

# UNDERSTANDING THE MANAGEMENT OF THE CHINESE BANK FROM SYSTEMIC PERSPECTIVES

**Jae Eon Yu,**  
Keimyung University, South Korea<sup>1</sup>

## ABSTRACT

This paper looks into the management and operational activities of the Chinese bank from cybernetic perspectives. The research is carried out using the application of Viable System Model (VSM) to explore the complex nature of banking activities according to Ashby's Law of Requisite Variety. Using VSM, we explore the nature of banking practice where it needs to assess, what happens in practice, and how we will design the system model for the banking business. Based on the systemic research on Chinese banking practice, we appreciate and present a good system model for the responsible management and feasible and desirable activities of the bank. Being a socially responsible bank, we propose a better banking practice from systemic perspectives. It allows a practitioner to be an actor for 'sustainable finance' in practice.

**Keywords:** a systemic inquiry; Chinese bank; Viable System Model; sustainable finance.

## INTRODUCTION

Recent years have witnessed increasing complexity of the management of Chinese banks which operate in South Korea. Dealing with this complexity, Chinese banks have undergone some difficulties in their banking business within Korea. Like other multinational banks, internalization of Chinese banks is inevitable in order to participate in the global banking business (Cao, 2014). As international business has come to be exercised across the boundaries of countries with different backgrounds of history, belief and culture, social and political relations have made it possible to facilitate an internationalization of a banking practice. The international operation of Chinese banks has been an inevitable trend for the current management practice of Chinese banks to transform their identity. To transform the identity of Chinese banks, manager needs to be considered in diagnosing the situation at the banks, which face with the variety of contextual factors that include cultural diversity, social and political changes in the current banking industry. The global strategy of the Chinese banks include changes in structure and control of operational activities, organizational processes, symbols, languages, and brand image that refers to what make the Chinese banks unique and what kind of value can it deliver to its customers and other stakeholders.

Since 1978, Chinese accession to World Trade Organization (WTO) means that China has further integrated into the tide of the globalization, and China had to open her financial markets in the world. Although China has become the second largest economy of the world since 2009, the globalization of Chinese financial market and the internationalization of

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<sup>1</sup> Correspondence to: College/ Department of Business Administration, Keimyung University, 1000 Sindang-Dong, Dalseo-Gu, Daegu, South Korea, 704-701. E-mail: [9070yu@hanmail.net](mailto:9070yu@hanmail.net).

## The Management of Chinese Bank

Chinese banking practice are just started in recent years (Cao, 2014: 26-34). For instance, with the opening of China's financial sectors on 11<sup>th</sup>, December, 2006, Chinese banks have been started to their international business in other countries under full equal conditions. Thus, the full opening age of China's banking industry has come. The rapid growth of internationalization across national boundaries has brought with it massive changes in banking practice. Recently, the world economy is moving towards the sustainable development agenda of the multinational bank (e.g. Citi bank Group), which has already been observed in the international banking practice (Lawrence and Weber, 2011). The central focus of the international banking is not on the physical problems such as the movement of capital, services, human resource, and transfers of technology, information and ownership across national boundaries. The sustainable development of international banking is concerned with social, cultural and ethical aspects of the 'holistic' approach which operates from different history, economic systems, perceptions, beliefs, and ideologies of various groups of people in organizations. These multiple aspects have related with a wide range of environmental factors within particular local contexts. Dealing with the multiple aspects of management in organizations, systems approaches are useful to understand problematic situations from holistic perspectives (Jackson, 2000).

The emergence of 'knowledge economy' has appeared one of the most influential phenomena in globalization in the field of business and management. Knowledge management has become one of the most interesting areas to deal with the learning organization and information management. Like systems approaches, knowledge management is trans-disciplinary domain as it is constituted by multiple perspectives and diversity what make so-called "legitimate" knowledge of problem solving. To generate the legitimate knowledge of problem solving, this paper explores an alternative view on knowledge management from systems perspectives. We aim to:

Firstly, the paper explores some of the cultural aspect of the organization by drawing on examples of participatory action research with the Bank of China (BOC) which operates in Daegu, Korea.

