BINGXIN WU

NEW THEORY ON LEADERSHIP MANAGEMENT SCIENCE



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New Theory on
Leadership Management Science

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Bingxin Wu



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Contents

List of figures and tables *xi*
Foreword I by Yuanchen Dai *xv*
Foreword II by Yulong Xia *xxi*
Author's preface *xxv*
About the author *xxxiii*

General remarks **1**

New definition of leadership management science 2

The dialectical complementary relationship between leadership and management 5

Main academic innovations of this book 8

The basic features of this book 27

Fundamental theoretical framework of this book 28

1 Concepts, principles and characteristics of leadership management science **33**

Section 1. Discipline analysis of leadership management science 33

Section 2. Basic principles of leadership management 63

Section 3. Leadership management subjects and objects 80

2 The leadership management environment **93**

Section 1. The composition of the leadership management environment 94

Section 2. Characteristics of the leadership management environment 102

Section 3. Leadership management of specific leadership management environment 106

3	**Qualities of leadership managers**	**113**
	Section 1. Concepts of leadership managers' quality	114
	Section 2. Composition of leaders' competence	119
	Section 3. The political quality of leaders	123
	Section 4. The quality of knowledge of leadership managers	126
	Section 5. The quality of the ability of leadership managers	128
	Section 6. Psychological qualities in leaders	135
	Section 7. The improvement of leaders' qualities	141
4	**The leadership management system and evolution**	**149**
	Section 1. Elements, structure and role of the leadership management system	150
	Section 2. The organizational structure of the leadership management system	161
	Section 3. Types of leadership management system	165
	Section 4. The evolution of the national leadership management system	169
	Section 5. Modern leadership management theory in China	185
	Section 6. Research into the seven-authority government system under leadership management with Chinese characteristics	189
5	**Leadership management science methodology**	**201**
	Section 1. The social survey	202
	Section 2. Sample surveys	208
	Section 3. Case surveys	211
	Section 4. Questionnaire surveys	214
	Section 5. Social experiments	217
	Section 6. Social statistical analysis	221
6	**Four stages of development in epistemology**	**225**
	Section 1. Epistemology, the core of leadership philosophy and the soul of leadership management	226
	Section 2. The intentions and development of practical philosophy	243
	Section 3. Consumption awareness, intelligence and inspiration	263

Section 4. Consumption practices and consciousness 280

Section 5. The law of thought and leadership management 293

Section 6. The arts and methods of thinking and working in leadership management 299

7 Leadership management thought in ancient China 331

Section 1. Management strategy thought in *the Works of Guan Tzu* (c. 725 – 645 BC) 332

Section 2. Lao Tzu's strategic management thought (571 BC) 345

Section 3. Confucius' thoughts on strategic management (551 – 478 BC) 361

Section 4. Sun Tzu's thoughts on strategic management 373

8 Planning leadership strategy 389

Section 1. Mao Zedong and Deng Xiaoping: practical strategic thoughts 389

Section 2. Practical development strategy and leadership management 393

Section 3. Planning practical strategy with specific cases 405

Section 4. Organizational practical strategies and cases 411

Section 5. Practical strategies for competition 417

Section 6. Target market practical strategy 422

Section 7. Motivate practical strategy and a case study 429

Section 8. The practical strategy of control 436

Section 9. Human resources practical strategy 440

Section 10. Practical strategies of human resources 447

Section 11. Strategies and some examples of cultural practice 454

Section 12. The practical strategy of public relations 459

9 Leadership management and consumer social productivity 467

Section 1. Consumption and nature 468

Section 2. Labor consumption value and new labor classification 469

Section 3. Consumption creates surplus value and develops consumer social productivity 472

Section 4. Consumer social productivity is a sub-discipline of a consumer social economy 476

Section 5. Classification of consumer social productivity 483

Section 6. Analysis of the seven factors of social productivity consumption in its broader meaning 486

Section 7. Analysis of the nine factors of social productivity consumption in its narrower meaning 502

10 National macroscopic leadership management innovation 525

Section 1. National factors 528

Section 2. National systematic and integral management factors 529

Section 3. Comprehensive national power factors 530

Section 4. Competence in market finance and economic laws 530

Section 5. Economic law: macroscopically controlled market and financial laws 558

Section 6. National macroscopically controlled consumption, distribution, tax and economic law 575

Section 7. Macroscopic consumption, social consumption and wealth distribution management 587

Section 8. Macroscopic market regulations and control of the State-led economy of living consumption 588

Section 9. The important range of national macroscopically controlled management 590

Section 10. Consumption and resource allocation management 608

Section 11. Consumption and a developing cyclical economy 610

Section 12. Consumption and population management 612

11 Consumption and leadership management innovation 615

Section 1. Consumption and the motivating power of social progress 615

Section 2. State-owned capital and national business management 628

Section 3. Household wealth management and macroscopic control 643

12 Network society and leadership management 649

Section 1. Development of an international network 650

Section 2. A survey and analysis of China's Internet management 658

Section 3. International experience in network management 666
Section 4. Network management strategy 673

13 A new theory on business leadership management 685

Section 1. A new concept of business 686
Section 2. A new concept of business leadership management 687
Section 3. The philosophy of business leadership management 691
Section 4. Consumption and the control operations budget 693
Section 5. Business goals, market competition and efficiency 716
Section 6. Leadership management decision-making 721
Section 7. Business decisions and leadership management 723
Section 8. Consumption and organized management 725
Section 9. Consumption and consumption object management 727
Section 10. Business objective management 728
Section 11. Consumption and resource allocation management 729
Section 12. Consumption and business management methods 730
Section 13. Consumption, business regulation and discipline leadership 737
Section 14. Business distribution policy and leadership management 738
Section 15. Business strategy and tactics 738
Section 16. Business consumption and assessment 741
Section 17. Supervision 742
Section 18. Safety leadership management 742
Section 19. Business operation consumption management and team building 743
Section 20. Consumption and product quality management 743
Section 21. Analysis of business operations 745
Section 22. Business leadership management schematic 752
Section 23. Soft business management 754

14 Marketing leadership management 757

Section 1. A new concept and the development of marketing 758
Section 2. The large-scale market service system 763

Section 3. The large-scale market service system and targeting consumer needs 766

Section 4. Marketing management and methods 769

Section 5. The marketing management method 773

Section 6. Consumption and marketing culture 779

Section 7. Correctly handling the ten relationships in the marketing process 786

Section 8. The three basic points of marketing and dynamic leadership management 788

Section 9. Applying operations research to improve marketing management 789

Section 10. Marketing strategies, tactics and ten principles 790

15 Business leadership management in China 795

Section 1. The specific content of business leadership management 795

Section 2. Effective leadership management development 800

Section 3. Correctly handling the “Ten Relationships” during development 802

Section 4. Team establishment and nine relationships 810

Section 5. The three motivating powers and leadership management 815

Section 6. Corporate culture management 820

Section 7. The political qualities of business managers 823

Section 8. Chinese marketing and team building 826

Section 9. The philosophy of professional managers in China 834

Section 10. The qualities of leaders, using Sanzhu as an example 837

References 843

List of figures and tables

Figures

0.1	Theoretical framework of leadership management science	28
1.1	Holistic theoretical framework of the leadership management science system	39
1.2	Basic research and production consumption framework	49
6.1	The circular spiral developmental law of cognition	266
9.1	Development of the cycle diagram of consumer social productivity	477
9.2	Scientific technology has led to progress in social civilization	507
10.1	Law of the three most important types of consumption driving the economy in a circular upward spiral development	532
11.1	Scientific technology creates social civilization progress	625
13.1	Basic statement of profit and loss	697
13.2	Cost-volume profit under budget management	698
13.3	Comparison between S and S'	699
13.4	Comparison between V0 and V0' if the unit variable cost rises	700
13.5	Comparison between V0 and V0' if the fixed cost goes down	701
13.6	Diagram of the business profit budget management system	702

13.7	Vertical organization structure	703
13.8	Horizontal organization structure	704
13.9	Analysis drawing of profit budget management variations	705
13.10	Strategic outline of Yellow Tail Wine	718
13.11	The four-step movement framework	719
13.12	Quality management organization	744
13.13	Soft management and its foundation	753
14.1	Organization structure chart of Sanzhu's marketing model	773
14.2	Marketing model of subsidiaries	774
14.3	Direct marketing model	775
14.4	Conference marketing department	776
14.5	Structure of the advertising method	777
14.6	Structure of the marketing command and management system	778

Tables

8.1	Comparison of three market systems	428
9.1	Scientific technology has led to progress in social civilization	508
10.1	The population index	607
10.2	Life expectancy in some countries and regions	607
10.3	Peak times	607
13.1	Business plan budget benefits management	707
13.2	Operational profit budget of a service business	708
13.3	Budget plan of an inventory-ready product (according to cost)	708
13.4	Sales expenses budget (related to performance)	709
13.5	Department management expenses budget	710
13.6	Product price positioning factors	711

13.7	Annual target operating profits of Business A	713
13.8	Innovative characteristics of Yellow Tail Wine	717
13.9	Sample budget implementation of main business operational indicators of XXX company	751
14.1	Comparison between marketing and mega-marketing	762–3
14.2	Elements and categories of a marketing model	769

Foreword I

Yuanchen Dai

Three years ago, Mr. Wu's *On Consumption* was published by Contemporary China Publishing House in three volumes with 1.5 million characters. *General Theory of Consumption* was published later. The publication of the two works generated a great response in society. Seminars on them were held in Beijing and Jinan respectively. Mr. Wu was invited not only to some domestic universities to give lectures, but also to the University of Houston, and the Victoria and Texas A&M University of Commerce. The publication of the English version of his book later caused much excitement. I thought he would take a rest for a short time after the publication of these two books, but he surprised me by announcing that his new book *New Theory on Leadership Management Science* of over 1 million characters is about to be published again.

Mr. Wu's study of leadership management started before rather than after the publication of *On Consumption*. He even began preparations for the book during the early 1990s and used part of the research in the book *On Consumption*.

Mr. Wu is well-qualified for research on leadership management as he worked in a State-owned company for over thirty years, and then in private companies for nearly thirty years after China's reforms and opening-up, thus gaining a wealth of experience and practice within a planned economy as well as in a private one. Based on wide-ranging leadership and management experience, his writing is extensive in content and he puts forward many distinctive ideas in comparative research. After retirement from the State-owned company 25 years ago, Mr. Wu tried his best to run his own enterprise with the spirit of ongoing self-improvement. He started in Baotou, moved to Huainan, and finally settled in Jinan. He established the Sanzhu Group Company, which is

involved with healthcare products, medicine, medical treatment equipment, hospitals, ecological cosmetics and other related industries with fixed assets of one billion Yuan. It has a maximum annual sales income of 8.4 billion Yuan and a maximum tax payment of 820 million Yuan. It was once the biggest private company in China and praised as an economic miracle by economists both at home and abroad. In 1994 it was praised as a new high-tech enterprise by the State Science and Technology Commission and the Shandong Science and Technology Commission. In 1997 it was again praised as a key new high-tech enterprise in the State Torch Program by the State Science and Technology Commission. In 1997 it was awarded a five-star diamond prize by the American Excellent Service Science Association. In December of the same year, Sanzhu was named as one of the most famous Shandong trademarks.

This book is a masterpiece, undertaking systematic and full research on leadership management with knowledge taken from several fields. While tracing the source of human consumption and a combination of theory and practice, it has carried out research on leadership management at different levels of the State – enterprises, family consumption and finance planning, as well as State macro-control management from the point of view of philosophy, sociology, culture and history. It is more practical for him to take leadership and management as a whole in research. The 1980s are a dividing line for the relationship between leadership and management. Before, people treated them as two aspects of the same issue. For example, Peter Drucker, the father of modern management, regarded leadership and management as a whole in his book *Management Practice* published in 1954. Since the 1980s, scholars in all academic fields have undertaken research separately on leadership and management. Now Mr. Wu has taken it to the next level by dealing with them as one issue in his research. I appreciate this effort as I think it is a reflection of activity in the academic sphere and an important point of view.

I think the work has an academic grounding and that there are many academic innovations.

The book puts forward strategic theories of leadership management fully and systematically. The past strategic theories are limited to reference to Western theories and findings. But this book also incorporates traditional Chinese leadership management ways of thinking and thus develops a new leadership management theory system, which integrates the essence of both Eastern and Western theories. As is well-known, Eastern culture differs a lot from Western culture because of the

difference in ways of thinking, such as sense and sensibility; theory and practice; ethics and morality; the teaching of theory and behavior; intelligence and inspiration; and demonstration and revision. Since the reforms and opening-up, Westerners have to come to Eastern cultures to seek inspiration from the rapid development and great success in the Chinese economy, as well as the constant development of leadership management. Eastern culture, and especially traditional Chinese management thought, shows its distinctive value, thus becoming a new source of the development of leadership management science. Eastern leadership management wisdom is reflected everywhere in dialectical thinking and induction in the *Book of Changes*; in learning from Lao Tzu about nature and governing with non-interference; in the benevolent and moral government of Confucius; in the Master Sun's *Art of War*; and in the strategies used in the *Three Kingdoms*, all of which have opened a new era when Western and Eastern management culture is developing through interaction.

Based on the theoretical background and adaptation of Western organization theory, planning theory, competition theory, stimulus theory, control theory and aim theory, the book also introduces excellent traditional Chinese leadership management thinking. This includes especially the laws of heaven; land law; human law; reform ideas taking people as a starting-point and then dealing with everything from law, State government to management thinking; and leadership management thinking put forward by Guan Tzu, Lao Tzu, Confucius and Master Sun. It also put forward theories of employment strategy, culture strategy, public relations strategy etc., aiming at Chinese practical experience and thus developing a complete leadership management strategy theory system.

The book also makes a full and fair theoretical explanation of the current Chinese leadership management system and undertakes full research on a Socialist State political structure with specific Chinese traits. The establishment of the political structure of a State is based on the actual conditions of the State, and cannot be separated from its historical tradition, national status, and geographical distribution. Some Westerners always advocate the political system of Western capitalist countries; it seems to them that a tripartite political system; a constant change of government by different parties; and bicameralism are applicable everywhere and could solve all the problems in China if adopted. Actually people holding such views do not see the true nature of the Western capitalist system and the special conditions for its existence, or see the fact that a complete transfer of these systems cannot

solve Chinese problems except those created by a malicious and intentional attack on China. History has conclusively proved that only the current leadership management system established in Chinese reality and its actual conditions can provide guidance to Chinese development. Although it has defects, what it needs is micro-adjustment rather than a radical change.

The book places practical philosophy at a very high position. In Chapter Three of the book, the author expounds extensively on practical philosophy, explaining practical philosophy formation and development, as well as an interpretation of the basic content of practical philosophy, including the value of practice, a world view of practice, a development view of practice, and an innovation view of practice. The author also advocates in his book that the status of philosophy should be further determined nowadays, the core aim of which is to make constant developments to the human-based point of view; to develop the subjective thought of practical philosophy to enrich a practical development point of view; to advance the standardization of research into practical operations; and to and pursue the effects caused by practical innovations. The book also expounds on new conceptions of leadership management philosophy and systematically on the development of Chinese and Western epistemology and methodology. It introduces intelligence and inspiration into epistemology and methodology, bringing practical philosophy into the fourth stage of epistemology and giving a clearer view of leadership management science.

The book makes a very complete exposition on network management, and puts forward that networks should be promoted to national leadership management strategy. The book also gives many good suggestions on how to introduce virtual society management into actual society management.

In general, the book combines theories with application. In other words, it is a work with both academic and practical value in combining practice and theory. This is especially so in Chapter Four, where a great many details show how to put leadership management theories into practice. It puts forward a wealth of practical leadership management strategies and tactics, including detailed epistemology and work methodology in aspects of economic law and consumption practice; modern production and modern marketing activities; labor, surplus value and productivity development; culture; network; laws; regulations etc. Such problems are what Chinese reform is facing, as well as what every country in the world, especially developing countries, face without exception; so these theoretical achievements have a wide significance in

practical guidance. I believe that after its publication, it will win recognition and focus from government and enterprise leaders and managers, as well as people engaged in research and education, etc.

At the age of seventy-three, Mr. Wu is still very energetic and passionate in his academic pursuits, which deserves admiration and respect.

Biography: Professor Yuanchen Dai was born in 1926. He is an honored academician at the Chinese Academy of Social Sciences and is currently a professor and researcher at the Economic Institute of the Chinese Academy of Social Sciences, as well as a famous economist. He was the eighth national committee member of CPPCC; a committee member of the Taiwan, Hong Kong, Macao and Overseas Chinese Sodality of the CPPCC; a special adviser for the National Federation of Industry and Commerce; a decision-making consultant of the Municipal Party Committee of Beijing; and an expert consultant of the Beijing Municipal Government. Professor Dai Yuanchen is mainly engaged in theoretical research in macroeconomic management and Chinese economic system reform. He has written more than ten books including *Socialist Macroeconomics*, *New Theory of Chinese Economy, Non-loose Reality and Loose Realization-Macroeconomic Management under Dual Systems*, *Exploration of the Chinese Price Problem*, and *Researches on Chinese Economic System Reform Modes*, *Chinese Labor Market Cultivation and Wage Reform*, and *From a Closed Economy to an Opening Economy*. He has published hundreds of papers including *Wage Erodes Profits* etc.

Foreword II

Yulong Xia

The publication of *New Theory on Leadership Management Science* by Mr. Wu is an event deserving special attention since the birth of leadership as an academic subject 18 years ago in China.

In May 1983, Ji Liu, Zhijun Feng, Nianchun Zhang and I published a book called *Foundation of Leadership Science*, which was the start of leadership science in China. We wrote the book to meet the needs of the reforms and opening-up happening at that time. Before the reforms and opening-up, China had implemented a highly centralized socialist planned economy, in which the government had direct control over the economy by giving orders rather than macro-control, which mainly relies on indirect methods. The micro-production units were not real enterprises. They only performed duties according to planned targets given by the government with no need to consider market demands. In other words, there was only detailed professional management on some parts rather than an overall strategic operation designed for the realities of the market and its development trends. Therefore, after the reforms and opening-up a commodity economy developed quickly by taking a market economy as its direction of development, which made the leaders with overall responsibility at both a microscopic and macroscopic level feel very uncomfortable. The appearance of leadership science satisfied the objective needs of society at that time.

Research on leadership has been carried out for a long time in modern Western countries. But in many cases, it appears as a part of management. There are special chapters on leadership in many pieces of work about management. Taking the special conditions in China into consideration, we took overall and strategic management, that is, leadership as a relatively independent professional subject for research, and saw it win the recognition of society as it met the urgent social needs. From the

perspective of the directions of development in the modern world, strategic and general problems are becoming more and more prominent with the development of economic globalization and information networks. Papers and books on research of leadership issues are increasing day by day with an obvious trend of separating leadership science from management. However, the internal relationship between leadership and management cannot be broken, as leadership in itself can be regarded as both general and strategic management. Mr. Wu emphasized the dynamic and complementary dialectical relationship between leadership and management; he elaborated many new ideas on leadership management and put forward many new propositions which enriched and developed traditional leadership science and management science theories. I appreciate it very much. Although academic subject positioning surely cannot be ignored, the most important thing is to advance the actual development of theory within academia itself. It is appropriate to regard leadership science as a branch of management in terms of both reality and subject classification theory. The *Volume of Leadership* compiled by me included in *A Complete Collection of Operation Management* published in 1990 in eight volumes specifically defined my position on the subject of leadership.

As to the actual development status of leadership science after the publication of *Foundation of Leadership Science*, it is fair to say it was of interest for a long period. Over three hundred works on it were published. Professional associations and magazines appeared and many Party schools at different levels also offered courses on the subject. This achievement is remarkable but there are still some unsatisfactory aspects. I once pointed out in the foreword of *Discussion on Emptiness and Reality of Leadership* that the reasons for its being unsatisfactory lie in two areas. Firstly, there is the relevance of the lack of time. There is no complete understanding of, or timely response to the new requirements on leadership work brought by the rapid developments in China and on a global level. Second, there is a lack of practicality. There is too much general discussion and too few new details which deal with the real situation. Therefore, the above two problems should be solved to further both research and the popularization of leadership science and to meet the demands of reality. Ten years have passed since then and I am happy to see *New Theory on Leadership Management Science,* a work on leadership science written by Mr. Wu, who is a successful entrepreneur. He has accumulated a wealth of business leadership experience in the process of setting up his business and in the long-term development of operations in coping with detailed changes both inside and outside his

industry, domestically and abroad, and taking the special conditions in China into consideration. He also focuses on a broad introduction to the essence of ideologies in relevant forms of leadership at present and in history, at home and abroad. Based on the successful practical experiences of other modern Chinese enterprises, Mr. Wu's work on leadership management science contains a wealth of information on a spiritual and practical level at the same time. It is very helpful in overcoming these two weak points in leadership science research. It is also where the significance of the publication of this book on leadership science lies.

In retrospect, intelligence (the ability to quickly and accurately get straight to the point), and inspiration (an innovative intuition for new ideas) stand out in Mr. Wu's success in his executive career and in his accomplishment of works on leadership management science. Another important question to be solved in epistemology is how to promote people's understanding from an intuitive to a rational stage. Also, how is this promotion carried out? Mao Zedong indicated that continual social practice will cause people's feelings and impressions to be repeated many times, and consequently a sudden change (that is a leap) in cognitive processes is generated in people's minds. We can ask the question: will continual practice and the repetition of feelings and impressions really generate a sudden change in cognitive processes? Surely not! Some people have a wealth of practical experiences and repeated feelings and impressions but no leap in cognition in their minds. They are the so-called empiricists. It cannot indicate what people are actually thinking. How to realize the leap from an intuitive to a rational level is indeed a challenge deserving further detailed research in epistemology. The idea of an emphasis on intelligence and inspiration is very distinctive. We all know that every scientific discovery has to undergo stage of presenting a hypothesis. Intelligence and inspiration are at work in both the presentation of a hypothesis and during the research process. Of course, whether a hypothesis can be converted into a scientific truth needs the verification of practice (including experiments). Many chapters in the book put forward inspirational and distinctive views deserving further thought, which are all proofs of Mr. Wu's wealth of intelligence and inspiration.

The content of this book covers a broad spectrum, just as Mr. Wu commented that my research has a very wide-ranging coverage and a high level of difficulty. As an entrepreneur at the age of 73, Mr. Wu can still spare time from his busy life in leadership and management in his business to carry out complex research on leadership management science. His persistence, diligence, broad views and wealth of knowledge

are extremely valuable and admirable. However, scientific theories are always developing, especially for new subjects like leadership management which cover such a wide area and which have so much relevance to other subjects. There is still a lot of scope for development to perfect and mature this subject. Mr. Wu has made great efforts towards, and contributions to it and has introduced new ideas and a background for the continuous development of theories. I hope he can make persistent efforts in the future to come up with more innovations and make the subject more detailed and complete. I also hope that more and more people with their own insights will join in to advance the establishment of leadership management theories with a joint effort to promote the efficiency and scientific value of macro- and micro-leadership management in China. At an advanced age with limited energy, knowledge and experience, it is impossible for me to make any more great achievements or to make a full and detailed appraisal of this book. I can only express my feelings and thoughts to give a little encouragement and effort to the continuing maturity and perfection of leadership management science.

Bio: Xia Yulong, born in 1928, former vice president of the Shanghai Academy of Social Sciences, director of Deng Xiaoping's theory research center at the Shanghai Academy of Social Sciences and chief editor of *World Science*. He has long been engaged in scientific research in social sciences and his achievements have many times been awarded with the "Five One Project" prize; first prize in research on philosophy, social science and Deng Xiaoping's theory of Shanghai City; State book prizes and many others.

Author's preface

I came from a humble background. I lost my father when I was five years old and my mother when I was six years old. From my early childhood I began to face a cruel life and experienced endless sorrows.

I love learning and thinking by nature. People say that I have good understanding and inspiration. You can never imagine how enthusiastically I studied in my boyhood. It was as if I was crazy and possessed. Being in poverty and without books, I transcribed them; without paper, I instead wrote on pieces of slate; without pens I instead used a stone bar. I taught myself when what my teachers taught was not enough. I knew that my way out lay in the continuous pursuit of knowledge.

Ancient Chinese traditional culture nourished the soul of my youth and told me that the direction of struggle in life is to devote oneself to our country. Therefore, I have viewed serving our country and nation as my ultimate goal in life and my biggest duty since my boyhood. Later, I gradually realized that one has to endure hardships before successfully accomplishing great things: working your fingers to the bone; cultivating your mind; tolerating hardships that ordinary people cannot; and going through misery that ordinary people can never imagine. In the history of China, Confucius, King Wen, Bin Sun and Qiuming Zuo all reached maturity in a state of misery and rose above hardships. They are my role models and inspirations in life.

My study on theories began at the early stage of reform and opening-up in the 1970s. At that time, I keenly felt that this reform and opening-up was an unprecedented revolution not only in China, but also in the history of mankind. It showed a new aspect in both depth and breadth. However, I felt that human practices were in great demand of theoretical guidance because without proper theory, reform may not only encounter endless frustrations and difficulties, but may also go off track at any time. For this reason, I began the difficult road of theoretical exploration.

I once doubted my capabilities in research, but in the end I bravely took on my historical mission with great passion. Now that I had chosen my way, I was determined to proceed without hesitation or regret. In fact, I was not alone in this pursuit, for many colleagues, academic experts and practitioners in the same field worked and explored truth with me. After 30 years, my theory has matured and borne fruit.

In the early 1980s, many major theoretical problems were to be solved. I had a lot of results from my research by then, which could be found in seven areas:

On the market economy, I traced it to its source: production is created during the long process of a human being's living consumption (i.e. planting, breeding, fishing and handicraft, etc.); from the exchange of objects to the creation of currency, which is a special commodity that enables the cycle of consumption – production – distribution – exchange – consumption of commodity, and hence creates the three main kinds of consumption (living consumption, social consumption, and scientific research production consumption.) These are the real foundations for natural economic law and financial economic law, which do not only have huge positive effects, but also severe negative effects. Thanks to this, the currency tool employed by the state to regulate and control the market does not generate the expected results in state interference with economic regulations and state guidance in the economy, simply because of the fact that the state only takes care of macroeconomic control focused on living consumption (or social consumption).

Thirty-three years ago, early in 1980, I repeatedly stressed that a market economy does not have the attributes to belong to any social system, socialist or capitalist, but instead it involves a natural law which has both a huge positive effect and severe negative effect and which can be understood, adapted to, controlled and used. I have proved the necessity and feasibility of a market economy in China in many aspects such as political, economic and social fields. Today, this perspective is not unusual at all, but it needed great courage for me to advance it more than 30 years ago.

On the mode of economic growth, I opposed a growth mode based on speed. I advocated a proficiency-based growth mode, which means that the goal of economic growth shall be achieved by developing education, scientific research and technology; expanding reproduction; and improving economic proficiency. At that time, I was in a State-owned firm and insisted that State-owned enterprises should shift from a quantitative growth mode to a qualitative growth mode, and also needed

to make the change from an extensive form of operation to an intensive mode of operation proficiency. It took more than ten years before the policy makers realized and accepted this.

