potentiality.
	Business stage (n=89)	Micro (n=22)		Moderate	Moderate			
		Small (n=41)		Moderate	Moderate			
		Medium (n=26)		High	Moderate			
Phase 2	Individual interviewee	Micro	Feng	Moderate	Moderate	Strong	Frequency=8	
			Qing	Moderate	Moderate	Strong		
			Rui	Moderate	Moderate; negative	Strong		
		Small	Xue	Moderate	Strong; positive	Strong	Frequency=13	
			Yuan	Moderate	Moderate; negative	Strong		
			Quan	Moderate	Moderate; negative	Strong		
		Medium	Shu	High	Moderate	Strong	Frequency=14	
			Jun	High	Moderate	Strong		
			Qiang	High	Moderate	Strong		

Source: author

6.3 Objective 4: To explore the interplay between leadership and knowledge in the spirit of Wu Wei in the process of growing SMEs in China

As with the previous section, this section also begins by presenting the quantitative results, which is followed by qualitative results. Then the mixed data are triangulated to corroborate the investigation of the fourth research objective.

6.3.1 The key factors related to growth in quantitative research

The importance of demographic profile

As this study focuses on owner-managers configured in the specific sectoral setting of Chinese logistics SMEs, it offers statistical insights through testing any potential importance attached to the demographic and organizational characteristics of the sample. This bivariate analysis is based on the results of a Mann-Whitney U test and Kruskal-Wallis test, where the overall importance of leading by Wu Wei and knowledge are used as a dependent variable respectively. First, a Mann-Whitney U test is conducted for the case of two categories (like sole/main ownership or not). It aims to measure the differences between two independent categories on overall importance of leading by Wu Wei and knowledge. Further, Kruskal-Wallis test is conducted to compare the scores for the case of three or more categories (like age and education) and a dependent variable (leading by Wu Wei and knowledge). As this study focuses on SMEs, the number of valid respondents used in this section is 89, exclusive of those from large organizations.

The association between demographic profile and leadership

In this study, there are three demographic characteristics composed of two categories, where a Mann-Whitney U test was used (see Table 6.12). The results indicate no association between leadership and the three dimensions - sole/main ownership, previous leadership in SME and previous experience in a large organization. It can be explained because each significance value is higher than the level 0.05. Hence, it statistically suggests that the three dimensions might not exert a significant influence on SME leadership.

Table 6.12 The association between demographic profile and leadership (Mann-Whitney U test)

Dimensions	Yes	No	Number of respondents	Z	Sig. value
Sole/main ownership	53	36	89	-.68	.50
Previous leadership in SME	51	38	89	-.72	.47
Previous experience in large organizations	67	22	89	-.71	.48

(Source: Author's fieldwork)

As for the dimensions containing more than two groups, a Kruskal-Wallis test was used (see Table 6.13). The table includes the number of valid respondents of SMEs, the Chi-square (χ^2) values, the degrees of freedom (df) and the significance values. The degrees of freedom refer to the number of categories in each question minus 1. It is indicated that 'duration of previous experience in large organization' and 'education' background have an influence on the leadership, as each of these two dimensions have a high Chi-square value and low significance value below 0.05. Given that each significance value in 'duration of current role' and 'age' is above 0.05 plus a low Chi-square value respectively, it statistically shows that these two dimensions are insignificant.

Table 6.13 The association between demographic profile and leadership (Kruskal-Wallis test)

Dimensions	Number of respondents	χ^2	df	Sig. value
Duration of previous experience in large organization	89	11.89	3	0.01
Duration in current role	89	0.36	3	0.95
Age	89	2.68	3	0.44
Education	89	8.22	3	0.04

(Source: Author's fieldwork)

The association between demographic profile and knowledge

As discussed previously, a Mann-Whitney U test was used to test the association between knowledge and three dimensions containing two categories through 'Yes' or 'No'. As illustrated in Table 6.14, only the 'previous leadership in SME' has an impact on knowledge,

where the significance value is smaller than 0.05 with a Z value of -2.34. Given the large significance value of ownership and previous experience in large organizations, they appear to have no significant influence on knowledge.

Table 6.14 The association between demographic profile and knowledge (Mann-Whitney U test)

Dimensions	Yes	No	Number of respondents	Z	Sig. value
Sole/main ownership	53	36	89	-0.22	0.82
Previous leadership in SME	51	38	89	-2.34	0.02
Previous experience in large organizations	67	22	89	-0.98	0.33

(Source: Author's fieldwork)

Following that, a Kruskal-Wallis test was used to examine the remaining dimensions in the case of four categories (see Table 6.15). The results indicate no statistical association between knowledge and the three dimensions, namely, 'duration of previous experience in a large organization', 'duration in current role' and 'age', as all the significance values are greater than 0.05. However, there is association between a leader's education background and knowledge, as this characteristic has a low significance value (below 0.05) and a high Chi-square value (7.87).

Table 6.15 The association between demographic profile and knowledge (Kruskal-Wallis test)

Dimensions	Number of respondents	χ^2	df	Sig. value
Duration of previous experience in large organization	89	6.25	3	.100
Duration in current role	89	5.85	3	.119
Age	89	2.56	3	.465
Education	89	7.87	3	.049

(Source: Author's fieldwork)

The importance of organizational profile

The association of organizational profile and leadership

As stated above, the importance of organizational profile also uses the number of 89 valid respondents. A Mann-Whitney U test was applied to three dimensions in case of two categories through 'Yes' and 'No'. As shown in Table 6.16, the results indicate leadership is not influenced no matter whether it is family business, or whether the firm has archives or a core management team. It is indicated by each significance value, which is much higher than the level of 0.05.

Table 6.16 The association between organizational profile and leadership (Mann-Whitney U test)

Dimensions	Yes	No	Number of respondents	Z	Sig. value
Family business	26	63	89	-0.41	0.68
Having archives	78	11	89	-0.29	0.77
Core management team	67	22	89	-0.30	0.77

(Source: Author's fieldwork)

In addition to the Mann-Whitney U test, a Kruskal-Wallis test was applied for the dimensions with more than two categories. As illustrated in Table 6.17, leadership is not influenced by sub-category of the business, that is, there is no association between leadership and a firm's specific business (namely, third-party, warehouse, express or freight forwarding agent). Further, neither the organizational annual turnover nor former growth rate has an impact on leadership. However, leadership is significantly influenced by a firm's prospective growth in the next 2 years.

Table 6.17 The association between organizational profile and leadership (Kruskal-Wallis test)

Dimensions	Number of respondents	χ^2	df	Sig. value
Sub-category of the business	89	2.22	3	0.53
Annual turnover	89	2.73	3	0.43

Former growth in the last 2 years	89	7.96	4	0.09
Prospective growth in the next 2 years	89	11.46	3	0.01

(Source: Author's fieldwork)

The association of organizational profile and knowledge

This part examines the potential association between organizational profile and knowledge. Similar to the previous testing process, this analysis also begins with a Mann-Whitney U test on the following three dimensions (See Table 6.18). Given that all the significance values are greater than 0.05, it appears that the role of knowledge is not influenced no matter whether a firm is family business, or whether a firm has archives or a core management team.

Table 6.18 The association between organizational profile and knowledge (Mann-Whitney U test)

Dimensions	Yes	No	Number of respondents	Z	Sig. value
Family business	26	63	89	-1.65	0.10
Having archives	78	11	89	-1.42	0.16
Core management team	67	22	89	-1.33	0.18

(Source: Author's fieldwork)

A Kruskal-Wallis test was applied to test the following four dimensions (see Table 6.19). The results indicate that knowledge is particularly linked to a firm's prospective growth in the next 2 years, because the significance value (0.01<0.05) is valid and the Chi-square value is the highest among the four dimensions. In this test, it appears that there is no association between a firm's sub-category business, annual turnover or former growth in the previous two years. This result appears to support the definition of SME in this study, which is based on the employee number rather than annual turnover, as there proves to be no association between the annual turnover and leadership or knowledge.

Table 6.19 The association between organizational profile and knowledge (Kruskal-Wallis test)

Dimensions	Number of respondents	χ^2	df	Sig. value

Sub-category of the business	89	6.99	3	0.07
Annual turnover	89	0.15	3	0.98
Former growth in the last 2 years	89	7.44	4	0.11
Prospective growth in the next 2 years	89	12.66	3	0.01

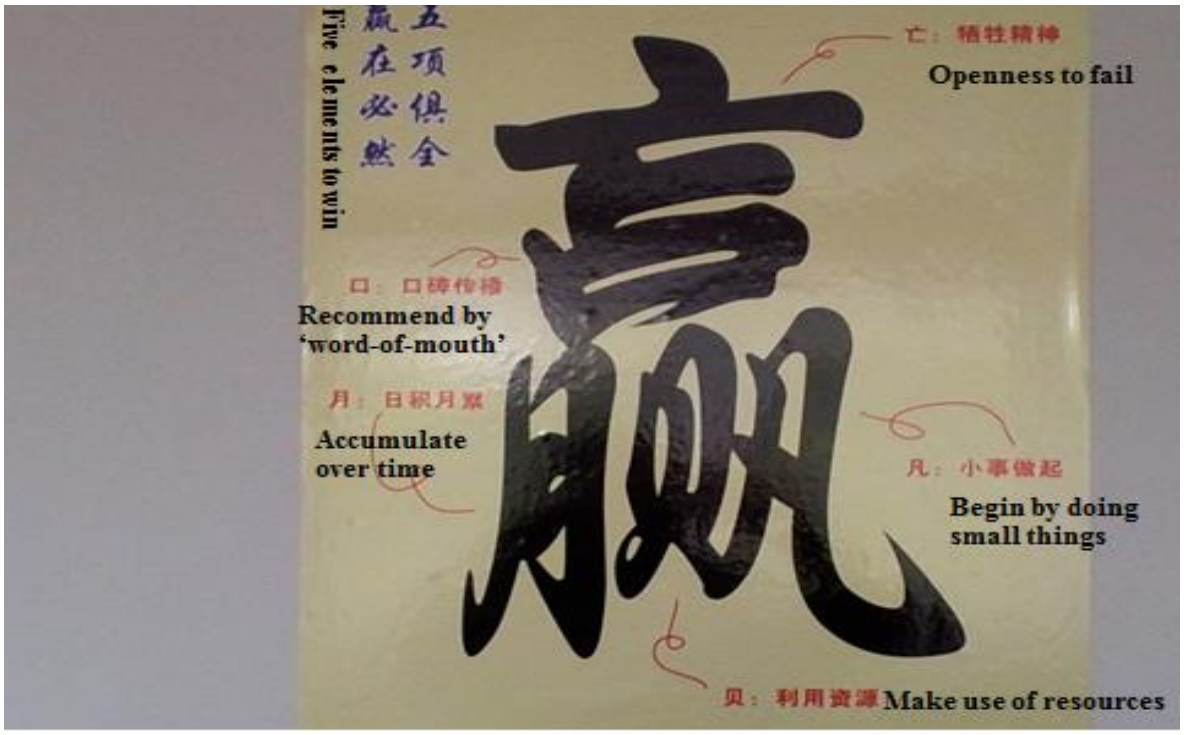
(Source: Author's fieldwork)

6.3.2 The key factors related to growth in qualitative research

Micro business

This section illustrates the results linked to the fourth research objective of this thesis. Table 6.20 reveals a set of common themes related to firm growth within micro businesses: instigated by critical incidents, fostered by self-motivated people, a positive reputation for delivering quality service built through business or private networks such as word-of-mouth recommendations by friends, aimed at furthering family benefits**,** restrained by human and financial resources**,** and oriented towards the future. It is noted that they are more concerned with 'developing the businesses rather than maintaining the status quo' (Jones et al., 2010). This feature is particularly evident by Figure 6.1 hung in Rui's office. The Chinese character (Ying 赢) refers 'to win'. The ideographic character symbolizes 'five elements to win': openness to fail; begin by doing small things; make use of resources; recommended by word-of-mouth; and accumulate over time. It nicely encapsulates how micro business can manage to win.

Figure 6.1 Five elements to win



(Source: Author's fieldwork)

Given the constraints of small-scale business, the three firms foster an idiosyncratic way of growing their businesses. First, critical incident(s) act (s) as the catalyst for their growth, wherein they successfully introduced key customers. As discussed earlier, the three firms are nurtured by self-motivated employees through a shared vision. Moreover, there is a common view held by the three interviewees that they work very diligently to ensure high-level quality service. As such, their firms have been fostered by a good networked reputation (Glückler, and Armbrüster, 2003) among peers and been well recommended through word-of-mouth. For example, Qing recalled a number of cases illustrating how to increase key customers, as Shenhan had established a good reputation of delivering quality logistics service such that people like to make recommendations spontaneously. While recounting the stories, Qing prided himself in winning prominent customers, because it appeared very rare for such a tiny firm as Shenhan to obtain those important customers.

