

Corporate Change and Traditional Chinese Medicine

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Abstract

This paper attempts to examine the role of business functions in the corporate change in light of the traditional Chinese medicine and provide a unique view that the corporate change hinges on the timely termination of the old business model. The five elements theory has been successfully applied to the principles of traditional Chinese medicine (TCM). If organizations are considered as human bodies, what could be learned from their organic reactions to the change in the environment from the perspective of TCM? There are three organs the liver, spleen, and lung bearing a close relationship to the body's reaction to the external change. The functions of the liver, spleen and lung could be understood as those of the research and development (R&D), operations, and accounting/financial functions respectively.

The Nei-Jing says, "The liver is the foundation of *terminating extremes*." The extremes characterize the critical points of the occurrence of the fundamental changes in the human body. As extremes and disharmonies occur during the interplay of the natural elements, plagues and disease arise to cause suffering in people. The dramatic change in the weather always necessitates a fundamental change in the human body. What is the organ that can monitor and control the critical points in time to prevent the effects of imbalance from the macrocosm upon human beings? It is the liver that is responsible for detecting and making adjustment to dramatic environmental changes. Likewise, the R&D function is expected to assume the role of a *terminator* of the extremes and a *matchmaker* between the innovation and marketing function when a firm is confronted with serious threats. The terminator focuses on how to stop in time the obsolete business plans and actions while the matchmaker is responsible for reconstructing market boundaries through differentiations in marketing related areas or activities. Nevertheless, the R&D function cannot perform these two tasks well without its cooperation with the other two functions related to the corporate change: operations and accounting/financial functions. The operations function should be responsible for screening out useful the practice or knowledge for the next innovation. On the other hand, the accounting/financial function could contribute to the evaluation of the cost and benefit of the plans and execution concerning the planned change.

Keywords: change management; traditional Chinese medicine; five elements theory; business functions, Chinese systems thinking

Introduction

This paper attempts to examine the role of business functions in the corporate change in light of the traditional Chinese medicine (TCM) and provide a unique view that the corporate change hinges on the timely termination of the old business model. Facing diversity, complex and rapid technical development, firms always have to conduct company-wide changes to survive severe competition with global companies. However, one of the big three corporate-wise failure issues that contribute to 75 percent of all major changes failing to attain their desired goals is an unsystematic approach to a systems problem (Haines et al., 2005). Therefore, the systematical management of change has been an important key for organizations to build up their competitiveness and to survive the competition.

The management of change could be learned from the organic reactions to the change in the environment from the perspective of TCM. Change management could be defined as “the process of continually renewing an organization’s direction, structure, and capabilities to serve the ever-changing needs of external and internal customers’ (Moran and Brightman, 2001). Morgan (1997, p. 33-71) has tried to think of organizations as organisms and examine how they adapt to changing circumstances. What could help us build the correspondence between the business functions and the organic functions of the body and then incorporate these relationships holistically into the management of change? The five elements theory may provide the answer. The five elements theory is considered as the most fundamental and influential Chinese systems thinking. Particularly, traditional Chinese medicine has been one of the disciplines that successfully applied the five elements theory. Therefore, the systematic knowledge of change management may be learned from the theory of TCM.

This study tries to find out the business functions that bear a close relationship to management based on the theory of TCM. By examining the roles of those business functions, the core of change management is formed and a plausible strategy for the change management is suggested.

Traditional Chinese Medicine and Five Elements Theory

Traditional Chinese medicine is “a coherent and independent system of thought and practice” (Kapuchuk, 2000, p. 2). Traditional Chinese medicine refers to the traditional medical practices used in China that have developed over two millennia. Based mainly on Chinese systems thinking, TCM investigates on a macro-level into the internal systems of the human body and their mutual relationships with the internal and external environments. It seeks to gain an understanding of the fundamental laws which govern the functioning of the human organism, and to apply this understanding to the treatment and prevention of disease as well as health maintenance. Rooted in the philosophy, logic, sensibility, and habits of the Chinese people, TCM is the result of the Chinese systems thinking in addition to extensive clinical observation and testing.