On the relationship between consumption and production, in response to the viewpoint of promoting production by consumption, which was sharply criticized by theorists at that time, I firmly stated in an article in 1984 that consumption is a tractive force of production competition. I believed that consumption creates new demand and motivation for production. Different types of consumption with different natures at different levels are sure to create different forms of production modes, which in turn create new consumption modes. Therefore, it can be said that there is no production without consumption.

On the type of market economy, I paid great attention to economies of scale. I wrote many articles discussing that economies of scale are the best type of economy for effective competition. I believed that economy of scale was the secret of success of many overseas enterprises. You could not do great things without economies of a certain scale. A private economy must take the road of economies of scale. With the huge success of my firm the Sanzhu Group, and by these actions, you can see how correct and far-sighted I was in my concept of economies of scale.

On the issue of if the theory of surplus value still has practical significance, I wrote an article in 1984, in which I firmly insisted that the theory of surplus value involves a great conclusion with universal meaning and shall serve as the foundation for the theory of socialist market economies. I thought it was not only a theoretical issue but also an active challenge. I also thought that the law of surplus value exists in a socialist market economy, and thus I discussed the approach of a realization of the law of socialist surplus value.

I proposed a new concept of labor consumption and its seven classifications, and indicated that social labor consumption also creates value during the process of some aspects of social productivity consumption, and put forward the new concept that productivity is social productivity consumption rather than social productivity or productivity consumption. It provided a theoretical basis for properly understanding the value of social labor.

In addition, I used philosophical, historical and economic principles, integrated with my firm's practice and operations for years, to write the book *On The Law of Thinking and Ideological Work* in response to the domestic political and economic situation at that time. In the book, I discussed people's different psychological features and different ways of thinking at different age groups. I also discussed in detail different points

of view at different cultural levels; described general and special laws of thinking in production, living and social activities; and put forward a complete set of ideological work methods. As a result of this theoretical guidance, my company has been a huge success, which once had more than 150,000 employees, competing all over the country with their heads held high.

In the 1980s, China was creating order out of chaos and reinvigorating industries. I wrote an article about statecraft and submitted it to the Central Government. I stated my view from the four aspects of governing society; governing enterprises; learning advanced foreign technologies; creating enterprises from self-reliance and by identifying a correct organizational direction. Soon after, the vice prime minister of the State Council wrote a letter in reply, confirming and speaking highly of my opinion.

My research on economic theories not only inherits some of the sound elements of excellent traditional economic theories, but also summarizes new economic theories based on a new situation and my own practice.

My new breakthrough, new views and new ways of thinking are the result of my endless toil, suffering, pain and happiness. A senior economist once spoke highly of my economic theory and said that it should be studied from the points of view of national culture, historical background, social evolution and personal experience, and only then can a proper conclusion be drawn. I think what he said was reasonable, for I was born and grew up in this ancient land of the Orient.

When I was about to proudly realize my ambition, death smiled wanly at me. I was diagnosed with liver cancer. It meant that I had slim hope of survival. However, I excel over others in that I am able to laugh heartily at death.

I was not scared by death, but valued time and life more. I spent time in reading, studying and writing. I intended to write articles about the findings of my research and submit them to the Central Government. I would have no regrets if they had any value of reference and contribution to our country and nation.

God gave me a second chance. After being treated, a miracle happened and my tumor disappeared. It has been more than 30 years since then. Now I am healthy and energetic, and I can walk fast and vigorously.

I escaped death and was determined to do something great. I began deeper and wider theoretical research. I decided to make my research more systematic, theoretical and scientific.

In 1982, I wrote *Consumption and Laws of Economics*, which can be viewed as my first work. During the process of research, I found that the

three most important types of consumption – living consumption, social consumption and production consumption – are natural laws of economic development.

During the process of these natural laws, which are driving spiraling economic development, the law of the free regulation of commodity exchange within the market is generated. The foundations of economics determine production objectives, and thus produce the basic laws of economics. The state interferes with the rules of the free regulation of commodity exchange in the market, and in this way produces the law of macroscopic control of the market. The economic foundation composed of multiple economic sectors led by a socialist state-owned economy also interferes with the rules of the free regulation of commodity exchange in the market, producing the law of socialist market economy macroscopic control. These are the fundamental tenets of my consumption theory.

In 1984, I wrote *Consumption is Tractive Force of Production Competition* and *The Law of Consumption and Surplus Value*; and later I wrote *Thought about Accelerating the Development of Consumption Social Productivity Consumption* and *Reform for the Purpose of Developing Productivity of Consumer Society*. I sent all of them to State leaders and the relevant departments in the hope that they would be referred to in governmental decision-making. These articles were separately published by China Economic Publishing House and Central Party School Press in 1995 and 1997.

In December 1996, I completed the first draft of *On Consumption* when I was in hospital in Beijing. The full text can be divided into 22 parts. The book comprehensively analyzes the rules of human consumption driving spiraling economic development; the relationship between consumption and social civilization; the relationship between consumption and social wealth; the relationships between consumption and nature; as well as productivity, production relations, scientific research, production and demand. The article was published in 1997 in *Economic World* (Issue 1), and was included in my selected works published in 1997. By then, my research on consumption had entered a new phase. In the new century, I began systematic research within the original framework of *On Consumption*, and worked on articles about the practice concerning consumption theories that have guided my study and working practices for years.

From September 2006 to March 2008, I spent a year and a half in editing the book comprehensively, adding many new materials and incorporating new achievements of academic research in recent years. I compiled the results of my research into three volumes. The first

volume involves basic theories and was thus called basic discourse; the second volume summarizes theories and management practice; and the third volume deals with the practice of marketing and management. Theoretical views are mainly explained within the context of my personal practice as well as the practice of my company and the whole of society.

In 2008 my *On Consumption* (the book was composed of three volumes and 1.5 million Chinese characters) was published by Beijing Contemporary China Publishing House, based on which *General Theory of Consumption* was published later. Both books have had great impacts on society. Seminars about the books were hosted in Beijing and Jinan. I was invited by not only domestic universities but also by the University of Houston and Texas A&M University in the United States to give lectures. Later, my work was published in English in Britain. In 2010 it was published by Chartridge Books Oxford.

I began writing *New Theory of Leadership Management Science* soon after the publication of *On Consumption* and *General Theory of Consumption*. Before that, I had written many papers about leadership management, including one awarded first prize by the China Leadership Institute.

The phenomenon of leadership management has always been linked to the development of human consumption. The historical development of human leadership management activities has existed from as early as when people first recorded the history of consumption and development. In this sense, leadership management activities have always accompanied the consumption for human survival and development, and so leadership management is an ancient science. Leadership management science has evolved from people's experiences with management concepts, management science, systematics, operational research and leadership science. I will discuss this in detail in this book.

I am qualified for research on leadership management. I have studied successful domestic and foreign management concepts at all times, and worked in a State-owned enterprise for more than 30 years, serving as an executive. I have a wealth of work experience in leadership management in both State-owned and private enterprises. I feel that my work, on this basis, not only has solid content but also involves an original point of view in terms of comparative research.

More than 30 years ago, I left the State-owned enterprise and set up my firm. My enterprise was established in Jinan and was called the Sanzhu Group, which is engaged in the production of healthcare products, medicine, medical devices, hospital equipment and ecological cosmetics. With fixed assets of several billion Yuan, annual sales revenue

is as high as 8.4 billion Yuan, and with annual taxes paid as high as 820 million Yuan, Sanzhu once became the biggest private enterprise in China at the beginning of the reforms and opening-up. The firm was referred to by domestic economists as an economic miracle and the "Sanzhu phenomenon." In 1994, Sanzhu was identified by the State Science and Technology Commission and the Shandong Science and Technology Commission as a new high-tech enterprise; in 1997, Sanzhu was identified by the State Science and Technology Commission as a key new high-tech enterprise for the Torch Program; in 1997, Sanzhu won the Five-Star Diamond Award issued by the American Quality Service Science Institute; in December 1997, the brand of Sanzhu was recognized as one of the most famous brands in Shandong Province. The performance of Sanzhu has been praised by State leaders many times. I served as an executive member of the All-China Federation of Industry and Commerce; as deputy president of the Chinese Private Technical Businessmen Institute; as a member of the Standing Committee of the People's Political Consultative Conference of Shandong Province; as a member of the Standing Committee of the People's Political Consultative Conference of Jinan City, as chairman of the Trade Union of the Shandong Private Economy; as deputy president of the Shandong Federation of Industry and Commerce; and as deputy president of the Jinan Federation of Industry and Commerce, etc. These positions not only gave me opportunities to acquire information at a national decision-making level, but also provided more macroscopic observations and evidence for my research. Therefore, my research on leadership management has involved a wealth of experience.

New Theory of Leadership Management Science utilizes multi-disciplinary systems to comprehensively study leadership management. From philosophical, sociological, cultural, historical, management and marketing perspectives, it studies leadership management during the process of a combination of theory and practice from the beginning of human consumption, including household consumption and financing, and national macroscopic control and management.

In terms of methodology, I have followed fundamental philosophical, economic, sociological and management principles. I mainly use the methods of social statistics, documentary comparison, probability sampling, case studies, field interviews and computer analysis, etc. Therefore, in terms of both basic theory and methodology, my book is not only an economic work but involves multiple disciplines.

China's reforms and opening-up, as well as a series of policies developed for reform and opening-up, has provided material for my

research on consumption theories. To some extent, my research achievements are also the result of these reforms and opening-up. Dozens of experts and scholars have provided valuable opinions and instructions during the process of writing the book.

What makes me proud is that many of my research achievements directly or indirectly transform governmental decisions: some have appeared in the documents of the Central Government and the State Council, and others are represented in the documents of provincial, municipal and county governments. Some large-scale private enterprises take my theories directly and transform them into practical enterprises. I am honored that my theoretical achievements can be valued by people and can benefit people more broadly.

I hope the reader at home and abroad, including experts, scholars, entrepreneurs and friends, can provide comments for further improvements.

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About the author



Bingxin Wu, born in 1938 in Rongcheng Shandong Province, is the Board Chairman of the Sanzhu Group Company, honorary professor of Beijing Genetic Engineering Research Institute and Beijing Nuozhou Institute of Biology, and director of Shizhen Institute of Biology. He is also an honorable professor at Shandong University, contract researcher for Shandong Academy of Social Sciences and the Oriental Institute, and guest professor at the Institute of Microecology of Dalian Medical University. He is an executive member of China Association of Industry and Commerce, vice president of Shandong Jinan Municipal Association of Industry and Commerce, director of Shandong Private Entrepreneurs Union, vice president of the Association of Chinese Professionals, and the deputy director of Chinese Private Scientific and Technological Association and the National Private Technology Entrepreneur Association, as well as the standing director of China Chinese Medicine Institute. He was given an award as 'China's meritorious figure in developing a market economy' by the China Seminar of Mart Economy

and China Mart Economy newspaper and won the Global Diamond Award of the American Association of Sciences for outstanding service. He has invented nine personal patents, including an international one, and has published Collected Works of Wu Bingxin and Passionate Poems of Wu Bingxin, and more than 20 papers on management at home and abroad.

Bingxin Wu wrote the book entitled *Consumption and Management*, published by Chartridge Books Oxford in 2011.

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General remarks

Leadership management is an integrated science with both sophisticated knowledge and the delicate complexity of the arts.

Leadership management activity is extremely complex and subtle, but it is also the most abundant and important of all human activities. It plays a decisive role in politics, economics, the military, diplomacy, science, education, and the arts. From a national level to that of a business and the consumption of a household, leadership management is the most critical link in all the day-to-day processes of an organization's activities. On a national level, it is closely related to the world; on a business level it is related to the survival of the enterprise; and on a household level, household consumption management is the most basic part of social living consumption, and is also the most fundamental law of consumption for human survival and development.

The modern era is filled with a vast amount of information, imperfect knowledge, advanced science, and complex situations. There have been surges of reforms; wave after wave filled with sunshine and clouds. Sometimes it is on its last legs, and sometimes it all goes smoothly and steadily. Its scale and speed are completely beyond our imagination. In the face of this situation, the biggest challenges faced by almost all disciplines are how leaders adapt to this ever-changing environment, how the concept of leadership management continues to be updated, how we can improve the quality of our leaders and how leadership management science covers new topics to adapt to the new situation with a fresh outlook.

As we all know, leadership management science is a theoretical and practical, as well as a scientific and artistic discipline. It is strategic on a macro scale, operable in practice, shocking in theory and effective in art. The purpose of this book is to construct a new leadership management science theory on this premise.

New definition of leadership management science

Until now, no one definition of leadership and management has been acceptable to everyone in the world. Understanding and definitions of leadership management given by various schools of thought have reasonable ideas, which will undoubtedly enrich and develop leadership management theory. Human activities are always evolving, and thus the concept of leadership management reflecting the various stages of social development will naturally develop and change. Thus, the concept of leadership management is dynamic and enriches itself with the continuous development of society.

On the basis of more than 50 years of leadership management practice, the author proposes a new concept of leadership management science. The author believes that the three most important types of consumption of human processes in leadership management should be studied, and that the leaders and followers are unified and not in opposition. What should be studied is the management of common goals and tasks, as well as the common struggle for leaders and followers. General laws and specific laws should be found within a system's processes, and in those of the relationship between leaders and followers in their rights, authority, responsibility, interests, and efforts.

I believe that leadership management science is a comprehensive discipline. It is composed of leadership management theory, principles, form, methods, and theoretical generalization, and it reflects leadership and management practices. Leadership management science has its roots in social practice. In the long-term, a series of leadership management experience and leadership management concepts are accumulated and summed up in social activities, such as the military, politics, economics, religion, culture and other activities.

Leadership management science should be defined as follows: leadership management science is a theoretical system of studying leadership management philosophy (epistemology and methodology are the soul of leadership management); it also covers the phenomenon of leadership management; the structure of leadership management; the object of leadership management; the leadership management environment; leadership management resources; leadership management behavior; leadership management processes; and leadership management thinking. It is an organized, planned and purposeful systematic activity of the three most important types of human consumption processes (life consumption,

social consumption, and research and production consumption). This theoretical system also includes leadership management knowledge and skills; leadership management organization; decision-making; policies; strategies; laws; decrees; regulations; rules and the disciplinary system; leadership; management planning systems; leadership management systems and mechanisms; systems relevant to the structure of leadership management; leadership management quality systems; leadership management strategy systems; and leadership management behavioral science and art systems. In short, leadership management is a specialized subject to carry out theoretical research and applied research comprehensively and systematically in the leadership management process.

Human consumption and the phenomenon of leadership management has always gone hand-in-hand with human history. From the time when people started to record their own history, the historical development of human leadership management activities can be shown. From this perspective, leadership management activities have always been associated with human survival and the development of consumption activities. Leadership management is an ancient science.

For the original ancient group life consumption, its production and labor were social from the beginning. A unified command, coordination and management were necessary to coordinate individual activities and to maintain basic human material life consumption so as to adapt to the survival and development of group consumption.

When human beings try to manipulate their own destiny, they begin to realize they are part of a joint force made up of a number of individuals. So leadership management comes into being. The famous American management expert Little James H. Donnelly once said that a man can move a piece of stone, but two or more are needed to move a rock. After that one person should give orders for the others to work together in a coordinated way in order to be effective. This very simple process including a plan, orders, obedience, and working together is in fact leadership management.

So leadership management is not simply polymerization, but the coordination of people, organizations, departments and groups. A society is made of people, and so are firms and families. How are the various populations of a country made to exist in harmony with each other, and how are corporations made to gain the most benefits through business strategy? All these require leadership management science to make a comprehensive and scientific answer. However, this comprehensive and scientific answer is precisely the charm of leadership management science.

The supreme leader in primitive tribes is called the chief of a tribe. He leads and manages all the production and labor activities of the members of the tribe. Almost since the appearance of people on the Earth, primitive human societies in the form of tribes and a leadership management style with the tribal leader as chief have existed and continued to develop. In slave and feudal societies, the main leadership management style is paternalistic and authoritarian, which is adapted to a small production mode. The early days of capitalist society follows paternalistic authoritarian leadership, but after the industrial revolution of the nineteenth century, due to the progress of science and technology, the leadership management of an individual capitalist could no longer meet the needs of a developing situation. Therefore, a new study within leadership management science cames into being, that is, scientific management.

In the West, modern bourgeois ideology has created a lot of work about leadership and management, which has existed from the history of ancient Greek to the magnificent modern works by Churchill; from the *Political Science* by Aristotle to Machiavelli's *The Prince*; from Locke's *Government* to Rousseau's *Social Contract*; from Montesquieu's *Spirit of the Law* to Napoleon's *Anthology*; and John Mill's *On Liberty*.

With leadership management as the centerpiece, they carried out research into government leadership management concerning society's fate from the perspective of historical facts, theory and philosophy. These pieces of writing discussed leadership management from different angles, and most of them are exciting studies, constituting a rich treasure chest of leadership analysis well worth digging into. This book has made a systematic theoretical study and exploration of these results in the context of modern disciplines, revealing their extremely rich internal structure and substantive content in breadth and depth. It has absorbed the essence of leadership management, which lays a valuable and comprehensive academic foundation for this book.

The leadership management science discussed in this book has evolved from the long human history of management experience, scientific management and management science, leadership science, systems science, and operations research. Scientific management and research focus on followers rather than the influence of leaders in management, while leadership science research emphasizes the leaders rather than the followers in a system's activities. So management science and leadership science are two sides of the same coin. Leadership management science is the unified whole of the opposing movements of leaders and followers. It studies the general laws and special laws in common goals and tasks, as well as the unified will and concerted efforts of leaders and their followers.

The dialectical complementary relationship between leadership and management

Leadership and management cannot be separated. Regardless of whether it is a country or a province, a city or a village, a factory or a school, or an organization, one can find that people with leadership rights must have management rights. A leadership process must include management, and a management process must contain leadership. So, leadership cannot be separated from management, and management cannot go without leadership. There is no leadership without management and also no management without leadership.

In *Management Practice* by Peter Drucker (1954), the father of modern management, leadership and management are described as an integral whole. He believes that leadership and management have a strong composition and compatibility. Leadership is management, and management is leadership. In real life, leadership activities are never separate from management activities. A person engaged in administrative work is also responsible for the leadership. So we cannot say that the leader does not involve management, and that the manager does not lead.

Leadership has two lexical meanings. On the one hand, it is related to the word "leader," on the other hand, it is the noun attribute that is an abbreviation of "leadership behavior," referring to the activities engaged in by the leaders.

Management actually means that on the basis of an objective subject, social activities with common goals are achieved through decision-making, planning, organizing, directing and controlling the efficient use of human, financial and material resources. The vector of management is organization. Organizations include enterprises, institutions, state organs, political parties, social groups, and religious organizations.

Leadership is the process of organizing, commanding, leading and encouraging subordinates to make efforts to attain a goal. Therefore, leaders must have three elements. Firstly, the leader must have followers; secondly, the leader should have his position and power conferred on him by the organization, which also includes the influence of other individual leaders; thirdly, leadership behavior must have a clear purpose. The organizational goals can be achieved through the influence of the organization and leaders' behavior. The leader plays a role of command, coordination, inspection, punishment, reward and motivation.

From the point of view of behavior, both leadership and management are a process of achieving organizational goals through influencing and

directing others' coordinated activities within an organization. From the perspective of power, both are related to the positions at different levels within an organization. From the point of view of social practice, leadership and management are inter-connected, and are indispensable to each other.

Leadership and management are complementary to each other in the management of an organization. The leadership's function is mainly concerned with the correct direction, importance and value of an organization's activities, while the management's functions are mainly concerned with the stability and efficiency of an organization's actitivities. The mission of the leadership's functions is to ensure the right things are done. The mission of the management's functions is to ensure that things are done correctly. The differentiation of leadership functions from management functions will lead to responsibilities that are so distinct that they may cause a psychology of uncooperativeness and laissez-faire. Leadership functions cannot be separated from management functions in the management practice of an organization; otherwise it will lead to loss of control, and at a micro-level there will be a lack of discipline including phenomena such as orders not being obeyed, prohibitions not followed and a generally sluggish running of the organization as a whole. The consequence is too many leadership functions and not enough management. By the same token, management functions cannot be divorced from leadership functions; otherwise it will lead to disorientation and even the overall collapse of an organization. Only coordination between leadership functions and management functions, as well as leaders and managers, can ensure a correct direction and logical order of an organization's management at all levels. Leadership should focus on the artistic side of an organization's operations, whereas management should focus on the scientific side. Their interactions can be better achieved through the unity of science and art within an organization's management. And this complementarity precisely reflects their unity.

The complementary relationship between leadership and management is dynamic. Only within a dynamic organization does a discussion on this relationship have actual meaning rather than one emphasizing the static strength of one side. This dynamic inherent law of contradiction is first expressed in the primary and secondary relationship of the two functions around an organization's mission, and the division of functions should remain dynamic within the changing environment of an organization; then it is expressed in their actual practice, which mainly represents the dynamic changes of leadership and management's attention to both their functions.

Leaders should strengthen the leadership and management functions of an organization as the identity of the organization's management rather than being just confined to the division of functions of leadership and management. This does not simply mean that one party enters and the other exits. Ineffective leadership cannot come into being simply due to the fact that lax and disordered management cannot be directed by lax leadership. The leaders identify the direction or ensure no deviation from the direction through strengthening management functions. Meanwhile, management as the functioning structure of an organization's management system should be systematic, refined, standardized, normalized, and routinized, including the institutionalization of the legal system, the rules, the disciplinary normative behavior and the management system. Leading managers develop the structure of an organization's management systems, and they rely on the management functions of the organization's system to achieve the responsibility of leadership managers.

The dynamic complementarity between leadership and management helps to optimize the resource allocation of an organization's management. Only the relationship between the leadership and management in an overall framework can give full play to the overall advantages of the division of labor and cooperation; can fully mobilize the initiative, enthusiasm and creativity of an organization's managers at each level and other managers relevant to management performance; and can give full play to the value-added role of human resources, thus optimizing the resource allocation of the organization's management to improve its performance and to lay a solid organizational management foundation for achieving and enhancing the overall performance of the organization.

The dynamic complementarity between leadership and management is in line with a logical system and practical needs. From a logical point of view, the concepts of leadership and management with the same purpose are within the framework of the same concept of an organization's management. From a practical point of view, an improved combination of leadership and management can play a positive role, so as to avoid falling down to low-level operations. So leadership and management are the two basic functions of an organization's management. Both leaders and managers are an organization's directors. Thus, leadership and management are inseparable in theory and practice. From the point of view of a country, the national leaders cannot be said to lead without management, and if not, how is national management actually carried out? In terms of a business, managers can also not be said to be leaders without management, and if not, who will oversee corporate management? Leadership and

management are therefore inseparable and leadership management makes up the whole system. Leaders are managers and managers are leaders.

Main academic innovations of this book

In science, the compostion of its doctrine must be accurate and scientific, but this alone is not enough. There must be some innovations. Academic innovations are the life and soul of new theory, and are also the fundamental points of that theory. If all the items in the world were the same, then there would be no items at all.

The main academic innovations of the book are represented in the following points:

1. Leadership and management are inseparable, which together constitute leadership management science.

Leadership and management as two aspects of one science have an inherent charm and light. However, as an originally integrated theory, they have long been divided. Some people believe that leadership science is separate from management science and some people hold that management science is the parent of leadership science. This is obviously a biased understanding.

Leadership and management are inseparable and constitute one subject. They are like the two wings of a roc and are indivisible. Each system of human consumption is a relatively independent and complete social system or organizational group, and they all consist of a large number of resources including energy, people, finances and materials, and are controlled and dominated by some authority. All the factors in this system, including human factors, are subject to the authorities' operations.

Of course, authority itself includes people, organizations and institutions, and acts as the heart of the entire social system or organizational groups which make up the centralized and efficient deployment of resources and which affect everyone within the system or group. Therefore, leadership and management, always as a whole, play the role of two sides of the same coin.

2. Reference to, and transformation of the classical Chinese leadership management school of thought, and to advance it as a leading management school of thought with Chinese characteristics, but which has universal significance.

In ancient China, up to the Western Zhou Dynasty, and down to the Ming and Qing dynasties, almost all the dynasties had discussions on leadership management. From this time, more than 300 books of more than ten million words can be found such as *Shang Shu, Warring States, Spring and Autumn, Historical Records, History as a Mirror, Twenty-Four Histories,* and *General Theory of Reading*. All these works involved leadership management, many of which are wonderful expositions. Among them, *History as a Mirror* is the most outstanding representative in leadership management science from a historian's point of view. Other excellent examples include *Guanzhong, Tao Te Ching, Analects of Confucius, Zengzi, Mencius, Mozi, Han Feizi, Art of War, Zhenguan Dignitaries, Neo-Confucianism in Song Dynasty, Kang Xi Dignitaries,* and *Zheng Guofan's Letters*. They all proposed actual knowledge based on the representation of actual ruling leadership management. Among them, four are the most influential and they are *Guanzhong, Lao Zi, The Analects of Confucius,* and *Sun Tzu*. This book discusses these four books and indicates that they are the most typical and prominent representatives of ancient leadership management and which are thought to represent four schools in China.

3. Comprehensive and systematic advancement of leadership management practice strategy, including national practice development strategy, and corporate practice development strategy.

As we all know, Eastern culture is very different from Western culture. This is related to the differences in the mode of thinking of Eastern and Western people in terms of perceptual and rational, theory and practice, ethics and morality, teaching and example, inspiration and understanding, and solid evidence and amendment. Reflected in the field of leadership management, there are also significant differences.

From a disciplinary point of view, modern leadership management has been developed by Westerners. Logicians have appeared like mushrooms over the last hundred years. In the past many Westerners looked down on Asians, and many Asians also looked down on themselves. In the past, so-called modern leadership and management theory in China was actually copied from the West. Up to the present, a lot of theories are still imitations of the West. Even for some senior management professions, Western textbooks and teaching methods are still being adopted.

Since the reforms and opening up, with China's rapid economic development and great success, and with the increasing development of leadership management theory and its increasingly complex theoretical system, Westerners have had to go to Oriental culture to find inspiration.

Oriental culture, and especially Chinese traditional management thought is increasingly revealing its unique value, and has become a new source of the scientific development of leadership management. Evidence includes Zhouyi's *Dialectical Thinking and the Response between Nature and Man,* and Guan Zhong's *Heaven, Authentic, and Humane*, *People-oriented Management Thinking and Everything Having a Rule that is the Law, and Inactive Governance Thinking of Playing a Subjective Creative Role*; Lao Tzu's *Reflecting Nature of Governance and Inactive Governance*; Confucius' *Benevolent Government Rule by Virtue*, and Lao Tzu's *Art of War* and *Three Kingdoms strategy* embody the wisdom of leadership management in the East. All these great discoveries opened a new era of developing management culture in the process of interaction between the East and the West.

