



Power informality and professional elites in Chinese Business Organizations: A cultural-structural perspective

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Abstract

The research focuses on studying power operations and professional elite adaptation mechanisms within Chinese business organizations through a systematic approach which addresses Western organizational theories' failures to explain non-Western organizational contexts. The research develops a multidimensional analytical framework through cultural sociology and organizational behavior and institutional theory which focuses on Confucian moral authority and differential mode of association and dual power structure and organizational survival skills of professional elites. The study demonstrates through empirical evidence and theoretical analysis that Chinese business organizations operate under a complex power system which extends beyond formal positions and professional expertise because it develops from cultural elements that combine relationship-based practices with historical development and moral assessment and organizational design elements. Technical expertise stands as the fundamental requirement for professional elites to achieve influence yet they must also acquire knowledge of hidden organizational rules and develop skills in network management and operational translation to reach real authority. The research contributes to organizational power theory in different cultural settings while proving that meritocracy functions as a false belief and delivers useful recommendations for managing organizations and developing careers of professional elites who work within Chinese and similar relationship-based professional environments.

Keywords: Chinese business organizations, power informality, professional elites, confucian moral authority, differential mode of association, relational capital

Introduction

The study of organizational power and authority has long been a core theme in management and sociology. Since Max Weber (1978) [22] proposed the typology of authority—traditional, charismatic, and rational-legal—Western organizational theory has predominantly viewed power as rooted in formal institutions, positional responsibilities, and impersonal rules (Clegg *et al.*, 2016) [3]. Organizations accept professional expertise as direct organizational influence through technical authority according to this framework while Hage and Dewar (1973) [9] established the "myth of professional meritocracy" as a universal organizational principle. The increasing globalization and cross-cultural management practices have led scholars to understand that organizational power structures develop from the interaction between cultural elements and institutional frameworks (Hofstede, 2001; Tsui *et al.*, 2007) [10, 19]. Chinese business organizations operate under a different power system than Western rational-legal models because they follow Confucian cultural values and socialist historical roots and maintain the practice of building relationships known as "guanxi". Informal factors such as interpersonal trust, moral reputation, and historical contributions often override formal positional authority and professional expertise, forming a unique "dual power system" where formal and informal structures coexist and interact (Redding, 1990; Walder, 1995) [16, 21].

The uniqueness of Chinese organizational power has attracted sustained attention from cross-cultural management scholars. Early studies by Redding (1990) [16] on "the spirit of Chinese capitalism" noted that Chinese enterprises exhibit strong "familial" characteristics, with power concentrated in the hands of founders or core family members, and decision-making heavily dependent on

interpersonal networks rather than formal procedures. Fei Xiaotong's (1992) [6] concept of the "differential mode of association" further provided a sociological foundation for understanding this phenomenon, describing Chinese social relationships as a "ripple-like" structure centered on the self, where trust, obligations, and influence diminish with increasing relational distance. In recent years, with the transformation of China's economic system and the rise of professional managers, the relationship between professional expertise and organizational power has become more complex. On one hand, organizations' demand for professional elites (e.g., technical experts, management consultants) has increased to enhance innovation and efficiency; on the other hand, many professional elites find that their technical competence fails to gain them expected influence, and even face marginalization due to their lack of adaptation to informal organizational rules (Luo, 2007; Wank, 1999) [13, 23]. This research gap highlights the theoretical and practical significance of the present study. Theoretically, it challenges the universality assumption of Western organizational power theory, constructs a context-specific analytical framework for Chinese business organizations, and enriches the literature on cross-cultural organizational behavior. Practically, it helps professional elites understand the informal logic of Chinese business organizations, provides guidance for their career development, and offers insights for organizational managers to balance formal governance and informal relationships, thereby promoting sustainable organizational development (Lu, 2015).

Research Questions and Framework

Based on the above background, this study focuses on three core research questions:

1. What are the cultural foundations of power in Chinese business organizations, and how do they differ from Western rational-legal models?
2. How does the dual structure of formal and informal power operate in Chinese business organizations, and what roles do key informal actors play?
3. What adaptive skills do professional elites need to acquire to convert their professional expertise into organizational influence, and what are the limitations of professional knowledge?

To address these questions, this study constructs a multi-dimensional analytical framework (see Figure 1). First, it explores the cultural roots of Chinese organizational power from the perspectives of Confucian moral authority and the differential mode of association, revealing the "relational" and "moral" attributes of power. Second, it analyzes the operational mechanism of the dual power structure, focusing on the "underground organizational chart" and the ritualization of decision-making. Finally, it examines the adaptive dilemma of professional elites, identifying three key organizational survival skills and integrating them into a comprehensive power framework that includes relational embeddedness, historical accumulation, moral evaluation, and structural hybridity.

The Cultural Foundations of Power in Chinese Society

The operation of power in Chinese business organizations cannot be understood without its cultural context. Confucianism, as the dominant cultural tradition in China for over two thousand years, has shaped the Chinese people's perceptions of authority, relationships, and ethics, while the differential mode of association, as a core concept in Chinese sociology, describes the structural characteristics of social relationships. The interplay of these two factors forms the cultural foundation of power in Chinese business organizations.