Secondly, the paper constructs a system model of 'communication and control' based on the cybernetic methodology.

Lastly, the paper discusses the contribution of an interpretation of the VSM from Knowledge Management's perspective. It can make to achieve 'systemic intervention' that facilitates the changes for the benefits of participants within organizations through the participatory action research that respects different perceptions and perspectives on problem situations as a means to generate creative, tacit knowledge in the terms of Polanyi (1962) for problem solving. Understanding multiple managerial aspects within organizations from systemic perspectives, the paper raises the following research questions.

Firstly, to what extent can systems model or methods be useful to facilitate the analysis of problematic situations from systemic perspectives? For instance, a systems method is useful for the measurement of organizational effectiveness, the process of enquiry or structured debate about the problem situations within organization, and improvement of problem situations in organizations (Beer, 1975, 1979, 1985; Espejo and Harnden, 1989; Jackson, 2003).

Secondly, to what extent can a system method be useful to tackle the issues of multiple levels

## The Management of Chinese Bank

of management (e.g. operational management, strategic management and normative management) from systemic perspectives? (Schwaninger, 1990, 1993; Espejo et al., 1996).

### 1. UNDERSTANDING VIABLE SYSTEM MODEL FROM SYSTEMIC PERSPECTIVE

#### Understanding VSM as the brain metaphor of organisations

Viable system Model (VSM) offers an alternative view on how to deal with complexity when managers appreciate which types of complexity reduction are likely to be effective according to the principle of requisite variety, which is well known as Ashby's Law of Requisite Variety: "Only variety can absorb variety" (Ashby, 1964; Beer, 1975, 110). According to Beer (1985), a viable system model can be useful to study the nature of the complex whole within organizations. Beer (1981) used a term 'viable system' which uses the analogy of brain or human nervous systems to produce the model of self-producing systems. Morgan (1986) argues that the brain metaphor of organizations provides lays emphasis on the flexible and creative action of people when dealing with complexity. The brain metaphor is influenced rather by a "substantial" rationality than by the "instrumental" rationality of the 'machines' metaphor of organizations, where people are valued for their ability to adapt to changing environments and contribute to the efficient operation of the system (Morgan, 1986: 78). On the other hand, the brain metaphor offers an organizing capacity that is able to question the appropriateness of what they are doing and to modify their action to consider new possibilities under changing circumstances. In this reason, the brain metaphor can be useful for building the self-organisation, which refers to the spontaneous formulation of relationships and structural patterns and activities (Espejo et al., 1996: 69), and it can deal with uncertain and complex problems in ways that go well beyond the capabilities of any single individual (Morgan, 1986).

In *Brain of the Firm*, Beer (1981) argues that the best example of successful cybernetic system is the human body and its nervous system which adapts itself to its surroundings and learns from experience. This kind of system has to deal with main characteristics if self-regulatory, exceedingly complex to the point of indefinability and probabilistic and such system must develop their capacity for viability in a changing environment. The ideas of self-organizing and autonomy are fully explored in the concept of the Beer's Viable System Model (Beer, 1979, 1981). The VSM was designed to learn about the self-referencing system of communication and control in complex situations. It is premised on the assumptions that an organization should have the best possible model of the environment relevant to its purposes and structural arrangement in which information flows should reflect the nature of its outside environment so that the organization is responsive to it. A viable system contains in a recursive organizational structure and is itself also contained in a viable system. As a human brain has five sufficient and necessary systems, called 'echelons' of the brain, the model have five functional elements, which Beer calls System One to Five, constitutes a whole model of any viable system. Within the model, System One is always a viable system itself at a higher level of recursion. The embedded System Ones interact with the local environments that are peculiar to each of them. The only restriction on the operational units found in a System One comes from the need that the whole organization must maintain viability. As various Systems ones are related there will be oscillations generated amongst