> My firm has developed a good reputation for providing sincere quality service after focusing on Shanghai-Wuhan sub-contractor logistics businesses over 10 years. Thus people like to make recommendations for us by word-of-mouth. Take an example about how I have developed Phillips as a customer. In the past, Shenhan was a sub-contractor of a large company - A, who was Phillip's first logistics supplier. Once I got a call from Phillips's Asian headquarter – they

> strongly invited me to join in their annual bidding for logistics suppliers. Why did Phillips trust such a small firm like Shenhan? Because they knew Shenhan was the real logistics supplier for them. And they were 99% satisfied (if not 100%) with our quality service. They had made some survey on Shanghai-Wuhan sub-logistics suppliers, where they learned by word-of-mouth that Shenhan was certain to be the best one. That is why they approached me proactively. By the similar way, I have developed other key customers, like DHL and Sinotrans Limited.

It seems to suggest that the increasing number of well-known customers can play a critically positive role for the micro firms to build the reputations, while they inarguably struggle with organizational survival and safety at the early stages of their business stage.

As discussed earlier, they all proactively engage in Shi. As to the aims to grow business, they seem to all manage and develop their businesses mainly for the sake of 'further their personal goals' (Jones and Crompton, 2009:329), specifically, to enhance their family's benefits. For example, in the case of Feng, his daughter was doing undergraduate studies in a university in Shanghai. He wished that he could make more money so that he can afford to send her to study overseas. In the case of Qing, he had a son and a daughter. His son was currently doing undergraduate studies in the UK and planned to pursue further studies in the US in the future. His daughter was currently doing a master's programme in Shanghai, who intended to do her PhD in the US or UK. He related:

> I work very hard at managing my businesses – I get up at 5.30am every day, no matter in summer or winter.

When being asked about the reason, he explained:

> I have developed a strong belief and persistence in my personal life. I was forced to quit without finishing high school for lack of education fees. Given to low education, I keenly feel constrained no matter in my leadership or in social networking - I always feel inferior to others so that I seldom participate in it. Therefore I want to do my best to provide good education opportunities for my son and daughter.

Similarly, Rui also expressed his wish to expand his businesses so that he could afford to support his senior parents and young child.

All three interviewees talked about the constraints in terms of limited human and financial capital available to them, which might be negative to their further growth. As mentioned earlier, the three owner-managers had a low level of education – two of them only finished high school, whilst the remaining one did not complete high school. Due to this, they frequently mentioned directly or indirectly that they were constrained by their personal capabilities in the process of

further developing their firms. Moreover, whereas they could not offer an attractive working environment, convenient office location or attractive pay, it was hard to recruit talent with high qualifications. It was revealed in Feng's story, where he regarded the employee with Bachelor's degree as 'such a high degree.' Further, as a plethora of literature point out (see Akyüz et al., 2006), the micro businesses tend to substantially rely on the means of family financing, which might limit their further development as Rui related:

> I certainly have ambitions to grow my businesses, but as it says, 'ambitions are plump, while the reality is skeleton.' For example, I have been thinking about setting up four warehouses in four cities for our customer – Dulux, by this way, our firm can be upgraded to a new level, but we are constrained by the relevant financial input. Because the overall expenses will cost as high as a few hundred thousand every year. I have got a family to support, so I cannot take the risk to make such a big investment in it.

Despite the constraints, all three interviewees claim they are positively future-oriented and attend to co-evolution, though in slightly different ways: Feng had a positive prospect towards the future and will keep working hard at further development with his highly committed team by providing a good logistics service. Qing keenly perceived his firm growth was restricted by his low education and limiting financial resources. As such, he merged his firm with a large organization (X), where he acts as a deputy General Manager. He believed that he could co-evolve with X by learning substantially from its well-structured systems and enhancing his leadership, where he expected to get more benefits in the long run. The same view was also maintained by Rui, who began by recounting a number of stories about future-oriented co-evolution by ethically dealing with his customers:

> I follow good principles while managing the firm. For example, we set up a policy that we shall never steal customers' goods. Moreover, even when the customers forget their goods in our warehouse, we must return them. For example, once a customer forgot five sets of bathroom equipment worth of over RMB10,000. We had no idea about whom they belong to. We kept them for two months, waiting for the owner to collect them, but in vain. Then we re-examined the delivery receipts one by one, managed to identify its ownership at last, and returned them for free. There are many other similar cases. For another example, once more than RMB 7000 was paid to us by a customer as a surplus. The unnecessary payment had been signed by the customer and entered our account, but not realized by the payee at all. But I still return it to them proactively. Additionally, sometimes the suppliers may lose their receipts and forget to charge us. In this situation, other firms may deny the payment, but we always contact them proactively and make the payment in time.

When asked why he behaves like that, he added:

> There are two reasons. First, I value integrity, and take the ethical role modelling to practise this principle, wherein my employees can certainly make sense of it and feel I am a trustworthy boss. Second, I am future-oriented. I hope my businesses can develop in the long run rather than for a short term. If I am oriented at a short-term profit, it is certain not to foster my businesses in the long run. As the proverb says, 'the closest way to succeed is enacting integrity.'

The concept of 'future-oriented' manifests itself in the quoted stories, which refers to a co-evolution by enlisting a wide group of stakeholders, and values potential long-term business growth (Beaver and Jennings, 2005) rather than focuses on temporary financial earnings

Table 6.20 Firm growth in micro business

Firm	The catalyst for growth	Fostered by	Engage in Shi	Aimed at	Constrained by	Co-evolution
Zhenghong	Critical incidents	1. Self-motivated people; 2. Delivering quality service; 3. The networked reputation of word-of-mouth recommendations; 4. A coherent vision	Yes	Furthering family's benefits	1. Human and financial capital; 2. Low education	Yes
Shenhan						
Xiongrui						

(Source: Author's fieldwork)

Small business

This section interprets the results of firm growth related to the fourth objective. Table 6.21 provides an overview of growing-related dimensions emerging from the interviews, which will be elaborated in more detail below. First, all three owner-managers described how they capitalized on critical incidents as a catalyst for their business growth. For example, EXBOX was significantly influenced by an important government visit in 2012 as well as two cases of fund-raising. While reflecting the growth trajectory of EXBOX, Xue recounted that his firm began by having a couple of employees but experienced a rapid growth within 3 years:

> When EXBOX was initially established, there were only another two persons, one for the key technology and the other for marketing. Currently we have got around 100 employees. The first growth was instigated by the first incubation fund-raising in 2011, wherefrom the firm experienced some growth and was visited by Yu Zhengsheng, the previous Secretary of Shanghai Municipal Committee in 2012, who was very impressed by our project. After this visit, we began to receive substantial support from the government, so we experienced a leap growth. For example, we received funding of over RMB 1.5 million very soon after this visit, and half a year later, we had signed contracts so as to install our machines in more than one thousand venues in Shanghai.

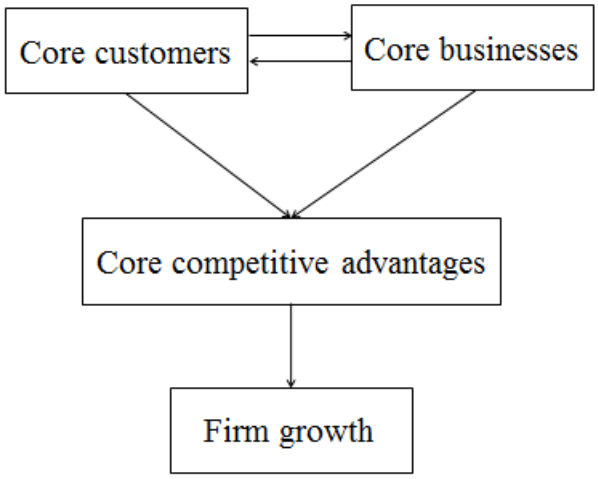
As to competitive advantages, all three firms share common grounds identified in four aspects: they have developed stickiness with a number of key customers so that they are in an advantageous position to negotiate a competitive pricing; they engage in knowledge sharing either internally or externally; their firms can offer high quality service because of high-level capabilities in operations; and their firms are fostered by a positive organizational culture. The role of organizational culture has been illustrated earlier, so this section will focus on the remaining three dimensions. Additionally, it is worth pointing out that the third dimension also involves key knowledge, which appears nuanced in three firms: in the case of EXBOX, it refers to key technology of the EXBOX machine, which remains in the leading place in China; as for Xinyingyuan and Dajin, the key knowledge resembles embodied knowledge (Blackler, 1995) which emphasizes the tacit knowing while serving the customers. The interplay between competitive advantages (particularly about customer stickiness) and firm growth is well illustrated in Yuan's narration:

> Our sales revenue was RMB 9.8 million in 2004, and reached RMB 50 million in 2009. Currently the sales revenue remains the same level, but the current RMB 50 million is dramatically different from the previous one. In 2009, it was easy for the customers to replace us. However, we have developed our core competitive advantages so that it is very difficult for them to replace us. Our firm feels very safe now, as we could obviously feel that we are in a very advantageous position

> while negotiating with customers about the pricing…Our customers are becoming more and more sticky to us. We feel our core competitive advantages are formed by our core businesses.

The message conveyed here is that firm growth cannot simply be quantified by financial numbers but qualified by competitive advantages such as the positive customer stickiness and core businesses, which fosters and enhances the possibility of growth in the long run (see Figure 6.2).

Figure 6.2 The interrelationship between competitive advantages and firm growth



(Source: Author)

Moreover, all three owner-managers emphasized the positive role of knowledge sharing (either internally or externally) in the process of facilitating their firm growth. Internally, they share and distribute knowledge through formal meetings or informal communications with their employees. Externally, they also share knowledge through open ways, for example, Xue recounted a story about how knowledge sharing helped to develop the stickiness of friendship:

> A few years ago, I helped a boss who ran businesses about making mooncake. At that time, he was a sub-contractor of Christine Bakery Chain Store and actually also of Hang Fa Lau[9]. As his brand was not recognized by the market, his products had to be sold at a low price so that it was hard to expand his businesses. I advised him, 'You should avoid the direct competition and have a try of making a kind of tiny moon-cakes.' He had a good thinking about it and followed my suggestion. Up to now, 80% of mooncakes in Shanghai are provided by him. This is an example of Trout's theory in practice – create a category, and try to be its No. 1. What EXBOX is doing is also like that … While I am very open to share my knowledge with others, I have made friends. Sometimes my knowledge

[9] Both of them are the leading mooncake suppliers in Shanghai.

> sharing has really helped others to make millions of profits, we also develop a stable relationship.

When being asked about any potential benefits by doing it, he illustrated it by offering another example:

> One of our biggest investors had invested a school. In terms of establishing a new school, the first enrolment tended to be its opening stage, whilst it was most challenging in the second one. I made great efforts to help him so that his students increased 5 times. By this way, his school could begin to operate smoothly. When I planned to establish this firm and approached him with my businesses proposal, he offered to make investment...

In the quoted two stories, Xue attempted to emphasize how to utilize knowledge sharing as an indirect way to boosting firm growth, as he suggested that 'if I share knowledge to help others, and if only they succeed, they will certainly help me too in the future.' In essence, the knowledge sharing is underpinned by co-evolution, where one's success is interrelated with others'.

With reference to the positive link between high-level operational capabilities and growth, all three owner-managers expressed that their firms had evolved idiosyncratic capabilities and tacit understandings (Hirschhorn, 1984) which could be tailored to the specific requirements of customers in the process of interacting with them. For example, Yuan regarded his organizational operation capabilities as high as 'management standards':

> Based on our previous warehousing operations, we have made numerous efforts to keep refining the operations management while responding to customers' requirements. Up to now, our service can satisfy the customers better in a more accurate and convenient way. In other words, our operations have formed a management standard. In the past, we mainly depended on selling our labour, but now our standards.

Underpinned the process of building up the 'standards' are interactive processes between Yuan's firm and the customer. The customer-sensitive services could help the customer's business development, in the meanwhile, Yuan's firm also evolves.

Regarding the third element of Shi, as stated earlier, all the interviewees suggested that they were closely attentive to Shi through engaging in it and enacting upon it in their leading. They attributed their firm growth to following Shi coherently and consistently.

While they were all keen to further expand their businesses, they appeared to be constrained by financial capital, particularly in the case of EXBOX, as Xue suggested: 'the firm heavily

depends on fund-raising to spread the products in geographic expansion'. Moreover, the remaining two firms are also restricted by the low-level human capital existing in logistics sector and private SMEs, as Yuan explained:

> We belong to private SMEs, which is an unchangeable fact. Those graduates from key universities will be certain not to join an enterprise like ours. Therefore, for the common positions, we can only recruit those with only two-year college or even below education background.

Whereas they are challenged by the constraints, it is noted that they all keep openness to make a compromise, where the constraints even turn out to be advantages. For example, Quan reflects the challenge from a key customer as discussed earlier, wherein he developed the sense that:

> Those requirements by the customer appeared very difficult in the beginning, but they could actually be achieved through continuous efforts…And in this process, we have improved our service quality and operation capabilities.