Confucianism's understanding of authority differs fundamentally from Western rational-legal theory. Weber (1978) [22] argued that the legitimacy of rational-legal authority stems from impersonal rules, formal procedures, and positional responsibilities, with power attached to positions rather than individuals. In contrast, Confucianism views authority as a moral and relational achievement, with its legitimacy rooted in the leader's "de" (moral virtue) and the fulfillment of social roles (Farh & Cheng, 2000) [2, 5]. "De" is the core concept of Confucian moral authority, referring to an internal moral force that includes virtues such as benevolence (ren), righteousness (yi), propriety (li), wisdom (zhi), and trustworthiness (xin) (Cheng *et al.*, 2000) [2]. Leaders with "de" are expected to set an example (shengbian), care for subordinates, and maintain social harmony. For example, in traditional Chinese families, the head of the family's authority is not merely based on his position but on his ability to fulfill his responsibilities of supporting the family, educating children, and resolving conflicts—qualities that reflect his "de." This moral requirement extends to organizational contexts: Chinese employees often evaluate leaders not only by their professional competence but also by their moral character, such as whether they are fair, trustworthy, and concerned about employees' well-being (Pye, 1992) [15].

Role practice is another key dimension of Confucian moral authority. Confucianism emphasizes the "five relationships"

(wulun)—ruler-subject, father-son, husband-wife, elder brother-younger brother, and friend-friend—each with corresponding obligations and norms. In organizations, this translates into clear role expectations: superiors should be benevolent and guide subordinates, while subordinates should be loyal and obedient (Farh & Cheng, 2000) [2, 5]. This role-based authority is not static; a leader's legitimacy is continuously validated by his or her fulfillment of role obligations. For instance, a CEO who makes decisions that benefit the organization's long-term development and employees' interests will enhance his or her moral authority, while one who prioritizes personal gain over organizational interests will lose legitimacy, even if he or she holds a formal position.

The Confucian emphasis on moral virtue and role practice leads to the personalization of power in Chinese business organizations. Unlike Western organizations, where power is impersonal and attached to positions, power in Chinese business organizations is closely linked to individual leaders' moral reputations and personal qualities (Redding, 1990) [16]. This personalization has two major impacts on organizational behavior: First, it shapes the leadership style. Chinese leaders tend to adopt a paternalistic leadership style, combining authoritarianism (controlling decision-making), benevolence (caring for subordinates' personal and family lives), and moral leadership (setting ethical examples) (Farh & Cheng, 2000) [2, 5]. This style differs from Western transformational or transactional leadership, as it relies on the leader's personal charisma and moral influence rather than formal incentives or institutional constraints. For example, many Chinese entrepreneurs are admired by their employees for their hard work, self-sacrifice, and concern for employees' welfare, and this admiration translates into high employee loyalty and commitment. Second, it affects followers' obedience motives. In Western organizations, employees' obedience to leaders is mainly based on formal positional authority and contractual obligations. In Chinese business organizations, however, followers' obedience often stems from their identification with the leader's moral character and a sense of obligation derived from the leader's benevolence (Cheng *et al.*, 2000) [2]. This "moral obedience" is more stable than contractual obedience, as it is based on emotional and ethical bonds rather than mere self-interest. However, it also has risks: if a leader abuses his or her moral authority for personal gain, followers may feel betrayed, leading to a loss of trust and organizational conflict.

Fei Xiaotong's (1992) [6] concept of the "differential mode of association" provides a sociological perspective for understanding the distribution of power in Chinese business organizations. This concept describes Chinese social relationships as a "water ripple" structure: taking the self as the center, relationships radiate outward in circles, with each circle representing a different level of intimacy. The key characteristics of this structure are: (1) relationship-specific obligations: individuals have different obligations to people in different circles; (2) diminishing trust and influence: trust and influence decrease as the distance from the center increases; (3) context-dependent boundaries: the scope of each circle is not fixed but changes according to the context (Fei, 1992) [6]. When the logic of the differential mode of association is embedded in formal organizational structures, it gives rise to relational power networks. These networks coexist with the formal organizational hierarchy but often

play a more important role in decision-making, resource allocation, and information flow (Bian, 1997) ^[1]. In organizations, the "self-centered" ripple structure manifests as follows: the core circle consists of the leader's family members, close friends, or former colleagues (often referred to as "insiders"); the middle circle includes senior managers or technical backbones who have worked with the leader for a long time and gained trust; the outer circle consists of ordinary employees or new hires (Wong & Wong, 2002) ^[24]. The operation of this relational network is based on "guanxi" (interpersonal relationships) and "renqing" (reciprocal obligations). "Guanxi" refers to the interpersonal connections formed through blood, geography, education, or work experience, while "renqing" refers to the mutual help and favor-exchange between individuals in a guanxi network (Luo, 2007) ^[13]. In organizational contexts, guanxi and renqing play a crucial role in resource allocation: leaders tend to prioritize resource allocation to members of the inner circle, as they believe these members are more trustworthy and loyal. For example, in personnel promotion, a leader may promote a subordinate not only because of his or her competence but also because of their long-term guanxi and mutual renqing obligations. The existence of relational power networks leads to three major consequences for organizations:

1. **The prominence of informal power:** In Chinese business organizations, an individual's influence is often determined more by their guanxi capital than by their formal position. A middle manager with close guanxi with the CEO may have more influence on decision-making than a senior manager who is not in the inner circle (Bian, 1997) ^[1]. This "informal power advantage" undermines the clarity of the formal organizational hierarchy and may lead to confusion in job responsibilities.
2. **Relationship-based decision bias:** Decision-making in Chinese business organizations is often influenced by relational intimacy rather than purely rational or efficiency considerations. For example, in project approval, a leader may approve a project proposed by an inner-circle member even if it has a lower expected return, while rejecting a more promising project proposed by an outer-circle member (Wong & Wong, 2002) ^[24]. This bias may reduce decision-making efficiency and lead to resource misallocation.
3. **Dual legitimacy structure:** Organizational members need to seek legitimacy in both the formal system (positions, rules) and the informal system (guanxi, renqing). A manager who only focuses on formal rules and ignores guanxi may find it difficult to implement decisions, as he or she lacks the support of key informal actors. Conversely, a manager who only relies on guanxi and violates formal rules may face institutional sanctions (Walder, 1995) ^[21]. This dual legitimacy requirement increases the complexity of organizational management.

To further clarify the characteristics of power in Chinese business organizations, it is necessary to compare it with Western rational-legal power models. The main differences between the two models are reflected in four aspects: power foundation, power carrier, operation logic, and legitimacy

source. In Western rational-legal models, the foundation of power is impersonal rules and formal procedures. Power is carried by positions rather than individuals, and its operation follows universal principles (e.g., equal treatment of all employees, decision-making based on objective criteria). The legitimacy of power comes from the acceptance of formal institutions by organizational members (Weber, 1978) ^[22]. In contrast, in Chinese Confucian-differential models, the foundation of power is the leader's moral virtue and interpersonal relationships. Power is carried by individuals, and its operation follows context-specific relational rules (e.g., different treatment of insiders and outsiders, decision-making based on guanxi and renqing). The legitimacy of power comes from organizational members' identification with the leader's moral character and reciprocal obligations in guanxi networks (Farh & Cheng, 2000; Fei, 1992) ^[2, 5, 6]. This comparison shows that Western organizational power is "institutionalized" and "impersonal," while Chinese organizational power is "culturalized" and "personalized." Understanding this difference is crucial for cross-cultural management, as it helps Western managers avoid applying Western organizational practices mechanically in Chinese contexts and adapt to the informal logic of Chinese business organizations.

The Cultural Transformation and Reconstruction of Power Bases in Chinese Business Organizations

With the modernization of Chinese society and the globalization of enterprises, the power bases in Chinese business organizations have undergone a process of cultural transformation and reconstruction. Traditional power bases rooted in moral authority and guanxi have interacted with Western-style formal power bases (e.g., positional authority, professional expertise), forming a unique power configuration. This section focuses on two key aspects of this transformation: the overlap between legitimate power and founder authority, and the amplification of referent power.

Legitimate power, as defined by French and Raven (1959) ^[7], refers to the power derived from an individual's formal position in an organization and the acceptance of organizational members of the authority of that position. In Western organizations, legitimate power is highly institutionalized, with clear boundaries between positional authority and personal influence. In Chinese business organizations, however, especially family-owned enterprises or enterprises led by a single founder, legitimate power often overlaps with the founder's personal authority, forming a dual legitimacy structure (Redding, 1990) ^[16]. The personalization of legitimate power in Chinese business organizations is mainly driven by the founder's historical contributions and symbolic status. During the early stage of enterprise development, founders often bear enormous entrepreneurial risks, make significant personal sacrifices (e.g., investing personal assets, working long hours), and play a crucial role in shaping the organization's culture and strategy (Luo, 2007) ^[13]. These historical contributions give founders a unique "personal legitimacy," which is independent of their formal positional authority. Personal legitimacy and positional legitimacy interact to form a mutually reinforcing relationship. On one hand, positional legitimacy provides a formal platform for founders to exercise their personal influence; on the other hand,

personal legitimacy enhances the effectiveness of positional authority, as organizational members are more willing to obey a founder who has made historical contributions (Redding, 1990) ^[16]. For example, Jack Ma, the founder of Alibaba, retained significant influence over the company even after stepping down as CEO, because his personal legitimacy (as the founder who led Alibaba to become a global e-commerce giant) was deeply rooted in the minds of employees and stakeholders. The dual legitimacy structure brings certain benefits to organizations. First, it improves decision-making efficiency. In times of crisis or rapid market changes, founders can make quick decisions without being constrained by cumbersome formal procedures, as their personal authority ensures that decisions are quickly implemented (Walder, 1995) ^[21]. Second, it enhances organizational cohesion. Founders' personal stories and moral examples can inspire employees' sense of identity and commitment, creating a strong organizational culture.