On the basis of drawing and transforming Western organization theory, planning theory, competition theory, incentive theory, control theory, and target theory, this book also integrates ancient China's outstanding leadership management thinking, especially the leadership management thinking of Guan Zhong, Lao Tzu, Confucius and Sun Tzu. Meanwhile, for practical experience in China, the theories of employment strategy, cultural strategy and public relations strategy are proposed so as to constitute a complete strategic theoretical system of leadership management practice.

Some scholars believe that the Asians, and especially the Chinese people have excellent leadership management talent. The next big development of leadership management science will be carried out in Eastern culture. As a scholar, it will be a blessing to experience the collision, communication, integration and interaction of Chinese and Western cultures standing at the cutting edge of our time, and to apply our own wisdom for building modern leadership management science.

4. This book proposes that the core of leadership management philosophy is epistemology and methodology.

Epistemology and methodology are the core of this philosophy. This book argues that epistemology and methodology are weapons for people to understand and transform the world and are also the heart and soul of leadership and management philosophy. To fully demonstrate this perspective, this book has reviewed and analyzed epistemology and methodology from ancient Chinese history, and also ancient and modern Western epistemology and methodology. Meanwhile, an in-depth study on the epistemology and methodology of the greatest figures in the world, and in modern Chinese history such as Mao Zedong and Deng

Xiaoping has also been made. Therefore, the truth is that to do a good job in leadership management, one must have the correct epistemology and scientific methodology, to seek truth from facts, and proceed from reality; otherwise, all this so-called leadership management will be empty talk.

This book points out that materialist dialectics is a weapon of practice. The law of dialectics is both a law with which to reveal the objective material world, and a law to understand nature. It is a weapon for people to understand the world. Marx's epistemology is the epistemology and methodology of dialectical materialism that is found, summarized and induced in the process of the three most important types of consumption in human affairs. Thus it can be called a practical philosophy of dialectical materialism. It is an ideological weapon for people to have a correct understanding of nature and to undertake a transformation, innovation and development of the three most important types of of consumption. The development process of these three important types of human consumption constantly enriches the development and improvement of the practical philosophy of dialectical materialism. Human understanding of nature is both unlimited and limited; and human understanding in practice is inevitably both limited and unlimited.

5. This book emphasizes that practical philosophy should be the first philosophy in the process of human leadership management.

This book has undertaken a comprehensive and systematic discussion on the developmental path of practical philosophy and has explained its basic connotations, including a sense of worth, world view, and a point of view of development, as well as an innovative concept of practice.

This book emphasizes the important role of practice, and the subjectivity of practice, that is, the subjectivity of a practical starting point, practical process and practical results. It discusses the system of practice and defines it as being the integrity, harmony and sustainability of practice. The book also puts a special emphasis on the innovative nature of practice, that is, the innovation of practical philosophy, practical objects and practical subjects.

This book believes that practical philosophy is the direction of the development of philosophy in the future. It should have two forms. First, it acts as a practical philosophy of general principles; second, it is a practical philosophy arranged into categories. We should promote rather than abandon traditional speculative philosophy. Practical philosophy should not be without speculation and theory. Practice and action should

not be arbitrary and blind. Practical philosophy should transcend individuality, experience and sensibility. The three most important types of consumption of human practice should research the law, understand the law, master the law, and use the law to act as the initiative of people's perception of inspiration, thus achieving the continuous progress of the developing process of inventing and creating the three most important types of consumption. Practical philosophy and speculative philosophy are opposites which should also be transcended and overcome to integrate, unify and bring together practice and speculation, practice and theory. This is what we called practical philosophy.

In the present era, we must further establish the status of practical philosophy, and its fundamental purpose is to continue to develop the people-oriented value in the modern era; to carry forward the subject's theoretical thinking of practical philosophy; to enrich the concept of practical development concept; to promote standardized research in practical operations; and to pursue the driving effects of practical innovation.

6. It is the first time perception and inspiration have been introduced into epistemology and methodology.

On the basis of the work *On Consumption*, this book further introduces perception and inspiration into epistemology and methodology. Epistemology is an old topic. Epistemology is the science about the occurrence and developing process of human awareness and its laws. It mainly studies the sources of human awareness: cognitive ability, the forms of awareness, cognitive nature, cognitive structure, and the truthfulness of awareness and objectivity. Epistemology is playing an increasingly important role in modern, and especially contemporary, philosophy. In the history of the development of epistemology, whenever an important concept is introduced, an academic transformation occurs. Throughout the history of Western philosophy, there were generally three major philosophical revolutions due to the introduction of a new concept.

1. Plato introduced the "idea" into epistemology, which formed the earliest transcendentalism;
2. Kant introduced the "soul" into epistemology, which caused a major revolution in philosophy;
3. Marx introduces "practice" into epistemology, which caused another major transformation in the history of philosophy.

It is the first time that I have introduced perception and inspiration into epistemology and methodology in the history of philosophy.

The chapter on consumption practices and consumption consciousness makes a more thorough analysis of this issue and summarizes people's process of awareness into three stages.

The first phase is observation, discovery, sensation and perception to form an impression (representation), which is the perceptual knowledge stage.

The second stage is comprehension (thinking, perception), inspiration, experiment, thinking and judgment, which is the stage of practical experience and lessons awareness. This is the first stage of rational knowledge. This stage is the basic stage of human practice, which is the basis for producing rational knowledge.

The third stage is the summary and abstract inference stage, which is the highest rational stage of abstract, concept, idea and conclusion.

It is the first time comprehension and inspiration have been introduced into epistemology and methodology. What needs to be emphasized here is that the introduction to this book is not a reference in a general sense but a very important part of epistemology and methodology. To raise comprehension and inspiration to the heights of epistemology and methodology will produce at least two results. First, comprehension is an essential and important quality of modern man. All those who want to do something and create a miracle must continue to cultivate and improve their comprehension and inspiration; second, on a societal level, human perception should be taken notice of and human inspiration should be respected. Intelligence may bring a better and more unique development of thought and ideas to a person, an organization, or even an entire country, and inspiration may hide one or a number of significant inventions. A large number of ancient and modern facts at home and abroad have shown that intelligence and inspiration are the most important means of invention. The steam engine, aircraft, the submarine, Newton's universal gravitation, and Archimedes' law of buoyancy are all a crystallization of intelligence and inspiration.

7. This book makes a new interpretation of the subjects and objects of leadership management and the quality of leadership management. In particular, a new standard for both the subject of leadership management and the quality of leadership management in a new situation are proposed.

This book argues that China's current leadership management subjects are made up of personnel assuming the decision-making, commanding,

coordinating and supervisory responsibility in an organization, including the executives, in other words the leadership management structure and leadership management mechanisms that are organically linked. The subjects of leadership management are a core strength for leadership management activities to be carried out and be successful. However, the subjects of leadership management are not only individuals, but also a group, and stress the importance of a leadership management group.

The collective leadership management group is a leadership management team composed of top managers holding posts in the overall leadership management within the same group or organization. The top leading manager is the commander of the rank within a group or an organization. Department managers are members of the leading team.

Patriarchal ideology derives from the patriarchal thought of traditional Chinese culture. China has thousands of years of feudal rule history and the influence of the patriarchy is deep-rooted, and even today there still exists a patriarchal style to varying degrees in many departments in China. In traditional Chinese culture, the patriarchal system once served as the main leadership management style of a country in government departments and in firms. Historically, the state was ruled by one person, and the Emperor had supreme authority. The ancient feudal emperors regarded the nation as a private home world, which adopted a paternalistic style of rule. The patriarchal system is a relatively low-level organizational management style in traditional society that has a low-level of productivity, an underdeveloped social division of labor, a relatively small population, and a relatively simple structure. The patriarchal system affected all aspects of China, and there may still be traces left today. Since a patriarchal system undermines democracy and results in corruption, this book stresses the important practical significance of collective and decentralized leadership management.

With respect to the quality of leaders, this book stresses the quality, ability, knowledge, business competence, and ideas of leading managers in a general sense; what it stresses more is the political quality and psychological quality of leadership managers. In China, leading managers must put an emphasis on politics. Lenin indicated that politics is a concentrated expression of economics. Deng Xiaoping believed that an economic boom is the most important form of politics, which means that politics is always inseparable from economics. In China, politicizing leadership management must first have a firm and correct political orientation, which is to love the motherland, the nation and the people, and obey the leadership management of the Chinese Communist Party in supporting reforms and opening up. Especially in the new historical

period, faced with a complex and volatile international environment; cooperation and conflict between nations; as well as new problems brought by the reforms and opening up, the correct political direction should be maintained and the Party's line, principles and policies should be unswervingly implemented. The Chinese Communist Party's line, principles and policies are based on objective facts within a certain historical period, with scientific theory as guidance, and with the overall interests as its purpose, which represent its will and aspirations on a global scale and which has a prominent character and application. If only the leading managers at all levels have a strong and correct political orientation, initiative and creativity can be given full play and established goals can be pushed forward through working together.

Another aspect of the political quality of the leading managers is the awareness of serving the people wholeheartedly. Under socialist conditions, leading managers implement management, and have control over certain powers in their hands. However, there is a duality in power; it does not only allow leading managers to give full play to their talent for organizational well-being, but it can also lead some people to corruption, abuse of power, and toward the abyss of crime. There are many reasons for malpractice and irregularities and corruption in China, but one important reason is the lack of awareness of serving the people wholeheartedly. This book makes it clear that the power of leading managers is conferred by the people, and thus serving the people wholeheartedly is the bounden duty of the leaders at all levels.

8. This book advocates that network management should be managed as a national strategy.

Currently, the nationalization of the Internet and its competition are unavoidable realities. Some people think that the Internet is without borders, which in fact is not accurate. Information dissemination should be within borders, and cyberspace should have its own sovereignty. Information dissemination on the Internet can be across national boundaries and regions, but the online world itself has clear sovereignty. Whenever human society opens up a new life and a production and consumption area, their borders should be established within the appropriate space. The continents, oceans and sky have national borders and sovereignty, and it is the same for virtual reality.

As an important national infrastructure construction, the Internet is established within the physical borders of certain countries and regions, and has clear national sovereignty. It can be said that network information dissemination without borders is solidly established and has left

sovereignty behind. Domain names, fiber-optic networks, IP addresses, servers and users are different across countries and regions. Information disseminated on the Internet is related to the country's politics, economics, culture, military and other fields, so network information security naturally becomes an important aspect of national security. Information on the Internet presented in the form of the national culture has a distinct cultural identity and ideological properties. Therefore, the book believes that the sovereignty of the online world is also an important part of national sovereignty. The sovereignty of the online world must be earnestly safeguarded, which is related to national survival in the Internet era.

At present, after the political unrest in the Middle East and North Africa, the US Secretary of State Hillary Clinton gave a second speech on Internet Freedom to stress again the free flow of information, and criticized the network management of a number of countries based on their own laws. In addition, in the West there is also a rival force directed against China's policies and laws of network management.

In this case, we must recognize the issue of Internet freedom, but the Internet cannot become a pure and free world beyond the law and morality. When the influence of any kind of new things extends to all levels of society, it must be limited to ensure the realization of law and order. Nowadays, governments of all countries are beginning to develop laws that apply to the online world. The Western countries such as the United Kingdom, Germany, and Australia have begun to resolutely defend their cyberspace borders and sovereignty and have implemented strict network supervision. National governance based on demarcation and the territorial management of regions has become increasingly apparent.

Each country has a legal basis that is consistent with its history and culture. Every citizen and every social organization must abide by the laws of the country when using Internet tools. The so-called "universal" network freedom with absolute freedom does not exist. If the Internet puts on the cloak of human rights inappropriately and other countries' interests are violated by the use of network freedom, this is deceitful, idealistic talk. And even those who have advocated this do not agree; after all, this should be subject to the sanction of national law.

Therefore, absolute democracy, absolute freedom and absolute justice and equality never existed, and will never exist. Democracy, freedom and equality will always be relative.

Democratic centralism means to vote based on the views of the majority, and all opinions, laws, regulations, rules, and discipline are relative. It is a free, democratic, fair and just affirmation of the opinion

of the majority of people, and a denial to the minority of the people. So the separation of three powers, decentralized governance and democratic politics advocated by some people in the West can only be relative, and it can adapt to the national conditions of some Western countries, but it is not absolutely democratic, fair and impartial. The so-called freedom of speech has always been relative. For example, freedom of information and freedom of the press are only relative.

Nowadays, domestic and foreign hostile forces are using the Internet as the main way and frontline of the battle to westernize and divide China. Many malicious websites make all kinds of slanderous attacks on China. In such a severe situation, the contests within the Internet will become increasingly fierce. Therefore this book proposes to firmly raise network management to be a national strategy, and to initially conceive six strategic initiatives and the specific details for network management.

9. I propose that the overall task of leadership management is the leadership management of the practice of the three most important types of consumption.

Consumption is the result of the process of taking materials from nature and of creating an awareness, driven by human metabolic instincts, of new needs for further consumption and more material, spiritual and cultural products. The traditional theory regarding consumption is a very important link in the social reproduction process. It refers to the process of making use of the social product to meet people's various needs. In his book on Consumption Theory, the author divides human consumption into three types, namely living consumption, social consumption, and scientific research and production consumption. The human living consumption is the most basic one, as well as the spiritual and cultural consumption of an individual family. It also refers to the living consumption in its collective form. In general, a living consumption fund is paid collectively by a group of people for their living consumption expenditure. Social consumption refers to the national superstructural administrative consumption, including educational and scientific research consumption; military defense consumption; public security and judicial consumption; sport and health consumption; national infrastructure investment consumption; urban infrastructure construction consumption; and aerospace consumption. Scientific research and production consumption depends on living consumption and social consumption. Production consumption produces living and social consumption, thus creating new consumption patterns and levels. Without a consumption demand, there would be no

production. And without scientific research and production consumption, new consumption desires and the corresponding actual consumption cannot be achieved. Scientific research and production consumption includes exploration, acquisition, smelting, and tool manufacturing, which are the basis of the three most important types of consumption. Spiritual and cultural consumption are included in the process of living consumption, social consumption, and scientific research and production consumption.

Consumption has a lofty status and role in social reproduction. This understanding can raise awareness of how to get to know and apply a consumption's mechanism and its laws of motion, in order to better understand and utilize consumption law; to develop some strategic objectives for national economic development; and to provide a scientific basis for consumption plans, principles and measures of achieving objectives. To provide a scientific basis to explain the industrial and production structure of the national economy; the need for training personnel and promoting the development of social productivity consumption; and the development of social civilization and progress we should undertake the following tasks:

First, in the process of interaction between consumption and production, distribution, exchange and consumer spending, we should explore the nature, characteristics, status and role of leadership management featuring Chinese characteristics under the premise of the market economy.

Second, in the process of interaction between consumption and economic development, we should explore the significance of scientific leadership management for adjusting industrial structure.

Third, in the process of interaction between consumption demand, structure, patterns, and level, we need to explore scientific leadership management to find out the movement patterns of consumption and the laws of its operating characteristics.

Fourth, through the study of the interrelated relationhip between consumption demand, structure, level, patterns, trends and superstructure, we need to discover the constraining and guiding roles of scientific leadership management in national development strategies, guidelines, policies, plans, distribution of wealth and rules and regulations.

Fifth, through a comparative study of Chinese and international leadership management science theory and practice, we need to explore scientific leadership management for the morphology and laws of consumption motion with Chinese characteristics.

Sixth, through studying consumption activities and the laws of the consumption chain, we should explore the positive guiding role of scientific leadership management for consumers; for the consumption psychology of a consumer household; for consumption behavior; and for social and economic infrastructure and superstructure.

As we all know, consumption is both motivation and purpose in the process of production and reproduction. Consumption decides production and the resulting products are used by consumers in the process of commodity exchange, thus achieving production purpose, namely consumption – research – production – distribution – exchange – consumption. Consumption goes throughout the entire process. There is nothing without consumption, and so consumption decides everything and creates everything in human society.

Leadership management activities are management activities in which the leading managers decide the command, decision-making, control and coordination of the objectives of organizations. On a macro level, these kinds of management activities are generally linked to the overall work and strategic direction of development of a nation, a region and an organization. On a micro level, it is generally related to the overall work and strategic development direction of a business system. Specifically speaking, leadership management activity is a system process in which leading managers and those being led adapt and transform the environment and act on the objective of reaching their common goals and purposes. It is also the manifestation of using the force of leading managers' power, authority, responsibilities and interests. Leadership management activity proceeds by following its own laws of motion, such as the law of the relationship between leading managers and those being led; the law of the leadership management systems; the law of an organization's structure and its setting up and application of implementing leadership management activities; the law of self-cultivation and change in style of leading managers; the law of the decision-making process of the leadership management; the law of leadership management communication; and the law for developing leadership management capacity as well as the scientific methods of leadership management.

Throughout the history of human development, people have never left the management leadership of the three most important types of consumption practice activities, and have never left the management of the leaders. The course of human development starting from living consumption has created the three most important types of consumption practice, namely production consumption, scientific research and production consumption, and social consumption.

As an important element of social productivity consumption, the leadership management makes an organic integration of the various elements of productivity and also makes further innovations so as to achieve the best conditions for development, thus ultimately driving the sustainable development of the overall economy and the fair and equitable progress of social civilization.

The group activities during the process of the three most important types of consumption practice activities give rise to their own leading managers naturally and inevitably.

Through leadership management activities, leading managers implement the three most important types of consumption activities with organization, discipline, policy decision, plans and purpose. In the process of leadership management practice activities, leading managers are also those being led, and the managers being led are also leading managers. The acting force of the leaders on the group practice activities is a unity of opposites. The leading managers are a major aspect of these principal contradictions, and those being led are a secondary aspect of secondary contradictions. During this process it is essential that the leading managers understand the nature and thoughts of unified groups. The correct ideas of the leading managers on one hand are from the wisdom and knowledge of the group, and on the other hand from new perceptions and inspiration by combining their own knowledge and wisdom with that of the group. Thus, the resulting ideas as well as the leadership's methods and style act on the process of group practice activities to achieve a goal.

Therefore, we can understand that leadership management science is a science of studying leadership, leadership management activities, and of finding and applying laws in the practice of the three most important types of consumption. It studies leading managers and followers, including the unified will of an organization's groups. During the process of management's activities for achieving common goals and purposes, it is a comprehensive science of general laws and social laws on which the leading managers' power, authority, responsibility and their interests act.

10. This book discovers and discusses three laws, and proposes a macro-control system around the consumption economy.

This book proposes and discusses three laws: natural economic law, market regulation law and macro-control economic law.

Natural economic law refers to the three most important types of consumption which affect the circular development of an economy,

namely consumption – market – need (growing desire for consumption – awareness – perception and inspiration – understanding) – research – production – higher consumption. It is a natural economic law that has a circular development.

Market regulation law demonstrates that people generate revenue during the process of the three most important types of consumption, as well as during the process of commodity production and exchange. This process further creates financial enterprises and natural (free) market economy laws. It is not the only tangible result; the law too can be recognized and controlled. Currency and financial mechanisms control production, exchange and consumption of capital goods. In the process of producing and exchanging capital goods, consumption creates two chains (the consumption value chain). These are the macro-consumption value chain and micro-consumption value chain.

The natural (free) market economy law and the financial market natural (free) law are twins that are mutually integrated. They coexist but are different from each other.

The state-dominated economic life centered on the living consumption of the macro-market regulation law refers to the superstructure and the government of the national system. Since it represents the total economic foundation, the total relations of production, the total productivity, and the overall ideology, as well as the rights of all the people (citizens) and the interests of consumers, its responsibility and authority must be for all consumer interests and the protection of the consumption and interests of the people as a whole. Therefore, it must be directed by the national economy, centered on people's living consumption. The national macro-control markets (countries must monopolize monetary and financial enterprises) should play a huge and positive role, and meanwhile overcome its serious negative effects.

On this basis, this book presents a macro-control system based around a consumption economy. The author believes that the market economic law of automatic adjustment is physical. The national government should recognize, study, manage and operate it to take advantage of its active and positive role and to limit its negative effects. Therefore, the country's macro-control system is mainly composed of six purposes, three means – economic, legal, and administrative – and twenty elements.

Originating from the source of human consumption, this book summarizes the experience and lessons of the economic development of human society, especially the experiences and lessons since the first global financial and economic crisis, and summarizes the planned economy and market economy of socialism with Chinese characteristics

and the experience and lessons learned in the development process. It concludes that the state-dominated economic and financial laws are macro-market ones centered on living consumption. Composed of six purposes, three means and twenty elements, the State operates in a dynamic and changing system to have continuous macro-control over the development of the consumption market's economic laws. This requires State leaders to give full play to intelligent initiatives through national elements; elements of comprehensive national function and strength. In this way, scientific development can be achieved in practice, to avoid periodic financial and economic crisis and to promote the progress of social civilization.

11. This book integrates family financial management into the system of national economic development.

This book indicates that the family is the microcosmic unit of economic society, and that change within this microcosmic unit inevitably brings about changes on a macrocosmic level. The optimal allocation of family resources, reflected at the macrocosmic level is bound to promote the efficient allocation of the entire economic and social resources. A prosperous family will surely advance the common prosperity of the community as a whole, and boost the economic and social development of the entire country.

Family financial management is an important part of overall financial management. It essentially refers to a family budget and optimal allocation of resources to make the household consumption fund increase in value; to improving the level of household consumption; to give full play to limited consumption funds and to ensuring the financial position of the family is in the best situatiuon to meet the economic demands at all levels of the family. Generally, family financial management mainly includes income and saving.

This book holds that family financial management is not only beneficial to enriching the people, but is also conducive to strengthening the country.

Household income and consumption are closely linked to national economic development. It affects the development of the consumption chain system; it affects the comprehensive development of the national economy; and at the same time it is also affected by the national macro-control rules of a market economy. The leisure time consumption of families creates high speed economic development. A saving type of living consumption, which is absolutely vital to a period of economic development in developing countries, can provide countries with more

economic development funds. We also clearly see that people's family living consumption is at the core of the three most important types of consumption. Without human living consumption, there would be no social, scientific research or production consumption. The living consumption of the family is the main body of the overall social living consumption. Aside from individual household consumption, living consumption also consists of collective consumption. There would be no people without human living consumption. So meeting the continuously growing consumption needs of material and spiritual culture, and focusing on the individual family income and financial management of living consumption are fundamental to developing the three main types of consumption.

12. This book emphasizes that leadership management science is a group discipline.

This book defines leadership management science as a system of theory and knowledge concerning leadership practice and its related fields, and that it is actually knowledge that makes all-round research in leadership management. It has specific features, as follows:

First, multi-disciplinary. A very practical discipline mainly composed of management science, philosophy, sociology, social management science, psychology, and social psychology.

Second, the comprehensive nature of the research process. The comprehensive research in leadership management science is multi-level and multi-angled. Such characteristics are in line with the general trend of contemporary social science research. As we all know, the basic trend of scientific research in the nineteenth century was that of differentiation, which was manifested by finer branches and higher degrees of departmentalization and specialization. Since the start of this century differentiation has continued. However, we can also observe a trend towards consolidation. This trend reflects the process of human understanding of the objective world. Since an in-depth understanding requires studying specific things according to categories, this leads to a scientific differentiation. However, in the study of different categories people will recognize the inherent relations between various phenomena, so people need to grasp the object of study as a whole. This is comprehensive nature.

The comprehensiveness of leadership management is widely represented in comprehensive investigations into all systems and all levels, as well as there being an intrinsic link between them within an organization. It studies the individual, groups and organizations; both the status of the

group level and the status of leadership; as well as psychological states in normal and unusual circumstances. From a disciplinary point of view, it is a comprehensive study of the multi-disciplinary. It is with the help of basic principles of philosophy, psychology, sociology, social psychology, operations research, decision science, leadership science, scientific management, and management science and other disciplines. From a methodological point of view, it often requires comprehensive application of a variety of research methods. So comprehensiveness is a significant feature of social psychology.

Third, the breadth of the scope of study. Leadership management science studies almost all issues involved in the leadership management process, so it is featured across a broad spectrum. First of all, it focuses on the study of human beings. Since humans are the subject of a variety of organizations, there would be no organizations without them. And a study without taking human beings into account cannot be called leadership management. Leadership management should first and foremost pay attention to the study of people as individuals, and then to the study of the processes of human socialization, as well as to the laws of human minds, in order to reveal a basis for organizational management.

Second, leadership management emphasizes research into people as groups and organizations. Groups and organizations as the main places for actitivity for people are also social subsystems. Only through studying groups and organizations, and exploring the effects of activities within them, is optimal management is to be achieved.

Third, leadership management attaches importance to the research in human emotion psychology, abnormal psychology and deviant criminal psychology. Human emotion is a reflection of human psychology; abnormal psychology is the basis for abnormal behavior; and deviant crime is a serious nuisance. This study aims to understand and master the laws of emotion, abnormal psychology and deviant crime to create more effective management and control of organizations.

13. It puts forward proposals for improving China in terms of state management functions, the specific strategies, tactics and methods of the national leadership management.

This book argues that macro-management consumption is the overall management of the three most important types of consumption by a national superstructure. Macro-consumption and management first need to understand the structure of a country; the national management function; and the concept of comprehensive national strength.

The national elements refer to those of territory; people; the legitimate ruling power system; the superstructure system; and the legal system.

Overall management functional elements of the national system refer to national regime organizations at all levels; territory, territorial waters, and airspace sovereignty; tools, machinery, and facilities; national superstructure; development of the national economy, and the macro-control of (consumption natural economic laws) the market economy; the Constitution, laws, rules and regulations; resource allocation; distribution of social wealth; the whole people's education and higher scientific research education; consumption of social security; protection and construction of human survival environment; national strategic and policy decision; formulation and implementation of national policies; building a harmonious society; all-round development of harmonious society with laws and social ethics; supervision and monitoring; national diplomatic activities; and development of international trade. These eighteen elements are intrinsically linked to each other.

The implementation of the whole country's management capabilities aims to improve overall national strength better and faster. This book summarizes eight elements for overall national strength, namely national resources; economic strength; the cohesion of the will of the people; the consumption level of social productive forces; military strength; the degree of social development and progress; diplomatic strength; and the organization and control ability of the organic combination of government systems as a whole. Among these eight elements, at the core is this last one. Without organization, all forces are unable to come into play.

The structure of the macro-national leadership management is systematic and hierarchical. The goal of leading managers is to follow the rules; to experiment with subjective perception and inspiration; to create policy decision initiatives; and to create work for the development of the social productive consumption forces, that is, a stronger country and better-off people, a harmonious and stable society, good neighborliness and becoming partners with distant countries, and for common development, which is also a purpose in itself. A strong country without a better-off people is not really a strong country; if there is a serious lack of equality and justice, society is still not stable and harmonious. So, all of the above factors are at the highest level of macro-leadership management.

This book specifically discusses national leadership management practice in terms of strategies, tactics, policies and methods that can be used as a theoretical basis for national policy development.