## **The Management of Chinese Bank**

them which cause managerial action to be taken to dampen the oscillations. There is a need for a mechanism which enables coordination to take place amongst the managerial actions of the System Ones. The function of System Two, coordination and regulation, is to ensure that the various activities found in System Ones act in harmony. System Two should function automatically and act as anti-oscillation dampening activities. From the viewpoints of the effective organization, the system has the self-contained process, the management functions and control activities of the operational units or processes of Systems One and Two. System Three is accountable for the management of the existing operations within the System Ones. It is ultimately responsible for the internal homeostasis of the organization. There is a requirement for System Three to have direct access to the operational units in each System One. This is provided by System Three Star (3\*) and corresponds to the parasympathetic system of human body whilst System Three corresponds to the sympathetic system of human body. The complete set of Systems One, Two, Three and Three Star is referred to as the autonomic system and this deals with internal courses of activities and decisions.

If the organization is to be viable, there has to be an 'intelligence' function, which corresponds to the Echelon IV of the brain, helps the organization to develop and change according to environmental changes. This intelligence function and its activities are carried out by System Four which obtains for the organization all relevant fresh information about its whole environment and which has System Ones' environments embedded within it. System Five exists to complete the whole system by balancing current operational activities of System Three and against future needs that generated by System Four. System Five is responsible for the policy of the organization. This policy function is concerned with building the specific identity of the organization, for instance, what makes the organization unique; what are the principles and values underlying its functioning; and what kind of value can it deliver to its customers and other stakeholders? (Espejo, et al, 1996: 11).

### **Espejo's interpretation of the VSM from organizational learning's perspectives**

For Beer, VSM provides a model and a precise language for discussing issues of organizational design and structure, centralization and decentralization, stability and change concerning the achievement of goals (efficacy) and the economic use of resources (efficiency) and the goal of the strategic competitiveness (effectiveness) (Jackson, 2003: 108). Using the framework of the VSM, Leonard (1999) pays attention to the organizational knowledge creation of how self-knowledge creation happens from explicit knowledge transfers to tacit knowledge in contexts of culture and language. Knowledge management (KM) is usually associated with organizational learning (OL) when they lead to better performance and are aligned to the organizational strategy (Vera and Crossan, 2003). In this sense, we now turn to discuss understanding of the VSM from organizational learning's perspectives. For Espejo, complexity is somehow related with the "interpersonal interactions" within the organization whilst the "unfolding of complexity" refers to the degree of autonomy in the viable units which are likely happen the interpersonal relationships within the organization (Espejo, 1989: 89). In Espejo's term VSM can be utilized in terms of "organizational conversation" that needs to happen in order to allow participatory decision-making through bottom-up approach within the organization. The mechanism for an effective organizational conversation depends on the assumption that the organization is a set of interrelations of individuals, and such interrelations are capable of producing the identity of an organization (Espejo, 1989). In this sense, the organizational structure can be seen as an emergence of the communication channels in which the individuals carry out their roles and

## **The Management of Chinese Bank**

responsibilities within organization. VSM is a generative mechanism for making organizational structure that facilitates social interaction through collaborative linguistic interactions in a consensual domain, and it provides a medium for coherent linguistic interaction about a particular set of human interests (Espejo and Harnden, 1989: 452). Put differently, the VSM offer a tool for knowledge-generation with a scientific justification for empowerment and democracy in organizations as Espejo and Harnden (1989) interpreted the VSM as a 'hermeneutic enabler' for orchestrating 'multi-systems' so that the VSM generates a mechanism for absorb some of the massive environmental variety that would otherwise overwhelm higher management levels (Jackson, 2003: 107). This understanding of the VSM to systemic management in organizations from interpretive perspective that Espejo has proposed is that the epistemological position of a cybernetic approach should be concerned with multi-dimensions of social, political, cultural and ecological domains and a learning mechanism has to take into account the higher levels of double-loop learning (Espejo and Stewart, 1998). The development of the Viplan Methodology has made "second-order" offshoot, which is social cybernetics of "observing systems" that take into account both action and structure (Bowling and Espejo, 2000). Espejo made the contribution of the Viplan Methodology applied into the process of organizational learning (Espejo, et al., 1996). Espejo paid attention to the ideas of Argyris and Schön (1978)'s two forms of organizational learning. When defining 'single-loop learning' and 'double-loop learning', single-loop learning takes place in terms of individual level error detection and error correction in order to compare performance and correct undesirable deviations. On the other hand, double-loop learning takes place to interrogate the appropriateness of operating norms, organizational objectives and policies as organizational members question and modify the assumptions of organizational objectives and policies (Argyris and Schön, 1978). Espejo clearly spelled out when he made clear the value of his cybernetic methodology which facilitates organizational learning in terms of participation and debate between the system analyst(s) and participants or clients within organizations. However, dealing with the issues of 'power' and ethics, it is difficult to say about how the VSM can be dealt successfully with power imbalances within organizations and how participation and democracy can be arranged to allow the voices from the marginalized groups of people within organizations or to emancipate those who are suffering as result of current operation of power and social process of discursive formation within a social practice (Beer, 1985; Jackson, 2003: 107-108). Clearly, it does require the theoretical support of critical sciences to make a step towards a further development of the emancipatory dimension of the VSM in order to ensure that its use is as liberating as Beer (1995)'s later intention of developing Team Syntegrity (Jackson, 2000: 209, 311-313).