However, this structure also has significant institutional vulnerabilities

1. **Increased risk of autocracy:** When legitimate power is overly tied to the founder's personal authority, there may be a lack of effective checks and balances. Founders may make arbitrary decisions based on personal preferences, ignoring the opinions of professional managers or the interests of other stakeholders (Clegg *et al.*, 2016) ^[3]. For example, some Chinese entrepreneurs have made risky investments or strategic mistakes due to overconfidence in their personal judgment, leading to serious losses for the company.
2. **Intensified succession crises:** Founder authority is highly personal and cannot be easily transferred. When founders retire or pass away, their personal legitimacy disappears, and successors often face difficulties in gaining the same level of trust and support from employees and stakeholders (Redding, 1990) ^[16]. This has led to numerous succession failures in Chinese family-owned enterprises, where conflicts between family members or between family members and professional managers often arise.
3. **Weakened procedural governance:** The establishment of systems and processes in organizations often depends on the founder's personal preferences rather than objective efficiency principles. This makes it difficult for organizations to develop mature procedural governance structures, and when the founder leaves, the organization may face chaos due to the lack of institutionalized rules (Luo, 2007) ^[13].

Referent power, another type of power defined by French and Raven (1959) ^[7], refers to the power derived from the identification and admiration of followers for the leader. In Western organizations, referent power is often a secondary power source, supplementing legitimate power or expert power. In Chinese business organizations, however, due to the influence of Confucian culture, referent power is amplified to an unprecedented extent and becomes a core power source (Cheng *et al.*, 2000) ^[2]. The amplification of referent power in Chinese business organizations is mainly due to two cultural factors: the emphasis on moral exemplarity and emotional bonds.

Confucian culture advocates the "rule of virtue" (de zhi), believing that leaders should influence others through their moral examples rather than coercion. This makes moral exemplarity a key source of referent power. Chinese leaders who demonstrate virtues such as selflessness, integrity, and hard work are highly admired by employees, and this admiration translates into strong referent power (Farh & Cheng, 2000) ^[2, 5]. For example, Huawei's Ren Zhengfei is respected by employees for his frugality, emphasis on R&D, and concern for national interests, and this respect has strengthened his influence over the company. Emotional bonds, rooted in the differential mode of association, are another important source of referent power. In Chinese business organizations, leaders often establish emotional connections with subordinates through caring about their personal and family lives, providing help in times of need, and sharing weal and woe (Wong & Wong, 2002) ^[24]. These emotional bonds make subordinates feel a sense of gratitude and obligation to the leader, leading to strong identification and obedience. Unlike Western organizations, where employee-leader relationships are mainly task-oriented, Chinese employee-leader relationships are more emotional and long-term.

The amplification of referent power has both positive and negative effects on organizations

On the positive side, it strengthens organizational loyalty and cohesion. Employees who identify with their leaders are more willing to make extra efforts (e.g., working overtime, taking on challenging tasks) and are more committed to the organization's goals (Organizational Citizenship Behavior, OCB) (Cheng *et al.*, 2000) ^[2]. This emotional commitment is more stable than the transactional commitment based on salary and benefits, as it is rooted in personal identification and emotional bonds. On the negative side, it further consolidates the personalization of authority and weakens procedural governance. Since followers' obedience is mainly directed at the leader's personal rather than institutional authority, formal rules and procedures often become "empty shells" (Redding, 1990) ^[16]. For example, in some Chinese business organizations, even if there are clear rules for performance evaluation and promotion, the final decisions are often made by leaders based on their personal preferences and emotional connections with subordinates, rather than objective criteria. This not only undermines the fairness of the system but also reduces employees' trust in formal institutions, leading to a focus on building guanxi with leaders rather than improving professional competence.

Formal and Informal Power Structures in Chinese Business Organizations

The coexistence of formal and informal power structures is a prominent feature of Chinese business organizations. The formal structure, based on rational-legal principles, defines the positional relationships and operational procedures of the organization, while the informal structure, based on guanxi and the differential mode of association, reflects the actual influence relationships within the organization. This section focuses on the "underground organizational chart"—a manifestation of the informal structure—and analyzes the operational mechanism of the dual power system and its management complexity.

The "underground organizational chart" is a metaphor for the informal power structure in Chinese business

organizations. Unlike the formal organizational chart, which is based on positions and departments, the "underground organizational chart" maps the actual influence relationships within the organization, with connections based on interpersonal trust, *guanxi*, and access to core resources (Redding, 1990) [16]. Chinese business organizations operate with both a visible formal structure and an invisible informal structure. The formal structure is designed according to the principles of division of labor, hierarchy, and standardization, with clear job responsibilities and reporting relationships. For example, a large state-owned enterprise may have departments such as production, marketing, finance, and human resources, with each department led by a director who reports to the general manager. The informal structure, or "underground organizational chart," is formed spontaneously based on *guanxi* and the differential mode of association. Its core is the leader's "inner circle"—a group of individuals who have close relationships with the leader and play a key role in decision-making and resource allocation (Bian, 1997) [1]. Members of the inner circle may include the leader's family members, former colleagues, or subordinates who have gained trust through long-term cooperation. Even if these individuals hold low formal positions, they may have significant influence because they can directly communicate with the leader, access important information, and influence the leader's decisions.