When talking about their plans or strategies, they express the same view of being future-oriented. For example, Feng shares his thoughts about EXBOX's future as follows:

> Our government has officially announced the proposal like building a Wisdom City, Internet Technology Economy and municipal public distribution systems. Our businesses model is in line with the concept of Wisdom City, so I feel it very probable for us to capitalize on this opportunity to develop our business from there. I believe we will have a bright future.

Alternatively, to put it differently, while talking about making profits, Yuan make a comparison between short-term and long-term profits as follows:

> Profits are a comparative concept - short-term or long-term. For example, supposing I will make profits for RMB10 ten years later, and for RMB 20 now, it seems that the current profits are bigger. But I prefer the previous one - RMB10 ten years later, as I attach more importance to the future.

In order to make his point clearer, he offered an example:

> For example, while serving a key customer, we always highlighted long-term rather than short-term profits, even though it meant decreasing our profit margins. On the contrary, our competitors wanted to maximize short-term profits through unethical behaviours. As a result, the customer cancelled the contract with them, and offered more business to us due to our good behaviour.

Yuan suggested that this incident indicated that it was correct to look into the future rather to be myopic. On the contrary, if one is preoccupied with one's own profits, it might not only lose one's own profits but also others'.

In short, the stories of the three small firms indicate that critical incidents act as an important role to instigate their business growth, which is then fostered by customer stickiness, knowledge sharing, high-level operation capabilities and conducive organizational culture evolving and embedded in the daily organizational routines. Furthermore, given the crucial role of Shi, it is important to engage in Shi while facilitating further development. While the small firms are constrained by financial capital and human capital, the owner-managers are still future-oriented, which is featured by a co-evolution with a wide group of stakeholders.

Table 6.21 Firm growth in small business

<table>
<tr><th>Firm</th><th>The catalyst for growth</th><th>Fostered by</th><th>Engage in Shi</th><th>Aimed at</th><th>Constrained by</th><th>Co-evolution</th></tr>
<tr><td>EXBOX</td><td rowspan="3">Critical incidents</td><td rowspan="3">1.Key customer stickiness
2.Knowledge sharing
3.High-level operations
4.Organizational culture</td><td rowspan="3">Yes</td><td rowspan="3">Further development</td><td>Financial capital</td><td rowspan="3">Yes</td></tr>
<tr><td>Xinyingyuan</td><td rowspan="2">Financial and human capital</td></tr>
<tr><td>Dajin</td></tr>
</table>

(Source: Author’s field work)

Medium business

To investigate the fourth objective of this thesis, this section presents the results related to firm growth in medium firms. It begins by reflecting the growth journey of medium businesses. Then it analyses five aspects related to firm growth, namely, the critical incidents that instigate growth, the competitive advantages that foster growth, the targeted aims, the constraining factors, and the concept of future-oriented co-evolution.

Given that all the firms had experienced phases of growth stages, the owner-managers were encouraged to retrospect their organizational 'growing' trajectory. It is notable that there was much in common in three firms (see Table 6.22). First, all the firms' growth was instigated by a critical incident: Grand was stimulated by Shanghai Expo in 2010, Manc began to grow rapidly after introducing a mentoring training programme in 2007, and Wins began to boom since introducing a strategic partner – Alibaba in 2012. For example, Shu reflected Grand's growth trajectory in this way:

> Our firm established in 2004, which developed steadily yet slowly before. In 2010, we managed to be one of the three cold chain service providers for the Shanghai World Expo… After that, our firm has been growing up rapidly. In the years of 2011, 2012 and 2013, the growth rate was above 50% on average.

Second, all three owner-managers emphatically elaborated on how their firms had developed competitive advantages over time, which had fostered and expected to continuously further their business growth from within. As noted, they shared similar views on competitive advantage, including such elements as 'stickiness' of key customers, a stable core management team, a powerful and positive learning organizational culture, established procedures and systems, and rich social capital. For example, Jun reflected how he had been aware of the importance of 'customer stickiness':

> We experienced losing key customers before. In China, the key customers heavily depend on 'guanxi (relationship)'. As the proverb goes, 'a new emperor brings his own courtiers.' In other words, once the GM or CEO is changed, their organizational suppliers are subject to change too… But the root cause lies in whether there is 'customer stickiness'. If not, it is very easy to be changed by the customer. Hence we have learned what we should do is to strengthen the 'stickiness' with our customers. Once the customer cannot go without you, then the situation is much improved.

Jun's experience helped him understand the importance to develop 'customer stickiness' as a competitive advantage. In the long run, as the customer was attached to the firm through 'stickiness,' he was able to foster the firm's growth within.

Similarly, a stable core management team, established procedures and systems, and powerful learning organizational culture can nurture delegation but also firm growth, as Shu put it:

> Once the organization is well-established and has established a strong organizational culture, the leader should delegate. Fostered by the positive culture, it means our team has developed a habit. At this stage, delegation enables the employees to pursue their own goals through self-motivation within, where the team and organizational goals are also realized.

This account is couched in the concept of co-evolution fostered by the positive organizational culture, defined with reference to pursuing personal goals, wherein organizational goals also evolve as a secondary development.

Moreover, all three owner-managers suggested their firms had developed key knowledge in their specific areas. For example, Shu recounted that as Grand had been consistently focusing on cold supply chain management (a sub-category of logistics) since its initial establishment:

> From the first day of our establishment, we have located ourselves in cold supply chain…we have been consistently focused on this area and developed key knowledge. So we are now moving to the point of 'leap' growth.

Reflected in a similar way, Qiang claimed that Wins boasted advanced IT knowledge through substantial and consistent inputs in this area:

> Although logistics belongs to a traditional sector, our business is particularly targeted at e-businesses…I always highlight the importance of IT and pay special attention to IT development…IT enables the firm to greatly enhance the service. We have built up quite a big IT team and invested substantially in IT R&D…We feel IT can enliven our firm and foster its further development.

In this narration, the link between IT technology and firm growth is evidently expressed by the words like 'enhance', 'enliven' and 'foster'.

In addition, all three owner-managers suggested that they had developed and accumulated advantageous social capital which could enlist a wide group of stakeholders and bring about co-evolution. For instance, given the immaturity of the logistics industry, Jun took an active role in spreading a model of Private Boarding Meeting (PBM) among logistics firms as well as associated with other industries in order to facilitate the development of the logistics industry:

> I have communicated with the owner-managers of SSLC and proposed spreading the model of PBM. The PBM is held on a small scale, inviting 12-14 experienced experts to visit a firm. After that, we will have in-depth talks with the relevant leader to collectively diagnose the problems of the firm…It is a social networking

> of our (logistics) industry which enables us to be well connected with each other. It will facilitate the development of our (logistics) industry and improve our management capabilities from the whole perspective.

In this account, Jun used 'we' and 'our' repetitively to betoken a wide group of stakeholders, not just himself, but the diagnosed firm as well as the whole logistics industry. When being asked about his motivation to do this, again he stressed: 'it can benefit our whole logistics industry.' While being further asked if there would be potential contributions to his own firm growth, he confirmed 'of course it can bring about benefits to my firm as secondary products.' In other words, while the logistics industry evolves, his firm evolves as well. This account is couched in the concept of co-evolution in practice.

As to the future, all three firms aim at geographic expansion to expand their businesses. However, the firms are constrained by the human capital available to them. It has been illustrated by Qiang's narration as discussed earlier, 'we are a service company, which is fully dependent upon human capital. But it is very challenging to find the right people.' This point is also picked up by Shu, who deems talent issue as at once 'the biggest challenge' and 'the main engine' to influence Grand's booming growth. In the case of Manc, as discussed earlier, Jun remains open to the constraints and hopes to resolve this challenge over time. As noted, all of them are unanimously future-oriented, namely, confident about potential high-speed growth. For example, Shu believed 'Grand will certainly maintain a high-speed growth at least over the upcoming three years' and Qiang suggested 'Wins almost doubles its growth rate per annum.' Put together, the three firms can 'compete in areas of strength' (Burns, 2011:313) so that they can grow consecutively and continuously.

Table 6.22 Firm growth in medium business

Firm	The catalyst for growth	Fostered by	Aimed at	Constrained by	Co-evolution
Grand	Critical incidents	1. Key customers 2. A core management team 3. Organizational culture 4. Set procedures and systems 5. Key knowledge 6. Advantageous social capital	Geographic expansion	Human resources	Yes
Manc					
Wins					

(Source: Author's fieldwork)

6.3.3 Analysis

The evidence from this study demonstrates that managing a growing business is subtly different (Smith and Miner, 1983), which is distinctively featured by ambiguity and fluidity compared with the well-established large business, and the owner-managers seem to have a lower management motivation than entrepreneurial motivation (ibid). Moreover, the length of business stage is associated with the growth rate within a specific industry (Greiner, 1972), and the managerial challenges dramatically differ between low-growth contexts and high-growth contexts (Prats et al., 2012), particularly in the unique context of China, where the unique 'socialist market economy' is even distinct from other communist countries (Pistrui et al., 2001).

In making sense of the constant flux and unpredictability (Jones et al., 2014) embedded in the growing SMEs, the overriding concern has been with what underpins and intertwines owner-managers' efforts to explore and exploit knowledge consistent with the institutional factors. As illustrated in Table 6.23, Phase 1 of this study has identified the high impact of Wu Wei from overall participants (n=103) and each business stage. The nine cases of Phase 2 further reveal that the interrelationship of leading, knowing, growing and Shi which highlights a Wu-Wei-cast practice of leading-knowing-growing in line with Shi, though the findings pinpoint slight nuances at the individual business stage. Insofar as micro businesses are particularly imbued and immersed with ambiguity and complexity, it is noted that the spirit of Wu Wei seems to be more important compared with the other two business stages that are better established.

While Wu Wei per se is a mind-set, or a 'spiritual leadership approach'(Korac-Kakabadse et al., 2002:168), the use of Wu Wei hereinafter shows how the owner-managers engage, enact and even relish this spirit in their everyday activities while managing growing SMEs. The intersected and interactive processes of leading, knowing and growing with which they are occupied, and which were discussed earlier, are less like the conventional linear life-cycle models (like Greiner, 1972; Churchill and Lewis, 1983; Scott and Bruce, 1987) or a normative and static model of change (Iszatt-White and Saunders, 2014), but more like an attempt to flexibly flow with the reality of change. The narratives collected and interpreted in this study are intimately related to and underpinned by the three dimensions of Wu Wei, which represent accounts of how the owner-managers effectively explore and expand the repertoire of knowing by keeping openness (genuine Wu Wei), strategically exploiting knowing in their

everyday leading (You Wei), and exploring and exploiting Shi (genuine Wu Wei and You Wei) while truly fostering, promoting and maximizing the possibilities of a projected growing and sustainable success (Wu Bu Wei). Each SME case embodies two or three Wu Wei elements that are subtly interwoven and mutually reinforcing. Given Wu Wei is highly valued as 'an Occam's Razor in an Oriental version' (Needham, 1969:429), Daoist leadership has been explored (see Chen et al., 2008; Dimosvski et al., 2013; Prince, 2005), but there still lacks a systematic empirical examination to explore the role of Wu Wei identified as the three elements (genuine Wu Wei, You Wei and Wu Bu Wei) in Chinese SMEs, which will be discussed below.

Table 6.23 The impact of Wu Wei

Phase 1			Phase 2				
Overall (n=103)	Business stage (n=89)		Individual case				
			Interviewee	Impact in individual case	The detailed dimensions of the impact		
					Open-mindedness (Genuine Wu Wei)	Strategic enacting (You Wei)	Becoming (Wu Bu Wei)
High	Micro (n=22)	High	Feng	High	High	High	High
			Qing	Very high	Very high	High	High
			Rui	High	High	High	High
	Small (n=41)	High	Xue	High	Very high	High	High
			Yuan	Moderate	High	Moderate	High
			Quan	High	High	High	Moderate
	Medium (n=26)	High	Shu	Moderate	High	High	High
			Jun	High	High	High	High
			Qiang	High	High	Moderate	High

(Source: Author) (Note: Following a 5-point Likert Scale, ‘very low’ is coded with 1 and ‘very high’ coded with 5)

Genuine Wu Wei: Wu Wei as open-minded exploring

While the importance of knowledge was significant for research participants, this research further reveals that the construct of 'knowledge leadership' (Skyrme, 2000; Viitala, 2004) cannot fully delineate the complex interaction and intra-action between leadership and knowledge in growing SMEs, which might be better appreciated by the process-oriented perspective of leading and knowing. While understanding the dynamic and dyadic processes of leading and knowing, this research turns to the heart of Laozi's teachings - Wu Wei, because his abiding concern is with how the Sage (the leaders) can be powerful and becoming through practising inherent openness (Wu Wei), rather than a framed mind-set.