### **CASE STUDY**

#### **Background to the study**

The study was carried out through the courses of the Organization Behaviour and the Modern Society and Ethical Management at the college of business administration in Keimyung University which locates at Daegu, South Korea. Bank of China in Korea (BOC, henceforth), a branch of Bank of China based in Peking, China, is facing a new phase of opportunities with an initiative to improve foreign exchange services to Chinese customers, and offering a new brand image of BOC and build inroads into Korean financial markets. BOC is devoted to meet global standards of international banking services in providing a good quality of services as required by its global strategy of the head office at Peking, China. A requisite for competing with the leading American, European and Japanese banks in the Korean market is a brand value. BOC strives to improve brand value through continuous quality improvements, strengthened customer service and creating new banking services to local customers. BOC

## **The Management of Chinese Bank**

makes great endeavours to fulfil its social responsibility through the provision of diverse social activities to local communities in order to build a sustainable management system. To do so, the general manager at the Bank has to deal with managerial problems that have mainly come from human resource problems which include recruiting the appropriate staff who can take charge of the actual work at the various 'profit-making areas' at the Bank. Due to different cultural backgrounds and language barriers between the managers (who are mainly Chinese) and local staff (who are mainly Korean); there are conflicts and misunderstanding amongst general manager, junior managers, local working staff and various divisional teams. There is little improvement being made by the use of information systems and technological skills which could create the synergy effects amongst various working groups and divisions at the bank. Dealing with these problem situations at the Bank, action learning team was formed at the college of business administration in Keimyung University to facilitate the 'managerial reform' at the Bank through the participatory learning processes of 'problem-solving'.

### **The use of the VSM in the Bank through the participatory action research**

As mentioned earlier, the study carries out during the courses of the Organization Behavior and the Modern Society and Ethical Management at the college of business administration in Keimyung University from the March 2015 to June 2015. As a first step of applying the VSM, we look at the problematic situations of the Bank at the present by applying the Cybernetic methodology (Espejo, et al. 1996), which is developed by Checkland's SSM (Checkland and Poulter, 2006). The basic process of the application of the cybernetic method is summarized by the following phases.

#### **Phase 1. Observing: Finding out "key issues"**

The methods of finding out a "key issues", which were conducted by the study of the Bank, include written documents, official records, questionnaire-based survey, observation and informal and formal interviews. It was identified that a centralized decision-making process was formed through a top-down hierarchy of the rainbow cafe. There was a tendency for poor communication, lack of trust and understanding between managers and workers throughout the divisions in the cafe. In an actual study, the archive of 'information' collected can include written documents and records, notes taken from formal and informal interviews with the members of staff within the Bank. Only the facts which are considered to be of relevance for collecting events data and analyzing data being collected in stage b are given as follows. In addressing problem situations the first step was to find out the current situations within the Bank from the various perceptions as possible in order to draw a 'rich picture' in the terms of Checkland (1999)'s SSM. These perceptions were expressed as follows.