14. It puts forward new business concepts, new concepts of enterprise management and enterprise management law, and specific strategic management practice elements and methods, which provide a specific and consultative method for combining theory and practice for CEOs and general managers of enterprises (including state-owned firms).

This book holds that people-oriented modern enterprise management is a scientific process that adopts technical tools, methods of work, corporate culture, management models to make systems integration of enterprise research, product marketing, and sales services using functional elements. The high-quality consumption products are manufactured to lower consumption costs, thus achieving better efficiency and effective purpose.

Enterprise management functional elements should include organization, policy decision, consumer objects, target planned profit, the allocation of resources, business rules and regulations, discipline, distribution, decision-making, strategy, tactics, policy, monitoring, and safety assessment. This book makes a discussion of enterprise management on twenty-three aspects.

This book discusses two aspects of the future direction of the modern enterprise. One is a discussion on the relationship between enterprise and individual, and the other is a discussion on the future evolution of the corporate organizational form. Meanwhile, the book carries out a wide-ranging discussion on specific management controls, such as strengthening the power of corporate goals, and developing and creating non-comprehensive market competing products; organizational management and team building; consumption object management; enterprise target management; resource allocation management; marketing management models; enterprise rules and regulations; allocation policy management; corporate strategy, tactics and policy; enterprise assessment management; management effectiveness and development effectiveness; macro-efficiency and micro-efficiency; and hard and soft enterprise management.

A business is the economic cell of society, and enterprise leadership management is the hierarchical structure of the whole system. The aim of leading managers is to follow the rules, to utilize subjective perception and inspiration, to create policy decision initiatives, and to develop work which achieves consistency between economic benefits and social benefits. If a product gains recognition and preference satisfaction from social consumers, and can be purchased by social consumers, and if the enterprise can get good or better economic benefits and can provide tax

revenues and jobs, then the economic benefits are consistent with social benefits. If the company's products are not recognized and purchased by social consumers, companies lose money or go bankrupt, and cannot provide tax revenues and jobs. Only if enterprises obtain reasonable economic benefits and sustainable development, more tax revenues and jobs can be provided are they capable of doing more public welfare projects. Therefore, corporate economic benefits and social benefits are tied together and coexist. One flourishes, the other will flourish; in reverse, one loses and the other will lose. All policies and operational behavior of an enterprise also reflect the political and economic policies of national leadership management.

15. It puts forward new marketing concepts in the commodity exchange process, new laws of marketing management strategy and policy, tactics of marketing management processes and continuous development of the marketing model.

16. This book finds the general and specific law that consumption creates a residual value. This general law plays a universal role in the past, present and future, and in any social and historical period. Leading managers must recognize it, and control and apply it to create wealth, prosperous people and a powerful nation.

17. This book finds the law of the value of labor consumption, and divides it into seven categories, which provide a theoretical basis for the specific leading managers of national macro-leading management and corporate leadership management to create and distribute wealth.

The basic features of this book

The features of this book are the combination of academic research with application, and the combination of theory with practice.

All discussions are in accordance with the principle of combining academic research with application, and theory with practice. A systematic and logical discussion is carried out with respect to many major economic issues, political issues, scientific issues, as well as leadership and management issues at all levels currently confronted by China. First, it explains the general theory of leadership management science; secondly, it discusses the composition of the leadership

management philosophy; and thirdly, it discusses the leadership management practice strategies. What is the mission of the theory? What is the academic value? What is the purpose of the study? The answers lie in the practice. The author believes that a valuable theory is not only validated and developed in the practice, but is applied in order to guide, develop and innovate practice. Only in this way, can the theory become vital and robust. With respect to the leadership management of the State; businesses and families; reform; developing innovative scientific research activities; economic law and consumption practices; modern production and marketing activities; labor; residual values and the development of social productive consumption forces; as well as culture, network, laws, and regulations, etc., this book proposes rich and practical leadership management strategy and policy, including specific methods of work. The problems are not only problems faced by China's reforms, but also the problems invariably encountered by all the countries in the world, especially developing countries. Thus, these theoretical results are have a wide and significant range of practical and guidance value.

Using such a structure, the reader can find theoretical regression, and see the vitality of the theory. Meanwhile, such a structure can also highlight the remarkable features of combining academic research with application and theory with practice.

Fundamental theoretical framework of this book

The book has fifteen chapters.

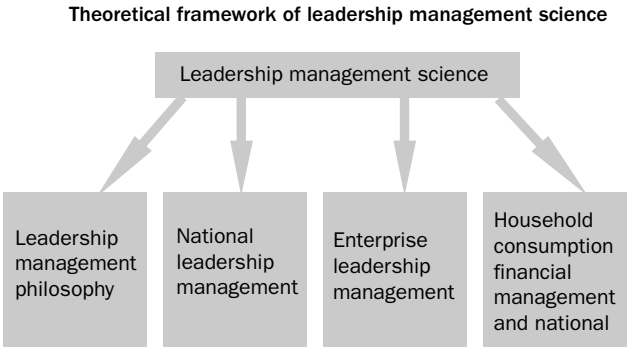


Figure 0.1 Theoretical framework of leadership management science

The first four chapters make a comprehensive disciplinary analysis of leadership management science. They discuss the general theory of leadership management science, including disciplinary analysis; development and innovation of leadership management theory; leadership management systems; the leadership management environment; the quality of leadership managers; the basic principles of leadership management; and the subjects and objects of leadership management. Moreover, these chapters also make a review and analysis of the historical evolution on such important topics as national leadership management systems, human leadership management thinking, and study ancient Chinese leadership management thinking.

Chapter Six is about leadership management philosophy. In this chapter, there is a logical discussion on the composition of leadership management philosophy, which breaks the general ways thinking of people's discussions on philosophy in the past. It proposes that the core of leadership management philosophy is epistemology and methodology. Practice is the source of epistemology and methodology. Without practice, the best epistemology and methodology are only empty talk. And as the most important link in practice, intelligence and inspiration are the power source of practical creativity, which is a bold and innovative academic proposition.

Chapter Eight is leadership management practice strategy. It summarizes and refines the excellent leadership management thinking in ancient Chinese traditional culture, which is of significance to modern leadership management and has distinctive Chinese characteristics. In fact, it is not only suitable for China, but for various countries in the world as proved by nearly one hundred years of practice. The universal function beyond time is suitable for all places with populations, which shows that the outstanding achievements of Chinese traditional culture are a common wealth for all mankind.

This book mainly discusses the application of leadership management science in the areas of consumption and economic laws; society productivity consumption; consumption and the power source of the progress of human civilization; surplus value created by consumption and labor consumption values; leadership management of the national macro-consumption; leadership management of corporate marketing; enterprise leadership management; household consumption and wealth management; national macro-control; leadership decision-making and leadership management; leadership management in China; and leadership management on the Internet.

The understanding of leadership management theory and the application of leadership methods and art are reflected in practice. In terms of methodology, procedural methods and formulas are used, that is, adherence to a combination of humane and ruthless management and adherence to the six-step work method of logical thinking and to the three formulas for the execution of power.

I advocate a six-step work method of logical thinking. The first step is to formulate the objective and task; the second step is to formulate the standard requirement of the objective and task; the third step is to define the person responsible for completing the task; the fourth step is to set a place and time for completing the objective and task; the fifth step is to specify the discipline of rewarding and punishing the task; the sixth step is to examine, summarize experience and lessons learned, and to implement a system of reward and punishment.

The working method of this logical thinking is beneficial to any leaders. Its application in the specific leadership management process will certainly obtain good or better results.

The theory of leadership management science is reflected in practice. Research into the theory in a broader social environment provides readers with a wider space for thinking, and also highlights serious scientific theory and flexible applications of practice.

This book's purpose and expectations should be noted. The name of the book "New Theory on Leadership Management Science" is well-conceived. As we all know, systematizing understanding of the truth by conducting science in accordance with its intrinsic logic is a scientific theory in itself. The theory of science is able to reveal the laws of social development and foresee the future, thus helping people to grasp the direction of social development and historical process; it can provide methods for a correct understanding of things and effective action, thus helping people to correctly understand and transform the world; and it can help people to establish a correct worldview, values and outlook on life. The nature of scientific theories decides that it is able to anticipate the direction of development, and that it is able to guide people to put forward a correct program of practical activities, and thus it plays a great role in promoting practical activities. All logical thought processes point to a single goal which is to discuss leadership management as a science; to reveal the inherent law of the leadership management phenomenon; to provide an effective theoretical system of leadership management; and to interpret the path and methods of art that reflect leadership management in the country, in businesses and family, thus fully reflecting its inherent theoretical value and practical value.

The New Theory on Consumption and Leadership Management Science has its external and internal reasons. At a macrocosmic level, it has gradually grown during the thirty years of China's reform era, and it conforms to this historical wave of reforms. From a microcosmic point of view, it is the result of wide reading and constant thought. It inherits both the outstanding theoretical achievements of Eastern and Western cultural traditions, as well as lessons learned in the leadership management practice in the new situation. Many of them have new breakthroughs, new insights and new ways of thinking. This book's audiences are government workers (civil servants), scientific personnel, corporate administrative staff, and it is also used as teaching material for leadership management degrees at university.

1

Concepts, principles and characteristics of leadership management science

For a long time, leadership science and management science were separate disciplines. In fact, leadership and management are inseparable and have dynamic complementary functions to each other. From a logical point of view, both the concept of leadership and the concept of management are within the framework of the same concept of organizational management. From a practical point of view, a good combination of them both can play a positive role in leadership and management, thus avoiding falling down to the level of low-level operations. So, leadership and management are two basic functions of organizational management, and leaders and managers are organizational managers. Leadership and management cannot be separated in theory and practice. Leadership science and management science should be organically integrated to form one leadership management science. This chapter will carry out a comprehensive discipline analysis of leadership management science.

Section 1. Discipline analysis of leadership management science

The concept and elements of leadership management science

The development of this area requires us to create the innovation of leadership management science. Since the 1980s, many scholars have made strenuous efforts in this respect and have made great achievements. But currently, some academic issues have not been yet conclusive, and

there are many differences. The author believes that the following questions need to be further clarified academically.

1. Concept.

Leadership management science is a science to study leadership, leadership management activities, and its laws of development during the practice of the three most important types of consumption. It studies leaders and followers in areas where there is a unified will within organizational groups and in the activities of management processes to achieve common goals and purposes. It is a comprehensive science of general and social laws within which the leaders' power, authority, responsibility and interests act. Consumption creates everything for human beings, and without consumption there would be no people. All human activities and processes are a process and creation of consumption, which is also the process of leadership management. Leadership management science is an applied scientific theory to study the general and specific laws of these processes.

For a long time, people have always argued about which one is most important: leadership or management. Until now, nobody in the world has given a universally accepted definition of leadership and management. Because of the broad meaning, deep theory, researchers' different starting points and different point of views of leadership management, it is difficult to form a more determined unifying concept. It is the same as there not being a unified idea for hundreds more concepts in culture. This just shows that leadership management is a dynamic concept that develops and enriches along with the continuous development of society and environment.

But anyway, a definition is needed to cover and command a discipline. Here, leadership management science is defined as follows.

Leadership management is a theoretical system of studying leadership management philosophy; the phenomenon of leadership management; the leadership management structure; the object of leadership management; the leadership management environment; leadership management resources; leadership management behavior; leadership management processes; and leadership management thinking. This theoretical system also includes leadership management knowledge and skills; leadership management organization; decision-making; policies; strategies; laws; decrees; regulations; rules and a disciplinary system; leadership; a management planning system; a leadership management system and mechanism; a system relevant to leadership management structure; a leadership management quality system; a leadership management wisdom strategy system; and a leadership

management behavior science and art system. In short, leadership management is a specialized subject to carry out theoretical and applied research comprehensively and systematically in the leadership management process.

2. Elements.

The theory of the leadership management science system is a total programmatic theory, which provides a uniform scientific guidance theory to conform to research applications within its various branches. The theory of the leadership management science system summarizes its general elements, namely leaders and followers; their thinking will; goals and objectives; environment; organizational structure; discipline, technique; behavior; justice; and management (including methods of leadership and the art of leadership and management elements), which also adapts to the various sub-system theories.

A leadership management activity mainly means management activities in which the leading managers decide the command, decision-making, control and coordination of an organization's objectives. On a macrocosmic level, these kinds of management activities are generally linked to the overall work and strategic direction of development of a nation, a region or an organization. On a microcosmic level, it is generally related to the overall work and strategic direction of the development of a business system. Specifically speaking, a leadership management activity is a system process in which the leading managers and those being led adapt and transform an environment or take action on an object to achieve their common goals and purposes. It is also the manifestation of the force of the leading managers' power, authority, responsibilities and interests. Leadership management activiies proceed following their own laws of motion such as the law of the relationship between leading managers and those being led; the law of a leadership management system, organizational structure and the setting up of an organization and the start of the implemention of leadership management activities; the law of self-cultivation and change in style of the leading managers; the law of the decision-making processes of leadership management; the law of leadership management communication; and the law for developing leadership management capacity as well as the scientific methods of leadership management.

The study subjects of leadership management science include the general and specific laws of consumption-creating and consumption-processes of the three most important types of consumption and the general and specific laws of leadership management processes.

Leadership management science is composed of the philosophy of leadership management, national macro-leadership management, corporate leadership management, household consumption financial management and national macro-control leadership management.

As the soul of leaders, leadership management philosophy is epistemology and methodology. The national macro-leadership management is divided into five categories. First is the State administrative, and social consumption administrative organizational management, including the consumption management of the State administrative system's organizational structure and behavior. Second is the consumption management of the State apparatus. Third is the consumption management of national public consumption, national defense and justice, urban construction, foreign affairs, education and scientific research, aerospace and seaports. Fourth is the distribution and redistribution of social wealth, the government protection system and leadership management, and the allocation management of national resources and social resources. Fifth is the leadership management of strategy and policy in economic and political development.

The household consumption financial management includes the source of consumption funds and a seriously unfair contradiction between consumption processes and consumers, the leadership management of class contradictions and the national macro-control and allocation policies.

These four leading management processes are related to nature, the social family within a family, individual human beings, humans with society, social groups and social organizations on the side of the national government superstructure. The activity processes of all these relations are consumption processes with general and specific laws. Leadership management processes and everything else besides also have general and specific laws. The living consumption of a person is the source, the origin, the power source, the main body as well as the basic contradiction of any society. A person develops from living consumption to creating production, production consumption, scientific research and production consumption, and social consumption. A person's living consumption is the core, and social consumption is there to safeguard the development of living consumption, so they are twins. Living consumption and social consumption are the purpose, while scientific research and production consumption are the means. Centered on living consumption, national macro-economic control aims to develop social consumption. Therefore, it is needed to regulate and control the investment and production structure of scientific research and production consumption, and to guarantee the relative

balance of supply and demand for the three most important types of consumption. National regulation and control should first recognize the responsibility, right and work of the national government superstructure which represents the country's total economic base; the country's total productivity; the overall relations of production; the country's ideology and spiritual cultural values; the interests of the nation; and the fundamental consumption rights and interests of all citizens. The country should dominate the economy and develop social consumption around living consumption. The government management should have the best workers and a simple administration to be frugal in terms of administrative consumption. The economy needs to develop science and technology, so as to achieve high spending, high accumulation and high taxes, thus promoting the steady and high-speed development of the economy.

By means of six purposes, three means and twenty elements they constantly regulate and control the development of scientific research and production consumption; safeguard the relative balance of supply and demand for the three most important types of consumption; and promote the scientific and orderly development of social civilization and progress. This is the responsibility of the national government superstructure. If economic development is only naturally regulated by relying on the rules of a market economy, then this is malfeasance by the government. The law of the market economy has a huge positive effect, yet at the same time a serious negative effect, which can lead to economic crisis and serious damage. This is a law and a fact.

Different scholars have different views and definitions concerning the study of subjects of leadership management science. At an early stage, some scholars believed that the scope of research of leadership science included the concept of leadership, leadership management systems and leadership management responsibilities. The author believes that leadership management science mainly studies the following subjects: the general and specific laws in the processes of the three most important types of human consumption; the purpose of leadership management; the tasks of leadership management; the nature of leadership management; the elements of leadership management; leadership management systems; the leadership management environment; the leadership and organization decision-making management; the methods of leadership management; the art of leadership management; the abilities of leadership management; leadership management performance; leadership management thought in traditional Chinese culture; and the evolution of Western leadership management theory. It can be said, that study on these subjects constitutes a theoretical framework for leadership management science.

Structure

The holistic theoretical framework for leadership management science system has a ladder structure (Figure 1.1):

1. The first layer is a science consumption system;
2. the second layer is the composition structure of the three most important types of consumption systems;
3. the third layer is the subsystem structure composed of each kind of consumption system;
4. the fourth layer is a further subsystem structure of those each kind of consumption system (segments omitted).
5. leadership management is the leadership management of the three most important types of consumption practical processes.

In the three most important types of consumption systems, scientific research and production consumption are the premise for achieving living consumption and social consumption. Therefore, scientific research and production consumption can be divided into three subsystems. The first subsystem is the research and production consumption, which is to obtain living consumption. The scientific research and production system is to meet the material and spiritual cultural consumption needs that are continuously growing and ever increasing, namely the consumption realization of commodity production and exchange, as well as business processes to gain capital. The second subsystem is the scientific research and production consumption to achieve social consumption. The scientific research and production system is to meet the continuously growing and ever increasing consumption needs of the material and spiritual culture. The third subsystems are scientific research and production consumption for basic industry, namely the premise and foundation of the first and second subsystem. In order to meet the growing and ever increasing scientific and production consumption needs of living consumption and social consumption, this one must give priority to its own development. Only if its own productivity is enhanced and improved continuously, can the circular spiral development of the economy affected by the three most important types of consumption be ensured to be endless. That is to say this consumption creates scientific research and production consumption; and scientific research consumption is constantly creating new consumption needs and consumption desires for the production consumption of new knowledge and new technology, creating new living consumption and social consumption products, and

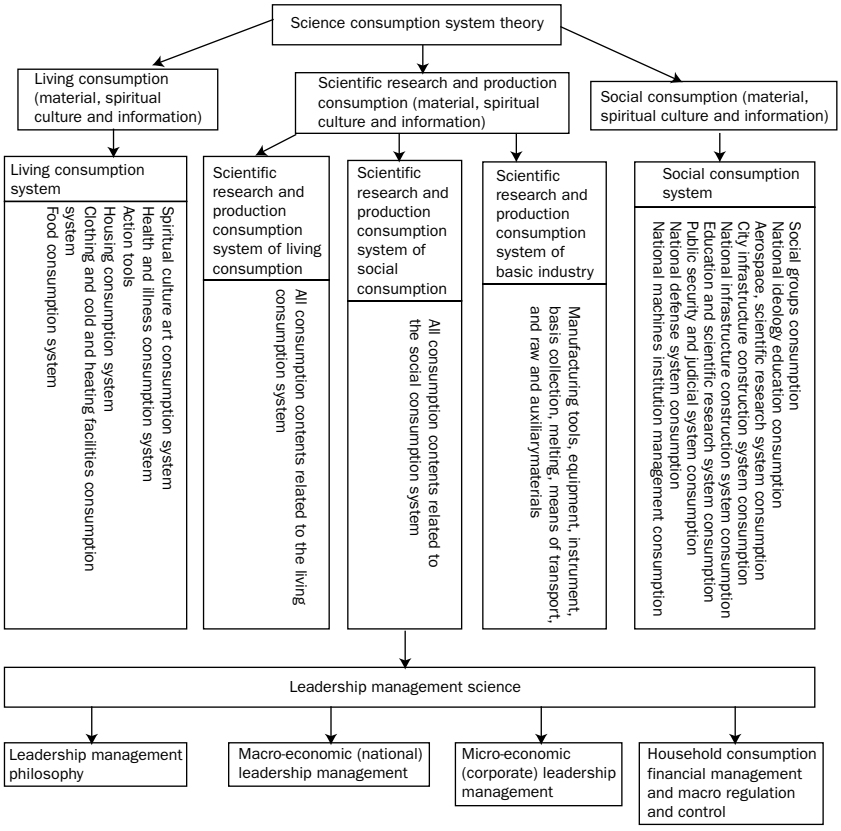


Figure 1.1 Holistic theoretical framework of the leadership management science system

creating new consumption patterns, to promote the new development of the consumption level.

In addition, the emphasis on leadership management science research should include the study of the practical activities of the historical leadership management, the activities of the current leadership management, as well as the activities of the future leadership management. It is necessary to undertake this research. For example, with respect to the historical development process of leadership management, leadership management is divided into a natural empirical model: an autocratic style, a democratic model, and a leadership ruling combining centralization and democracy. The leadership management of the natural empirical model is the most primitive and elementary type among the

leadership management types. Chiefs and tribal leaders in primitive communes belong to this type; authoritarian leadership management comes into being with deepening class antagonism in slave and feudal societies. Leadership management of a democratic and ruling model relative to authoritarian leadership management is a higher form of leadership management that is related to large-scale socialization production, and leadership management combining centralization and democracy as a process changing from an authoritarian regime to a full democracy is a necessary transition.

Research in leadership management science cannot do without research on leaders, and leaders cannot do without the activities of leadership management. Moreover, the thinking and behavior, capacity and quality, power and authority, the method and the art of the leaders, constitute not only the traditional contents of leadership management theory, but also the growing need for the continuous innovation of its theory. Meanwhile, leadership management activities rely on them. The integration of them is helpful to absorb each other's strengths to jointly promote the further development of leadership management theory.

Leaders and groups should have unified thought and will, a close-knit organization, strict and impartial discipline, strict requirements, and a serious attitude to make the correct decisions and control management, thus achieving an organizational management strength in teams with common goals and objectives. The unified thought and will, organization, decision-making, and management of leadership management cannot do without group leadership management with all of the above characteristics.

Leadership management groups and the management itself have aspects of unity in opposites which are both universal and specific. Take the family as an example: if there are two people, one person should take a dominent position. For a family with more than two people, the head of the family needs to play a leading role. A political party or group should have a leadership team with top-level officials at its core. The government superstructure of a country must have centralized power to make up the unified command of the leadership team. The core leading managers and leadership management team including the National Chairman, Vice Chairman, Prime Minister, Deputy Prime Minister, the President and Vice President make up a comprehensive organization of managerial rule of all national citizens and represents the unified thought and will of citizens and groups to create common wealth, a powerful nation, better-off people and a harmonious society.

The main task of leadership management science

The main task of leadership management science is to study the three most important types of consumption in practice.

Throughout human history, consumption has been the starting point and ultimate destination of the cyclical development of economies, and also the sum of all human activity. One result of the three most important types of consumption practice is to act on the human brain, resulting in awareness of consumption and new ways of thinking. This is not only the conclusion of this academic theory, but there are also the products of theory and practice, and at the same time an authentic new system theory of consumption. Therefore, the study of leadership management science must study all leadership management phenomena generated in the three most important types of consumption practice.

To this end, some basic ideas of consumption must be briefly introduced.

1. The scientific meaning of human consumption.

Here the concept of human consumption should be distinguished from the original concept of consumption. Traditionally, economists have regarded consumption as merely a part of the social production process, whereas in fact the concept of human consumption is a complex process of all economic and social life.

Definition of human consumption. Human consumption is the result of the consumption process of demanding materials from nature and of creating new consumption desires and awareness, which leads to new material (including spiritual and cultural) products driven by the human metabolic instinct, including consumption in a narrow and generalized sense. This process is manifested in the activites of micro- and macro-consumption chains.

The consumption chain is divided into macro- and micro-consumption chains. A macro-consumption chain is the sum of countless micro-consumption chains, while a micro-consumption chain is a cell and building block of a macro-consumption chain. The study of macro-consumption chains will help us to understand the general trend and the general law of the economic and social development of mankind; the study of micro-consumption chains will help us to seize an opportunity, occupy the commanding heights of the competition, avoid killing, and stand in an invincible position in the in-coming tide of a market economy.

Macro-consumption chains. A macro-consumption chain comes into being in the exchange process in which the production of goods and exchange of capital become cross-regional and cross-country by means of currency and financial tools, especially after the first and second Industrial Revolutions. The rapid development of international trade makes the three most important types of consumption between countries, regions and enterprises much more interdependent and mutually promoted, which generates macro-consumption chains.

Micro-consumption chains. A macro-consumption chain is the ultimate expression of the micro-consumption chain. The micro-consumption chain is the specific performance of the macro-consumption chain (consumption chain developing in an interlinking format). The consumption chains of economic movement move in a dissipative structure system, so that living consumption (including spiritual, cultural and information consumption), social consumption, and scientific research and production consumption are mastered unknowingly, and the awareness of consumption and consumption behavior can be manipulated anytime.

Human consumption in a generalized sense refers to social consumption, namely public consumption, which includes social management; national defense; national security; public security and administration of justice; education and scientific research; healthcare; environmental protection; social relief; public welfare; and international trade. In traditional research, consumption in a generalized sense has always been considered to be a secondary distribution of economic benefits, which means to study it only in the field of distribution. However, this book studies it in the field of consumption, through which questions of national macro-economic laws of control can get an appropriate answer.

Human activity constantly creates new consumption desires and understanding, which then create new consumption needs and products. Consumption directly depends on the presence and level of the maturity of people's needs, so that the whole consumption process can be determined according to the nature and diversity of those needs. Conversely, only by means of consumption, can the needs of the subjects (human beings) be met. The richer the consumption, the greater the realistic possibility of it continuing to develop. If the development of needs is the motivation and purpose of consumption, then consumption is a necessary precondition of maintaining and continuing the development of needs.

In less developed areas of commodity production, due to a self-sufficient organic economy, living consumption and labor consumption are closely linked without any clear distinction. However, in more

developed areas of commodity production, living consumption and labor consumption are distinctly separate, and their division of labor is clear.

Human consumption, of course, includes spiritual cultural consumption. Traditional economics has not paid much attention to human spiritual cultural consumption and does not regard it as an economic variable worth studying. But this book regards it as an important economic variable, and scientific research and production, as well as living consumption and social consumption, all contain spiritual cultural consumption, and lists them in the same important position as human material consumption. Although people's spiritual cultural consumption does not occupy an important position in the economic life in less developed areas of commodity production, with social progress and economic development, as well as the rise of people's spending power, spiritual cultural consumption shows a rising trend in terms of both quantity and quality. This has been proved by developed countries, and also by the changing consumption structure of the developed areas in China. Therefore, the role of spiritual cultural consumption within the structure of human consumption will be more and more important and with a growing proportion. Not studying it means neglecting a series of economic phenomena surrounding spiritual cultural consumption, including a series of phenomena surrounding spiritual culture such as labor, production, types of consumption, and socio-economic effects. One of the features of this book is to emphasize spiritual cultural consumption as an important aspect of human consumption.

The nature of human consumption activities is different from that of animal consumption activities. Human consumption activities separate production and consumption in space and time. It is this separation that reflects the sociality of consumption and the subjectivity of human beings, and is also the performance of social attributes of human beings. Human consumption in this sense becomes part of the existence of human nature.