All the narratives explicated earlier suggest a rich account of practising the genuine Wu Wei while exploring knowing. In particular, first, while being challenged by the constraints like limited human and financial resources beset with SMEs, the owner-managers are concerned with practising inherent openness to foster positive energy, engaging with the industrial competition, and accepting the negative part of government policies. This positive mind-set also nurtures and directs the owner-managers to effect sensemaking even when they are challenged by disruptive breakdown (Patriotta, 2003), such as the emerging critical incident of Deputy General Manager's sudden resignation in Quan's case.

Furthermore, an open mind-set enables the owner-managers to effectively engage in change and to be highly sensitive to the elusive Shi. Awareness of Shi could help to develop a competitive advantage for the owner-managers and their firms, and serve as a heuristic tool to explore and expand projected business opportunities or abandon some businesses that are opposed to Shi. For example, Qiang's firm gave up Direct Mail Advertising business as it was deemed as against Shi - 'its marketing share was decreasing and not promising in the future.' Alternatively, the knowledge of Shì can be explored, transformed and actualized as Shí (business opportunities). For example, Xue believes his firm could explore Shì of Shanghai Wisdom City and exploit it as Shí. Lastly, given the 'idiosyncrasies' of SME leadership in China (Wang et al., 2012), the mere adaptation or 'conceptual formalization' (p.18) cannot fully and effectively attend to the 'unthought and unthinkable' aspect (Chia, 2010:115) or 'unknowable uncertainties' in the reality (Chow and Sarin, 2002), as 'a particular disposition loses its potentiality when it comes inflexible (or static)' (Jullien, 1999:33). In light of this, research participants explore learning through wide-ranging

conduits as discussed in objective 1. The findings indicate that the owner-managers tend to follow Laozi's approach by emptying themselves as a new-born baby, which echoes the previous findings like 'inverse learning' (Grint, 2005), 'learning to learn' (Bateson, 1972), learning by 'unlearning' (Antonacopoulou, 2004, 2009) or 'learning to unlearn' (Chia and Holt, 2007:506).

This study reveals that an open mind-set underpins the exploring process, which enables the SME owner-managers to foster positive psychology (Peterson, 2009), engage in Shi, and broaden their ways of learning and sensemaking by welcoming new ideas. Put together, these findings suggest that the elements of dynamic capabilities evolve in parallel with the process of exploring knowing/knowledge.

You Wei: Wu Wei as strategic exploiting

The stories told by the owner-managers suggest that Wu Wei fosters and facilitates a spontaneous 'shift' (Jullien, 2004) between exploring and exploiting, or between the sandwiched (Gosling and Mintzberg, 2003) tension between learning and sensemaking in action. In this regard, strategic exploiting (You Wei) works as an extension to genuine Wu Wei in the following three dimensions.

First, the narratives indicate that their leadership is less autocratic but more democratic. Particularly in the context of micro businesses, the owner-managers stress delegation and empowering by adopting flat management and role modelling. Insofar as they treat the employees as 'brothers and sisters', the firms are operated like a family, wherein the relationship between the leader and the followers is as intimate as 'fish and water.' In the more formalized small and businesses, they appear to adopt delegation and a soft approach in terms of people management in order to cultivate and motivate staff within. Moreover, openness also plays a crucial role in the process of exploiting knowing, such as continuously sensemaking and people management. For example, Feng follows his 'intuition' in the process of leading, and Qing describes his leadership style as 'a free flowing' and takes actions 'ad hoc'. Likewise, Jun emphasizes his openness in terms of managing people by 'letting the wild grass grows naturally'.

Second, the strategic exploiting is nested in the ways in which the owner-managers make sense of and cope with emerging critical incidents, such as acquiring key customers, a significant capital raising, an important government visit, moving to a new premise,

establishing a joint relationship or strategic partnership, Shanghai Expo, and introducing a mentor training programme into the firm.

Moreover, to foster and facilitate long-term business success, the stories told by the owner-managers suggest it is imperative to adopt strategizing based on exploring the particular and idiosyncratic situations of their business and exploiting the conditioning 'propensity'. By exploiting Shi that emanate from the 'particular deployment or arrangement of things'(Jullien, 1999:15) in the logistics business settings of China, Shi can be directed, worked and maximized to the firm's advantage. For example, in the case of EXBOX, the entrepreneur (Xue) has strategically exploited the government's visit as discussed in Chapter 6, thereafter it has been advantageously supported by the government, which even exceeded his expectation. Henceforth, he began to pay close attention to the Shi embedded in government policies, which further unfold to him. In this process, he maximized the benefits of government policies (Shi) to the firm. As suggested by Pettigrew (1997), human conduct is incessantly in a process of becoming, in that the predominating aim of the process analysis is to 'catch reality in flight' (p.33). Linking to the notion of Shi, it might suggest that the culmination of analysis aims to catch the elusive Shi.

By strategically attending to delegation and a soft approach in people management, sensemaking from critical incidents and strategizing consistent with Shi, owner-managers and their firms co-evolve the capabilities of exploiting, which is not only about exploring and exploiting knowledge/knowing (March, 1991), but more about expanding potentiality, about 'what it may become' and 'how things could be different' (Tsoukas and Mylonopoulos, 2004:5), alternatively, about becoming.

Wu Bu Wei: Wu Wei as becoming

In a striking contrast to the traditionally western minds which are 'always in danger of becoming mired' (Jullien, 1999:13), this research reveals a Daoist perspective of leading, knowing and growing, which is distinctively featured by becoming (see Table 6.24). First, the quantitative research confirms the tendency of being more future-oriented as it shows both leadership and knowledge are more associated with the firm's prospective growth rather than the past growth. Moreover, from the accounts of the qualitative interviews, it is commonly held by the owner-managers that growth is more like ongoing processes, potentialities developing and co-evolution.

First, the findings suggest the owner-managers tend to shift their attention from being attached to the telos, the priori goal to engage in 'the actual processes in motion' (Jullien, 1999:17). It refers to ongoing micro-processes of exploring and exploiting. Alternatively, while keeping non-attachment to growth, growing evolves as a secondary development, as it is embedded in the everydayness of leading and knowing consistent with Shi. Take an example of Qing about how he successfully developed DHL as one of his key customers. He focused on providing the best service to DHL rather than how to develop it as a customer. The actual process per se fosters a spontaneous growing in his firm, as DHL proactively offered to be his customer.

Second, the Wu Wei perspective stresses developing competitive advantages in that the firm's potential is increasing, like enhancing knowledge stickiness by developing key knowledge in the industry, improving high-level operational capabilities, refining customer management, nurturing a core management team, fostering an organizational learning culture by promoting knowledge sharing, transforming wide-ranging social capital, and improving customer stickiness. For example, the majority of the owner-managers stress their organizational advantage by establishing 'customer stickiness', which accords with the 'strong ties' in social network literature (Jones et al., 2014:71). As such, the 'efficacy' evolves in the process, where the firm develops its potentiality for growth. It is conceptualized as 'growth becoming' in this study.

The value of using a Wu Wei perspective to understand SME growth is to show that it cannot be realized through an either-or logic, as stressed in the previous literature about exploring and exploiting (Jansen et al., 2009; Farjoun, 2010; Smith and Lewis, 2011), but should attend to a both-and mind-set as discussed in Chapter 2 in order to enhance exploring and exploiting which is characteristic of dynamic capabilities. With this regard, it proposes a construct of co-evolution, which is embedded in the leading, knowing, and growing, and engaged and enlisted by the entrepreneur, the firm and Shi.

Essentially, by adopting a Wu Wei perspective, this study constructs entrepreneurial growth as a future-oriented co-evolution, which elevates it from a myopia focus on a short-term quantified growth to truly promoting, expands it from focusing on the singular firm growth to a wide group of stakeholders by following Shi and fostering long-term possibilities and sustainable success in the future. It is less about growth, but more about growing, becoming and efficacy – and that is Laozi's Wu Bu Wei.

Table 6.24 A Wu Wei perspective of growing

Business stage	Growth as becoming (Wu Bu Wei)		
	Ongoing process of developing competitive advantages	**Co-evolving with Shi**	**Future-oriented**
Micro	1.Self-motivated people; 2.Delivering quality service; 3.The networked reputation by word-of-mouth recommendations; 4.A coherent vision	Yes	Yes
Small	1.Key customer stickiness 2.Knowledge sharing 3.High-level operations 4.Organizational culture	Yes	Yes
Medium	1.Key customer stickiness 2.A core management team 3.A learning and positive organizational culture 4.Set procedures and systems 5.Developed key knowledge 6.Advantageous social capital	Yes	Yes

(Source: Author)

CHAPTER 7 DISCUSSION AND CONCLUSION

7.1 Introduction

This final chapter summarizes the four research objectives to emphasize the findings of this study, which are encapsulated in two Wu Wei models. It then reflects on the main contributions of this study and discusses the research limitations and implications for future studies in this area.

7.2 Summary and main findings

This section first begins by summarizing the findings related to the four research objectives. Building upon that, it illustrates two Wu Wei models.

7.2.1 Main findings

This thesis sets out to investigate how the owner-managers of Chinese SMEs explore and exploit knowledge to grow their businesses. The findings are illustrated in Table 7.1, which is based on four research objectives of this thesis.

First, regarding the first objective about how the owner-managers of Chinese SMEs explore knowledge, this study indicates there are some commonalities among the nine accounts of SMEs as well as nuances at each business stage. Specifically, first, the findings reveal that it is crucial for the owner-managers to be open to explore complex knowledge/knowing, which should not be understood as a static concept of 'knowledge leadership' (Skyrme, 2000; Viitala, 2004). Rather, it refers to a dynamic process of leading-and-knowing. Second, the findings reveal that the owner-managers tend to adopt wide-ranging ways (such as critical incidents, past work experience, individuals or employees, formal education, reading, and entrepreneurial culture of hometown) to explore knowledge by learning. In particular, the SME owner-managers are oriented towards the horizontal way of learning and sensemaking (particularly by critical incidents and reading) to explore knowledge/knowing. They are instigated to reflect upon the complexity and multiplicity through critical incidents, which might be termed as a learning-by-doing process (Cope and Watts, 2000). Moreover, reading is repeatedly stressed by the SME owner-managers as a significant way to explore knowledge/knowing, which is not only demonstrated in their talks but also in visual representations such as their office settings. However, they argue that it helps to enhance their

located skills (Tosoukas and Chia, 2002) or tacit knowing rather than directly provide universally established or codified explicit knowledge or principles (Dimovski et al., 2013). While endorsing the positive role of education, experience and expertise (like Bood, 1998; Gray, 2002; Jones et al., 2014), this study further indicates that the owner-managers employs IT technology to make sense of Shi (the propensity of things) in logistics sector, to be sensitive and adaptive to the changing context (Nicholls-Nixon et al., 2000) and to develop dynamic capabilities (Bowman and Ambrosini, 2003; Zahra et al., 2006). Third, the findings indicate that the small and medium business shares more common ground compared with micro business. The role of tacit knowledge and explicit knowledge varies at SMEs. Since the owner-managers of small and medium business are better educated than those of micro businesses, the former ones are oriented at developing tacit knowledge from critical incidents which emerged in their leadership practice, alternatively, they weighs towards exploring 'knowing how' (Ryle, 1949) or managerial knowledge (Curran and Small Business Research Trust, 1986; Gray and Stanworth, 1991). Differently, the owner-managers of micro business in this study lack of good education, for whom both explicit and tacit knowledge are important, which includes 'knowing about something', 'knowledge of something' (Mylonopoulos, 2004), 'knowing that' and 'knowing how' (Ryle, 1949). Last, the ways of exploring knowing in small and medium business seem to be more multiple-channelled than in micro business, which alludes to a co-evolving process of knowing-exploring and business-growing.

As for the second objective about how the owner-managers exploit knowledge, this study indicates some commonalities among the nine accounts of SMEs as well as nuances at each business stage. First, given the complexity and fluidity of growing SMEs, this study shows that it is not simply about how the owner-managers apply knowledge (Penrose, 1959) or create knowledge through a synthesizing process (Nonaka and Toyama, 2003), which fails to fully capture the dynamic elements of knowledge embedded in SMEs. Rather, it is more like a dynamic process of leading, knowing and sensemaking in practice, where the owner-managers are open to exploit new ideas and bring about changes. Second, it reveals that human capital is crucial to the development of SMEs (Kotey and Slade, 2005; Sels et al., 2006), and the growing process is juxtaposed with the formalizing process of people management from micro, small to medium. The complexity of the changing nature embedded in managing growing business cannot be oversimplified by any growth model (like Churchill

and Lewis, 1983; Greiner, 1972, Scott and Bruce, 1987). Third, given the changing reality (Tsoukas and Chia, 2002), this study demonstrates that it is critical to engage in individual and collective sensemaking by fostering a learning culture (like encouraging training and fostering knowledge sharing) within SMEs such that the firms can be in line with the flow (M.R.A.S., 1913) or closely associated with change (Grint, 2005). Given that Chinese people tend to be attached to aesthetic representations (Nie et al., 2009) that boast the distinctive power in cognition and in memory (Anderson, 1980; Tversky, 1974), this study reveals a distinctive feature of Chinese SMEs, where the owner-managers tend to make use of visual representation as a tool of sensegiving that fosters the flow of knowledge/knowing between individuals and organizations. Fourth, while each business stage differs from the other, the findings at large indicate that the small and medium business seems to share more commonalities compared with micro business. Last, the process of growing is parallel with the process of delegation and empowering by establishing organizational structures and systems, where the owner-managers need to evolve 'a distinct form of leadership' (Kempster and Cope, 2010:14) to accommodate the growth needs. As the business grows, the role of owner-managers evolves from a knowledge generalist, knowledge supervisor to knowledge mentor in micro, small and medium business respectively.