Person A:

"Taking into consideration the low brand image of our bank, what can we create a good Human Resource Management (HRM) system that attracts local talented people through offering a high quality of job and a good working environment?"

Person B:

"We need to create the identity of the Bank to ensure our quality of services through creating shared value within the Bank"

## **The Management of Chinese Bank**

Person C:

“The general manager (GM) focuses mainly on the operational excellence in terms of the financial criteria. There are no trust and norms amongst the GM and other Korean working staff in the bank. Communication flow is top-down and managers exercise a directive leadership within the bank”

There were still some concerns about creating a new Human Resource System (HRM) for the Bank of China (BOC) that should be taken into account to affect the operational, managerial, ethical aspects of employees within the bank. For instance, the Korean cultural aspects and particular individual psychological aspects of Korean employees were influencing the operation and management of the bank, GM is concerned about preparing a good human resource management system the based on ‘systems approach’ within the bank.

In order to preparing a good HRM system for the bank, the purpose of building VSM was to understand and diagnose the problematic situations within the bank. The VSM contain ideas about the purposeful human activities which are concerned with the nature of the perceived reality in carrying out problem-solving activities within the bank. Conceptual models (‘ought to be’) of the VSM was prepared to compare the perceived problems situations of the bank with desirable and feasible conceptual model’s activities of the VSM that seemed to be relevant to the problematic situation at the bank. The VSM was used to generate debate amongst participants in order to bring about desirable changes within the bank.

### **Phase 2. Assessing: Structuring problem situation**

In Phase 2, it is concerned with the preparation of ‘root definitions’ of the perceived reality in order to structuring problem situation within the Bank. ‘Root definitions’ were formulated two systems, namely, Human Resource Management (HRM) system and a good communication system, which seemed relevant to the problem situations within the Bank. These systems are described as follows.

#### Root definition 1: The Human Resource Management (HRM) system

A bank owned system aiming to create a good Human Resource Management (HRM) system in order to recruit, sustain, and develop human capital that makes the sustainable business within the local community.

#### Root definition 2: Good communication system

A bank owned system aiming to increase communication and understanding amongst general manger, junior managers, and local working staff, seeking to build trust between managers and working staff in order to increase collaboration amongst general manger, junior managers and local staff within the Bank.

### **Phase 3. Designing: The use of VSM diagnosis**

Having the preparation of the root definitions of the relevant human activity systems of

## The Management of Chinese Bank

the Bank, the purpose of building the VSM was to diagnose the problem situations within the Bank. The VSM contain ideas about the purposeful activities which are concerned with the nature of the perceived problems within the Bank.

The VSM analysis has been done to understand the purposeful behaviors of diverse perceptions of 'multiple systems' within the Bank. The model contains ideas about the necessary and sufficient notional activities which are concerned with the nature of the perceived reality in carrying out problem-solving activities within the Bank. The model ('ought to be') was generated which seemed to be relevant to the problematic situation in the Bank. This phase corresponds to the model building of Checkland (1999)'s SSM. The model-building was concerned with the preparation of the VSM diagnosis, which seemed 'relevant' to the problem situations within the Bank. The following description of the five systems of the Bank will explain how the researcher and participants observed the complex behaviors of the Bank.

### System One: Implementation Function

The implementation function of the bank is seen as the "profit-making area". The profit-making area refers to the working of the service divisions within the bank as the service divisions are directly concerned with generating profit. It includes the current business activities of foreign exchange, deposit, reimbursement, bills discounted, loans, and investment within the bank. Each of the operational units of system one should be autonomous in its own right, but these operational units of system one act within the framework of the general policies created by top management. The overall management of the profit-making area is dealt with the General Manager. The junior manager responsible for managing the particular division they work in and its daily operation are completed by the service staff. The whole working processes of the profit-making area are extremely difficult to pin down as new tasks turn up in every daily transaction with customers. This requires the service staff to work autonomously, but they should work and act within the guideline, rules and policies being issued by the top management. Hence, the System Two is necessary to functioning coordination and operational regulation to damp down the massive variety that stems from oscillations amongst the working staff within the bank.