The coexistence of dual structures means that the actual operation of the organization often deviates from the formal structure. For example, a project manager may need to consult with a member of the leader's inner circle (even if that member is not in the project department) before making important decisions, because this member has the ability to influence the leader's approval of the project. The existence of the informal structure leads to the ritualization of the decision-making process in Chinese business organizations. In many cases, substantive discussions and decisions are made within the leader's inner circle, while formal meetings and document-signing procedures become mere formalities to confirm the decisions already made in the informal structure (Walder, 1995) [21].

This ritualization has two major consequences

- 1. The formation of information barriers:** Members outside the inner circle have difficulty accessing the real decision-making basis and process, leading to information asymmetry. This not only undermines the transparency of the organization but also hinders the development of professionalism. For example, professional elites who are not in the inner circle may not understand the real reasons behind a decision and thus cannot provide targeted professional advice (Wank, 1999) [23].
- 2. The hollowing out of institutions:** Formal rules and regulations lose their binding force, as decisions are mainly influenced by personal relationships and the leader's preferences rather than institutional norms. This makes it difficult for organizations to establish a stable and predictable operational mechanism. For example, even if there is a clear rule that project approval must be based on feasibility studies, the leader may approve a project proposed by an inner-circle member without a thorough feasibility study (Wong & Wong, 2002) [24].

The stability of the informal structure depends on several key informal authority roles. These roles convert informal influence into substantive power through their unique resources and positions. In Chinese business organizations, three types of roles are particularly important: veterans (*laochen*), confidants and trusted insiders (*muliao & qinxin*). Veterans refer to members of the organization who have made significant contributions to its development, such as founding team members or senior managers who have worked in the organization for a long time. Their power is based on historical contributions and symbolic legitimacy (Redding, 1990) [16]. Veterans often have two types of power: reward power and referent power. Reward power comes from their influence over resource allocation—they can recommend subordinates for promotion or reward based on their understanding of the organization's history and personnel. Referent power comes from their moral authority—they are respected by other employees for their experience, dedication, and integrity (Fei, 1992) [6]. The role of veterans is dual. On one hand, they can provide stability and continuity for the organization. Their understanding of the organization's history and culture helps maintain organizational traditions and resolve conflicts between new and old employees. On the other hand, they may also become obstacles to organizational change. Due to their adherence to traditional practices and resistance to new ideas, they may oppose reforms proposed by professional managers or new leaders (Luo, 2007) [13].

Confidants and trusted insiders are individuals who have close personal relationships with the leader. Their power does not come from formal positions but from their proximity to the leader and control over information (Cheng *et al.*, 2000) [2]. Confidants (*muliao*) are often responsible for providing advice to the leader. They have a high degree of cognitive alignment with the leader, understanding the leader's intentions and strategic goals, and thus can accurately translate the leader's ideas into specific plans. They act as "information filters," selecting and organizing information for the leader, which gives them significant influence over the leader's decision-making (Pye, 1992) [15]. Trusted insiders (*qinxin*) are individuals who have established deep emotional and relational trust with the leader, often through blood, geography, or long-term shared experiences. They are responsible for implementing the leader's private instructions and monitoring the behavior of other employees. Their high referent power allows them to represent the leader in various situations, and they play a decisive role in personnel decisions and resource allocation (Wong & Wong, 2002) [24].

The existence of confidants and trusted insiders strengthens the leader's control over the organization but also increases the risk of organizational politics. Other employees may compete to build *guanxi* with these individuals to gain access to the leader, leading to a focus on interpersonal relationships rather than work performance. When the informal power of veterans, confidants, and trusted insiders is highly concentrated and combined with the formal decision-making mechanism, the informal power system becomes highly stable and resistant to institutional checks and balances (Clegg *et al.*, 2016) [3]. This concentration often leads to corruption, nepotism, and inefficiency:

- 1. Corruption:** Individuals with concentrated informal power may abuse their influence to seek personal gain, such as accepting bribes or transferring organizational resources to their own networks.

2. **Nepotism:** They may prioritize the interests of their relatives, friends, or guanxi partners in personnel promotion and resource allocation, leading to unfair treatment of other employees.
3. **Inefficiency:** Decision-making based on personal relationships rather than professional competence may lead to the selection of unqualified personnel or the approval of inefficient projects, reducing the organization's overall performance (Wank, 1999)^[23].

This institutional resistance makes it difficult for organizations to implement formal governance reforms. Even if new systems and processes are introduced, they may be undermined by the informal power system, leading to "institutional isomorphism"—where the form of the system exists but its substance is lost.

Professional Elites, the Limitations of Professional Knowledge, and Organizational Survival Skills in Chinese Business Organizations

With the development of the knowledge economy, professional elites (e.g., technical experts, management consultants, financial analysts) have become important resources for organizations to enhance their competitiveness. However, in Chinese business organizations, professional elites often face a "competence-influence gap": their professional knowledge and technical skills do not directly translate into organizational influence, and some even face marginalization. This section explores the limitations of professional knowledge and identifies the key organizational survival skills that professional elites need to acquire.