The traditional Chinese medicine could provide a bridge between the five elements theory and the theory of management. TCM is established within a unique, comprehensive, and systematic theoretical framework including the five elements theory, the human body Meridian system, Yin-Yang and other systems. All treatments of TCM have been conducted according to this systems thinking. Moreover, it is the

five elements theory that plays the most essential role in the theory and practice of TCM. The roots of TCM are planted deeply in the Chinese systems thinking the five elements theory. The five elements theory has been successfully applied to the principles of traditional Chinese medicine. Consequently, a good understanding of how TCM utilizes the principles of five elements can reveal how to apply the five elements theory to the management problems.

How does the TCM apply the five elements theory? First, the human body is considered as a holistic system an integrated set of functions and relationships. Understanding of these functions and relationships enables the practitioner to identify and treat a disharmony in them (Kapuchuk, 2000, p. 77). When there is a disharmony in the human body, the traditional Chinese physician always tries to first seek out dynamic functional activity rather than to look for the fixed somatic structures that perform the activities. In the Chinese system, the organs are always discussed with reference to their functions and their relationships with the fundamental textures, other organs, and other parts of the body. For this reason, they are regarded as organ networks rather than simply individualistic organs. Indeed, it is only through these relationships that an organ can be defined. Each organ network refers to a complete set of functions physiological and psychological rather than to a specific and discrete physical structure fixed in an anatomical location (Beinfeld & Korngold, 1991, p. 91-92).

Second, the functions of organs are classified into the corresponding elements and their interactions are defined as either the nourishing or controlling effects. Chinese medicine recognizes five Yin organs (wu-zang) and six Yang organs (liu-fu). The Yin organs are the liver, heart, spleen, lungs, and kidney. The Yin organs produce, transform, regulate, and store the fundamental textures Qi, blood, essence, spirit, and fluids (Kapuchuk, 2000, p. 78). The six Yang Organs are the gallbladder, small Intestine, stomach, large Intestine, bladder, and triple burner. The function of the Yang organs is to receive, break down, and absorb that part of the food that will be transformed into fundamental textures, and transport and excrete the unused portion (Kapuchuk, 2000, p. 78). Generally, the Yin organs are more important in Chinese medical theory and practice. According to the theory of TCM, the correspondences between the organs and the five elements are listed in Table 1.

Table1. Correspondences between the five elements and organs

Five Elements	Yin organs	Yang organs
Wood	Liver	Gallbladder
Fire	Heart	Small intestine, Triple burner
Earth	Spleen	Stomach
Metal	Lung	Large intestine
Water	Kidney	Bladder

Source: Zuo (2002, p. 26-29)

Third, the diseases could be traced to the imbalance between the nourishing and controlling effects of the organs' functions. Health for the Chinese is a sense of equilibrium (Kapuchuk, 2000, p. 75). When all the functional activities of the organs take place harmoniously, the person is healthy and in balance. The equilibrium is maintained if the interactions among the functions of the organs are balanced. All the factors that have harmful effects or influence on the dynamic balance of the functional activities are called pernicious influences in TCM. They are formed by the interactions among the variables such as the environment, emotional responsiveness, way of life, or heredity. The pernicious influences would not cause an illness under the normal condition because the defensive and regulative system of the body could react effectively as well as timely to the imbalance of the pernicious Influence and the normal Qi. However, if the normal Qi is weaker than the pernicious Influence, disharmony arises and the balance between the nourishing and controlling effects is disturbed. Therefore, TCM emphasizes how to identify the patterns of disharmony and locate where it occurs (Tang, 2004, p.42-43).

Lessons from the Human Body

If organizations are considered as human bodies, what could be learned from their organic reactions to the change in the environment from the perspective of TCM? To realize the reactive mechanism of the body to the external changing circumstances is the primary purpose of this study. After we have known that the organs function as a system to react to the external influences, the next step will be moved to analyzing the major organs that are responsible for this purpose. Finally, the corresponding business functions will be identified to formulate feasible strategies for the corporate change.