As to the third objective about the impact of institutional factors on leadership and knowledge, this study also reveals some commonalities and variances at the three business stages. First, the study shows that Chinese government policies are subject to change (Zhu et al., 2012) and given that the logistics sector is underdeveloped and closely linked to other industries, the Shi embedded in logistics sector also keeps changing. It is critical for the owner-managers to keep openness and adopt a both-and logic (Clarke et al., 2014) while coping with the change (McCausland, 2008) and the complex situation (Scobell and Wortzel, 2005) - this is crucial for firm growth (Nicholls-Nixon et al., 2000). Second, this study shows that the increasing competition in the Chinese logistics sector (Poutziouris, 2002) and the fluidity of government policy (Zhu et al., 2012) exert a moderate-high or moderate impact on leadership. However, as SMEs are highly sensitive to the changing propensity and external contexts (Hill and Stewart, 2000), this study demonstrates that the role of Shi in China is powerful and conditioning, which has a strong impact on SME growth. Third, this study finds that micro firms seem to be less influenced by the industrial competition and government policy, which tends to exert more influence on small and medium ones. Likewise, given the constraints in terms of size and resources (Acs and Audretsch, 1988; Rothwell and Dodgson,

1993; Taymaz and Üçdoğruk, 2009), the owner-managers of micro firms are oriented towards focusing on their own business rather than the industrial competition or government policy, while the owner-managers of small and medium business tend to be more sensitive to the institutional changes. This finding is related to the next one, that is, the owner-managers of small and medium business appear more open to embrace the industrial competition. As for government policy, the findings are multi-dimensional: Some owner-managers explore and exploit business opportunities from the government policy while the others tend to regard the underdeveloped government policies and mechanisms (Poutziouris et al., 2002) as constraints.

Lastly，the fourth objective surrounds the role of Wu Wei associated with leadership, knowledge and growth in SMEs. There are two major findings in this study. First, this study demonstrates that the spirit of Wu Wei is embedded in the dynamic interrelationship between leadership, knowledge and growth of SME firms, which is indicative of a Wu-Wei-cast practice of leading-knowing-growing in line with Shi. It pinpoints slight variance at the three stages, where the spirit of Wu Wei seems to be more visible in the context of micro firms compared with the better-established small and medium ones. Furthermore, it shows that the 'idiosyncrasies' of SME leadership in China (Wang et al., 2012) makes it ineffable to be simply adapted to or accept the explicit 'conceptual formalization' (p.18) (Chia, 2010:115). Rather, it requires the owner-managers to follow Wu Wei to unlearn so as to improve the possibility of engaging in 'a particular disposition' of Shi (Jullien, 1999:33). Second, this study illustrates that the essence of Wu Wei is identified as three dimensions: Wu Wei as effectively exploring knowing by keeping openness (genuine Wu Wei), Wu Wei as strategically exploiting knowing (You Wei), and Wu Wei as spontaneously fostering and maximizing the possibilities of growing consistent with Shi (Wu Bu Wei). The findings related to Wu Wei will be further elaborated on by two Wu Wei models in the next section.

Table 7.1 Research objectives and main findings

Objective	**Findings**
Objective 1: To examine the ways in which owner-managers of Chinese SMEs explore knowledge over time.	1. It is critical for the owner-managers to keep openness to explore knowledge/knowing, which is more like a dynamic process of leading-and-knowing rather than a static concept of 'knowledge leadership' (Skyrme, 2000; Viitala, 2004); 2. The owner-managers tend to adopt multiple ways to explore knowledge identified as learning and sensemaking, particularly instigated by critical incidents reading. 3. Compared with micro business, small and medium business seems to share more resemblance; 4. Tacit knowledge appears more important for owner-managers of small and medium business, while both tacit and explicit knowledge are important for those of micro business; 5. The owner-managers of small and medium business tend to adopt a larger variety of ways to explore knowledge/knowing than those of micro business.
Objective 2: To investigate how owner-managers of Chinese SMEs exploit knowledge in everyday leadership practice.	1.Exploiting knowledge is more like a dynamic process of leading, knowing and sensemaking in practice underpinned by openness; 2.The employees are central to the firm growth and it is a formalizing process of people management in the process of growing businesses from micro, small to medium； 3. It is critical to foster a learning culture, and the owner-managers tend to make use of visual representation as a tool of sensegiving while disseminating and expanding their personal and organizational knowing. 4. Compared with micro business, small and medium business seems to share more resemblance; 5. The owner-manager act as a knowledge generalist, knowledge supervisor and knowledge mentor in micro, small and medium business respectively.

Objective 3: To identify how institutional factors influence leadership associated with knowledge in the context of fast-growing SMEs.	1. The government policy and Shi keep changing, which requires the owner-managers to adopt openness so as to be adaptive to the environments; 2. The impact of Shi is strong and closely associated with firm growth; 3. The influence of industrial competition and government polices descends from medium, small to micro, likewise, the relevant attention paid by the owner-managers also descends; 4. There are deviating voices reflecting the pro and cons in terms of the influence of government policy.
Objective 4: To explore the interplay between leadership and knowledge in the spirit of Wu Wei in the process of growing SMEs (micro, small and medium) in China.	1. The interaction of leadership, knowledge and growth is underpinned by Wu Wei, which is indicative of a Wu-Wei-cast practice of leading-knowing-growing in line with Shi; 2. The spirit of Wu Wei are identified as three dimensions: Effectively exploring knowing by keeping openness (genuine Wu Wei), strategically exploiting knowing (You Wei), and spontaneously fostering and maximizing the possibilities of growing (Wu Bu Wei).

(Source: Author)

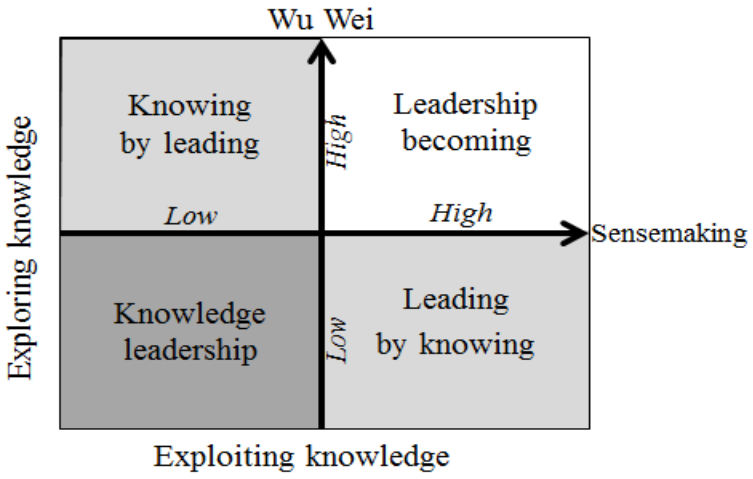
7.2.2 Wu Wei models of leading, knowing and growing in Chinese SMEs

The subtle interaction of leading and knowing embedded in the growing SMEs can only be perceived, unfolded, engaged, dissolved and integrated through an open-minded dialogue among the leader, the firm and Shi, where sensemaking is informed by Shi and functions as a 'spontaneous shift' between the dyadic exploring and exploiting processes. The findings from phase 1 and 2 mutually reinforce that this negotiating process could be examined and enlightened by Wu Wei, which underpins the macro and micro processes. It is with SMEs that the connection between the spirit of Wu Wei and the co-flow of leading, knowing and growing is at the heart and most apparent, which can be encapsulated in the two Wu Wei models as shown in Figure 7.1 and Figure 7.2.

First, as illustrated in the Wu Wei model of leadership becoming (see Figure 7.1), while the concept of knowledge leadership (Skyrme, 2000; Viitala, 2004) stresses the important link between knowledge and leadership, it is shadowed by its static stance such that it is hard to be in tune with the fluidity of growing SMEs. It animates the role of continuously exploring and exploiting knowledge/knowing in practice. However, as discussed in Chapter 2, it arguably leads to two tensions between exploring/exploration and exploiting/exploitation. First, Tension 1: Knowing by leading. This refers to the cases where a firm over-engages in exploring knowledge, which might bring about 'too many underdeveloped new ideas' but 'too little distinctive competence' (March, 1991:71). In other words, a firm weighs towards exploring new ideas in the spirit of 'high' Wu Wei, but sensemaking is underplayed at a 'low' level. Second, Tension 2: Leading by knowing. This refers to the cases where a firm excessively engages in exploiting knowledge such that it might be 'trapped in suboptimal stable equilibria' (March, 1991:71). In other words, while a firm emphasizes a high-level of sensemaking, it pays scant attention to further exploring new knowledge where Wu Wei works at a 'low' level.

To resolve this tension, this study proposes that leaders should enact a high-level of Wu Wei to explore knowledge, coupled by a high-level of sensemaking in everyday practice. Alternatively, the balance of exploring knowledge and exploiting knowledge could be nurtured by a Wu-Wei sensemaking approach, where the role of leadership enables the firm to maximize its potentiality of growth. That is comprehended as how a Wu Wei perspective of leadership becoming works in SMEs.

Figure 7.1 A Wu Wei model of leadership becoming

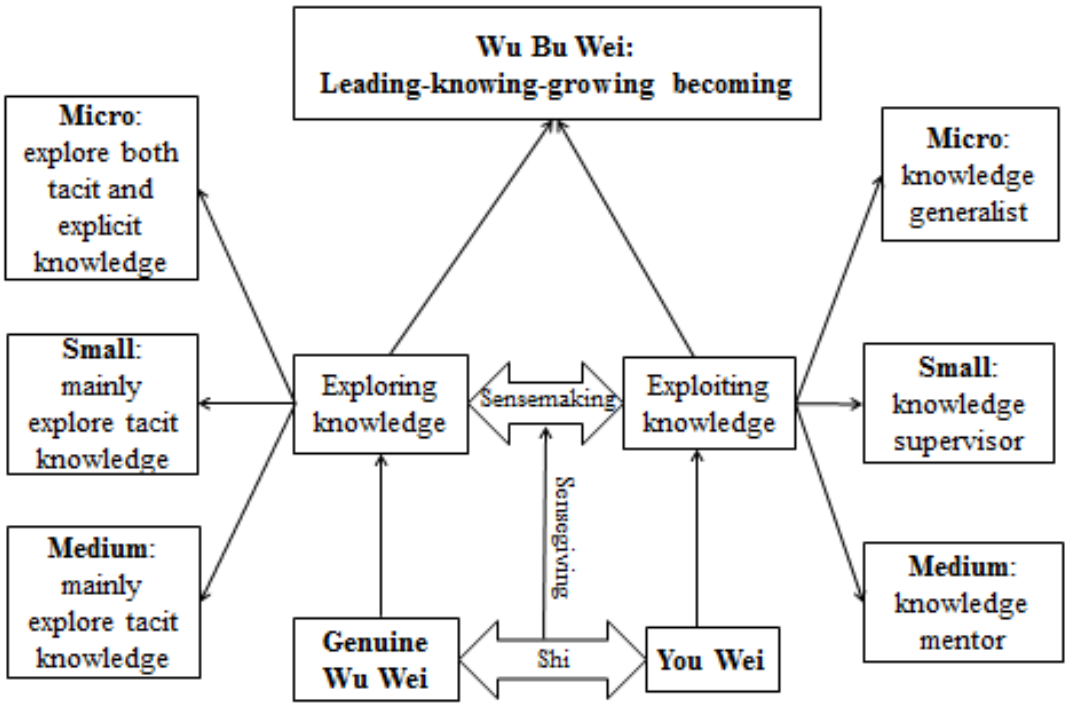


(Source: Author)

Furthermore, configured in Chinese SMEs, the essence and efficacy of practising Wu Wei might be portrayed as 'uselessly useful' (Quan) and the process of growing SMEs is akin to the detached process of poem-writing: 'while a poet intends to write a good poem, he should be detached from the poem per se but look beyond' (Quan). This is exactly how Wu Wei works in practice. As encapsulated in Figure 7.2, whilst enacting genuine Wu Wei and You Wei, leaders are intimately attuned to Shi which functions as a sensegiving tool about the propensity of things in the macro institutions. The process of exploring knowing is underpinned by keeping inherent openness (genuine Wu Wei), because only 'non-purposively-grown willow' can turn out to be 'woody'. As to the process of exploiting knowing, it represents Laozi's You Wei, which means enacting people management, (re)structuring, strategizing and organizational culture in a strategic and natural way (Ma and Tsui, 2015) but rather forcing things 'prematurely' (The Shrine of Wisdom, 1960:20). The paired processes of exploring and exploiting knowledge are intersected by constant sensemaking, which draws heuristics from the sensegiving source of Shi. With respect to exploring knowledge, both tacit and explicit knowledge are important for the leaders of micro firms, while tacit knowledge seems more important for leaders of small and medium ones. In terms of exploiting knowledge, the role of leaders at micro, small and medium firms can be termed as knowledge generalist, knowledge supervisor and knowledge mentor consistent with their specific organizational settings. By keeping inherent openness towards the ongoing micro-processes of exploring (genuine Wu Wei) and exploiting (You Wei) knowledge, ultimate goals (efficacy of leading, knowing and growing) may arise from 'such openness' as 'transformative meaning' (Wu Bu Wei) (Holt and Cornelissen, 2014:527). The elevating

process from Wu Wei and You Wei to Wu Bu Wei is conceptualized as a Wu Wei perspective of leading, knowing and growing in Chinese SMEs.