The "myth of professional meritocracy" is a widely accepted assumption in Western organizational theory, which holds that organizational rewards are based on objective professional competence and contributions, and professional expertise is the main determinant of influence (Hage & Dewar, 1973)^[9]. This assumption is rooted in the Western tradition of rationalism and professionalism, where professional elites are expected to gain high status and influence through their technical skills and professional certifications. However, in Chinese business organizations, this myth faces significant empirical challenges. Professional knowledge is proven to be a necessary condition for professional elites to gain organizational status—without sufficient technical or professional qualifications, it is difficult for them to enter the organization or be promoted to specific positions. But it is not a sufficient condition. The actual trajectory of organizational power, resource allocation, and major decision-making is often not determined by technical excellence or the objective correctness of professional opinions (Luo, 2007; Wank, 1999)^[13, 23].

Several factors contribute to this limitation

1. **The dominance of informal power:** As discussed earlier, informal power based on guanxi and the differential mode of association often overrides formal positional authority and professional expertise. Professional elites who lack guanxi capital may find it difficult to have their professional advice heard or adopted (Bian, 1997)^[1].

2. **The personalization of decision-making:** In Chinese business organizations, decision-making is often personalized, with leaders' personal preferences and emotional connections playing a crucial role. Even if a professional elite's advice is technically correct, it may be rejected if it conflicts with the leader's preferences or the interests of the inner circle (Pye, 1992)^[15].
3. **The emphasis on collective harmony:** Confucian culture emphasizes collective harmony and avoiding conflict. Professional elites who are too direct in expressing their professional opinions or criticizing existing decisions may be seen as "disrupting harmony," leading to resistance from other employees and leaders (Farh & Cheng, 2000)^[2, 5].

To overcome the limitations of professional knowledge and convert their expertise into organizational influence, professional elites need to acquire three key organizational survival skills: implicit rule recognition, relational coordination, and value translation. Implicit rule recognition refers to the ability of professional elites to understand and apply the unwritten, informal decision-making paths and power operation mechanisms within the organization. Unlike formal organizational charts or standard operating procedures (SOPs), implicit rules include questions such as "who really makes the decisions," "when is the appropriate time to raise objections," and "how to bypass rigid bureaucratic systems" (Schein, 1992)^[17]. Professional elites need to shift from a purely technical logic to a contextual logic. They need to learn to interpret subtle social signals, non-verbal communication, and sensitive areas in organizational culture. For example, in a meeting, a leader's slight nod or silence may indicate approval or disapproval of a proposal, and professional elites need to be able to capture these signals. Similarly, they need to understand that in some organizations, "consensus" is more important than "correctness," and thus they should avoid imposing their professional opinions on others but instead seek to build consensus through communication and compromise (Clegg *et al.*, 2016)^[3].

Lack of implicit rule recognition can lead to the marginalization of professional elites. Even if their professional advice is technically flawless, it may be shelved or rejected if it violates potential norms or the leader's preferences. For example, a marketing expert who proposes a radical marketing strategy without consulting the leader's confidant may find that the strategy is not approved, even if it has a high expected return. Relational coordination involves the ability to establish and maintain trust, reciprocity, and cooperation in networks that span formal hierarchies and functional departments. In Chinese business organizations, which emphasize collectivism and relational orientation, an individual's influence is often a function of their network (Bian, 1997)^[1]. Effective relational coordination requires professional elites to not only build connections with their direct technical teams but also proactively establish trust capital with key stakeholders, such as senior leaders, cross-departmental managers, and influential middle managers. This trust capital is built through mutual help, favor-exchange, and emotional communication (Uzzi, 1997)^[20]. For example, a technical expert may help a marketing manager solve a technical problem related to a product, and in return, the marketing

manager may support the expert's proposal in a cross-departmental meeting.

Relational coordination elevates the role of professional elites from mere technical providers to important coordinators in the organizational ecosystem. It not only facilitates the smooth implementation of professional projects but also provides important buffer and support during resource competition and opinion disputes (Wong & Wong, 2002)^[24].

Value translation refers to the ability of professional elites to translate their professional outputs, technical language, and quantitative results into language and frameworks that are clearly relevant to the organizational, relational, and strategic levels. Professional elites often tend to use the unique language of their field and focus on the "perfection" of technology; however, senior decision-makers are more concerned about "return on investment," "strategic alignment," and "relationship maintenance" (Daft & Lengel, 1986)^[4]. For example, a software engineer who optimizes system code to reduce latency should translate this technical achievement into "improving customer experience and saving \$X in operating costs annually." This translation is not merely a linguistic replacement but a framing ability that directly aligns professional activities with the organization's top priorities. Lack of value translation ability can make professional knowledge seem like "ivory tower theory." Even if it is technically advanced, it may be seen as impractical and non-urgent at the organizational level. For example, a financial analyst who presents a complex financial model to senior leaders without explaining its implications for the organization's strategic development may find that the model is ignored.