### System Two: Sympathetic System (Coordination and Regulation Function)

System Two facilitates the effective operation of all the activities of Systems One. The function of System Two is that of coordination and regulation of all operational activities of Systems One. It is an anti-oscillatory device for Systems One so that the processes of the various operation units of Systems One act in harmony. The coordination and regulation function should be carried out by senior staff as follows.

- a. To coordinate the conflict between top-management and working staff within the bank
- b. To set out complaints and troubles amongst working staff who perform business activities at various 'profit-making areas' divisions
- c. To recruit staff for the bank if necessary
- d. To interpret the Korean and Chinese
- e. Arrange formal and informal meetings of System One and System Three

Sympathetic system of the bank was seen as weak as the coordination and regulation

## **The Management of Chinese Bank**

function as described above was not clearly identified within the bank.

### **System Three: Operational Control Function**

System Three is mainly connected to the managerial activities of System One within the bank. It is the highest level of 'autonomic' management and lowest level of corporate management within the bank. The autonomic management deals mainly with optimizing the actual performance of the banking service and with keeping internal stability without reference to higher management. It is responsible daily management of allocating resources, and it expects in turn the accountability of major changes within the bank. The general manager is responsible for the daily management, for allocating resources and reporting the top management of the head office in China. He has to intervene in situations which cause some concerns amongst the working staff within the bank. The audit channel of System 3\* (parasympathetic system) acts on behalf of System One to inform higher management about the explicit and potential problems of System One.

### **System Four: Intelligence Function**

The intelligence function of System Four deal with the whole external environment which System One's environment at the local level embedded in it. The whole environment of the bank is full of uncertainty, opportunities, threats and management challenges. The Head dealer and his assistants in the head office in China take appropriate evaluation on the current trends in the whole environment so that they have fresh and relevant information on the external environment upon which the investment of the baking business depends on. They give information to the GM who makes a decision on investment and new market opportunities in Daegu, Korea.

### **System Five: Policy Function**

The policy function of System Five ensures the identity of the viable system. System Five looks at the balance between Systems Four and Three and manages it. It is the highest level of corporate management like the board in an organization so that it is responsible for the direction of the bank. The General Manager (GM) is responsible for the balance of Systems Three and Four. As he is responsible for the direction of the Bank, he concentrates his efforts more on the internal environment than outside. He receives corporate policies and budgets from Head Office and discusses with managing director at Head Office in China how the Bank's objectives can be set out according to the corporate policies of BOC and its budget. GM exercises his power by employing new local staff subject to the budgets being approved by Head Office.

This model was used to generate debate amongst participants in order to bring about desirable changes within the Bank. It is concerned with the real-world activities in order to apply the 'ethical and normative' values of the conceptual models into a practice, which aims to create an 'open space' which generates interactions between participants and other stakeholders (including customers, workers who are not full-time employees of the organization) within the Bank. This phase was focused on more on the organizational process that facilitates to form informal groups and communities which were initiated by voluntary and participatory approaches that created and shared visions, interests, desires, belief and the common values of GM, administrative staff, workers, investors of the Bank and other stakeholders within the local community.

## The Management of Chinese Bank

### Phase 4. Implementing: Taking action

In Phase 4 of the cybernetic methodology, the debate on the desirable and feasible changes would be happened through the participation from participants and concerned actors within the Bank. As far as action learning project is concerned, the debate for defining and taking action was held with the analyst, consultants and team members of action learning project. The outcome of debate was to produce the agreement on the proposed actions for changes being reached. The analyst produced the agreement on the proposed actions for changes being reached. The list of the proposed changes from a cybernetic perspective is given as follow;

a. Change in management style through reappreciating 'policy' and 'control' functions