There are three organs the liver, spleen, and lung bearing close relationship to the body's reactions to the external changes. All Chinese medical theory originates from Huang-di Nei-Jing or Inner Classic of the Yellow Emperor (hereafter referred as the Nei-Jing) written in the second century B.C¹. The Nei-Jing says "The liver is the foundation of terminating extremes (Tang, 2004, p. 73-74)." These extremes characterize the critical points of the occurrence of the fundamental changes in the human body. As extremes or disharmony occur during the interplay of the natural elements, plagues and disease arise to cause suffering in people. The dramatic change in the weather always necessitates the fundamental change in the human body. What is the organ that can monitor and control the critical points in time to prevent the effects of imbalance from the macrocosm upon human beings? It is the liver that is responsible for detecting and making adjustment to dramatic environmental changes.

The spleen is in charge of the transformation and screening functions. The spleen belongs to the Earth element, which provides stability and is a transformer. In the five elements, it is the transforming energy from one season to another. In fact, the spleen in TCM is the primary organ of digestion. Although the stomach is responsible for receiving and ripening ingested food and fluids, the energy it needs is supplied by the spleen (Tang, 2004, p. 73-74). Because the spleen provides the source of sufficient Qi and blood² to fuel the life of the body and mind, the Chinese believe that it is the "foundation of postnatal existence (Li, 1998, p. 7-8)." After extracting the pure nutritive essences of ingested food as well as fluids, the spleen transforms them into resource or garbage. The resource is the raw material for Qi and blood that the body could utilize. By contrast, the garbage refers to the waste

material. The activity of separating the useful essence from the wasteful one is defined as the screening function.

The lung is expected to function as a sensitive evaluator and adapter. Nei-Jing says, “The lung can manage the Jieqi.” A Jieqi is a solar term, each covering a period of 15 days in the traditional Chinese calendar to signify a particular natural phenomenon or agricultural arrangement in ancient China. There are 24 solar terms in a traditional Chinese year. “The lung can manage the Jieqi”, meaning that the lung can easily detect the external short-term events and then adapt the body quickly to them (Tang, 2004, p. 73-74; Liu, 2004, p. 66-67). Therefore, for Beinfield & Korngold (1991, p. 117-118), the role of the lung is like a minister who conducts affairs of state and determines the territorial borders. It governs the relationship between the inside and the outside, setting limits and protecting boundaries. In addition, the lung is traditionally called the advisory officer in Nei-Jing (Ni, 1995, p. 34). It means that the lung could advise the body on how to react to the changes in weather.

The roles of the three organs in adjusting the body to the changing environment differ in respect to the time span of the external change. The lung is responsible for fine-tuning the short-lived fleeting events for every fifteen days. The spleen is in charge of the transformation of the middle-range seasonal shifts (Liu, 2004, p. 342-344). By comparison, the liver answers for the long-term change in years. The organic division of these three adaptive functions gives us a good deal of enlightenment on the time of the corporate change. A business function may have a major impact on short-term change whereas the other functions may affect the medium-range or long-lasting changes.

The functions of the liver, spleen, and lung could be understood as those of the research and development (R&D), operations, accounting/financial function respectively. With the function of the three organs briefly elucidated, the next spotlight would be focused on identifying the corresponding business functions concerning the management of change. The relationships among the Yin organs, five elements, and business functions are summarized in Table 2. Therefore, the R & D function is fulfilling the capability of the job of the liver *terminating the extremes* detecting and making adjustment to dramatic environmental changes. The operations function is to engage in the activity of the spleen the transformation and screening. Finally, the accounting/financial function is carrying out the task of the lung, being a sensitive evaluator and adapter.

Table2. Correspondences between functions of Yin organs and business functions

Yin organ	Five Elements	Business Functions
Liver	Wood	R & D
Heart	Fire	Marketing
Spleen	Earth	Operations (Production)
Lung	Metal	Financial & Accounting
Kidney	Water	Innovation

Source: Wang (2002).

Systems Thinking For Change Management

The traditional Chinese medicine offers a different perspective of coping with changes. The successful management of change is crucial to any organization in order to survive and flourish in the present highly competitive and continuously evolving business environment. In fact, the enterprise-wise or transformative change couldn't be avoided while firms encountering a life-and-death competition. A corporate-wide change necessitates the systems thinking. However, one cannot adopt a piecemeal approach to a systems problem. The human body has shown its wisdom of holistically reacting to the external changes. Thus, firms can learn from the experience of the human body to untangle the problems in managing change.