2. The academic position of consumption.

Consumption is the sum of consumption processes demanding materials from nature and creating new consumption desires and awareness, as well as further new materials and spiritual cultural products driven by the human metabolic instinct.

After a comprehensive analysis of Western classical and modern economic works, it is not difficult to find that Western mainstream economics has always focused on production and that consumption has always been dependent on it. The system of Neo-classical economics has major defects on the issue of consumption, which is represented by a lack

of an abstract concept of consumption in production axiology; a lack of a concept of consumption gaining value in production capital; a lack of a concept of autonomous consumption in production teleology; as well as a bias towards production throughout the process of industrialization, resulting in an economic crisis again and again. During the process of transformation from an industrial economy to an information economy, this habitual negligence of the value of consumption has become a major flaw in Western mainstream economics.

This book firmly restores the value of consumption in the economic cycle, and gives it due academic status to improve people's concept of a consumption revolution, which is of great academic significance both in the East and in the West; otherwise a change of concept and a change in the development pattern of economic growth cannot be achieved.

Traditional study has always categorized consumption as an important link in the process of social reproduction. It refers to meeting people's various needs by means of a social product. Consumption is divided into two categories: production consumption and living consumption. The former refers to the use and consumption of production goods and the labor force during the process of the production of materials. The latter refers to the behavior and processes in meeting the needs of people's personal lives with man-made materials and spiritual products. It is an essential condition of carrying out everyday life duties outside the production process and of restoring people's labor force and the reproduction of labor force. In general, living consumption means personal consumption.

In macro-economics, consumption refers to the total expenditure on consumption goods by a person or a country over a period of time. Before the 1930s, research on consumption theory was relatively simple. The most dominant theory at that time in orthodox economics was Marshall's theory of supply and demand. The main point of this supply and demand theory is that assuming consumers' incomes remain unchanged, the number of consumer goods is in inverse proportion to the price. Engel's Coefficient is also an important factor in measuring the level of consumption. Thus it can be seen that consumption has an important place in macro-economics.

Consumption in micro-economics is the study of a single economic unit, such as a single producer, a single consumer and the economic activity of a single market, and of analyzing how a single producer allocates limited resources in the production of various commodities to achieve maximum profit and also of how an individual consumer allocates limited income in the consumption of various commodities to obtain the greatest satisfaction. Moreover, micro-economics also analyzes

the means to define output, cost, and the number of factors of production and profit; the means to determine the income of suppliers, which affects production; and the means to determine the utility, supply, demand and price of a single commodity. From here we see that consumption also has an important place in micro-economics.

Micro-economics studies the actions and consequences of individual participants in economic activity, while macro-economics studies the economic behavior and consequences of society's participation, namely the running of the economy as a whole, including production, income, price level and employment of the whole society.

Though many scholars in history have noted the importance of consumption, it has not been given due attention. Marx did not make a specialized exposition of consumption theory, and his masterpiece *Das Kapital* had no chapter on consumption theory. China's early works on economics had almost no theory on consumption. In spite of China's achievements in reforms and opening-up since the end of the last century with consumption being mentioned on the agenda, the academic status of consumption has not yet been determined.

In fact, not only in the West, but also in China, there has also been a tradition of neglecting and even curbing consumption, which has dominated people's concept of consumption for a long time and has even become part of mainstream ideology. So the author believes it is urgent to restore the value of consumption in the economic cycle, and give it due academic status, as well to improve people's concept of a consumption revolution; otherwise, a change in concept and a change in the pattern of development of economic growth cannot be achieved.

The historical mission of this book is to truly establish the academic status of consumption. With a comprehensive study as its method, it carries out an overall study of the origin, development, classification, law and application of consumption and thus forms a system theory. The study includes related disciplines, such as philosophy, history, economics, management, leadership, the market, marketing, and merchandise to form a system theory on consumption that is multidisciplinary, cogent and integrated.

3. The classification of human consumption.

The classification of consumption is an important theoretical basis for its study. An inappropriate classification will result in many wrong conclusions. Here a new method for classification will be proposed.

First, the traditional classification of consumption includes production consumption and living consumption (excluding the spiritual cultural consumption). Traditional economics divides the overall process of

social production into four factors: production, distribution, exchange, and consumption. As the most basic link, production does not only determine distribution and exchange, but also determines the consumption. Product variety, quality and quantity produced by social production define subjects, structure and the mode of consumption objectively. Without production, there will be no consumption. The conclusion is that production is the foundation.

Second, a new classification for human consumption includes three parts: living consumption, social consumption, and scientific research and production consumption.

Living Consumption. The first and most fundamental part, human living consumption, refers to the most basic material and spiritual cultural consumption of an individual family. It is the transition from human survival consumption to leisure consumption. The second part is living consumption in a collective form. In general, the collective pays the consumption costs (an individual rarely pays or does not pay) for spending within the group, such as tourism, meetings, events, and entertainment activities, as well as the most vital group consumption needed by work and the important living consumption of food, clothing, shelter, and transportation.

Social Consumption. Social consumption refers to the administrative spending of the national superstructure: military and defense spending; public security and ther administration of justice; education and scientific research spending; sports and health consumption; national infrastructure investment consumption; urban infrastructure consumption; aerospace consumption; and harbor and seaport consumption.

Scientific Research and Production Consumption. Scientific research and production consumption is determined by living and social consumption. Production consumption generates living and social consumption, thereby creating new consumption patterns and a new level of consumption. Without consumption demand, there would be no production, and without scientific research and production consumption, new desires and lifestyles cannot be achieved. Scientific research and production consumption also includes exploration, acquisition, smelting and tool manufacturing and it is the basis of the three most important types of consumption.

In the process of production and reproduction, consumption is the motivation and the goal. Consumption decides production. If the products are consumed in the commodity exchange process, the purpose of production is achieved, namely, consumption – research, and production – distribution – exchange – consumption. Consumption is

present throughout the entire process. Without consumption, there would be nothing. So consumption decides everything.

Consumption determines production, and the process of scientific research and production is a type of consumption leading to production consumption mode. Consumption determines the development of production competition, and the products themselves can in turn create new production needs in the consumer. The purpose of production is consumption, but the products to be made by manufaturers should also create social and corporate benefits after their consumption; otherwise businesses cannot survive. The conclusion is that the consumption decides everything.

Third, the levels of the three most important types of human consumption. Human living consumption is divided into two levels: minimum life-sustaining consumption, and more affluent and enjoyable types of consumption. The main pursuit is for ever higher types of enjoyment consumption.

Social consumption is divided into three levels. First, all types of material and spiritual civilization consumption. Second, that of greater enjoyment and technology. Third, the pursuit of ever higher levels of technology and enjoyment; material and spiritual civilization consumption is there to maintain the security of countries and regions in order to safeguard public order and safety, and the survival of a suitable environment for common survival and development of the masses.

Scientific research and production consumption is equally divided into three types of levels: first, to meet the consumption of scientific research and production, tools and equipment are needed as minimum requirements for maintaining human survival. Second, the pursuit is needed for the general enjoyment of living and social consumption which must come under the premise of consumption of general scientific research and technology and all the material conditions of production techniques. Third, living and social consumption goods at an ever higher level should be conditioned by ever more scientific research and production technology. Only with this ever increasing scientific research, technology and material conditions for production technology, can better consumption goods be produced.

Fourth, consumption patterns and standards of consumption.

Das Kapital studied consumption patterns from the point of view of commodity production and exchange processes, and focused on the capitalist mode of production and areas related to production.

The formula for consumption in this book goes: Consumption desire, understanding and nature – the creation of a scientific research and production consumption pattern – scientific research and production

consumption – the creation of consumption products and consumption patterns – consumption products used by consumers – the creation of a certain level of consumption and progress of social civilization.

The relationship between consumption patterns and production. The government superstructure, on behalf of the total mode of production and areas related to production; on behalf of the total productive forces of social consumption; and on behalf of the fundamental interests of the citizens, determines the income pattern of the members of a society in terms of social wealth redistribution and social security patterns through laws and policies. Boards of directors and owners of businesses represent the means of production, areas related to production and the productive forces of social consumption. They develop corporate rules and regulations, institutions and disciplines relying on national laws and policies, and they formulate specific allocation and reward policies based on the three powers (material power, spiritual power and information power). It has a direct impact on the awareness of living consumption and the consumption patterns of one family. Therefore, the State superstructure is very important for the regulation and control of microscopic consumption patterns.

Consumption classification and standards. Consumption patterns are divided into macro-consumption patterns and micro-consumption patterns. Macro-consumption patterns refer to those of the three most important types of consumption process in human social development, and mark the level of consumption and progress of social civilization within the overall development of human society. The consumption patterns in different historical periods of human development (the Stone Age, Bronze Age, Iron Age, the era of the steam engine and the internal combustion engine, the electrical and electronic era which reaches the present day) mark the level of consumption and progress of social civilization during different eras. Conversely, if products are not consumed, there is no level of consumption or progress in social civilization.

The microeconomic consumption mode refers to the consumption level of one family, and specific types of consumption within overall social consumption. Personal household consumption represents an individual family's consumption level, and this depends on the spending power and awareness of the individual household income. Even with enough spending power, the level of consumption appropriate to income cannot be realized without the appropriate consumption awareness.

Fifth, there are four categories of scientific research and production consumption.

It is worth noting that while most raw materials cannot directly enter social and living consumption before being processed and manufactured with tools, a small part of these raw materials such as steel can directly enter social and living consumption.

It can be seen from Figure 1.2 that scientific research and production consumption can be divided into four categories. One is basic scientific research and production consumption, such as mining, smelting, and raw materials. The second category is scientific research, production and manufacturing consumption in living and social consumption, such as production tools, machinery and food. The third category is scientific research and production consumption for the social consumption infrastructure, such as urban construction, railways, roads, levees,

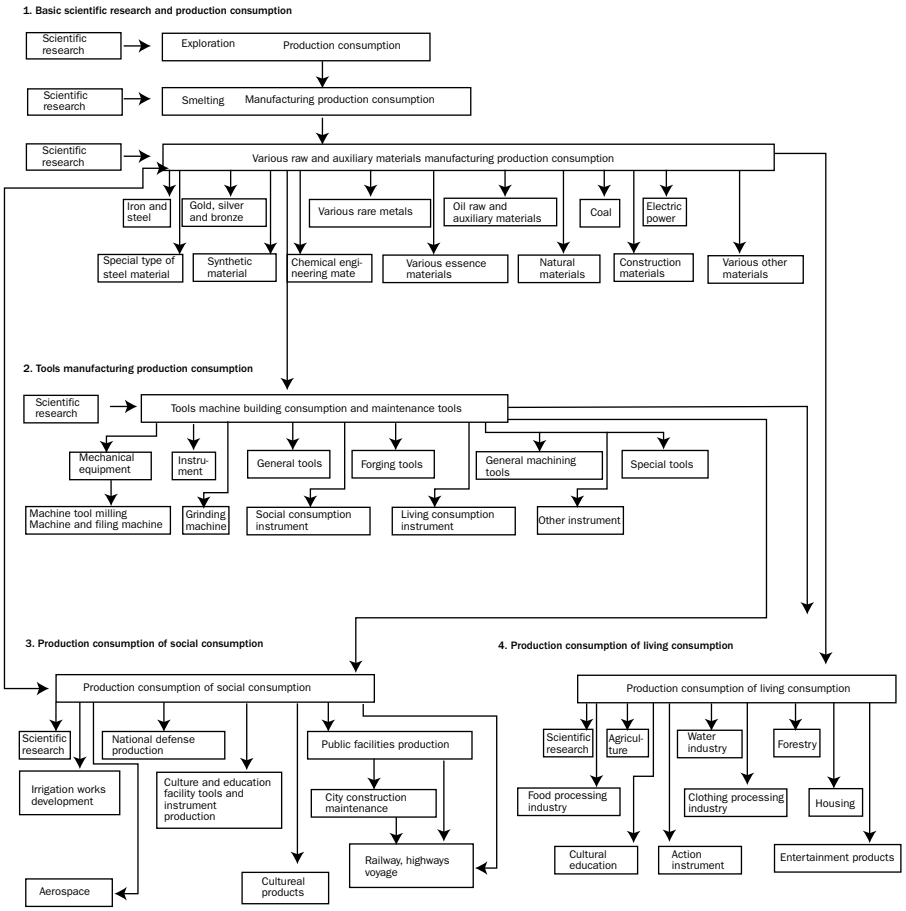


Figure 1.2 Basic research and production consumption framework

reservoirs, etc; and scientific research and production consumption of national defense, such as weapons, facilities, and aerospace. The fourth category is scientific research and production consumption for living consumption (including material and spiritual cultural products), such as food, clothing, housing, transportation, entertainment, books and other spiritual cultural products. Among these four production consumption processes, each category forms part of the overall system of scientific research and production consumption. The purpose of all production consumption is to meet the living consumption needs of a growing and ever-increasing material and spiritual culture, which in itself is also the need of people's living consumption. Social consumption demand affects scientific research and production consumption to make up the law of the circular, spiral development of the three most important types of consumption. This law is a natural law of economic development.

Leadership management science is people-centered

Leadership management, as a specific form of human activity, puts a large emphasis on its people-centered aspect.

Leadership management science will explore the phenomena occurring between people: the theories, methods, interaction and a way of coordinating and controlling laws within the systems of social organizations. Understanding these laws will help remove obstacles and coordinate relationships; predict certain actions; improve and enhance work efficiency; deal with horizontal and vertical social conflicts; and mobilize social enthusiasm, thereby serving certain political, economic and cultural ends.

Modern management emphasizes people-centered management, and thus leadership management science must first make a comprehensive study of people as an organizational body, including the psychological structure of the personality; psychological characteristics of personality; personality tendencies; classification of personality; identification of personality and personality tests. Through these studies, people's initiative can be mobilized. Secondly, the study of teams should be emphasized, because the team concept is important to human survival. The study of leadership management science in teams includes a comprehensive study of population characteristics; the type, structure, and functions of group psychological effects; and group dynamics with the aim of mastering the phenomena and laws of various groups'

psychology and creating sufficient incentive and utilization of power within groups, thereby enhancing people's understanding of them in order to appropriately mobilize and support all the positive factors and constructive powers of groups.

Leadership management science stresses the study of a variety of hierarchical organizations, and attaches great importance to the study of the various types of organizational elements, such as organizational composition, effectiveness, and transformation. 'Transform' means with the aim of making leaders grasp the general laws of organizational work as a whole, and of learning how to do a good job within the mechanisms of organizational management.

Leadership management science research emphasizes the study of leaders who are a leading force in organizational management. With respect to function and power, leaders are unified in various kinds of authority, responsibility and service. With respect to function and role, leaders actively organize the guidance of and influence on subordinates to attain goals under certain conditions. Through studying the powers and processes of leading, as well as their quality and influence, leadership management science will explore the effectiveness of organizational leadership management and allow leaders to learn a variety of effective leadership management and command methods through leadership management activities, so as to improve their own leadership management competence.

Leadership management science often needs some modern theories that include social cognitive theory; needs and motivation theory; incentive theory; control theory; decision-making theory; and behavioral science and public relations theory. Only with the help of these theories, can problems encountered during the course of activities be thoroughly analyzed and studied for organizations, and can an inherent uniformity be revealed, so as to better accomplish the strategic objectives of the organization. These theories will be discussed separately in other chapters.

Functions of leadership management

Since leadership management is a specific form of human activity, its whole process must be people-oriented. Otherwise leadership management will lose its meaning.

Leadership management has two basic functions: the rational organization of internal activities, and the maintenance and improvement

of external relations. The first function of leadership management is a natural attribute and is a general function produced by labor socialization production. The second function is a social attribute of leadership management and is a special function generated by the social nature of the labor process.

Different disciplines and different scholars have different opinions on leadership management functions. On the basis of drawing on Western theory, this book believes that leadership management has five functions.

The first function is the integrated planning function of leadership management. This is the creation of specific arrangements of established goals to create guidelines for all members over a certain period of time. On the basis of a variety of real resources and information, managers deliberate and develop plans, policies, programs, procedures, and goals in order to achieve the strategic aims of the organization.

At the start of leadership management, integrated planning runs through each function of management. Planning can help leadership management personnel make objectives clear and provide action directions; it can determine the main duties of the leadership management personnel; it can find and check problems in carrying out the plans, and thus predict future opportunities and risks; and can provide standard of controlling and measuring achievement.

As a procedure, integrated planning is essentially the rational act of applying one's brain. Plans start from setting goals to making strategies, policies and detailed internal operating plans to ensure the realization of those goals, and finally return back to the starting point, and then start the plan for the next year. It can be seen that planning is a continuous cyclical process.

Developing a scientific plan must be conducted with a rigorous scientific analysis of the organization's internal and external conditions. On the basis of field research, leaders need to take into account all aspects of a combination of factors, and referring to the experience and lessons from the past are able to develop a scientific and feasible plan.

An integrated planning function is conducive to an organization taking the initiative to adapt to the demands of social reality. According to changes in supply and demand and the competitors' type of activity, scope, level of participation, strength and means, integrated planning is made on this basis, which can help an organization correctly understand the future and compensate for instability brought about by the external environment in order to maintain steady progress. Plans can improve the

allocation of human and material resources. Moreover, through organizational goals, plans can attract the attention of the members and increase their enthusiasm, so as to enhance the cohesion of the organization.

The second function is an organization's system of leadership management. According to the objectives and requirements of plans, an appropriate organizational structure should be established to deploy the appropriate human and material resources to ensure the smooth progress of planned requirements and activities. In order to achieve the mission and goals of the organization itself, a reasonable division of labor and collaboration between people should be made, as well as the utilization of equipment and resources within the organization, and the correct handling of relationships between people.

The procedure of establishing an organizational system is as follows: according to the activities required to achieve their objectives, leaders need to determine a reasonable management system and establish a reasonable organizational structure. They need to divide the leadership management into levels, set up various working departments, and determine the nature of the activities and areas of responsibility of these various departments in accordance with the needs of the overall objectives. They also need to establish information communication channels to strengthen the links between the various departments and to carry out monitoring and supervision and a reasonable reward and punishment system.

The most common methods of setting up an organizational structure has the following types: the first is to set up institutions according to the functions required by the organization, such as planning, activities, property, personnel, and coordination. The working departments are generally divided into an integrated planning management, property management, activity management, personnel management and information management. The second is to set up an organizational structure in accordance with the tasks undertaken by organizations. That is, to set up an appropriate department to manage certain related activities. Generally speaking, leadership management departments are classified in accordance with the specific problems needed to be addressed.

Appropriate organizations need to be set up in accordance with their geographical activities, such as the Northeast, North China, East China, Central China, and South Central China. Businesses also set up branches in accordance with the locations of provinces.

The establishment of the organizational system should comply with the following eight principles:

The principle of a unified goal. All organizations should work towards the realization of a unified goal. If it is not conducive to the realization of this goal, then the organizational structure needs to be adjusted.

The principle of unified command. There should not be multiple leadership management within the organization. Everyone has only one boss and he is only responsible to that boss. Multiple leadership management will result in a situation where everyone is at a loss as to what to do and who to listen to.

The principle of efficiency. The setting up of the organization must take high efficiency into account, which means to achieve the desired purpose with minimal cost.

The principle of delegated authority and matching a function with power. Managers at any level of an organization should be granted the appropriate authority, and if that authority is delegated, this will be not conducive to mobilizing the enthusiasm of the relevant members. The so-called matching a function with power means that the position should be matched with the appropriate amount of power. Too much or too little is not suitable. The duties of the manager in charge at each level should be in accordance with his power.

The principle of management breadth. In leadership management, the number of people to do this efficiently at each level is limited, and should not be too broad or too narrow. A lot of management experience has shown that the number of subordinates efficiently supervised by the upper levels should be no more than six.

The ladder principle. Organizational structure goes from top to bottom with each layer followed by another layer. The organizational structure must be clear. Each level has its own scope of responsibility and its own rights and obligations. The lower level cannot bypass their immediate line managers, and the upper levels cannot act for the lower levels.

The principle of balance. The size of each part of the organizational structure should ensure effective work and coordination. Too big or too small is inappropriate.

The principle of flexibility. The so-called principle of flexibility means that the organization should have as sufficient flexibility in structure just as in its activities. In accordance with the change of objective conditions, making the necessary adjustments in a timely manner aims to make the people in charge at all levels be mentally prepared for a higher or lower position.

The third function is leadership management command. This means that leadership management personnel lead and manage by

communicating with and urging the subordinates to make members do their work correctly, thereby achieving the organization's goals and plans. From a narrower perspective, leadership management command has to make the subordinates perform their duties better by using their functions and power which contain both command and domination. The activities of modern organizations have become increasingly complex, and their division of labor has become increasingly fine. Their work is closely linked, interrelated, and mutually restricted. In such cases, depending on the circumstances, an organization establishes a set of scientific and powerful systems of command with high efficiency in order to achieve a unified command, unified pace and unified action throughout the entire organization. It is of a very important significance for the normal activities of the organization.

The key to doing a good job in leadership management command lies in the leading managers being in a commanding position. Leading managers have certain powers that are applied to give orders to the subordinate. Apart from the powers formally granted by the organization, the leading managers also have powers of reward, such as incentives, bonuses, and good treatment; but on the other hand they have restrictive powers, such as pay cuts, withholding salary, and demotion. Besides, the leadership management itself also has influence that plays an important role for the subordinates and sometimes it is a silent command.

The art of leadership management command is one of the master arts of leadership. It is difficult to make good use of power. In general, in a centralized management system, the leadership policy adopted by leading managers is closer to a natural style of supervision. In a system paying attention to efficiency, the leading managers emphasize the application of power and strict discipline. But in recent years, modern leadership management has had a decentralizing tendency. The focus of leadership management has shifted to how to use the workers' recognition of power, their education and motivation to improve their morale and strengthen their sense of responsibility and mission, so that members can consciously fulfill their obligations.

The fourth function is the coordination of regulation and communication functions of leadership management. This means that an organization surrounding a target makes coordinated arrangements and scheduling, and communicates their activities to each link and department, so that they can complement and coordinate with each other and work in a more unified manner. Coordination and communication are comprehensive concepts with a wide range, such as lateral coordination and communication between various departments and various links, as well as the vertical

kind between leading managers and those being led. It also includes coordination and communication between the organization and external units such as the community, the relevant government departments, the news media, other branches, and partners.

Coordinated regulation and communication is a comprehensive function. It can be said that the coordination work of an organization influences not only the activities of the organization but also the its ability to gain a firm foothold in the community. It is sometimes related to the survival of an organization. So every organization cannot ignore the role of coordination and communication. Only good coordination and communication can give full play to the functions of management within businesses, in order to create a good, active environment.

The fifth function is the control and correction of leadership management. This means to assess and check the work of subordinates and to check and take control of the organization's activities to identify gaps, and then to promptly make corrections to ensure normal operations and the achievement of the goals of the organization in accordance with established plans, goals and standards.

The control and correction functions include two parts. One part is the control of normal work. The working situation is constantly revised and reviewed by controlling. The other part is the control of the current affiliated members. According to performance of members, it appraises and supervises to make members become more devoted to their duties, and complete the objectives and tasks.

Control and correction should follow a few principles. The first is to apply remedies according to indications. They must be able to reflect the characteristics of the controlled work, and take into account the internal and external environmental factors and the actual situation and to have a certain flexibility. The second is that control and correction should be fair and objective. The control process must adhere to the principle of fairness, and avoid disputes. The third is that control and correction should try to prompt a military-style decision, having correctly identified problems in time and without delay.

In addition to the above five functions, there is a further important function of the decision-making function. Decision-making plays a vital role in all the activities of today's organizations in society. The leadership management activities of any unit and any organization are not indispensable from decision-making. Decision-making throughout all its aspects is at the core of leadership management work, and it is the basis for the implementation of the importance of leadership management. This importance has gained more and more attention from leading

managers. About this question, the author will make a detailed exposition of leadership decision-making and leadership management.

Characteristics of leadership management science

Leadership management science has a large number of branch disciplines. For a current understanding of leadership management, there are various opinions and conclusions. Through collecting and collating these opinions, with respect to the range of their connotations, it can be divided into micro-aspects and macro-aspects.

Macro-leadership management science includes the study of the law of administrative leadership management activities of a country, a party or a government; micro-leadership management science should include the management activity laws of businesses and individual institutions. In China, the macro-aspect of leadership science focuses on the systems theory and practice of leadership management, and on the command management of the national government; in the West, the focus of leadership and management science is studying how to manage subordinates, and the systems theory of business management, while macro-national leadership management is rarely studied.

Leadership management science has many sub-disciplines, such as strategic leadership management; the art of leadership management methodology; leadership management relations; leadership management decision-making; and leadership management of personnel. It can also make further study of grassroots leadership management; leadership management of public security and the judiciary; leadership management of military defense; financial leadership management; educational leadership management; and health service leadership management.

Effective leadership management activities must carry out general and systematic research into a variety of factors that influence the leadership management process and the relationship between those factors, which can help form a realistic basic theory as well as rational decision-making activities of leadership management.

Effective leadership management must be multidisciplinary. Overall, as an integrated science, the main task of leadership management is to study management activities and their laws in certain organizational operations. Leadership management is a very practical discipline composed of management, sociology, psychology, leadership, and social psychology.

Management is a comprehensive discipline of studying people and organizations, and it is a very complex science. Management using principles of sociology, anthropology, operations research, psychology and other social sciences can undertake a macro-study on the occurrence of problems in various organizations, the laws of development, and management on the basis of those laws. Management is at the core of an organization. It has been put forward that modern management with eight basic elements can be divided into two categories:

The first category is that of the methods of management which include three elements: institutions, laws, and managers.

The second category is that of the contents of management which include five elements: people, property, materials, information, and time.

Here, people assume two responsibilities which are on one hand a method of leadership management, and on the other an object, or a part of the contents of leadership management. The time mentioned here is continuous and irreversible Bergson time defined by Kybernetika rather than absolute Newtonian time without direction.

Today's management believes that scientific management is to correctly and effectively deal with these elements and their mutual relations, in order to achieve the basic aims of the management. Scientific management includes seven principles: the system principle; the overall division and integration principle; the feedback principle; the closed principle; the energy level principle; the flexibility principle; and the power principle.

The system principle. This means that in modern society, everyone in the system is divided into various levels. They are both within their own system, and they produce various forms of input and output alongside other systems. Yet they also exist within the unified context of a larger system. Therefore, a full analysis of the system must be conducted in order to achieve optimized management.

The overall division and integration principle. This refers to the fact that a modern and efficient management should make a clear division of labor in overall planning, and should also create effective integration based on this division of labor. With the overall concept as the major premise and the division of labor as the key, the scientific division of labor can constitute a modern and orderly system.