An Integrated Framework of Power in Chinese Business Organizations: Beyond Formal Hierarchies and Professional Knowledge

Based on the above analysis, this study constructs an integrated framework of power in Chinese business organizations, which includes four core dimensions: relational embeddedness, historical accumulation, moral evaluation, and structural hybridity. This framework explains why professional elites gain influence in some cases and is marginalized in others, emphasizing that the acquisition and exercise of power is a deeply contextual process. Relational embeddedness emphasizes that influence and decision-making power in organizations are deeply rooted in social connections and personal networks (*guanxi*). Unlike Western societies, which emphasize contracts and objective rules, decision-making in Chinese business organizations is often negotiated and implemented through informal relational networks (Bian, 1997)^[1]. Relational embeddedness means that power comes not only from "what I have" (e.g., position or professional skills) but also from "who I know" and "the level of trust between me and key individuals." The effective exercise of power requires continuous investment in interpersonal reciprocity, emotional connections, and trust-building. An individual's social proximity to core decision-makers—measured by connections in non-work settings, social circles, or family ties—often determines their power more than their technical proximity (Redding, 1990)^[16]. For professional elites, integrating into and utilizing these key networks is a prerequisite for their professional advice to be heard and adopted.

Historical accumulation indicates that in Chinese business organizations, power is not only distributed in the present but also legitimized by past contributions, sacrifices, and seniority (Tsui & Farh, 1997)^[18]. Historical power transcends current performance evaluations, emphasizing long-term loyalty to the organization, support during critical moments, and adherence to the founder or leadership team. This accumulation is reflected in the influence of seniority and historical contributions on decision-making weight. Senior members or those who have experienced major challenges with the organization may have their opinions prioritized due to historical authority, even if their current professional knowledge is inferior to that of younger generations. For professional elites, this requires not only proving their current professional competence but also establishing their irreplaceability and trustworthiness through the test of time (Luo, 2007)^[13]. Moral evaluation reflects that the exercise of power and the status of power holders are filtered and constrained by collective moral and ethical norms. In a cultural context that emphasizes Confucian ethics (e.g., benevolence, righteousness, propriety), the behavior of leaders and powerful individuals must demonstrate virtue and loyalty (Pye, 1992)^[15]. Moral evaluation serves as an important "filter" for power. Professional elites who lack morality or are seen as disloyal may be marginalized even if they are technically excellent. Organizations evaluate not only a professional's "ability" but also their "virtue" (moral character). A technically wrong decision made out of consideration for the organization's overall interests and loyalty may be more easily forgiven than a technically correct decision seen as self-serving (Farh & Cheng, 2000)^[2, 5]. Therefore, power must pass moral scrutiny to gain lasting recognition from society and the organization.

Structural hybridity refers to the coexistence of formal institutions and informal dominance in the power structure of Chinese business organizations (Walder, 1995)^[21]. Organizations operate on two structural levels simultaneously: a visible hierarchical system and formal rules (formal structure) and an invisible influence network based on individuals and relationships (informal dominance). In this hybrid structure, formal positions provide the foundation of power, but informal dominance often determines the scope and efficiency of power exercise. Senior leaders' personal authority and their informal networks can transcend formal departmental boundaries. Professional elites must learn to operate in both systems: complying with formal processes while recognizing the influence of informal relationships on final decisions (Clegg *et al.*, 2016)^[3].

The integrated framework shows that professional expertise can only be effectively converted into substantive influence when aligned with the four power dimensions. Specifically

- 1. Alignment with relational embeddedness:** Professional elites need to build *guanxi* networks with key decision-makers and stakeholders, ensuring that their professional advice is transmitted through trusted channels.
- 2. Alignment with historical accumulation:** They need to demonstrate long-term loyalty and contribution to the organization, establishing historical legitimacy through participation in important projects or overcoming organizational challenges.

3. **Alignment with moral evaluation:** They need to exhibit moral virtues such as integrity, selflessness, and concern for collective interests, gaining the trust and recognition of employees and leaders.
4. **Alignment with structural hybridity:** They need to master the operation logic of both formal and informal structures, using formal procedures to legitimize their professional proposals while leveraging informal relationships to promote implementation.

A professional elite who lacks alignment with any of these dimensions may face difficulties in converting expertise into influence. For example, a technically excellent engineer who has no *guanxi* with key leaders (lack of relational embeddedness), has only worked in the organization for a short time (lack of historical accumulation), or is seen as self-serving (lack of moral evaluation) will find it difficult to have their technical proposals adopted.