Figure 7.2 A Wu Wei model of leading, knowing and growing



(Source: Author)

7.3 Contributions to knowledge

This study is built upon four strands of theories, namely, leadership, knowledge, growth, Wu Wei as well as Shi, to address the research aims and objectives. As discussed in Chapter 2 and 3, notwithstanding their importance, these bodies of knowledge have not yet been integrated in the existing literature, which represents the originality of this study. Thus this thesis makes two main contributions to literature as well as provides some insights in terms of methodology and practice.

In terms of contributions to literature, by introducing Chinese indigenous Daoist philosophy (mainly Wu Wei and Shi), this thesis makes major contributions by providing a distinctive perspective to reconcile the tension related to the concepts of exploration versus exploitation, and investigate the link between leadership, knowledge and growth in Chinese SMEs. First,

as illustrated in the first Wu Wei model, this thesis resolves the dynamics between exploration and exploitation by conceptualizing a Wu Wei model of leadership becoming in Chinese SMEs. While the concepts of exploration and exploitation have stimulated a wave seeking to resolve their tension or dilemma since the appearance, there remains a lack of in-depth empirical investigation with the link to leadership in SMEs, particularly in the context of the rapidly growing China. This is a major oversight because China has become the world's second-largest economy as well as an important engine of growth for East Asian region, wherein SMEs serve as a driving force (Byrd and Lin, 1990; Li, 2003; Li and Matlay, 2006) and make valuable contributions to the dynamism of the Chinese economy and social development (Krug, 2004). Therefore the investigation of Chinese SME growth does not only make contributions to China, but also to East Asian region as well as other geographic contexts around the world. More importantly, this thesis adds to the understanding of the association between leadership, knowledge and growth, which is conceptualized as entwined and dynamic processes of leading, knowing and growing in practice as illustrated in the second Wu Wei model. While the enduring value of Wu Wei is regarded as the core principle of Daoist philosophy (Xing and Sims, 2011), this study constructs Wu Wei as three dimensions – openness (genuine Wu Wei), strategic exploiting (You Wei) and becoming (Wu Bu Wei), and operationalizes it through in-depth, systematic and empirical work in the three business stages (micro, small and medium). Given 'the pervasiveness of change' (Tsoukas and Chia, 2002) in the world, 'practising and knowing are co-constitutive' (Maclntosh et al., 2012:1), where we can only act 'coherently' in the world (Tsoukas and Chia, 2002:567). Thereby the role of leadership associated with knowledge cannot simply be deemed as creating (Nonaka et al., 2000), acquiring or applying knowledge (Penrose, 1959) sequentially (Greiner, 1972, 1998) or concurrently (Macpherson, 2005) at each business stage. Rather, this study provides an alternative understanding about how the owner-managers explore and exploit knowledge/knowing by practising Wu Wei in the process of growing SMEs, which is reframed as a co-flow and co-evolution of leading, knowing and growing.

In addition, this thesis extends the techniques of visual representations by offering an empirical examination in the Chinese SME context. Visual representations enable the otherwise invisible identity to be visualized and the enduring (Nelson and Peebles, 1991; Xing and Sims, 2011) but esoteric (Girardot, 1988; Bostrom, 2005) Daoist elements to be explicit. Lastly, as discussed in Chapter 4, this study is exclusively focused on a sole industry,

which helps to avoid the problems such as variation of growth rate within the industry (Greiner, 1972) arising from looking across sectors (Davidsson et al., 2007).

Last, this thesis also offers insights to practice. Traditionally, leadership research weighs heavily towards large organizations in developed economies, whereas this study looks beyond this narrow lens (Chia, 2010) by conducting an empirical investigation in the emerging economy of Chinese SMEs (micro, small and medium). This thesis might shed light on how practitioners grow their SME businesses by evolving the subtle changing nature of leadership capabilities. Given that politicians and policy-makers retain a strong interest in the topic of small firm growth (Wright and Stigliani, 2013), this study also offers useful insights to them about how to support SME growth. For example, given the importance of learning and sensemaking, policy makers can establish learning systems or programmes for owner-managers so as to create healthy conditions for fostering business start-ups or facilitating SME growth (Huggins and Williams, 2009) by 'nurturing an enterprising culture' (Vorley and Williams, 2015: 2).

7.4 Research limitations

It is recognised that even well-designed research can have limitations. Here, a number of limitations are identified based on three main dimensions: research design, literature and methodology.

First, research design limitations refer to the challenges for the researcher to generate a rich, reliable and robust dataset, which involves three aspects in this study, namely, quantitative design, qualitative design and spatial limitation. Specifically, with regard to the limitation in the quantitative design, the study suggests that it is challenging to collect original survey data, which appears to be slow, time-consuming and has a low response rate, because researchers tend to 'not have bargaining power in negotiating research access with business organizations', where the support for conducting social science research such as surveys remains undeveloped to date (Cooke, 2002:23). Due to the reluctance of SMEs to participate in academic research in China (Heneman et al., 2000), it appears to be too early to conduct quantitative research in China on the developing logistics industry, although this should be an aspiration moving forwards. As to the limitations in the qualitative design, due to time limits, the cohort of nine interviewees is entirely limited to male owner-managers. Therefore, it is subject to validating if the findings of this study can be applied in case settings which include

both female and male participants. In terms of spatial limitation, as discussed in Chapter 4, personal relationships are highly important for conducting research in China, and it is difficult to collect data without good connections (Ding et al., 2006; Zheng et al., 2006; Cunningham and Rowley, 2008). As I am originally from Shanghai where I had research access, this research is exclusively focused on this area. However, as the Shanghai area is internationalized and developed, it might not be representative of the wider business settings in China, like the less developing and open north-west areas. As stated in Chapter 3, China is a large and complicated country with various cultures located in a wide-range of areas. The regional factors may result in nuances or diversity of research findings because of the context-specific business settings, local government policies and education levels of the leaders. Due to the constraints of time and cost, a multiplicity of samples from wider settings have not been accessed in this research, although they could help to offer a more comprehensive and in-depth analysis of SMEs beyond the Shanghai region. Therefore the generalization of the outcomes in this study remains to be tested in future research in other areas of China.

Second, the literature limitations refer to the theoretical literature related to this study. There are a plethora of literature well-documenting extensive exploration in terms of leadership (see Northouse, 2004; Grint, 2005) and knowledge (see Nonaka and Takeuchi, 1995). Due to time and space constraints within a Ph.D thesis, I can only endeavour to selectively review the literature related to this study and arguably in the process overlook some scholarship that might enrich this research. The other limitation is related to the Wu Wei concept. For example, there are so many translations about Wu Wei that it has not yet reached a consensus. Furthermore, there is little literature that discusses the association between leadership, knowledge and SME growth through empirical work. Therefore, the literature was limited in terms of informing this study, which offers an opportunity for me to make an important contribution to this body of work.

Lastly, the methodological limitations are associated with the settings of the research objectives into practice, such as time and financial constraints, the sample size and the methodology. On the one hand, while the logistics service industry plays a crucial role in Shanghai as well as in China, the sample is solely focused on one industry, thereby the findings derived from this developing industry remains to be tested in other more developed industries like manufacturing. On the other hand, given that all the participants had a low proficiency of English, the research data were collected in the Chinese language, therefore

there may involve meaning loss or non-equivalence in the process of translation, including translating the questionnaire from English to Chinese and the transcripts from Chinese to English. While acknowledging the inevitable subjectivity in the process of translation, I have adopted a rigorous approach to guarantee its utmost accuracy by repetitively reading, reviewing and refining as well as seeking consultancy from Chinese colleagues. Additionally, I developed an appropriate level of linguistic sensitivity while I did my Bachelor Degree on English literature and first Master Degree also on English literature, which was particularly focused on translation. Thereby, the results of this study are arguably at an appropriately accurate and rigorous level.

7.5 Implications for further research

The limitations with this study suggest that alternatives are possible for further research. First, with regard to the alternative of the research context, as this study focuses on examining the link between leading, knowing and growing exclusively in Chinese logistics business contexts by deploying concepts and ways of thinking derived directly from indigenous Chinese epistemological traditions, it might be interesting to conduct a similar research configured either in a different context like in developed western economies or through a western lens. Additionally, as discussed earlier, Shanghai may not be representative of the complexity of China as a whole. Spatially comparative studies with other regions, particularly less-developed regions of China would be useful to understand the similarities and differences compared to what has been presented here. Additionally, since logistics remains a young and traditional industry in China, research into mature industry like manufacturing or emerging industry like IT might offer different and important insights.

Second, due to the constraints of personal guanxi, the qualitative research of this study includes the relatively small size of the sample and they happened to be solely male. While the majority of owner-managers in the logistics industry tend to be male, future qualitative research would be useful to expand into a wider sample involving a mix of genders, as female owner-managers might offer deviating and important perceptions and insights.

Finally, the Wu Wei spirit particularly attends to the fast-growing SMEs that are distinctively characteristic of ambiguity and flux, thus an inherent open mind-set enables the owner-managers to be attuned to this fluid setting. However, there is little known from this study

about how Wu Wei principles work in large firms with well-established routines and procedures. Given this, research into large organizations merits further attention.

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APPENDICES

Appendix 1 Questionnaire

Leadership and Knowledge Management

This is a confidential questionnaire for my PhD research on leadership and knowledge management in SMEs. The aim is to identify some candidates for further research, which will involve in-depth interviews at a later date.

The term ***leadership*** in this questionnaire means how you manage your business, and ***knowledge*** means how you understand the way you operate your business. Please *circle* the answers, and make sure you respond to *ALL* questions.

Some of the questions use the following rating scale to indicate how much you agree/disagree with the following statements. Please *circle* a number from 1 to 5 in the cell.

1	2	3	4	5
Very Low	**Low**	**Moderate**	**High**	**Very High**

Section 1 About Yourself

1. Are you the sole/main owner-manager? A. Yes B. No
2. Have you previously owned or managed a small business? A. Yes B. No
3. Have you ever worked in a large organisation? A. Yes B. No
4. If so, for how long did you work in a large organization?
   A. < 2 years B. 2-5 years C. 6-10 years D. > 10years
5. How long have you been in your current role?
   A. < 2 years B. 2-5 years C. 6-10 years D. > 10years
6. How old are you?
   A. 21-30 years old B. 31-40 years old C. 41-50 years old D. above 51 years old

7. What is your highest qualification?

A. PhD/Master B. Bachelor C. Diploma D. High School or below

Section 2 About Your Business

8. What does your company do?

A. Third-party logistics B. Warehouse

C. （International）Express D. （International）Freight Forwarding Agent

9. Does a family own your company? A. Yes B. No

10. Does the company have any archives, like financial documents? A. Yes B. No

11. Does your company have a core management team? A. Yes B. No

12. How many employees are there in your company?

A. 0 - 19 B. 20 - 299 C. 300 – 999 D. above 1000

13. How much is your annual turnover?

A. < RMB 2M B. RMB 2M - 30M C. RMB 30M - 300M D. above 300M

14. To what extent did your company grow in the last 2 years? 1 2 3 4 5

15. To what extent will your company grow over the next 2 years? 1 2 3 4 5

1	2	3	4	5
Very Low	**Low**	**Moderate**	**High**	**Very High**

Section 3 About Knowledge Exploring

16. To what extent does your *family* influence your leadership? 1 2 3 4 5

17. To what extent does your *formal education* influence your leadership? 1 2 3 4 5

18. To what extent does your *past work experience* influence your leadership? 1 2 3 4 5

19. To what extent do your *employees* influence your leadership? 1 2 3 4 5

20. To what extent does *social networking* influence your leadership? 1 2 3 4 5

21. To what extent do *critical incidents* (like financial crisis/exit of key customers) influence you? 1 2 3 4 5

22. To what extent do *key individuals* (like mentors) influence you? 1 2 3 4 5

23. To what extent does your *reading* influence you? 1 2 3 4 5

Section 4 About Knowledge Exploiting

24. To what extent do you encourage *staff training*? 1 2 3 4 5

25. To what extent do you share knowledge with *key employees?* 1 2 3 4 5

26. To what extent do you share knowledge with *all employees?* 1 2 3 4 5

27. To what extent do you *use IT systems* for internal communication? 1 2 3 4 5

28. To what extent are you good at *using new ideas*? 1 2 3 4 5

29. To what extent are you *resistant to change*? 1 2 3 4 5

30. To what extent does your *leadership change* as the business grows? 1 2 3 4 5

31. To what extent do you *delegate* as the business grows? 1 2 3 4 5

Section 5 About Wu Wei and knowledge

32. To what extent do you *lead by Wu Wei*? 1 2 3 4 5

33. To what extent does *knowledge* facilitate your business growth? 1 2 3 4 5

34. To what extent do you lead based on tacit knowledge like *'hunch' or 'gut feeling'*? 1 2 3 4 5

35. To what extent do you lead based on *explicit knowledge*? 1 2 3 4 5

Section 6 About Institutional influences

36. To what extent does industrial competition influence your business? 1 2 3 4 5

37. To what extent do government polices influence your business? 1 2 3 4 5

Could you please confirm if you would like to participate in further research?
A. Yes B. No

Upon your agreement, face-to-face interviews will be conducted between March and April, 2014, for which you would be prepared to share your life stories.