The feedback principle. This refers to the fact that the control system conveys the information output, and which then sends back some results which in turn have an impact on the information output again, thus playing a controlled role to achieve a desired purpose. The increasingly growing functional results are called positive feedback; and the

increasingly shrinking ones are called negative feedback. The cause produces the results that form new causes; the new causes produce new results. This process is endless. Feedback serves as a bridge between causes and effects.

The closed principle. This means the methods of management within any system must form a continuously closed loop, so as to form effective management activities and achieve a freely absorbing, processing and working output. Open management is just a circuit that is not a loop. Even if it is integrated into the network, it will be unable to generate electricity.

The capability level principle. This refers to a classification of management in accordance with the amount of energy. Classification establishes a certain order, a certain norm, and a certain standard. Energy level management must be established according to its level and must have stable structure. Different energy levels should show different levels of authority, material interests and a spirit of honor. Authority, material interests and a spirit of honor are the external manifestation of energy. Only by corresponding to the energy level does management meet the energy level principle. In other words, when you hold a position, you need to consider policies, exert authority, fulfill duties, gain honors and punish mistakes. In this way, effective management can be achieved.

The flexibility principle. This means that management must maintain sufficient flexibility to adapt to various possible changes of the objective external world in a timely manner, so as to implement dynamic management. Management flexibility is divided into two categories, namely local flexibility and overall flexibility.

The power principle. This means that management must have strong power that is applied correctly, so that effective and sustainable management can ensue. The kind of power referred to here is a broad concept that refers not only to management energy, but is also a constraining factor without which management cannot take charge in an orderly manner. The significance of power lies not only in the management running an organization, but also running it in a specific way. Power is usually divided into three categories, namely material power, spiritual power and information power.

Sociology makes an overall comprehensive study of human society; it regards society as a whole in order to study its various components and their relationship to each other, and to investigate the existence and development and laws of society. It is a comprehensive social science.

Research in sociology includes:

1. The foundation of society and its development, including its geographical environment, socio-demographic, and social culture.
2. Socialization and personality, including the biological foundation of socialization and the socialization process.
3. Social communication, including social relations and collective behavior.
4. Groups and organizations, including primary groups, formal groups and social organizations.
5. Social control, including compulsory social control, non-compulsory social control, deviance and crime.
6. Community, including urban communities, rural communities, community culture, and urbanization.
7. Social problems, including population, employment, marriage and family, and other social problems.
8. Social security, social change and social modernization.

Sociological research methods are mainly statistical analysis and comparative analysis.

Psychology is the scientific study of a human being's mental activities. It is based on the individual as an object of study. Through the study of individual mental activity, a universal law of human mental activity is achieved. It is primarily the study of human feeling, perception, attention, memory, imagination, thought, language, emotion, will, ability, temperament, personality, needs, motivations, interests, beliefs and worldview. These can be divided between four major aspects, namely feeling, perception, attention, and memory. Imagination as a psychological phenomenon in the process of understanding things consists of awareness, mood, emotion and will. Ability, temperament and personality are individual human characteristics. Needs, motives, interests, beliefs and worldview form the category of human personality traits. It can be demonstrated as follows:

Psychological research includes:

1. psychological phenomena: feeling, perception, attention, memory, and imagination;
2. psychological processes: awareness, emotions, feelings, and will;
3. personality traits: ability, temperament, and personality;
4. personality tendencies: needs, motivation, interests, beliefs, and worldview.

The research methods of psychology are self-observation, observation of others, methods of testing, and survey research. It needs to be noted that psychology studies only individuals rather than groups and organizations. Social management psychology needs to study the principles and methods of individual psychology as well as studying the psychological phenomena and processes of groups, organizations, and leadership that make up a social system.

Social psychology studies the laws of its own existence, the development of and changes in individuals, and a group's mental activity in specific social conditions. Its main scope of the study includes:

1. The influence of various types of social factors in the individual, such as the influence of social culture, social customs, public opinion, ethics and morals, religion and law in individual psychology.
2. Conflict among groups, organizations and individuals before, during and after. The specific research contents of social psychology include socialization, continued socialization, social motivation, social cognition, social attitudes, personal behavior, self-awareness, interpersonal relations, group psychology, and behavioral attribution.

The research methods of social psychology are mainly case studies, experimental studies, observational studies, literature research, tracking studies, social surveys, social statistics, and so on.

The research contents of social psychology are closely related to those of management, and the research methods of social psychology are also closely related to those of management science.

In addition to the above principles, management believes that effective management needs five more abilities, namely administrative, legal, economic, abilities in publicity and education, and consulting.

Characteristics of the research processes of leadership management science

Research into leadership management is a comprehensive study with a multi-level and multi-point of view. Such characteristics are in line with the general trend of contemporary social science research. As we all know, the basic trend of nineteenth century scientific research was differentiation, which was represented by finer divisions and higher degrees of departmentalization and specialization. Since the start of this

century, differentiation still continues and yet there has also been a synthetizing trend that reflects the process of human understanding of the objective world. In order to make an in-depth understanding of specific things, people have always stuied them under categories. This is a scientific differentiation. However, in the study of categories, people will increasingly recognize the internal relations between various phenomena, which require people to grasp the study object as a whole. This is known as 'comprehensiveness.'

Characteristics of this comprehensiveness of the research process are mostly present in every system, every level and the internal relations between them within an organization. From the point of view of levels, it studies both individuals, groups and organizations; both the state of group levels and that of leadership levels; and psychological states in both normal and abnormal circumstances. Also, from a disciplinary point of view, it is a comprehensive and multi-disciplinary study. It needs the help of the basic principles of psychology, sociology, social psychology, operations research, and decision-making science. From a methodological point of view, it often requires a comprehensive application of a variety of research methods.

The leadership management studies the problems involved in the management process over a broad area.

First of all, it focuses on the study of people. Without people who are the subjects of a variety of organizations, there would be no organization. And a study without people cannot be called leadership management. Leadership management should first and foremost study people as individuals and their processes of socialization, as well as the rules governing a person's mental activities, in order to reveal the basis of organizational management.

Second, leadership management should concentrate on research on people as groups and organizations. Groups and organizations as people's main places of activity are also social subsystems. Through studying groups and organizations, and exploring the effect of activities within groups and organizations, optimal management can be achieved.

Third, leadership management attaches importance to research into the psychology of human emotions, abnormal psychology and deviant criminal psychology. Human emotion is a reflection of human psychology. Abnormal psychology is the basis of abnormal behavior, and deviant crime is a serious organizational hindrance. This study aims to understand and master the laws of emotion, abnormal psychology and deviant crime to allow more effective management and control of an organization.

Fourth, the objective of this study is to look at general and specific laws of the creation of human consumption and consumption processes combining the macro- and micro-versions of the three most important types of consumption, and to learn to recognize, respect, control and apply the law, thus allowing intelligence and inspiration time for creative thinking.

In summary, it can be said that all the problems in organizational management are on the research list of leadership management. Because of this, leadership management plays a great role in guiding and controlling reality itself.

Section 2. Basic principles of leadership management

The process of leadership management is not arbitrary, but needs to follow some basic principles that are the basic principles of leadership management activities. These principles can make a variety of leading managers do a good job in leadership management activities, obtain maximum effectiveness in leadership management, and complete leadership management objectives as soon as possible.

The principle of effectiveness

How does one become an effective leader? What kind of knowledge and ability can ensure the achievement of effectiveness and successful management in an organization? Leading managers of many types of organizations want to find the answer to these questions. An excellent leader should do a lot of things, but, it is precisely because of the need to do so many things that they are often too deeply involved and thus lose focus on the overall complex process. The more they do, the lower their efficiency is. The principle of effectiveness provides the following guidance.

Take a holistic view of leadership management. In China's firms, especially small and medium-sized enterprises, many business leaders do a lot of things personally and assume many duties in order to save on cost. Even if a company grows and develops slowly and it is unnecessary for them to do such things, they are still accustomed to doing things personally and do not delegate responsibilities. In the initial period this is workable, but if business leaders always do everything personally, enterprises will not develop and become stronger.

Some business leaders who are experts in certain fields think that only they can do the best job. It might be true in reality, but the result may be that he becomes a technical expert, an elite salesman or a public relations expert, but not a good leader. The leader needs to be a commander, rather than a senior general who undertakes tasks alone.

It is perfectly fine if a leading manager does not have special skills, but he must have the capability to consider the situation as a whole. Doing a good job in overall management is the leader's work. What a leading manager needs to do is to focus on his own management work; otherwise it is dereliction of duty. Take Bill Gates, the founder of Microsoft as an example. He is an excellent computer programer, but when he does business, he will devote all his time to the management of the company and completely put aside the technical work. If he is engaged in technology research and development, he leaves his management position and delegates others to do the managing. The results prove that his approach is correct. This makes him do any work wholeheartedly and so the results are very good. In contrast, Apple's Steve Jobs once served as manager who was responsible for not only management but also marketing and technical research and development work at the same time. Although he was a better software designer than Bill Gates, he did not do a good job in both aspects because of his distraction from his work. So he was fired from his post by the Apple board, and he had to leave the company that he had founded.

Confucius once indicated that a person who is not in charge of governing should not interfere with the government's business. What he meant was not to do the things you should not do. In this way, it will be easier to do the right thing. Many leaders do not understand the principle and think that doing more equals higher efficiency, but it is just the opposite.

A vivid metaphor can illustrate the problem. In ancient times, a house had a lot of pillars in every room to support the roof. One man felt that so many pillars in the house were an eyesore, and so he carved the pillars inside the house into the shapes of dragons and other animals. He placed flowerpots and antiques on top of some of the pillars that had been carved. All his guests praised his house and the owner was very proud. However, in less than a year the house collapsed, and the owner of the house was crushed to death underneath.

This story illustrates that every person and everything has its own work and role. For example the job of room pillars is to hold up the house rather than to act as sculptures and stands for placing knick-knacks and flowers. The role of leaders, like the beams of a house, is to

maintain a business and lead people along the right path. Other things and responsibilities should be delegated to others to do. If one demands to do everything, then one may not be fit to be a leader, and it would be better for him to play a specific role in the business. So people who are good at managing manage. In the West, this kind of management idea has been around a long time, while in China few business owners can recognize this problem.

Modern society often talks about compound talents, a person with multiple skills and roles. However, the whole point of multiple skills and roles is that they should boost and improve each other. If two jobs or more cannot be mutually integrated and advanced, then a person should focus on doing one job well. One who focuses on his own work can make it possible to make excellent achievements.

From the perspective of leadership management, small businesses should adhere to the pluripotent and multi-position principle, but specific arrangements should be made. An insufficient arrangement of multiple roles cannot improve work efficiency, but will reduce the quality and efficiency of work, as well as increasing labor costs. We all know that for the assembly line operations of large and medium-sized enterprises, each process focuses on doing its own part, in order to do a good job and attain the highest possible efficiency. If each worker in the factory completed a commodity independently, then the equipment costs and labor costs would be several times greater. And it is the same with the efficiency principle in other jobs. Thus, multiple-roles after a certain point is a retrogression of management science.

Focus on the key issues in leadership management. Since almost all leaders face complicated situations every day, they need to understand the most important connections and contradicitons in their job in order to do the key work. They must not be distracted by trifling matters.

Just like an excellent company CEO, he should focus on doing a good job in the three major tasks: financial management, product quality and market feedback, so as to obtain a healthy growth and development of business. The CEO is not confused by numerous and complicated management affairs and the chaos of the market, but understands the key points of the development of the company; he pays much more attention to major events related to corporate survival; and he maintains objective and calm thinking with keen and lofty vision.

In today's corporate leadership management work, there are a lot of more complicated challenges every day. If one cannot effectively distinguish between major events and minor matters, they will have no more energy to do a good job of leadership.

Find out and correct problems in leadership management work in a timely manner. Once upon a time in ancient China, King Wei once asked the highly skilled doctor Bian Que: "I heard that you have two brothers who are all skilled in medicine. Who is the best?" Bian Que told the king that his eldest brother was the best and his elder brother was better.

The King was puzzled. At that time, Bian Que had the best medical skills and was known to everyone, but his two brothers were almost unheard of. Bian Que explained that his eldest brother cured diseases before their onset, and that his patients did not know that a serious illness had been cured during its incubation. His elder brother discovered diseases with an early diagnosis and rendered treatment at the initial stage of patients' conditions. Bian Que cured diseases often in very serious conditions when patients were very sick with extreme pain. Thus people believed that he had the highest medical skills and became famous throughout the world. However, the truly masterful medical skill is to eradicate a disease before it starts.

This story brings a lot of inspiration to leadership management. For example, in a business, we tend to think highly of a "Fire Captain," who can turn the tide and rescue companies in distress. However, although they are important, companies need more talented people who can check erroneous ideas at the outset and are good at solving problems before they produce negative effects. Managers themselves must be good at taking preventive measures, knowing how things develop early on, and finding a big problem hiding behind a small one in order to put an end to it. The cause of any one big problem is very small and less visible and is also easy to eliminate, but we rarely notice that this ability is more important than the ability to reverse a critical situation when businesses are facing a huge crisis. It is better to keep a company away from distress altogether rather than to rescue one already in distress.

In the production process, a small part with problems that is not replaced in time may lead to paralysis of the entire machine, and in turn this can affect the entire production line. Nowadays, car manufacturers frequently recall a lot of problematic cars. In fact, the problem is very small. If they were carefully checked, tens of millions or even billions of dollars worth of losses could be avoided. Vague colors on some parts, or missing or wrong labels on a packing box are originally a small problem, but in the end may make the customers associate the product with problems in quality or inferior goods.

In ancient China, if an official resided over a local community where lost articles were always returned and people left their front doors open, in most cases he was not appreciated when he left his office. However, if

an official could restore security after a critical situation thereby bringing peace to the local area, he would be regarded as a great talent and would then be promoted. In fact, the feats and abilities of the official who could eliminate social disorder at their early stages and maintain peace are much more precious than those who were good at sorting out problems during a crisis. Today, many business leaders also respect and even follow the example of those who do "big things." Rarely known to us are those leaders who seem to be doing little things, but who can allow business to develop and companies to run smoothly all day long without any major disruptions. They are great because they can resolve major events before their occurrence.

The principle of democracy. This is the principle of decentralized management. In accordance with this principle, the top management within an organization should assign management rights to the lower-level management. It emphasizes the participation requirements for the management, as well as a convenient information channel.

The meaning of decentralized leadership management. The so-called separation of powers means that modern companies assign part of the management's decision-making power to subordinates in order to allow initiative and creativity at lower levels. The top leadership management focuses only on a small number of decision-making powers affecting global interests and major issues. From a business perspective, decentralized management usually applies to larger-scale industry with more product varieties, rapid changes in the market, and a wide geographical distribution.

The signs of the decentralized leadership management. There are four main signs which can evaluate the degree of decentralization.

1. The frequency of decision-making. The higher the frequency, or the greater the number of lower levels of management decision-making, the higher the degree of decentralization.

2. The range of decision-making. The wider the range of lower-level decision-making and the more the functions involved, the higher the degree of decentralization.

3. The importance of decision-making. This can be measured according to two aspects, namely the degree of influence of the decision-making, and the cost involved.

4. The degree of control of decision-making. If the high-level management has no control over the decision-making of the lower level, then the degree of decentralization is very high.

The factors influencing decentralized leadership management:

1. Size of the organization.
2. Distribution of its activities.
3. Training needs of leadership management personnel.

Means of decentralized leadership management. Decentralization can be achieved in two ways: the distribution of power in organizational design and authorization of executives at work.

The results of system decentralization and authorization are the same, which is to make the lower-level management personnel exercise more decision-making power. However, they truly have important differences.

On the basis of taking into account the size of the organization and the characteristics of organizational activities based on job analysis, job formation and department design, decentralization provides the necessary responsibility and authority according to the requirements of the various management positions while making organizational designs.

However, authorization means that leading managers who take on certain management positions, in reality delegate part of their authority to solve problems and deal with new businesses to one or some of their subordinates in order to take full advantage of their expertise and skills.

The role of decentralized leadership management. Decentralized leadership management delegates some daily management decision-making power to subordinate units. Under the conditions of decentralized management, a company makes an appropriate division of part of the decision-making power along with its corresponding responsibilities between the leadership management staff at different levels so that they can carry out effective decision-making on a daily basis and in a timely manner, thereby promptly adapting to the changing needs of the situation.

The principle of capability level

The concept the principle of capability level. This means that the organizational structure of the leadership management and the capability level structure of organizational members must be mutually adaptable and coordinated, so as to improve the efficiency of the leadership management and to achieve organizational goals. The capability level refers to the difference of the sum of various abilities of members of an organization that can play a role in achieving organizational objectives under certain conditions.

In the sense of leadership management, human capability is also the sum of various abilities of members of an organization that can play a role in achieving organizational objectives under certain conditions. In leadership and management activities, the positions of leadership management personnel at different levels and links are different. Leaders at different levels of leadership management play different roles in achieving the organizational goals, but each leadership management link and level formed by leading management personnel and their appropriate leadership management functions are indispensable from the entire leadership management system. They are organizational structural elements of leadership management that are necessary to complete the organizational goals.

Such differences are bound to exist in the practice of leadership management, which requires leadership management activities to set up different levels of leadership management, determine different job duties, standards and tasks, and set up different leadership management powers and remuneration according to these differences, thereby placing the talents and roles of different people in different positions appropriate to their ability. This is the basic meaning of the principle of capability level in leadership management.

Mechanisms of the principle of capability level:

1. The capability level of leadership management must be within the format of a stable organization. The structure of stable leadership management should form a triangle. The upper part of the triangle has a sharp edge, and the lower part has a wide base. This kind of stable leadership management structure is just built on the foundation of a realistic hierarchy. The leadership management triangle is divided into three levels: the business layer, execution layer and operations layer.
2. Different capability levels should present different powers, material interests and a spirit of honor. This is not only an external manifestation of energy; it also only corresponds to capability level if it can meet this principle. An effective principle is not to level or eliminate the differences in power, material interests and spirit of honor, but to create a proper balance of corresponding capability levels.
3. Each capability level should correspond dynamically. A variety of management positions require different capability levels, and people also have a variety of different talents. Modern management must put people with corresponding talents into a position of the appropriate capability level.

The content of the principle of capability level:

1. Post capability level. Human resources management believes that the application of fully-equipped managers should follow the principle of capability level. Therefore, the division of the capability level within the management system is not arbitrary, and neither is their combination. The management level and management positions depend on the objective working conditions and job requirements of the position and the level.

In general, the greater the authority of an office, the wider the supervision over subordinates. The influence of policy and decision-making becomes greater, and subsequently the leadership management level and position are higher.

The fewer the limiting factors of the surroundings on their work, the less supervision is needed, the stronger the ability to work independently, the greater the responsibility undertaken, and the higher the level and position of leadership management.

Working with difficult, more complex and unconventional problems needs stronger creative and transformative power, and so the level and position of leadership management are higher.

Also, by working with more complex methods, more diversified levels of knowledge and more influence, so the level and position of leadership management will be higher.

2. Professional level. From a general point of view, leadership management can be divided into three levels:

The senior implementation of macro-leadership management resolves issues on corporate strategy; middle leadership management solves issues connected to the business campaigns;

The grass-roots implementation of micro-leadership management solves tactical problems.

Different requirements are made for the temperament, ability, insight, and expertise of this triple-tier of leading managers.

The employment of senior executives as macro-leadership management needs them to be proficient in the art of leadership management, often known as its "mastery."

The suitable employment of middle level management personnel is to have management experts in leadership management science.

The suitable employment of grass-roots managers as microcosmic leaders needs the managers to focus on mastering management behavioral science.

The purpose of the principle of capability level. The principle of capability level breaks the conservative employment concept of step-by-step promotion and points to a shortcut for the selection and training of personnel, so as to prevent the aging of the higher levels of management and the attainment of organizational protection.

Different levels of talent generally cannot substitute each other and are discussed from the point of view of macro-management. Any specific manager, perhaps while ceaselessly changing and updating his work, and whose temperament, ability, insight and expertise rises from the grassroots to the middle level, and then on to the top level, can adapt to new jobs and new requirements.

However, the macro-leadership management of talented people must be through their scientific analysis in order to allocate them at the level best suited to their actual capability; at the same time, through the reform of the personnel system, adverse prejudices must be eliminated to ensure that outstanding talent at different levels can gain attention and be used on multiple occasions, so that talented managers at each level can maintain relative stability in their careers.

The application of the principle of capability level in management activities focuses on how to make an inventory of the people who are valuable assets. First divide the hierarchy structure with respect to the organization, and then after a scientific assessment of its workers' capabilities create a division of capability levels, and finally establish a perfect personnel management selection by appointing the right people, so that their corresponding skills are used in posts with corresponding capability levels.

Correct application of the principle of capability level requires attention to the following points:

1. Leadership management must determine a stable organizational structure.

The first layer is responsible for the formulation of strategy, the second layer for the formulation of specific policy under the guidance of the holistic strategy, and the third layer for carrying out a variety of management instructions, and the fourth layer for specific operations to complete tasks. It can be seen that an organization has a stable capability level system when its organizational level and proportional control can meet the principle of capability level, the requirements of quality increments, and an increase of management intelligence and power, which is conducive to unity in policies and action. This is the ideal capability level structure for general organizations.

2. According to the level's needs, select and appoint talented people to the appropriate leadership positions.

Due to different requirements of the various levels of managerial positions, people of different capability levels should be arranged in corresponding positions.

The capacity for a system to achieve goals is determined by three factors, namely the quality of the elements, the rationality of the various elements and the specific relations between the various elements. The system requires appropriate elements and subsystems, rather than an accumulation of fine elements. A variety of different positions have different requirements for talent capability level, and people with different capabilities should be arranged in corresponding positions, so as to achieve the expectations of the right man in the right place. Putting fine material to petty use is not only a waste of talent, but also these people will sooner or later find another job. However, low quality material for a great use will delay work. There can only be chaotic management. The people who are put into a wrong capability position are just the same as garbage that has been dumped.

3. Different capability levels should enjoy different powers, duties and interests.

The powers, duties and interests as an external manifestation of energy, must correspond to their capability level. In their respective positions, the talented managers should make appropriate policies, exercise their authority, fulfill their duties, and receive their honors. People neglecting their duty should be punished. Effective management is not to eliminate the difference between rights and responsibilities, but to give different treatment in accordance with their difference in capability. It is worth mentioning that management levels are divided according to abilities, which is completely different from a feudal hierarchy which is divided according to status and family.

4. Personnel at each level must have dynamic interaction.

Various leadership management positions are at different capability levels, and the workers also have various kinds of talents. Modern scientific management must enable people of appropriate talents to be in positions of a corresponding capability level. Full scope must be given to their talents and each person allowed to do his best. This kind of management organization can form a stable structure and operate continuously and effectively.

People's work abilities and talents are constantly developing and changing. There is never a fixed and absolute state of affairs. Therefore,

only the dynamic implementation of corresponding capability levels can ensure that the failures of today were not caused by the factors of yesterday's success.

Leadership management must be managed at different levels and needs to have a stable organizational structure, which is a prerequisite for the everyday operation of the management system. A stable management level structure should be an equilateral triangle, or pagoda-shaped. An inverted triangle, pagoda-shape or rhomboid will look like a multiple leadership management team, thereby showing its unstable state. In terms of a management system, a management triangle can be divided into four levels. The highest level is decision-making, and decides major policies of the system; the second level is the management level that applies management functions to achieve decision-making goals; The third level is the executive level that carries out specific management instructions and directly organizes human, financial, and material management activities; and the lowest level is the operational layer directly engaged in the operations and the specific tasks. The four levels not only have different missions, but also reflect the differences between the four levels.

The organizational structure of leadership management should reflect the principal of capability level. Without capability levels, there will be no power for the moving around of managers and then the organizational structure becomes unstable, which can easily lead to a failure in management. However, setting up a stable organizational structure must pay attention to the following aspects.

First, make a scientific overall design of the organizational structure in accordance with the functional needs of society as a whole, as well as the relationship between the organization and the environment.

Second, centering on the division of functions, make a careful division and design of structural issues to determine the level, network, nodes and linkages between them.

Third, pursue efficient, simple and economical goals and put an end to the phenomenon of sinecure and setting up organizational positions for the sake of doing a favor for certain people.

At the same time, it is necessary to correctly handle the relationship between the stability and evolution of the capability level structure. The capability level structure of an organization has a certain degree of independence for organizational functions, as well as a relationship between the organization and the environment. Effective and orderly management activities require the capability level structure of an organization to have relative stability. Otherwise, frequent minor

changes, or even major ones, are likely to have an adverse impact on the organization and employees. But along with the changes in the environment and organizational functions, the old and impractical structure should also be improved in a timely manner. The main need is to have foresight when establishing the capability level structure of an organization so as to leave room to adapt to future changes.

Different capability levels should enjoy different powers, duties and interests. These powers, duties and interests as an external manifestation of energy, must correspond to the capability level, which is also a requirement of the closed principle. In their managerial positions, leaders should make policies, exercise their authority, fulfill their duties, and obtain their honors. Leaders neglecting their duty should be punished. Effective management is not to even out or eliminate the differences between rights, responsibilities and interests, but to give corresponding treatment to the practical capability levels. For example, urban planning as a comprehensive activity related to the urban system, must be led by municipal institutions presided over by the mayor so as to accomplish integrated planning and coordination, and thus corresponding to the appropriate capability level.

People tend to confuse leadership management levels with a feudal hierarchy. The caste system is an important feature of feudal society, and rank is regarded as hereditary. The essence here is to make a distinction between the differences in status rather than grading by labor, which is fundamentally different from modern management which aims at capability levels in management. Any management struture should have layers; and an ideal management is to establish a reasonable capability level. True equality should never eliminate capability levels. Mankind should be without a distinction between the superior and the inferior. The right and opportunity for everyone to achieve the appropriate capability level should be equal. There should not be monopoly, privilege or even inheritance.

Each level must have dynamic interactions. Since people have a variety of talents, modern leadership management must discover capable people and put them in suitable positions. What kind of talents should various management personnel have based on this relatively closed principle? Personnel in charge should have a strategic vision that takes a broad and long view, have superior organizational skills, have great knowledge, be good at judging and making decisions, and be capable of dynamism. Those not in high managerial positions should have active and keen minds; an interest in gaining a wide range of knowledge; absorb new information rapidly; have a strong ability in comprehensive analysis; be

outspoken; have the spirit to pursue and uphold the truth; and have no desire for power. Supervisors should be impartial and upright; just and stern; familiar with the business and the ability to be in touch with the workers. Executive personnel should faithfully and resolutely work hard, bear hardship without complaints and be good at understanding the intentions of higher levels. Modern science management must be good at distinguishing between people of different talents and qualities. There is no such thing as useless talent.

How to achieve correspondence between all the levels of leadership management? Perfect correspondence is impossible and it cannot be attained by relying on subjective desires or rigid plans. People should be allowed free movement within each level. Through the practices and activities of each level, people's talents are used, exercised, and tested to allow them to develop, so that they have their own positions. Moreover, job levels change with objective situations. In different historical periods, job capability levels were different along with different tasks. The people's talents are also changing, so a dynamic implementation of capability level correspondence can lead to the best management performance.