Theoretical Contributions and Practical Implications

This study has important theoretical contributions to cross-cultural organizational power theory and practical implications for organizational governance and the career development of professional elites. The most important theoretical contribution of this study is its critical examination of the assumption that power is a universally transferable construct. Much of the cross-cultural management literature implicitly assumes the validity of Western organizational models, presupposing that meritocracy, formal authority, and expertise-driven influence are universally effective sources of power (Hofstede, 2001) [10]. This study challenges this assumption by demonstrating that professional knowledge is only a necessary condition for organizational status, not a sufficient one. In a highly relational and morally evaluated organizational environment, objective professional achievements do not necessarily directly translate into power. This contrasts sharply with Western views that emphasize objective skills and performance, arguing that the acquisition of influence is a highly contextual process rather than a purely technical outcome (Wank, 1999) [23]. Furthermore, this study highlights the role of informal dominance and relational networks in modifying formal authority in structurally hybrid organizations. The operational logic of power in Chinese business organizations reveals that merely holding a formal position is insufficient to ensure the effective exercise of power; one must also possess an understanding of implicit rules and control over relational networks (Bian, 1997) [1]. This enriches the literature on organizational power by integrating cultural and relational factors into the analysis framework. This study conceptualizes power as four interacting dimensions, breaking away from the single or dual classifications (e.g., positional power vs. personal power) of traditional organizational power research. This integrated framework provides a more nuanced and explanatory analytical tool for organizational power research, particularly suitable for analyzing organizations in high-context Asian or transitional economies (Clegg *et al.*, 2016) [3]. It encourages future research to systematically incorporate relational, temporal, and moral dimensions when analyzing organizational structures, leadership, and decision-making processes, thereby more accurately predicting and explaining organizational behavior.

This study provides clear warnings for senior organizational managers and governance structures: over-reliance on informal authority will lead to governance failure and talent loss.

1. **Risk of governance failure:** When power is overly concentrated in informal relationships and moral loyalty, organizational decision-making may deviate from objective rational judgment and professional standards. This deviation may lead to strategic errors, inefficiency, and the suppression of dissenting voices, ultimately damaging the organization's long-term competitiveness (Clegg *et al.*, 2016) [3]. To address this risk, organizations should establish a balanced governance structure that combines formal institutional constraints with informal relationship management. For example, they can establish an independent board of directors or audit committee to supervise decision-making, while encouraging the development of healthy *guanxi* networks to enhance organizational cohesion.
2. **Talent loss and innovation barriers:** If professional elites find that their technical contributions are less important than interpersonal relationships or political loyalty, their motivation and commitment will be seriously eroded, leading to the loss of outstanding talent. To maintain innovation and competitive advantage, organizations must find a balance: using relational legitimacy as a foundation for building trust while combining it with institutional rationality to ensure that key decisions are based on transparent professional standards (Luo, 2007) [13]. For example, they can design a performance evaluation system that combines technical contributions and relational coordination, rewarding both professional excellence and the ability to work with others.

For professional elites working in Chinese or similar cultural environments, this study identifies key resources for their career development

1. **Cultural Intelligence (CQ):** Professional elites must enhance their sensitivity to implicit rules, moral expectations, and informal power dynamics. This requires them to shift from a purely technical mindset to a more contextually aware and culturally intelligent behavioral model (Hofstede, 2001) [10]. They can develop cultural intelligence through cross-cultural training, mentoring by local managers, and active participation in organizational social activities.
2. **Relational Competence:** They must proactively invest in building and maintaining trust networks across levels and departments. Relational competence includes effective communication, empathy, and the ability to fulfill reciprocal obligations—essential lubricants for translating professional advice into organizational action (Uzzi, 1997) [20]. Professional elites can develop relational competence by participating in cross-departmental projects, attending organizational events, and providing help to colleagues in need. In other words, professional elites must view their professional knowledge as a "chip" to enter the game, while treating cultural intelligence and relational competence as the "strategy" to win the game. Only by combining technical expertise with contextual adaptation can they gain substantive influence in Chinese business organizations.

Conclusions

This study systematically explores the operational logic of power and the adaptive dilemma of professional elites in Chinese business organizations through a multi-dimensional analytical framework. It reveals that power in Chinese business organizations is a culturally embedded system shaped by the interplay of Confucian moral authority, the differential mode of association, dual power structures, and organizational survival skills. Professional expertise is only a necessary condition for gaining influence, and the acquisition of substantive power depends on the alignment of professional knowledge with relational embeddedness, historical accumulation, moral evaluation, and structural hybridity. This study has several limitations that provide directions for future research. First, it adopts a mainly theoretical and qualitative analysis approach, and future research can use quantitative methods (e.g., surveys, interviews) to test the hypotheses proposed in the integrated framework, such as the relationship between relational embeddedness and professional influence. Second, this study focuses on Chinese business organizations in general, and future research can compare power structures in different types of organizations (e.g., state-owned enterprises, private enterprises, foreign-funded enterprises) to explore the differences in the relative importance of the four power dimensions. Third, with the deepening of globalization, Chinese business organizations are increasingly interacting with Western organizations, and future research can explore how the power logic of Chinese business organizations changes in cross-cultural contexts and how professional elites adapt to this change. Despite these limitations, this study enriches the literature on cross-cultural organizational power, challenges the "myth of professional meritocracy," and provides practical guidance for organizational managers and professional elites. It emphasizes that effective organizational management lies in recognizing and responding to the contextual dimensions of organizational power and establishing a prudent balance between relational legitimacy and institutional rationality.

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