The management of change could evolve from the change triangle. The change triangle consists of the R & D, operations, and accounting/financial functions (see Figure 1). It forms the core of the corporate change. Building on the change triangle, a manager could grasp in time the critical point of change through the R & D function, utilize the operations function to effectively transform and screen resources, and accurately evaluate the performance of change. Therefore, the expected activities of these business functions will be discussed first. Then, the systematic interaction of the triangle and the two other functions marketing and innovation will be explored to reach the ultimate goal of change.

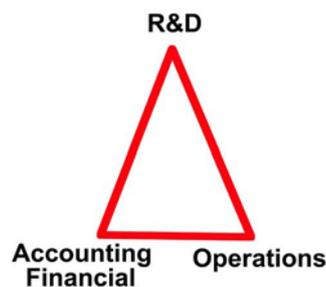


Figure 1. Change triangle

When a firm is confronted with serious threats, its R & D function is expected to assume a role of a *terminator* of the extremes and a matchmaker between the innovation and marketing functions. The terminator focuses on when and how to stop in time the obsolete business plans and actions. The managers are always brainwashed by the traditional concept that highlights the importance of “unfreezing” as the first step of change. Instead, the role of the liver in TCM advises the managers when to trigger a change. Because the inertia always delays the reactions to changes (Gharajedaghi, 2006, p. 4-6). The inertia, in fact, usually originates from the past formula of success. It is very likely that the organizational behavior is deeply influenced by the inertia making managers unable to smell the critical point for change in time. Therefore, the R & D function should start from ceasing the extremes.

To stop the extremes entails detecting when the critical point emerges. In other words, the critical point manifests the proper time for launching a change plan. This study found that the change plan always occurs when the operations function couldn't transform the resources efficiently into economic performances enough to sustain the business growth and survival (see Figure 2). For example, facing external problems such as the fierce competition, increasing cost structure, as well as falling prices,

firms suffer greatly from the declining performance and cannot earn the normal profit to stay in the industry. In this case, they may confront a critical point for change.



Figure 2. R&D monitors the transformation from operations to accounting/financial function

In addition, as a matchmaker, the R & D function is expected to match the innovation (Water) with marketing (Fire) function to remark market boundaries. The Water-Fire effect signifies the interaction between a firm and its customers (see Figure 3). It denotes the value proposition, from the firm's perspective (Water), for the customer. In addition, it stands for the evaluation of corporate offerings from the customer's perspective (Fire). A balance will be reached when both parties meet the needs of each other. In fact, the R & D function is designed to help create profitable orders by matching innovation with differentiation in marketing activities. Thus, a matchmaker undertaken by the R & D should focus on how to apply the existing innovative capabilities to the perceived changes in the market. Furthermore, to avoid the competition in red oceans, the R & D function has to be responsible for reconstructing market boundaries through effective differentiations in marketing related areas or activities. As suggested by Kim & Mauborgne (2005, p. 47-80), companies could discover new market space by rethinking the conventional boundaries of competition, such as looking across alternative industry, strategic groups within industry, complementary offerings, customer appeals, or redefine the industry buyer group.



Figure 3. Match between innovation and marketing function

Nevertheless, the R&D function cannot perform those two tasks well without the cooperation with the two other functions related to the corporate change: the operations and accounting/financial functions. The operations function consists mainly of transformation and screening capabilities. Similar to the role of the spleen,

the operations function assumes the duty of transformation. It helps to transform one or more inputs, adds value to them and finally provides products or services for customers. Actually, this transformative capability is engaged not only in operations activities that produce goods and services for customers, but also in all other business functions. The Earth element is like the infrastructure that provides the necessary energy for supporting the five elements framework. All the activities of firms cannot do without the transformation function. Likewise, the corporate change cannot be excluded. The operations or transformative function should always be re-examined as the survival of business has been threatened by deteriorating economic performances.