Job capability levels of modern leadership management must be reasonable and orderly. Personnel movement without procedure cannot ensure reasonable management.

Application of the principle of capability level to leadership management. In modern leadership management, both management agencies and personnel have certain capabilities. The capability level of employees can be divided into two kinds; one is the comprehensive capability level, namely a comprehensive overall intelligence rating; the other is single capability level, namely the intelligence rating of one aspect. Modern management believes that the higher the capability level, the greater their management ability is. One of the tasks of management is to establish a reasonable capability level. Making good use of the principle of capability level in people management must be to do the following:

1. Capability levels of leadership management for appropriate positions.

In modern leadership management, both personnel and agencies have certain capabilities, so their management level must be divided according to capability level. Generally speaking, a dynamic organizational structure with stable capability levels should be a multi-layered equilateral triangle. The tip of the triangle has a sharp point. It also has a wide base. The structure of an inverted triangle or rhombus is inherently unstable.

Leading managers should pay attention to following the above principles, and allocate people with different abilities to their corresponding level. Modern leadership management usually divides the capability level of the management organization into four levels. In the management triangle the top-level is for decision-making, namely the highest level of an organization's leadership management that decides on strategy, tactics and major policies; the second level is the management level that works out program plans and issues management directives according to strategic tasks and general and specific policies; the third level is the executive layer that implements the leadership management instructions and directly organizes the people, finances, materials and other resources, so as to achieve management's decision-making goals; the fourth level is the operations layer that does specific operations according to the organization and deployment of the execution layer, so as to complete specific tasks. The division of the capability levels of an organization's leadership management cannot be vague, and they must be relative to a larger system in which the organization exists. Managers at all levels must be clear about their capability level positions and their management roles to ensure a stable and orderly functioning of the organization.

In addition to paying attention to their management level, modern leading managers should also note that the management term should be moderate. If the number of managers being led in a management level is too much, the resulting heavy administrative burden will reduce efficiency; conversely, too few managers being led and too many higher managers will lead to a deformed management structure and lower efficiency. Some studies suggest that in general management the personnel accounts for about 20 per cent and it is better that the number of managers in each level of the system is five and up to no more than ten people, so as to achieve the greatest efficiency. This principle is known as the principle of management term.

2. The capability and job level of leadership management capability levels must reasonably correspond.

The capability of matching others' capability with jobs means talent; and job means position or post. A reasonable capability and job level means that the positions should be matched to a person's ability. Corresponding capability and job means that the talent level must correspond to the job level. That is to say, the level of capability decides the level of jobs.

A disproportionate capability level compared to job level often appears in actual leadership management. One case is that capability is greater than the position requirements, namely a waste of talent. The level of human

capacity exceeds the requirement of the jobs and posts. To go by appearances, in this case, a greater ability means sufficient qualifications for the work and the work should be done well. But it is actually not so. The frustration of the realization of self-worth will cause the work to be done worse. The other case is that the capability level is lower than job level demands, namely a small amount of material for a large use. In general, this small difference will be favorable to the growth of talent, and pressure can be transformed into forward momentum. But if the large difference exceeds this limit, it will cause losses to the business. As a manager, one should try to avoid disproportionate capability levels to job levels.

3. Various types of capability level must correspond.

Appropriate members of staff are equipped according to the requirements of different management capability levels. Posts have different levels and people have many different talents. Modern scientific management must allow people of appropriate talents to occupy positions of corresponding capability levels. To achieve this goal, a manager's first task is to widely explore human resources, and to be good at looking for and employing talented people. The manager should discover able people and put them into suitable posts to give play to the strengths of each person.

Leading managers should notice that different people have different talents. Suitable work should be assigned according to the different characteristics of their talents. In general, one who has a bold vision, strategic vision, organizational skills, and a strong ability to think is suitable for doing management and political work; whereas people who have active thought processes, broad knowledge, comprehensive ability, and are both insightful and impartial should be employed as middle management, and selected to join a think tank; people who are disinterested, upright and impartial, and are good at connecting with the workers, should be allowed to do supervision and inspection work; some people who are good at coordinating and handling relationships between different parties, faithfully carry out the leadership's instructions, and work hard are more suitable for office work.

4. Handle the dynamic correspondence of leadership management capability level.

Capability is dynamic as its level often changes, so it is impossible to maintain an absolutely static state made up of capability levels. People constantly move around at each level. Through practice, play, exercise and testing at each level, people have their places in order to achieve dynamic interaction between capability and level. Capacity depends on the accumulation of knowledge, the depth and breadth of practice and subjective ability to play. The job level changes with objective situations. For example,

because of different tasks during different historical periods or stages, job capability levels are different and people's talent constantly changes.

Modern leaders must pay attention to the dynamic flow of capability adapting and corresponding to level, in order to bring out the best performance from their colleagues.

5. Leadership management capability levels must correspond to responsibilities, rights and interests.

Matching leadership management capability level with responsibility, authority and interests is a necessary condition for the formation of a highly efficient management team, and is also a basic condition to guarantee that management's orders are put into practice. The principle of capability level requires each element in the management system to be in its place. When you hold a position, you need to consider policies, exert authority, fulfill duties, gain honors and punish mistakes correspondingly. This aims to use the maximum capability of the team and to achieve the management objectives of the system.

Post chain theory of modern leadership management requires that a healthy management post chain should have duties, responsibilities, powers and remuneration corresponding to each other, and its shape should be square. That is, the level of the post decides the responsibilities undertaken; it decides the level of power needed to fulfil these responsibilities; and it decides the remuneration package, including the material interests and the spirit of honor. Duties and responsibilities within this post chain are signs of capability level; while powers and remuneration are an outward manifestation of capability level, as are the conditions and guarantee of carrying out their duties.

Modern leadership management requires that in management organizations, responsibilities, powers and remuneration of the various management-level positions must be guaranteed by a strict system, law and discipline. But in real management, the inconsistency between capability levels and responsibilities, rights and interests are still very common. The phenomena of having responsibility but no duties and interests; having duties and rights but no responsibility; having duties and no rights but no responsibility; and having no duties and no responsibility but having rights often occur. The inconsistency between this kind of management level, responsibilities, rights, and interests is bound to affect the initiative of members of staff at different levels, thereby resulting in serious consequences. Every modern manager should strive to avoid this important issue.

The principle of industry leadership management

The principle of industry leadership management is a specialized management principle. In accordance with this principle, activities in the organization should be divided to form specialized groups. Its purpose is to specialize in a variety of activities. This is conducive to simplifying the work of the management personnel, to improving work efficiency and is convenient for controlling a variety of activities.

Specialized leadership management means that companies should have a unified vision of specialized development in the periods of start-up, infancy, growth and expansion. A company's area of expertise is regarded as its main business, so that enterprises can achieve integrated development. Together with a specialized team of people, a correspondingly specialized management takes fully into account any relevant characteristics, markets, directions of growth and trends. It is mainly made up of the following four aspects:

1. Providing specialized products or services to the community is a prominent feature of modern social and economic operations, and the divisions of specialization are obvious. If a micro-economic company has no specialized features in its socio-economic operations, then it can hardly be accepted by society. This has been proved by the survival of domestic and foreign companies for decades. Therefore, companies must have their own unique products or services that adapt to meet the market demand, and maintain certain market shares over a long period of time, so that they can survive.

2. If the specialized development of a company wants to obtain recognition in society, it is then required to create an outstanding professional image. Currently, the corporate image (CI) theory is quite popular in companies, and has gained the increasing recognition of business executives. However, along with this deepening understanding, the consumers' understanding of the corporate image comes not only from its trademark and advertising of products or services, but also from the quality assurance of those products or services. The brand name has therefore become a symbol of corporate professional image.

3. Specialized characteristics of companies should be insisted on and carried forward over a long period of time. A finished product or service does not mean the company has completed all of its tasks. It also need to keep on studying and developing the product or service in order to continuously make improvements and update the quality, character and function, as well as to lower energy consumption, material consumption and costs, so that the product has the long-term vitality to make

companies create an economic advantage by virtue of their own professional advantages.

4. The specialized development of a company cannot violate the principle of being central to an industry with others as sidelines. The diversified business of companies should first be based on its main business. From the point of view of social and technological trends, the specialized division of labor is getting narrower, and a trend of increasingly high standards of specialization has emerged, which intensifies the rule of the survival of the fittest in the professional field. There is no time for many companies to cope with the challenges within its main industry, let alone in other areas. Even for successful enterprises to operate their main business, other sideline businesses should first be conducive to the development of the main business, and only then should be explored further by management.

Section 3. Leadership management subjects and objects

The process of leadership management is jointly formed by leaders and followers. From the perspective of the general leadership management principle, people often regard their leaders as the subjects of the leadership management activities as a whole when seen from the angle of the relationship between leaders and followers. A complete leadership management activity must rely on the working together of leaders and followers to allow smooth development. Therefore, as seen from the perspective of relationships between leadership management activities and leadership management objectives, the followers constitute the objects of leadership management activities.

Concepts and characteristics of leadership management subjects

For a leadership management activity, the subjects of leadership management occupy a dominant and core position, and they can understand the management activities of an entire organization and thus determine the direction of development and pace of the entire organization.

The concept of leadership management subjects. The subjects of leadership management are specialized professionals working in a

dominant role carrying out leadership management functions within a particular social system, including individuals, groups and institutions. They are in fact members of a complex leadership management structure with different natures, functions, roles, and qualities.

Leadership management subjects are comprised of individual leaders; a group refers to a several leaders together; and an institution made up of the leadership management plus more factors. Specifically speaking, leadership management subjects means individuals representing and reflecting the collective will of a group as well as mastering and applying their collective power. In organizations, it should mean to represent and embody the organizational spirit; to put forward and implement the organizational objectives and tasks; and to master and apply various resources, but actually it is often the dominant institution and an individual's will and tendencies which take over. In the wider community, subjects should reflect public will and spirit, and master and apply public power and resources, but actually they are often taken over by one dominant public institution and one individual with their will and tendencies, as well as subjective features.

Leadership management subjects are the personnel in an organization undertaking decision-making, giving orders, coordination and supervision responsibilities. They include leadership managers and the leadership management structure and system which are all linked organically. The subjects of leadership management make up the core strength for developing leadership management activities and making achievements.

Specifically speaking, the subjects of leadership management refer to the institutions and individuals who represent and reflect an organization; understand and control the organization's powers; and propose and implement the organization's goals. It is obvious that the subjects of leadership management are specialized professionals dedicated to leadership functions, and specifically carry out leadership activities needed by organizations. All leadership management activities ultimately depend on the leading managers who are the final factors or fundamental dynamic factors of leadership management activities.

The subjects of leadership management are not only individuals but also a group, namely a leadership management group. A leadership management individual cannot be separated from the group. The individual qualities of leaders are the foundations of the quality of leadership management groups, and their structure determines the leadership management functions. The leadership management group with a sound structure not only allows individuals to give full play to their talents, but it also generates huge group energy through the

effective combination of its parts. The effectiveness of leadership management depends not only on good individual qualities and a sound structure, but also on a strong and reasonable leadership management system. In a sense, the leadership management system is more important than the leadership management individual or structure.

The characteristics of leadership management subjects. The most notable feature of leadership management subjects is that they can maintain and follow orders or directives issued by an organization. These orders or directives can play a leading and guiding role in the organization's activities. As long as they have this feature, any active participant in groups or organizations is a leadership management subject. On the other hand, if they do not have this feature, even they are forced to follow orders it cannot make an active participant become a leadership management subject. It can only be regarded as the alienation of leadership management subjects under specific circumstances (such as a seriously abnormal leadership system, feudal disagreements etc.). It is a kind of public corruption resulting from being in a group or organization that has lost fairness, honesty and democracy, and is also a risk factor that can have the most seriously harmful and damaging impacts on a group or organization.

The characteristics of leadership management subjects can also be examined from the point of view of the following aspects.

First is the leadership position. The subjects of leadership and management must be in a certain position and undertake certain duties. They have their own specific range of leadership management activities. This range is the entire area covered by the position and responsibilities of a subject, and is the stage on which they can give full play to their talents and carry out the functions of leadership management. These specific areas of activity determine their specific leadership management functions, including their nature, objectives, tasks, contents and standards of leadership management work. This is the fundamental basis for the subjects of leadership management to exist and play a role, and it determines their behavior and ways of leadership management.

Second is carrying out their duties. This can also be understood as taking their responsibility. The subjects of leadership management are in charge of leading and managing responsibilities. Leadership and management functions can be grouped into two categories: namely decision-making and staffing. Decision-making is the prime function of the leaders. The leading manager of the company should make the right decisions on major issues related to its overall situation; on future

development strategy; on production and operation plans; and on important investment projects, in order to ensure its survival and development. The correctness of the decision-making is very important. Management expert Peter Drucker believed that leaders should "do the right thing right." The first right means the right work direction and the second right refers to proper and reasonable work methods and means. The right direction should be given priority, because if the direction is wrong, there is nothing to talk about. Therefore, business leaders should pay attention to research, master the basic theory of decision-making and policy-making, and keep on improving their decision-making skills. Modern leaders should pay particular attention to the fact that that when making any major decisions they must listen to opinions from all sides. This includes brainstorming and have a full and frank discussion before giving the official green light. Always keep the words of a management expert in mind: any decision not agreed on unanimously is likely to be a problematic decision.

The selection and employment processes are related to people's creative potential, their enthusiasm and initiative for work and work efficiency, and their effective implementation of corporate decisions. Therefore, business leaders should seek out capable people and put them in suitable posts. They should also carry out research on the expertise and psychological characteristics of the lower level members of staff, in order to arrange suitable tasks for them. Moreover, leaders need to understand the art of motivation, which means being good at motivating and mobilizing people so as to allow subordinates to complete tasks efficiently, and enable them to get practice and thus make an improvement in their work.

In order to let subordinates master the correct ways and methods of working, leaders need to coordinate and strengthen the horizontal links between various departments, and to provide the necessary guidance and help for their subordinates. The position of the leading managers means that they must have an overall point of view, a deep understanding of the strategies and plans of the company, and a good knowledge of more comprehensive information. In this way, they can provide a wide range of guidance for lower levels, which is a guarantee for subordinates to develop and improve their work.

The third is the application of power. When leaders implement leadership management responsibilities, they mainly use two powers. The first is position power which is a mandatory and legal way of influencing and changing others' psychology and behavior in order to satisfy the need to carry out the functions of leadership management.

The other is governing power, or authority, which is another manifestation of power from being in a leadership management position. It refers to the ability of the leaders to have an impact on the psychology and behavior of others through their own qualities.

If the subjects of leadership management want to perform their role, in addition to the ways of authority and power, they should also rely on and make use of a large number of other social resources, including information, intelligence, knowledge, technology, manpower, funds and materials. Only if the subjects of leadership management make full use of these resources can they can fully carry out their leadership management activities. The deviation from any one of these resources will cause serious damage to completing the entire organization's goals and tasks.

The composition of the leadership management subjects. Seen from the point of view of the subjects of leadership management, they can be divided into two basic parts, namely leaders and leadership management institutions. Both parts consist of a number of factors. These different specific components constitute the subject system of leadership management.

1. The composition of the leadership management subjects from the perspective of leading managers.

Leaders are divided into three categories: leadership management individuals, collectives and groups. A leadership management individual means the leading managers or leaders in the commonly known sense; they are known as the boss, senior officer or head. A leadership management collective refers to a leadership management team made up of a complete set of leadership positions within the same group or organization. A leadership management group, commonly known as the leadership group, is the leaders' camp composed of multi-leadership collectives of different sizes and which exists in different groups or organizations.

Leaders are the leadership management individuals and collectives in the highest position in a company, who have most the fundamental and decisive roles, and who have a wealth of experience, ability, authority, prestige and governing capability. The overall leader is a special leadership management subject representing other leaders or leadership management collective. Although he often uses leadership powers and considers his power to be the absolute foundation and core of leadership management, the ways of performing the role of leader are different from those of the general leadership management subjects. It mainly relies on the organization, authority and influence in performing a role in leadership management groups, and other leadership management objects.

2. The composition of the leadership management subjects from the perspective of leadership management institutions.

Leadership management institutions are machines made up of the functions, duties, leadership managers, powers, authority, rules and regulations, information, procedure, office space, funds and other materials. They include leadership management organizations and leadership management organs.

Leadership management organization: in its widest sense, it is known as the leadership management machine, and it can be said to include leadership management organs. However, because a leadership management organ has very specific laws not included in other leading management institutions, it is necessary to theoretically separate leadership management organizations from leadership management organs. It can be said that a leadership management organization is generally the same thing as a leadership management institution.

Leadership management organ: essentially, it is a kind of leadership management organization, but with respect to some characteristics and status, it is different. Its basic characteristic is having a legal status, a purely social statutory public institution which has statutory functions and duties. It has a legal basis and recognition, commission and authorization, and is the most formal and most authoritative leadership management institution. It constitutes the basic backbone of society.

It can be concluded that the subjects of leadership management have a role to play in different categories of leadership management, and that it is a function and duty of leadership to perform different roles in different ways. Thus, it can be said that the subjects of leadership management occupy posts within a system which perform a specific leadership role and who have chosen leadership management as a career.

Concepts and characteristics of leadership management objects

The objects of leadership management together with the subjects make up the entire process of the whole of leadership management activities. They are an important component part that is only secondary to the subjects of leadership management.

Concept of the objects of leadership management. Leadership management objects are those which are managed by the subjects. This includes everything involved with and changed by the the subjects of leadership management, and is a generic term for all the people and

things led by their subjects. People are the main component and the direct foundations and objects above whom the subjects of leadership management implement their leadership. In theory it can be seen as a major factor determining leadership behavior and has been directly involved in the leadership management process as a fundamental part.

In leadership management relations, people as the objects refer to all subordinates in the position of being led and managed. It includes managers being directly led, managers being indirectly led, the main body of employees, and the majority of the public. Due to an organization's hierarchy, the people in the middle level will become the objects for the upper level and the subjects for the lower level, so they have a dual identity. For the upper level, the leading managers are those being led; while for the lower level, those being led are also leading managers.

The objects of leadership management are the people and objects being acted on during leadership management activities, including the deployment of leading managers and part of the leadership management objects, namely those being led. These objects of leadership management are in a subordinate position within its structure.

Since the objects of the leadership management are people, and people are never passive objects, they will have a dynamic reaction to the influence exerted by their managers. If the reaction is positive, the effectiveness of the leadership management activities will undoubtedly be greatly enhanced; if the reaction is negative, it will be difficult for leadership management activities to achieve their desired goal. This will definitely increase the difficulty of leadership management work, and will demonstrate the necessity for higher requirements. The main role of the leading managers also lies in how to maximize the potential of those being led, and how to mobilize enthusiasm and initiative in their work, in order to continuously improve the effectiveness of leadership management activities.

Any successful leaders are bound to do two things to the objects of leadership management. On one hand, he should have a deep understanding of the object in question, he should show a high degree of respect, and have mutual coordination. On the other hand, he should recognize the dignity of the personnel being managed and have a deep understanding of their needs and aspirations. Historical practice has proved that for those who fail to act on these two points, their leadership management activities are bound to fail.

The characteristics of leadership management objects. Influenced by their position and role, leadership management objects have the following basic characteristics:

1. Being in a subordinate position. With respect to direct relations and forms, leadership management objects take orders from the subjects. With the improvement of standards within socieity, the extent of this dominance is expanding and strengthening. But on the other hand, the dominance over leadership management objects cannot be understood as just a coercive force. This domination is not a force with a single aspect but is a two-way interactive process. Leaders cannot issue orders to objects without understanding the various conditions required in order to dominate them. It is incorrect to regard the dominant force over leadership management objects merely as coercive power.

2. Inherent regularity. Everything has its own specific regularity. As leadership management objects, both people and things have their own specific regularity in the process of leadership management. The main responsibility of the leading managers is not to simply issue orders, but to try to understand and explore this inherent regularity, to recognize and control it, and to use intelligence, inspiration and creative thinking, in order to prevent the violation of the objective laws in leadership management activities.

3. Functionality. The internal energy contained in leadership management objects of different classes is varied, and fully developing and applying this energy has become the core of the leadership process. The release of internal energy by the leadership management objects depends on the following three elements.

The first is the state and trends of internal factors of the leadership management objects. The material of objects is represented by characteristics, structure and the interaction of molecules and atoms. Objects of things are represented by characteristics, structure and the interaction of component elements. People are represented by their nature, organizational form and social structure. Since these contents are represented by the internal conditions of the development of people and things, they play a basic and decisive role.

The second is the effectiveness of the power of the leadership management subjects. It is mainly represented by whether the leadership management subjects can ultimately have an influence on the objects reaching an ideal level through a deep understanding of the objective laws, combined with moderately strong measures. The emphasis on the initiative of the objects is not to deny the important role of the leadership management subjects. People as leadership management objects need to know the laws governing themselves and the objective material world. During this process, the guidance and advanced role of the leadership management subjects become absolutely essential and highly significant.

The third is a superior and simple survival and development environment for leadership subjects and objects. Political, economic and social environments which people face during their development are clearly distinct. The leadership subjects and objects will exhibit different psychological, behavioral and developmental forms in different survival and development environments. It can be said that an object without a dominating force is not only confronted with a large environment for survival and development but is also directly restricted by the small environment of the leadership management subjects.

4. Time and space. The states of the leadership management objects shown at different times, places and environmental conditions are different. The leadership management objects in different states will also reflect different laws. The leadership management subjects must keep on making a serious and purposeful exploration and study of the specific laws followed by leadership management objects at certain times and places.

5. Final conclusion. Generally speaking, leadership management objects have an objective existence, while the representation of leadership management subjects is, after all, a subjective kind of will and behavior. Therefore, though the subjects of a leadership management body can bring about the accelerating and slowing management of objects through direct dominance, it cannot change the fundamental laws which the objects follow. Once there emerge significant conflicts between leadership management subjects and objects, the final elimination of those conflicts can and should be the only subject of leadership management. In terms of either dealing with the objective material world or human social life, no matter how strong and important the leadership management subjects are, in the end they will have to conform to the rules and requirements of the leadership management objects.

The dialectical relationship between leadership management subjects and objects

The leadership management subjects and objects are, relatively speaking, two conflicting aspects of leadership management activities. They are both antagonistic and unified at the same time. In this relationship of a unity of opposites, the leadership management subject is the main cause of conflict.

The leadership management subject is the organizer and innovator of leadership management activities. It plays a leading, dominant, and

organizing role in all aspects of the leadership management activities. It must be extremely proactive and it is the operator of power, the issuer of authoritative information, and the decider, issuer and terminator of leadership actions, namely the leadership management party; it most typically has an active and strong role in community life, and often performs as allocator, regulator and even dominator.

The leadership management object is a basic participant in leadership management activities, and the most important factor involved in obeying and complying with leadership management behavior. It plays a maintenance, coordination and supporting role in all aspects of leadership management activities; it is the target affected by power and the recipient of authoritative information; it acts as a passive role in an organization's activities and is the party being led and managed; it includes not only direct subordinates of the leadership management subjects, all non-leading managers or general members of society, but also some other ways of being led; and it acts as an example of obedient behavior.

The leadership management subjects can directly and indirectly dominate and manage the objects. The objects generally work in concert with the subjects, or participate in and support the subjects with sincere and useful suggestions. The former can adjust the relationship with the latter and even other social relations. The former always uses its powers and authority to coordinate its relationship with the latter if it has not done so before. It can be said that the leadership management activities gradually develop in seemingly contradictory ways and are the specific causes and instigators of an organization's potential for progress. Though their relationship sometimes, or even often, shares unanimous goals, interests and places, they always in a state of a complete unity of opposites with respect to function, status, and resources ownership and disposal. In fact, this is an unequal relationship; unequal interaction always takes place between them, which in fact is their correlative essence.

The unequal relation between the subject and object of leadership management is objectively reasonable and also necessary. This is because a group or an organization always needs leadership managers. Only a reliance on and strengthening of leadership management can establish and perfect the order of the group or organization and can allow their overall performance to help achieve their goals; otherwise, they are bound to be lacking a spirit of cooperation, which cannot be sustained or take on its proper role to achieve its proper value. In addition, because the subject and object consist of a unity of opposites, only their

coexistence can form a contradictory situation for contradictory movement, and further produce the driving force that propels the group or organization in its established direction to form leadership management activities which are indispensable. That is to say, only their coexistence, and the maintenance of such an unequal situation can encourage a movement of potential energy for groups or organizations and society by means of differences in degree, which will become the driving force of progress, and thus meet the various needs of leadership management put forward by a group or organization and even society, especially the needs of the guiding and driving force.

Though the status and role of the subject of leadership management goes beyond that of the object of leadership management and the subject can directly affect its destiny, the subject radically depends on the object of leadership management. When the subject of leadership management meets the needs of the object, it will be able to get the wholehearted support of the object, so that it can survive, achieve full development and play a greater role. When the subject of leadership management acts contrary to the needs of the object or regards itself as too clever to treat the object as an arbitrarily driven object, the subject will become a serious obstacle to the development of groups or organizations, and will eventually be abandoned by the object of leadership management.

There are two effective ways to resolve this kind of conflict.

The first is democratic participation. The participation of the managers being led in the process of leadership management not only aims to eliminate any contradiction between the leading managers and those being led, but also involves the guiding ideology of the management. Participation first reflects the attitude of members of the group to the groups and to the leadership management. We must recognize that the subject of the leadership management must adapt to the object and that the subject should accept the correct views of the object. Such democratic participation can allow the subject of leadership management to make fewer mistakes.

The second is the self-discipline of leaders. Any subject of leadership management hoping their existence, development and success will not lose justice, honesty, humbleness and frankness must not regard himself as too high up and scorn the object; it should always pay attention to and conform to the proper tendency and needs of the objects and in particular to their emotions, and meet their legitimate demands; furthermore it should find better and better ways to get the objects to use their initiative.

Mutual understanding and transformation of the subject and object of leadership management is an inevitable relationship throughout the process of leadership management activities. As a result of this transformation, on one hand the purpose and nature of the subject of leadership management are objectified and the object is transformed to become a target adaptable to the needs of the subject; on the other hand characteristics and the innate regularity of the object are transformed into ideas, concepts, decision-making, goals, and knowledge and skills in the subject of leadership management, so that the subject itself can be improved and its true value can be achieved. And all these are completed through intermediary practice. Marxism reveals that practice is the objective material activity to transform an object under the guidance of a certain purpose and awareness by the subject. Through the process of such practices, people not only transform the object, but also derive a social force, thus creating and improving themselves. It is undoubtedly the intelligence and inspiration used during practical activities that are driving the transformation of subject and object to undergo two reforms.

The first reform is the reform of the objective world, namely the objectification process of the leadership management subject. Through the practical relationship of reform, mutual influence and reform between the subject and object, the practical purpose of the subject is objectified and the object is endowed with characteristics of the subject, nature with the social characteristics, and the material world with the mark of human will.