THANK YOU VERY MUCH!

February, 2014

调查问卷：领导力和知识管理

此调查问卷是一份保密文件，只用于我的‘中小企业领导力和知识管理’博士学术研究。目的是筛选一些合适的采访对象，以便日后开展进一步的采访调研。

此调查问卷中的 ***‘领导力’*** 指您如何管理经营您的公司， ***‘知识’*** 指您如何理解您的管理经营方式。请在您认为的合适答案上画圆圈。请您回答完*所有的*问题。

问卷中的一些问题使用从 1 到 5 不同的等，表示您认同或不认同的程度，请您在相关的等级上*画圆圈*。

1	**2**	**3**	**4**	**5**
很低	**低**	**中等**	**高**	**很高**

第一部分（您的个人情况）

1. 您是公司唯一/主要的业主吗? A. 是 B. 不是
2. 您曾经经营或管理过小型企业吗? A. 是的 B. 没有
3. 您曾经在大型企业工作过吗? A.是的 B. 没有
4. 如果是的话，您曾经在大型企业工作过多少年？
   A. < 2 年 B. 2-5 年 C. 5-10 年 D. > 10 年
5. 您经营现在的公司多久了?
   A. < 2 年 B. 2-5 年 C. 5-10 年 D. > 10 年
6. 您多大年龄?
   A. 21-30 岁 B. 31-40 岁 C. 41-50 岁 D. 51 岁及以上
7. 您最高学历?
   A. 博士/硕士 B. 本科 C. 大专 D. 高中或以下

第二部分（您的公司情况）

8. 您公司从事的业务是什么?
A. 第三方物流　B. 仓储　C. （国际）快递　D. （国际）货运代理

9. 您公司是家族企业吗？　A.是　B. 不是

10. 您公司有书面的文档（比如财务报表）吗?　A. 有　B. 没有

11. 您公司有核心的管理团队吗?　A. 有　B. 没有

12. 您公司员工有多少？

B. 0 - 19　B. 20 - 299　C. 300 – 999　D. 1000 人及以上

13. 您公司的年营业收入如何?

A . 200 万元以下　B. 200 万元至 3000 万元以内
C. 3000 万元至 30000 万元以内　D.30000 万元及以上

14. 您公司在过去 2 年发展速度如何？　1　2　3　4　5

15. 您公司在未来 5 年发展潜力如何？　1　2　3　4　5

第三部分（知识增长）

16. 您的家庭对您领导力方式影响程度如何?　1　2　3　4　5
17.您正规教育所学的知识影响程度如何?　1　2　3　4　5
18. 您以往的工作经历对您领导力方式影响程度如何?　1　2　3　4　5
19. 您的员工对您领导力方式影响程度如何?　1　2　3　4　5
20. 社交对您领导力方式影响程度如何?　1　2　3　4　5
21. 一些关键事件（如现金流不足/丢失主要客户）对您影响程度如何? 1　2　3　4　5
22.一些关键人物（如人生导师/咨询师）对您影响程度如何? 1　2　3　4　5
23. 阅读对您影响程度如何?　1　2　3　4　5

第四部分（知识运用）

24. 您多大程度提倡员工培训?　1　2　3　4　5
25. 您多大程度与重要员工进行知识分享？　1　2　3　4　5
26. 您多大程度与所有员工进行知识分享？　1　2　3　4　5
27.您多大程度运用信息技术系统进行内部交流?　1　2　3　4　5
28. 您多大程度能接受新概念?　1　2　3　4　5
29. 您反对‘变化’吗?　1　2　3　4　5
30. 随着公司的发展，您的领导力方式改变程度如何?　1　2　3　4　5
31. 随着公司的发展，您给下属授权程度如何?　1　2　3　4　5

第五部分（无为及知识）

32. 您多大程度认同道家的‘无为而治’?	1	2	3	4	5
33. 知识对促进您公司发展的作用如何?	1	2	3	4	5
34. 您多大程度依靠‘直觉’ 或‘感觉’进行管理?	1	2	3	4	5
35. 您多大程度运用您正规教育所学的知识进行管理?	1	2	3	4	5

第六部分（行业影响）

36. 物流行业竞争对您公司影响如何?	1	2	3	4	5
37. 政府相关政策对您公司影响如何?	1	2	3	4	5

您是否愿意参与我的进一步调研? A. 愿意 B. 不愿意

如果您愿意，我将于 2014 年 3 - 4 月之间对您进行进一步的面对面的采访。

非常感谢!

2014 年 2 月

Appendix 2 Interview guide questions

UNIVERSITY OF EXETER | BUSINESS SCHOOL

Interview Guide Questions

1. What is your current role in the business? Has this changed as the business has changed? Please give some examples of different ways you are now working, like your part and contribution in your business, and how it fits with your staff?
2. What is the biggest challenge in your company at the moment? How do you plan to resolve it?
3. Could you describe 1 or 2 critical incidents, like financial crisis, exit of key staff/customers; acquiring new customers, innovating new products/technology? How did you manage it? What did you learn from the critical incidents? Did you change anything as a result, or do you plan to? If not, why not?
4. Which previous experience influences your leadership most, including (formal) education/training, family, or other aspects of life/business? Please explain why.
5. Do you have a core management team? If yes, how did you establish it? Could you share some experiences/lessons about how to manage people well?
6. How do you usually communicate with suppliers and customers? How effective is this communication for your leadership or business? Please explain why.
7. How often do you attend social networking events? Do you attend any on a regular basis? If yes, what are they? Why are these events seen as being important?
8. For the next 5 years, do you have deliberate strategies, or focus on doing things better? Why? Please give some explanation.
9. Does government policy influence your business? Please give some examples.
10. How do you feel the competition of logistics industry? Does it influence your business? Has the competition changed over the past two/three years? Please give some examples.

采访的问题纲要

1. 您目前在公司里担任什么角色？随着您公司业务的发展，您的角色是否有所变化，或对公司业务发展所起的作用是否不同？您如何跟员工进行相关的协调和配合？请举例说明。
2. 您公司当前面对的最大挑战是什么？ 您打算如何解决？
3. 您能否讲述 1-2 个具有重大转折点的事件（比如财务危机，重要员工离职，失去或赢得大客户， 产品或科技创新等等）。 您当时是如何处理的？经历这些事件后，您从中学到什么了吗？您是否为此有所改变，或打算做些改变？ 如果没有的话，能否讲述其中的原因？
4. 您的领导技能受什么方面影响最大 （比如， 您以往的教育，或家庭，或他人等等）？请列举几个例子。
5. 您有核心管理团队吗？ 如果有的话，您是如何建立的？如果没有的话，您‘用人’方面有什么经验或教训吗？请举例说明。
6. 您通常是如何跟您的供应商和客户进行沟通交流的？ 这些交流对您的领导力或业务有影响吗？请举例说明。
7. 您经常参加社交活动吗？其中是否有一些固定的活动？如果有的话，为何参加这些活动？为什么您认为这些活动比较重要？
8. 未来的 5 年，您是否有比较详细的发展计划，还是更专注于把事情做得更好？您如何看待道家的‘无为’后‘无不为’，或说 ‘功到自然成’？请说明相关的原因。
9. 政府政策对您公司业务是否有影响？请举例说明。
10. 能否谈谈您对物流行业竞争的看法？对您公司有影响吗？行业竞争在过去 2-3 内有什么变化吗？请举例说明。

Appendix 3 Univariate and bivariate analysis

The overall importance of leading by Wu Wei

N	Valid	103
	Missing	0
Mean		3.82
Mode		4
Std. Deviation		.916

	Leading by Wu Wei
Chi-Square	52.971
df	4
Asymp. Sig.	.000

(Source: Author's fieldwork)

The comparison of leading by Wu Wei at three business stages

Statistics for micro businesses

N	Valid	22
	Missing	0
Mean		3.95
Mode		5
Std. Deviation		1.046

Statistics for small businesses

N	Valid	41
	Missing	0
Mean		3.68
Mode		3
Std. Deviation		.934

Statistics for medium businesses

N	Valid	26
	Missing	0
Mean		3.88

Mode	3
Std. Deviation	.864

(Source: Author's fieldwork)

The overall importance of knowledge associated with growth

N	Valid	103
	Missing	0
Mean		4.04
Mode		4
Std. Deviation		.839

	Growth by knowledge
Chi-Square	33.117
df	3
Asymp. Sig.	.000

(Source: Author's fieldwork)

The comparison on the role of knowledge at three business stages

Growth by knowledge within micro businesses

N	Valid	22
	Missing	0
Mean		4.05
Mode		5
Std. Deviation		.950

Growth by knowledge within small businesses

N	Valid	41
	Missing	0
Mean		3.93
Mode		4
Std. Deviation		.905

Growth by knowledge within medium businesses

N	Valid	26
	Missing	0
Mean		4.15
Mode		4
Std. Deviation		.675

(Source: Author's fieldwork)

The importance of tacit and explicit knowledge

	Leading by explicit knowledge	Leading by tacit knowledge
Chi-Square	61.029	59.087
df	4	4
Asymp. Sig.	.000	.000

		Leading by explicit knowledge	Leading by tacit knowledge
N	Valid	103	103
	Missing	0	0
Mean		2.96	3.48
Mode		3	4
Std. Deviation		.989	.979
Sum		305	358

(Source: Author's fieldwork)

Key ways of exploring knowing in micro businesses

		Influenced by reading	Influenced by family	Influenced by formal education	Influenced by past work experience	Influenced by employees	Influenced by social networking	Influenced by critical incidents	Influenced by key individuals
N	Valid	22	22	22	22	22	22	22	22
	Missing	0	0	0	0	0	0	0	0
Mean		3.55	2.95	3.77	3.41	3.77	2.82	3.82	3.91
Mode		3	4	5	4	4	1	4	4
Std.		1.14	1.33	1.07	0.91	0.69	1.44	1.01	0.92

(Source: Author's fieldwork)

Key ways of exploring knowing in small businesses

		Influenced by reading	Influenced by family	Influenced by formal education	Influenced by past work experience	Influenced by employees	Influenced by social networking	Influenced by critical incidents	Influenced by key individuals
N	Valid	41	41	41	41	41	41	41	41
	Missing	0	0	0	0	0	0	0	0
Mean		3.76	2.88	3.29	3.68	2.90	3.46	3.83	3.37
Mode		4	3	3	4	3	3	4	4
Std. Deviation		0.87	1.03	0.93	0.93	0.89	0.71	0.92	0.80

(Source: Author's fieldwork)

Key ways of exploring knowing in medium businesses

		Influenced by reading	Influenced by family	Influenced by formal education	Influenced by past work experience	Influenced by employees	Influenced by social networking	Influenced by critical incidents	Influenced by key individuals
N	Valid	26	26	26	26	26	26	26	26
	Missing	0	0	0	0	0	0	0	0
Mean		3.81	3.08	3.15	3.81	3.65	3.73	3.96	3.35
Mode		4	3	3	4	4	4	4	4
Std. Deviation		0.80	1.13	1.01	0.75	0.98	0.92	0.60	1.23

(Source: Author's fieldwork)

Key ways of exploiting knowing in micro businesses

		Encourage staff training	Share knowledge with key employees	Share knowledge with all employees	Use IT system for internal communication	Using new ideas	Resistant to change	Leadership changes as business grows	Delegate as the business grows
N	Valid	22	22	22	22	22	22	22	22
	Missing	0	0	0	0	0	0	0	0
Mean		4.18	3.77	4.23	3.59	3.77	2.23	3.68	3.73
Mode		5	3	5	4	3	2	3	4
Std. Deviation		1.01	1.07	0.87	1.18	0.97	0.67	0.95	0.77

(Source: Author's fieldwork)