More importantly, the operations function could unravel the problems of enterprise change by screening out the useful practice or knowledge for the next innovation (see Figure 4). In addition to the transformation capability, the operations function has to provide a useful tool for selecting the potential innovative technologies, practices, or ideas. As a firm undergoes a transformative change, innovation is always needed to lower its cost structure and exploit another new market. Frequently, the operations function is called for examining the alternatives of innovation and screening out the best one that could be produced by their core competences in hand. The interaction of the operations and innovation activity is just like the controlling effect of the Earth (operations) on the Water (innovation) element, which could cultivate the organizational learning capabilities within an organization. More specifically, the screening function can be realized by four actions framework proposed by Kim & Mauborgne (2005, p. 29-35). In other words, companies can challenge their business model by reviewing their competing factors and decide which ones should be eliminated, reduced, raised, or created. Then, a unique set of practical and valuable factors would be picked out for the R & D function to utilize.

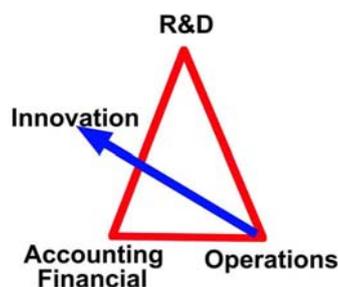


Figure 4. Screening the effect of operations on innovation

On the other hand, the accounting/financial function contributes to the evaluation of the cost and benefit of the plans and action concerning the planned change. Without sustainable economic performance, an organization change is doomed to be crippled. It is insufficient and dangerous for a company to trigger a transformative change only by the R & D and operations functions. A change labeled with unsatisfactory economic results cannot persuade the employees and stockholders to demonstrate their further commitments. Nor can it rescue a deteriorating business from the fierce competition. Therefore, managers have to take the accounting/financial function into consideration in formulating a change plan. The function of the accounting/financial

activity corresponds to the lung's function, which is supposed to act as an "adviser" in the human body from the TCM perspective. In terms of management, the accounting/financial function should advise the manager on how to evaluate the performance of change.

However, to successfully complete the work of evaluation, the accounting/financial function has to collaborate with the marketing function (see Figure 5). It is very important for a firm to achieve both lowering cost and increasing customer value to guarantee an anticipated level of performance. These tasks necessitate the cooperation with the marketing function, which could provide the financial assessment of products, services, customers, competitors, and the industry.



Figure 5. Evaluation the effect of marketing on financial/accounting

To sum up, companies could conduct holistic change based on the change triangle. The process of corporate change is triggered by the R & D function that should assess the effectiveness and efficiency of transformation within a firm to identify a critical point for change (see Figure 6). This is related to the problem of why to change. The next step can be completed by finding the "blue ocean" to which the existing innovative capabilities can be applied. It becomes a how-to-change problem. Finally, the problem of how to change should be the target of corporate change, which emphasizes screening and evaluation effects.