As far as the 'policy' function (in the terms of VSM) was concerned, it was recommended that a strategic business unit should be established for maintaining a situation in which the autonomous units could adequately function at the Bank. To activate this strategic business unit, the advisors (or the supervisory team) of the general manager and junior managers at the Bank were needed. The advisors could harmonize with the established culture in the 'Inside-and-Now' and which would know as the 'intelligence' in the 'Outside-and-Then' at the Bank. Corporate policy should then be reoriented towards the reinforcement of the capability of each autonomous working unit to constitute their dialogical relationships to create an organizational identity of BOC at Daegu, Korea. In order to reactivate a policy function at the Bank, it was suggested that a distinction should be made between the 'policy loop' and the 'control loop'. As Beer (1981, 1985) argues, whilst the policy loop is concerned with (re)formulating the vision, missions, corporate strategies and organizational identity for BOC as a whole, the control loop was concerned with supporting the policy function of the Bank. The control loop will operate through the implementation of Human Resource Management (HRM) system, a formulation of operational programs, services, and evaluation procedures for the performance of each autonomous unit at the Bank.

b. Implementing the managerial innovation through activating the local culture at the Bank

In a self-constructing process of organizational transformation and learning, the various viable working groups within the Bank had to be taken into account. The local communication culture of the 'autonomic management' needed to be (re)activating through a participatory approach of managers and local staff dialogically interacts within the Bank. To activate this participatory process efficiently in a recursive organization, a 'requisite variety' to manage the complexity of operational contexts was necessary. This required working staff at the 'management' division, who was constituted their relationships with various service units, to have moment-to-moment interactions with other divisions and working units at the Bank.

c. Developing the information management system

Having established the identity of the bank and the implementation of the managerial innovation through activating local culture, it is necessary to maintain this identity and managerial innovation at the Bank via the use of the information management

## **The Management of Chinese Bank**

strategy. In preparation for adopting the cybernetic approach to developing the HRM system and operational activities of the Bank, the VSM aids information management by informing redesign and development of management systems at the Bank.

Having the appreciation of recommendations suggested by the action learning team, participants were engaged with a form of self-reflecting inquiry to get the collective way of learning process by creating desirable banking practice in the next phase of the cybernetic methodology.

### **Phase 5: Reflections**

From the research experience of carrying out participatory action research at the Bank, the complex nature of international banking practice was understood and shared by participants those who concerned with the process of learning. During the process of learning, 'problem solving' activities includes exploring the taken-for-granted assumptions of the Confucian culture of contextualized beliefs, the strategic aspects of Chinese bank and authoritative behaviors of the general manager, generating questions and a series of 'stories' through participation and negotiation. Participants were contributed to make good system models that became a tool for 'communication and control' at the Bank. As a consequence, a 'problems' is selected and affirmed according to the conditions under which generates a narrative unity of a good human life that will be happened in the future. In this sense, 'thinking' and 'knowing' through the VSM made contribution to facilitate debate amongst participants. It is then possible to make the argument that the cybernetic methodology using the VSM diagnosis through participatory action research was useful to facilitate debate that led to the processes of organizational transformation and learning at the Bank.

## **CONCLUSION**

The application of the cybernetic methodology, which takes both strengths of Checkland's Soft Systems Methodology (SSM) and the systemic logic from Beer's Viable System Model (VSM), has been useful to facilitate the process of the 'organizational conversation' through participation and communication amongst participants. The VSM was used as a basis for understanding the problem situation at the Bank from cybernetic perspectives whilst the SSM was used to facilitate the participatory process of learning amongst participants. To improve the understanding of problem situations at the Bank and the problem solving capacity of the participants during the process of learning, the cybernetic methodology was useful to structure debate among the various actors concerned with the problem situations at the organization. We can see the organization as the arena for generating 'organizational conversation' in the terms of Espejo (1996), and VSM can be useful to explore strategic, ethical and systemic governance of organizational transformation and learning based on 'self-construction and restricted conversation' (Espejo, 2002). Dealing with the diversity and inter-cultural issues that stem from organizational positions, status, gender, level of educations and working experiences, and a strategic choice of knowledge management, we aware that human issues should be taken into in the wider social contexts (e.g. language, the relationships between power and knowledge, and ethics) (Brydon-Miller, 2008; Yu and Lee, 2008; Yu, 2013).

## The Management of Chinese Bank

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## The Management of Chinese Bank

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