Key ways of exploiting knowing in small businesses

		Encourage staff training	Share knowledge with key employees	Share knowledge with all employees	Use IT system for internal communication	Using new ideas	Resistant to change	Leadership changes as business grows	Delegate as the business grows
N	Valid	41	41	41	41	41	41	41	41
	Missing	0	0	0	0	0	0	0	0
Mean		3.56	3.78	3.17	3.39	3.63	2.32	3.59	3.37
Mode		3	4	3	4	4	3	3	4
Std. Deviation		0.81	0.82	0.95	1.20	0.66	0.61	0.84	0.86

(Source: Author's fieldwork)

Key ways of exploiting knowing in medium businesses

		Encourage staff training	Share knowledge with key employees	Share knowledge with all employees	Use IT system for internal communication	Using new ideas	Resistence to change	Leadership changes as business grows	Delegate as the business grows
N	Valid	26	26	26	26	26	26	26	26
	Missing	0	0	0	0	0	0	0	0
Mean		3.42	4.23	3.42	4.04	3.77	2.77	3.77	3.88
Mode		3	4	4	4	3	3	4	4
Std. Deviation		0.58	0.71	0.90	0.60	0.86	0.91	0.71	0.65

(Source: Author's fieldwork)

The overall influence of industrial competition

	Industrial competition
Chi-Square	62.583
df	4
Asymp. Sig.	.000

N	Valid	103
	Missing	0
Mean		3.48
Mode		3
Std. Deviation		.884
Sum		358

(Source: Author's fieldwork)

The comparison of industrial competition at three business stages

Industrial competition within micro businesses

N	Valid	22
	Missing	0
Mean		3.09
Mode		3
Std. Deviation		.811

Industrial competition within small businesses

N	Valid	41
	Missing	0
Mean		3.32
Mode		3
Std. Deviation		0.879

Industrial competition within medium businesses

N	Valid	26
	Missing	0
Mean		3.77
Mode		4
Std. Deviation		0.815

The overall influence of government policies

	Government policy influence
Chi-Square	55.883
df	4
Asymp. Sig.	0

N	Valid	103
	Missing	0
Mean		3.068

Mode	3.0
Std. Deviation	.9728

(Source: Author's fieldwork)

The comparison of government policies at three business stages

Government policy influence within micro businesses

N	Valid	22
	Missing	0
Mean		3.09
Mode		3
Std. Deviation		1.109

Government policy influence within small businesses

N	Valid	41
	Missing	0
Mean		3.1
Mode		3
Std. Deviation		0.995

Government policy influence within medium businesses

N	Valid	26
	Missing	0
Mean		3.19
Mode		3
Std. Deviation		.849

(Source: Author's fieldwork)

The association between demographic profile and leadership (Mann-Whitney U test)

Grouping Variable: Sole/main ownership

Sole/main ownership		N
Leading by Wu Wei	0	36
	1	53
	Total	89

0: for No; 1: for Yes

	Leading by Wu Wei
Z	-0.68
Asymp. Sig. (2-tailed)	0.50

Grouping Variable: Previous leadership in SME

Previous leadership in SME		N
Leading by Wu Wei	0	38
	1	51
	Total	89

	Leading by Wu Wei
Z	-0.72
Asymp. Sig. (2-tailed)	0.47

0: for No; 1: for Yes

Grouping Variable: Previous experience in large organization

Previous experience in large organization		N
Leading by Wu Wei	0	22
	1	67
	Total	89

	Leading by Wu Wei
Z	-0.71
Asymp. Sig. (2-tailed)	0.48

0: for No; 1: for Yes (Source: Author's fieldwork)

The association between demographic profile and leadership (Kruskal-Wallis test)

	Duration of previous experience in large organization	Duration in current role	Age	Education
Chi-Square	11.89	0.36	2.68	8.22
df	3	3	3	3
Asymp. Sig.	0.01	0.95	0.44	0.04

N=89 (Source: Author's fieldwork)

The association between demographic profile and knowledge (Mann-Whitney U test)

Grouping Variable: Sole/main ownership

Sole/main ownership		N
Growth by knowledge	0	36
	1	53
	Total	89

	Growth by knowledge
Z	-0.22
Asymp. Sig. (2-tailed)	0.82

0: for No; 1: for Yes

Grouping Variable: Previous leadership in SME

Previous leadership in SME		N
Growth by knowledge	0	38
	1	51
	Total	89

	Growth by knowledge
Z	-2.34
Asymp. Sig. (2-tailed)	.02

0: for No; 1: for Yes

Grouping Variable: Previous experience in large organization

Previous experience in large organization		N
Growth by knowledge	0	22
	1	67
	Total	89

	Growth by knowledge
Z	-0.98
Asymp. Sig. (2-tailed)	0.33

0: for No; 1: for Yes (Source: Author's fieldwork)

The association between demographic profile and knowledge (Kruskal-Wallis test)

	Duration of previous experience in large organization	Duration in current role	Age	Education
Chi-Square	6.25	5.85	2.56	7.87
df	3	3	3	3
Asymp. Sig.	0.1	0.119	0.465	0.049

N=89 (Source: Author's fieldwork)

The association between organizational profile and leadership (Mann-Whitney U test)

Grouping Variable: Family business

Family business	N

	Leading by Wu Wei

Leading by Wu Wei	0	63
	1	26
	Total	89

0: for No; 1: for Yes

Z	-0.41
Asymp. Sig. (2-tailed)	0.68

Grouping Variable: Having archives

Having archives		N
Leading by Wu Wei	0	11
	1	78
	Total	89

0: for No; 1: for Yes

	Leading by Wu Wei
Z	-0.29
Asymp. Sig. (2-tailed)	0.77

Grouping Variable: Core management team

Core management team		N
Leading by Wu Wei	0	22
	1	67
	Total	89

0: for No; 1: for Yes

	Leading by Wu Wei
Z	-0.30
Asymp. Sig. (2-tailed)	0.77

(Source: Author's fieldwork)

The association between organizational profile and leadership (Kruskal-Wallis test)

	Sub-category of the business	Annual turnover	Former growth in the last 2 years	Prospective growth in the next 2 years
Chi-Square	2.22	2.73	7.96	11.46
df	3	3	4	3
Asymp. Sig.	0.53	0.43	0.09	0.01

N=89 (Source: Author's fieldwork)

The association between organizational profile and knowledge (Mann-Whitney U test)

Grouping Variable: Family business

Family business		N
Growth by knowledge	0	63
	1	26
	Total	89

0: for No; 1: for Yes

	Growth by knowledge
Z	-1.65
Asymp. Sig. (2-tailed)	0.10

Grouping Variable: Having archives

Having archives		N
Growth by knowledge	0	11
	1	78
	Total	89

0: for No; 1: for Yes

	Growth by knowledge
Z	-1.42
Asymp. Sig. (2-tailed)	0.16

Grouping Variable: Core management team

Core management team		N
Growth by knowledge	0	22
	1	67
	Total	89

0: for No; 1: for Yes

	Growth by knowledge
Z	-1.33
Asymp. Sig. (2-tailed)	0.18

(Source: Author's fieldwork)

The association between organizational profile and knowledge (Kruskal-Wallis test)

	Sub-category	Annual turnover	Former growth in the last 2 years	Prospective growth in the next 5 years
Chi-Square	6.99	0.15	7.44	12.66
df	3	3	4	3
Asymp. Sig.	0.07	0.98	0.11	0.01

N=89 (Source: Author's fieldwork)

Appendix 4 Participant consent form (for questionnaire)

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www.business-school.exeter.ac.uk

A PhD Research on Leadership and Knowledge Management of Chinese Logistics SMEs

Participant Consent Form

For information of the participants:

Thank you for agreeing to participate the questionnaire survey for this project. This form aims to confirm that:

- The questionnaire survey is confidential and anonymised so participants cannot be identified individually from the data.

- Where questionnaire survey is transcribed they will be coded in order to protect the identity of respondents. All files will be stored securely in accordance with the UK Data Protection Act.

- Any quotations and/or examples used in research outputs (such as reports, conference papers, presentations, etc.) will remain anonymous.

- Participation in this research is entirely voluntary. Participants are free to refuse to answer any question or terminate the questionnaire survey at any point.

If you have concerns or queries about any aspect of this project please speak to a member of the research team.

Consented by the participants:

I have read the brief introduction of the aims and objectives of this research being conducted by Hongqin Li.

I agree / do not agree to participate in this study. I agree / do not agree to my name or my company's name being used when the data is being written up on this thesis by the researcher.

I agree/ do not agree to my name or my company's name being published in English language in Britain or Chinese language in PRC in the future.

I agree / do not agree for the researcher to use my information provided my identity and company remain anonymous in this thesis or future publication.

……..	……	…….
Participant Signature	*Print Name*	*Date*
……..	……	…….
Researcher Signature	*Print Name*	*Date*

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英国艾克赛特大学商学院博士学术调研项目参与调研者声明书

致参与调研者:

感谢您同意接受此次调研问卷。此表格旨在声明:

- 调研均为保密和匿名形式，不会泄泻露受访者的个人信息。

- 所有的调研数据都将根据英国的数据保护法进行，并加以安全保存。受访者的个人信息将受到保护。

- 如果引用此次调研的相关信息（比如报告，会议文章或演讲报告等），都须以匿名的形式进行。

- 参与调研完全出于自愿。参与调研者可以拒绝回答任何问题，或随时退出调研。

如果您还有任何疑问或顾虑，请直接询问调研人员。

参与调研者声明：

我已经阅读了英国艾克赛特大学博士生研究员李红琴女士关于中国物流企业家调研项目的介绍及调研的目的和方法论。

我*同意 或 者不同意* 参加这次访谈。我*同意 或者 不同意* 在访谈过程中录音。我*同意 或 者 不同意* 我的名字及我的公司名称出现在英国艾克赛特大学博士论文研究报告里面。

我*同意 或者 不同意* 我的名字及我的公司名称用英语在国际报刊发表或者用汉语在中国发表。我同意引用调研信息但希望用匿名或者实名形式，*不要 或者 要* 提及我的姓名及我企业的名称。

……..	……	…….
受访者姓名	*签字或者印章*	*日期*
……..	……	…….
调研者姓名	*签字或者印章*	*日期*

Appendix 5 Participant consent form (for interview)

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A PhD Research on Leadership and Knowledge Management of Chinese Logistics SMEs

Participant Consent Form

For information of the participants:

Thank you for agreeing to be interviewed for this project. This form aims to confirm that:

- Interviews are confidential and anonymised so participants cannot be identified individually from the data.

- Where interviews are recorded and/or transcribed they will be coded in order to protect the identity of respondents. All files will be stored securely in accordance with the UK Data Protection Act.

- Any quotations and/or examples used in research outputs (such as reports, conference papers, presentations, etc.) will remain anonymous.

- Participation in this research is entirely voluntary. Participants are free to refuse to answer any question or terminate the interview at any point.

If you have concerns or queries about any aspect of this project please speak to a member of the research team.

Consented by the participants:

I have read the brief introduction of the aims and objectives of this research being conducted by Hongqin Li.

I agree / do not agree to participate in this study. I agree / do not agree to the interview being audio taped. I agree / do not agree to my name, my company's name or my own story being used when the data is being written up on this thesis by the researcher.

I agree/ do not agree to my name, my company's name or my own story being published in English language in Britain or Chinese language in PRC in the future.

I agree / do not agree for the researcher to use my information provided my identity and company remain anonymous in this thesis or future publication.

……..	……	…….
Participant Signature	*Print Name*	*Date*
……..	……	…….
Researcher Signature	*Print Name*	*Date*

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英国艾克赛特大学商学院博士学术调研项目受访者声明书

致受访者:

感谢您同意接受此次调研的采访。此表格旨在声明:

- 采访均为保密和匿名形式，不会泄泻露受访者的个人信息。

- 所有的采访数据都将根据英国的数据保护法进行，并加以安全保存。受访者的个人信息将受到保护。

- 如果引用此次调研的相关信息（比如报告，会议文章或演讲报告等），都须以匿名的形式进行。

- 参与调研完全出于自愿。受访者可以拒绝回答任何问题，或随时退出调研。

如果您还有任何疑问或顾虑，请直接询问调研人员。

受访者声明：

我已经阅读了英国艾克赛特大学博士生研究员李红琴女士关于中国物流企业家调研项目的介绍及调研的目的和方法论。

我*同意 或者 不同意*参加这次访谈。我*同意 或者 不同意*在访谈过程中录音。我*同意 或者 不同意*我的名字，我的公司名称及我个人的故事出现在英国艾克赛特大学博士论文研究报告里面。

我*同意 或者 不同意*我的名字，我的公司名称及我个人的故事用英语在国际报刊发表或者用汉语在中国发表。我同意引用我个人的故事但希望用匿名或者实名形式，*不要 或者 要*提及我的姓名及我企业的名称。

……..	……	…….
受访者姓名	*签字或者印章*	*日期*

……..	……	…….
调研者姓名	*签字或者印章*	*日期*