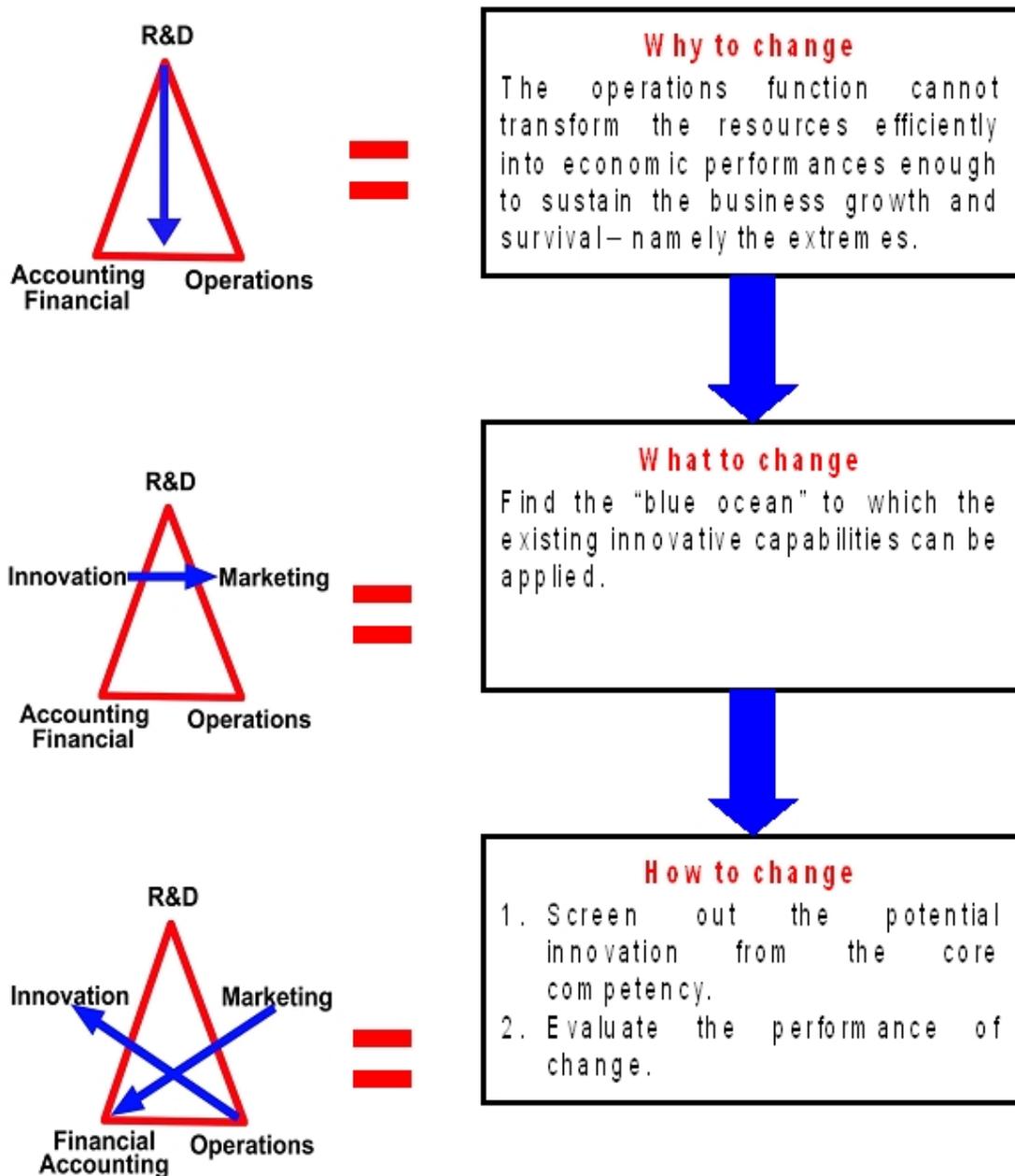


Figure 6. Process of corporate change

Contribution and Conclusion

The purpose of this article is to borrow from the principles of TCM to offer a creative reflection on the change management.

Explore the change management by systematically integrating business functions.

This research seeks to integrate business functions holistically to find a workable way to corporate change. The change triangle comprised of the R & D, operations, and accounting/financial functions would make a significant impact on the efficacy of

change. Furthermore, the interaction among the change triangle and the innovation as well as marketing functions is able to achieve both cost reduction and increasing buyer value.

Examine the corporate change from an interdisciplinary perspective the traditional Chinese medicine approach.

It is the first research that applies the theory of TCM to management. The strategy of change can be inspired by the working knowledge of the body's organic reactions to the external changes. Basically, the liver, spleen, and lung are the main organs accountable for the adaptation to fluctuating environments. This study identifies their corresponding functions in business the R & D, operations, and accounting/financial functions. Eventually, a plausible strategy for change is suggested.

Emphasize that the termination of "extremes" would initiate the corporate change.

Informed by the adjustment capability of the liver, the R & D function should give managers advice on when to stop the obsolete business model in respect to change management. This critical point usually occurs when the operations function couldn't transform the resources efficiently into economic performances enough to sustain the business growth and survival.

Notes

- ¹ The Nei-jing is composed of two parts: the Su-wen and Ling-shu. The Su-wen emphasizes on the theoretical foundation of Chinese Medicine, including diagnosis methods and treatment methods. The Ling-shu deals with acupuncture in great detail. However, because the Su-wen is much more widely quoted and referred to, the Nei-jing often refers to just the Su-wen. The Chinese translation of Nei-jing can referred to the book of Ni (1995).
- ² The approach of Chinese medicine includes, yet moves beyond, issues of physical health. The Chinese believe that the greater integration of body organs can be achieved through the cultivation of Qi. Moreover, the balance of forces within us, such as Yin-Yang, Blood-Qi, Heat-Cold, determines the internal healthy and diseases(Beinfeld & Korngold, 1991).

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