The second reform is the reform of the subjective world, namely the subjective process of the object being led and managed. In the practical relationship of reform by the subject and object, the interactions, and in particular the constraints of the object on the subject determine that the innovative activities of the subject of leadership management must not be arbitrary and subjective.

Practice has such a huge force and can make the subject of leadership management objective so as to get creative results in reforming the object. It makes the object subjective so as to achieve the results of reforming the subject of leadership management. The effective reform of the subjective and objective worlds simultaneously, and the ability to achieve mutual change and the common development of the subject and object of leadership management are crucial to attaining innovations.

In short, the subject and object of leadership management reflect the basic nature, the basic role and relationship of the two basic behaviors of the leadership management process, and a good relationship between

them is the basic standard and requirement for the subject of leadership management to do a good job in its work. It must be also recognized that leadership management makes up the structure and levels of the whole system. The upper level is the subject of the lower level and the lower level becomes the subject of an even lower level. Therefore, in the level structure of the leadership management system, they are both subjects and objects. Thus, in the process of achieving leadership management and in order to attain unified and common goals and interests, their will and actions should be unified. A close-knit organization, strict discipline, serious attitude and strict requirements must be present to keep the action and pace consistent, thereby achieving the common purpose of the subject and object.

2

The leadership management environment

The leadership management environment is one of the basic elements of leadership management activities: leadership managers, those being led, and leadership management objectives constitute the basic elements of leadership management activities.

Any leadership management activity is carried out in a certain environment. Leadership and management activities are influenced and restricted not only by a wide range of external social environments, but also by specific and internal organizational environments. Therefore, the leadership management environment is the sum of a variety of natural and social elements that restrict and promote the development of leadership management activities. It is a condition of survival, and constitutes the basic elements of leadership management activities together with the leaders and those being led.

Seen from its position, the leadership management environment is an external condition that is directly related to the success of leadership management, namely an external cause of conflict. It is the comprehensive and objective basis and condition for the survival, development and role of the subjects of leadership management. In turn, the leaders' choice of behavior also has a direct or indirect impact on the leadership management environment, namely an internal cause. If an egg has an embryo which we can call an internal cause and the external temperature is an external cause, then a change in temperature around the egg embryo can cause a chick to hatch and then grow into a chicken, but the temperature itself cannot enable the eggs without an embryo to hatch chicks.

Section 1. The composition of the leadership management environment

The leadership management environment is the sum of a variety of natural and social elements which restrict and promote the development of leadership management activities, and which are an organization's internal and external environmental atmosphere and conditions for political, economic, cultural, legal, scientific, technological and natural elements affecting the behavior patterns of leadership management.

The leadership management environment has both a broad and narrow definition. The leadership management environment in a narrow sense refers to the organization in which the leaders exist. In a broad sense it refers to the sum of the external conditions for the organization, its existence and its development, namely the sum of various factors and conditions of leadership managers' working environment and their development trends.

The leadership management environment is also known as "leadership situations," that is the objective ecological environment. It is a historically developing concept. During the change from an industrial to an information society, the denotation and connotation of the leadership management environment have been undergoing profound changes. The organization in which leaders exist is no longer being likened to the machine in an industrial society, but is likened to the Internet in an information society. The basic meaning of leadership management environment has the following three points.

First, the leadership management environment includes objective material factors and conditions, but also the spiritual factors and conditions of subjective people and their customs, politics, policies, and economic base conditions, such as a person's mental activity and spiritual state. Customs, political attitudes and social policy conditions, as well as the economic condition of a person are all objects for leaders to know and practice with. The environment is a situation, and its conditions and factors in various aspects are in dynamic development, and thus a lot of contradictions and changes are derived from new tasks and problems objectively faced by leaders and those being led.

In the leadership management environment, the managers being led are objects for leaders to know and practice with; they constitute the subjects of leadership activities together with the leaders themselves so as to transform the leadership management environment of the objects. Everything has laws, and leaders should subjectively study and understand

the laws of the objective environment, and apply those laws to transform their objectives in order to make them adapt to the subjective, to develop intelligence and inspiration for creative work, and to achieve their goals and the tasks.

Second, the leadership management environment is an open organic system with multiple levels. First, it means the organization system where leaders exist. It includes the leadership collective, that is, the command sub-system; it also includes all kinds of related systems at all levels, such as leadership units, subordinate units, departments and personnel having all kinds of working relations with it both horizontally and vertically. Leaders carry out the leadership activities of domestic and foreign policy in this kind of working environment. Finally, it also involves the large-scale system of the whole country, society and even the international environment, all of which restrict and influence the leaders and the content and methods of their leadership activities. Generally speaking, the higher the leadership level, the more extended and complicated the leadership management environment is. The more difficult the control over changes, the higher the level of randomness.

Thirdly, the leadership management environment includes the specific tasks of the organization, which make up its most important part. Each organization in society has one specific task that is the basis for its existence, and that is the basic condition of unifying its members. So, the leadership management environment facing leaders includes absolutely objective tasks. The leaders are responsible for transforming and promoting them as the subjects' clear leadership goals, and for making sure everyone completes their tasks within the organization.

The leadership management environment includes both the external and internal environment. The external environment in general includes the political, social and cultural, economic, technological and natural environment. The internal environment includes human resources, material resources, finances, as well as the internal culture.

The external environment

The political, economic and cultural environment:

1. The political environment is the national political situation that may be confronted by leaders during their choice of behavior. It includes the political system, the status of the relationship between party and government, the political party system, the ruling party's authority and style, the class and stratum structure, the composition and activities of interest groups, the

structure, function, and effectiveness of the government, political stability and the degree and status of the political democratization of a country or a region.

2. The economic environment is the overall economic situation that is confronted and may be used as resources by leadership managers, that is, the patterns and running of the world economy, as well as the sum of the economic system, the economic structure, the speed of economic development, and economic aggregate of a country or a region.

3. The cultural environment is the total spiritual and cultural situation that may be confronted by leadership managers, and it is the sum of education, science and technology and ethics of a country or a region.

The institutional leadership management environment, the systematic leadership management environment, the political environment, and the decision-making and systematic leadership management environment.

1. The institutional leadership management environment originally refers to organs, organizations or other work units. Institutions with different functions combine to constitute the institutional environment for carrying out the leadership management activities. The main factors influencing the institutional leadership management environment include the number of institutions, institutional functions and the factors of institutional leadership management environment.

2. The systematic leadership management environment mainly consists of three layers of meanings. First are the social systems which consist of the political, economic and cultural systems formed under certain historical conditions; second is the scale law system, namely the line or policy system; third is the procedural guidelines system that requires people to abide by the rules of procedures or codes of conduct on the basis of certain institutional settings.

The relationship of this meaning mainly has three aspects. First, the scale law system and procedural guidelines system are generated based on the social system, and the procedural guidelines system is generated based on the scale law system. This causal relationship determines the differences of the three systems in influencing leadership activities; second, the social system, legal systems and procedural guidelines system change at different speeds. The difficulty in changing decreases while the frequency of the changes increases; third, the relationships between the social systemic system, the legal systems and procedural guidelines system and organization are different. Basically the social systematic system and legal system determine the structural establishment of the administrative organizations, while the procedural guidelines system is usually decided by the administrative organizations.

3. The political environment is divided into national laws, systems and policies, and local ordinances, policies, organizational rules and regulations, discipline and various types of allocation policies. The national political system; the specific regulations; the various policies and strategies of the Constitution; and local and regional regulations, policies and strategies are parts of the superstructure and represent the overall relations of production, the total productivity and the interests of the people, so they are the basic conditions for the survival of people and enterprises. Government policies and strategies, and specific policies and strategies are the specific conditions for the survival, development and consumption of people and enterprises. Take the changes before and 30 years after the reforms and opening up as an example, then we can see that there are big differences in environment conditions between the Special Economic Zone and the general areas; in the coastal and inland areas; and in economically developed regions and economically underdeveloped ones, and that they have their respective laws of motion. The local laws are subject to the law generated by the central overall policy and strategy.

People's survival, the survival and development of consumption, entrepreneurial development and the scale of the development of enterprises are all directly affected. General law decides small laws and large policy and strategy decide small policies and strategies. Policies and strategies decide the fate of the survival and development of consumption and decide the speed of its development.

4. The decision-making systematic leadership management environment is the systematic sum of decision-making institutions and decision-making norms. It mainly involves the following questions, namely the decision-makers themselves; the decision-making tasks; the relationship between the various systems or institutions that constitute the system; and the code of conduct necessary for the decision-makers.

The environment can be managed, reformed, innovated and applied. The environment for the survival and development of three most important types of consumption needs to keep on using intelligent, inspiring and creative thinking, and to keep on developing policy and strategy with a scientific attitude and promoting environmental changes, so as to make it more adaptable to the development and needs of the three most important types of consumption. Development is the principal contradiction. The regulation of prominence, that is, macro-regulation and specific regulation are regular. The control and regulation of the survival and development of the people's living consumption is its core and the essence.

The internal environment

The so-called internal environment refers to the combination of various elements within an organization, mainly including the following elements.

1. The nature and category of the organization. The differences in the nature and categories of the organization decide certain degrees of difference in the leadership style. For educational organizations where intellectuals gather; for hierarchical military organization which has a strict enforcement of orders and prohibitions; and for business organizations seeking high profits, their leadership styles are obviously different. Although some model leadership management behavior styles are put forward in a variety of leadership theories, they are clearly unique to the process of their implementation within individual organizations.

2. Small traditions within the organization. Any organization in its development process forms its own small traditions that decide a model for interpersonal relations, as well as the concept of work and personal direction of development within the organization.

3. The maturity of subordinates has always been a concern of leadership science. A lot of research has been done on the impact of leadership management behavior theory and leadership contingency theory on the maturity of subordinates and on the leadership style. Many research results have obtained universal recognition by society.

4. The work structure is also placed in an important position in past leadership and management theories, and it is an important variable in analyzing the effectiveness of leadership managers. Within an organization, the work structure directly determines the role and function of leaders and influences the decision-making style of leadership managers.

5. The traits of leaders themselves constitute an important aspect of the internal environment of the organization. Leaders are not only part of the leadership of the organization, but also in the leadership and management of themselves. Thus, Western scholars propose that an excellent leadership manager must learn to lead himself. The effective combination of the traits of the leaders and organization largely depends on the effectiveness of the leadership management of itself.

In accordance with the contingency theory, we can conclude that the view of considering leadership management behavior to be effective in any context may not be accurate. A leadership manager is not always essential. Many studies demonstrate that the behavior shown by leaders in many contexts is not important. Some individuals, tasks, and a

combination of variables may become substitutes for the factors of leadership, or make the influence of leaders on the subordinates invalid.

Invalid influence makes the behavior of leaders fail to affect the work of subordinates and the factors themselves make the influence of leaders invalid. However, it is not only the substitute factors that make leaders fail to have an impact and even replace the influence of leadership managers. This is reflected in the following aspects:

First, if the subordinates are experienced, trained, profession-oriented or indifferent to organization incentives, they can replace or offset the effects of leadership. These traits can replace the leaders' support and ability for structuring and lowering the tasks' ambiguity.

Second, when the work itself is very clear and standardized, or the work can meet individual needs, the needs of leadership variables are also greatly reduced.

Third, certain organization characteristics, such as formal clear objectives, strict regulations and procedures, or work groups with high cohesion can replace formal leadership activities.

Fourth, when the overall quality of the leaders is lower than that of subordinates, the leaders cannot control the behavior of subordinates, or any wrongly guided ways of thinking, policies and strategies. By means of the correct ways of thinking, policies and strategies, subordinates exert more power and meanwhile obtain the support and backing of the workers to ensure the smooth realization of the purpose and the task. The influence of the main leaders in such an environment is replaced by others.

The interactions of the external and internal environment

Leaders cannot separate the internal environment of an organization from the social environment. Each organization and each group are in a certain social environment, and any individual not only lives in the environment of an organization, but also in a social environment. Therefore, it is unrealistic for leaders to create a paradise based on their own preferences. This requires leaders to resolve the conflict between an organization's activities and the environment for their survival. We know that an organization has a symbiotic relationship with its environment; the existence of the organization itself is a part of any cultural changes. The environment is not only the natural and geographical environment,

but is also ecological in every sense, namely the natural, political, social, economic, historical, and even cultural environment as well as the environment of the spirit of the age.

Thus, we can say that leadership management is a complex and universal human process. In this course, the role of the leaders is just like the door-god with two faces in Roman mythology. It observes the environment outwardly and inwardly. Its basic purpose is to seek balance and development, and its basic function lies in eliminating the state of tension in order to achieve stability of balance. This is the role of the leaders in the entire course of the value of the three most important types of consumption. In each phase of leadership management activities, between man and nature, between people and organizations, as well as between people and their environment, there exist conflict and tension. Humanity's urge to resolve this conflict and tension to some extent are universal; therefore, leadership management is a difficult art. Ever since ancient times, it has been the most noble and profound activity, and it never goes beyond the different aspects of eating, clothing, housing and transport for human survival and development, the application of tools and the three most important types of consumption.

Any organization is an open system, which determines the internal and external environment. Organizations are inevitably in a constant dynamic and interactive process. The degree of interaction between the internal and external environment, is to a large extent an important variable in determining the organization's development and the effectiveness of leadership management. Therefore, leadership management science cannot ignore the relationship between the internal and external environment. Generally speaking, the relationship between them is mainly embodied in the following two aspects:

1. The pressure on the internal environment produced by the external environment. The pressure of the external environment is often a specific law of nature or the driving force for an organization to plan reform. Increasingly intensified market competition, government advocacy and control and the impact of foreign leadership concepts, etc., are important factors that affect the change of the leadership structure and leadership management style within an organization. Therefore, the ability to effectively respond to the pressure of the external environment is an important indicator of measuring the effectiveness of leadership management within an organization.

2. The internal environment resists and adapts to the external environment. Though the external environment inevitably generates pressure and affects a organization's internal environment due to the

influence of various factors, the internal environment is not always consistent with the external environment. The internal environment can be adaptable to the external environment, which is the result of leadership managers' effective response to this pressure. There is also an aspect of resistance. For example, in order to prevent the loss of an organization's vested interests, the leaders will withstand the impact of the external environment outside the organization's boundaries, in order to avoid changes in the intent of leadership managers. Therefore, the internal environment has a dual nature of resistance and adaptation to the external environment.

Through analysis of the leadership management environment, we can see its impact on leadership management activities is very important. First, the leadership management environment is an important variable in determining the effectiveness of leadership management; second, changes in the leadership management environment are important variables in promoting the transformation of the leadership management; third, the leadership management environment in a specific period determines the limit of this transformation.

Since the the leadership management environment can become a basic constituent element of the leadership management activities, an impact on their activities will inevitably exist. Any leadership management activity is inseparable from certain environments, and thus the aspects of leadership management activities influenced by the leadership management environment have become an important issue which is carefully dealt with by leadership managers.

Effective environmental management and the ability to take full advantage of the environment as an important resource make a solid foundation for the effectiveness of leadership management activities, which is a test for any leadership manager. The leadership management environment as one of the most basic elements of leadership management activities has an important influence on the effectiveness of leadership management. A cultural environment following traditions and advocating the conservative will hinder the success of changes in leadership management; conversely, in an open environment the leadership management environment will provide plenty of cultural resources for changes in leadership management. In real life, there is no lack of cases in which the leadership management environment has resulted in the failure of decision-making in leadership management. To this end, for the decision-making and leadership management throughout an organization, the leaders should place the environmental impact on leadership management in an important position.

Section 2. Characteristics of the leadership management environment

The leadership management environment is a complex system. First, it consists of an organizational system where leaders exist. Second, it includes the leadership collective that is the command sub-system; thirdly, it also includes all kinds of related systems at all levels, such as superiors' leadership units, subordinate units, and departments and personnel having all kinds of working links with each other both horizontally and vertically. Leaders carry out the leadership activities of domestic and foreign policy in these kinds of working environments; finally, it also involves the large-scale system of the whole country, society and even the international environment, which restrict and influence the leaders as well as the content and methods of their activities. Generally speaking, the higher the leadership level, the larger and more complicated the leadership management environment is. Therefore, the leadership management environment has both general features of the environment, but also its own unique characteristics. Its main features are summed up as follows.

The unity of objective reality and its partial adaptability

The leadership management environment is an objective situation that cannot be changed by the will of any individual or organization. Therefore, the process of deciding the behavior of the leadership management must respect the objective existence of the leadership management environment to seek truth from factors in the light of current reality. The objectivity of the environment does not mean that all the leaders can do is just to adapt to the environment passively without making any difference. As long as the subject of leadership management seeks the truth from reality and makes corresponding analyses of specific issues, the leadership management environment can be partly influenced and even changed.

The unity of diversity and classification

The diversity of the environment is mainly reflected in the following aspects.

1. From the perspective of its scope, the leadership management environment includes both the international and domestic environment which often interact; it is both comprehensive and partial, and often changes position.

2. From the perspective of its content, the factors of the leadership management environment are natural, political, economic, and cultural and social, and each category can be subdivided into more subtle categories, such as a systematic, structural, political, strategic and dynamic environment.

3. From the perspective of its form, the factors of the leadership management environment are both visible and potential. They are substantive and spiritually and culturaly psychological. From the point of view of time, its influence on the leadership management environment is either long or short.

4. From the perspective of influence of power, this influence is either strong or weak. The diversity of the environment decides that the leaders must have a comprehensive and multi-angled understanding of the environment of leadership management activities before they decide on their actions. Although the factors of the leadership management environment are varied, they are not in a mess. Certain categories of environmental factors are always linked to leadership management activities of a certain area and content.

The unity of stability and dynamics

Social stability is achieved through the natural and geographical environment. It can also be reflected through political, economic, spiritual and cultural structures, and also through a system's stability. Quite a lot of leadership management environmental factors are relatively stable, and this relative stability provides a basic premise for the smooth development of leadership management activities.

However, environmental factors cannot be permanent, and any transformations are mainly caused by contradictions. Another reason for this is the interaction between leadership and the environmental system.

Leadership management behavior is not just a product of environmental effects; once the actions of leadership management have been decided, it will have a counter effect on the environment generating them. Changes in environmental factors require leaders to be good at observing and judging occasions, and at adjusting and changing their behavior in accordance with time and place.

The unity of linkage and orientation of the environment

The effect of leadership management environmental factors on leaders is not a simple cycle of action and reaction, but an inter-related chain reaction or mutually influenced cross reaction.

The so-called environmental chain reaction means when certain environmental factors C act on leadership managers A, environmental factors C and leaders A form new environmental factors to act on leadership management B; and C, A and B constitute a new environmental factor to have an impact on leadership management D, thus forming a causal chain of environment and leadership management.

The so-called environmental cross reaction means that environment C plays a role in leadership management A, leadership management B, and leadership management C. They respectively consider each other as environment C, leadership management A, B and D interact with each other, and the state of affairs produced by this interaction, together with environment C, has a cross-link impact on leadership management D.

The linkage and cross-link nature of environmental factors requires leaders to take into account the influences on other's leadership when making behavioral choices. The leadership management environmental factors have features of linkage and cross-linkage, but, due to the features of the above-mentioned categories, the environmental factors of leadership management also have the characteristics of directional effects.

The unity of the conventional and the unexpected

Due to certain characteristics of stability, the leadership management environmental factors can show some certainty. The appearance and changes of all the environment factors have laws of their own, or that are in line with the conventional. But the appearance and changes of a considerable number of environmental factors are sudden and often not expectated by the leadership managers. Sudden environmental factors mainly fall into the following categories: large-scale natural disasters and international crises and comprehensive crises. Their study demonstrates laws to follow and attention which should be paid to research, prediction and prevention, so as to become active rather than passive.

Various factors and conditions constituting the leadership management environment change with time and place. In addition, different ways of thinking and the level of leaders' abilities can lead to different understandings of the same environment, and even a completely opposite understanding, all of which determine the uncertainty of the leadership management environment. Taking the international environment as an example, since the countries in the world consider issues starting from the point of view of maximum benefits to themselves, they are bound to keep changing policies and building alliances or declaring war to achieve their own interests. The occurrence of terrorism and religious conflicts in recent years makes the uncertainty of the international environment more prominent. Natural disasters, such as earthquakes, typhoons, volcanic eruptions, floods, droughts, and disease have no rules to follow under normal circumstances, which can lead to uncertainty within the leadership management environment. The SARS epidemic of 2003 was an uncertain leadership management environmental factor for both national leaders and business leaders and managers. At the beginning, nobody knew what harm it could cause. During the epidemic, nobody could determine when it could be brought under control and completely eliminated. Other factors were also uncertain, such as people's thinking, emotions, morale, development processes, change cycles, implementation of policy and law and their actual results, and the subjective will of the leaders at a decision-making level, in organizational collaboration mode and in effects on their behavior. All factors, conditions and the developing trend of the leadership management environment are in fact likely to be definite or indefinite. The definite leadership management environment implies occasional uncertainty; indefinite leadership management environment implies inevitable certainty. It means that their movements have rules to follow, but human subjective initiative still lags behind the understanding of these laws of movement which they feel to be unexpected so they react passively. The understanding of regularity is helpful to become active from being passive. For example, a major natural disaster will inevitably lead to major epidemics. Since people know this law, have taken the initiative and favorable measures for major disaster prevention, the occurrence of a major disaster and major epidemics can be prevented.

The certainty and uncertainty of the leadership management environment are intricately intertwined and both have a mutual influence on each other, often without clear boundaries. Some leadership management environments are completely certain, and some completely

uncertain, and most of them are somewhere between certainty and uncertainty.

The leadership management environment has a dual nature of certainty and uncertainty, so its application and transformation may have some sort of risk. The more uncertain the leadership management environment, the greater the risks of application and transformation; and conversely, the more certain they are, the smaller the risks. The uncertain nature of the leadership management environment is always different, and the type of risk and the nature of any harm are also different. The uncertainty of the environment brought by the leadership managers' recognition is that of the risks of the leadership management environment. This risk is the most terrible, and it may result in mistakes in leadership management direction. The uncertainty of the environment itself is the main set of risks inherent in the leadership management environment. These risks are irrelevant to the subjective world of the leadership management, and in a certain sense cannot be avoided. Only through deepening the understanding of the environment, and with timely adjustments in the leadership management decision-making and organizational behavior, can leaders effectively avoid or reduce the inherent risks. The unexpectedness of environmental factors has a huge impact on leadership management behavior.

Section 3. Leadership management of specific leadership management environments

Specific leadership management environments are those with some special meaning for a specific leadership management activity. Its scope is specialized, and its manner and constraining of relationships are particular. It tends to produce a direct and real impact on the organization of specific leadership activities and the behavior or decision-making of the leadership managers, thus playing a specific role. Specific leadership management environments include family, aides, secretaries, colleagues, subordinates, other individuals or organizations influencing leadership managers.

Compared with the general leadership management environment, specific leadership management environments have the following characteristics: a more direct impact, a greater strength of impact, a higher influence frequency and relative instability.

For specific leadership management environments, if one is conducive to useful leadership management behavior, then the effectiveness leadership management can be magnified. If an environment is unfavorable for leaders to producing good leadership management behavior, the effectivenenss of leadership management may be reduced. Then which elements in the leadership management environment influence the effectiveness of leadership management? Though many factors are included in the leadership management environment, trust, values, distribution policy, and political activities play the greatest roles in the effectiveness of leadership management.

Trust is the most crucial constituent element of specific leadership management environments

For a leadership management environment which is full of trust, the instructions and intentions of leaders can be accurately understood, and fully carried out. On the contrary, if subordinates are suspicious of the directives of the leadership manager, they do not seriously implement the strategy, or include many individuals and small teams in the process of implementation, which will reduce and even distort the effectiveness of leadership management. Moreover, if a leadership manager does not trust those being led, his leadership management behavior also appears to vary.

Carnegie by his own words knows little of the technological processes of steel manufacturing and production process. But 300 talented people under his leadership know more than him about this form of production and he is good at employing people and allocating talented people. Carnegie's specialization in surrounding himself with people who have much more ability is an important reason for the success of the career and legacy of the American steel magnate. Conversely, Henry Ford, who is well-known as a US auto magnate, as well as his grandson Ford III, at the pinnacle of their careers became envious of talented people and did not allow their subordinates to make great achievements, as this made their boss feel uneasy and insecure. These feelings made them dismiss people who were not superficially anything special, but who contributed significantly to the development of the company. This was a set of practices that led to a major downturn in their careers and a substantial decline in the competitiveness of the automotive industry as a whole. In the end, the 63-year-old Ford III was forced to resign as Chairman of the Board of Directors of the Ford Motor Company, to give up power over

the 35-year-old business to Philip Cardwell who was from outside the Ford family, and to let him put together groups of advisers and experts for the leadership management system. This action completely brought about the end of the many years of the Ford dynasty. It shows that in order to coordinate relations with subordinates, the leaders must be good at empowering them and must not be suspicious of them.

In theory, the mutual trust between leaders and followers is the cornerstone of leadership management efficacy, especially in specific leadership management environments, for example in adverse conditions. However, the reality is that many leaders do not devote too much to the building of trust, but let it remain in a natural state of development, which makes the leadership management efficacy increase over time. Therefore, outstanding leaders should always first focus on establishing a trusting relationship with subordiantes, and make great efforts to maintain this relationship in the context of future leadership management behavior.

Common values are the glue in specific leadership management environments

Values are a person's evaluation and views of other people, things, material and spiritual culture, and the importance and urgency or priority of allocation policy. These so-called common values mean that the people in an organization have the same assessments and opinions of all the above apects. Speaking in a common language, and having common values are things that are considered to be important by leaders and followers.

We often see different ways of thinking within an organization, which is an indication of the different kinds of views on the importance of surrounding issues. People will certainly be more devoted to things which they are interested in, while people pay little attention to those things in which they not interested, and this determines the behavior of collaboration and communication between people.

One important task of leaders is to establish common values in the leadership management environment in order to make people have the same views as much as possible. Of course, this building of values cannot be done overnight, and it needs ceaseless and persistent efforts by leadership managers. Especially nowadays when people's attention is becoming increasingly fragmented, it is very difficult to unify their ideas, but it is still an element of the environment needing the careful attention of leadership managers.

The Hilton Hotel has done very well in the selection and employment of personnel. Most senior executives in the Hilton are gradually promoted from lower levels in the organization. These experienced people make the operation and management absolutely excellent. Hilton believes in everyone he promotes and lets them use their talents in their careers and allows them to oversee work. If they make mistakes, he calls them alone to his office. First, he encourages and comfort them and tells them that he once committed a bigger mistake at work, and this current small error was nothing. People at work are bound to make mistakes. He then objectively helps them analyze the cause of the error, and together they look for a solution to the problem. His tolerance of subordinates' mistakes demonstrates his belief that as long as the decisions of the company's senior leaders, especially the general manager and the board of directors, are correct, the small mistakes made by employees do not affect the overall situation. Arbitrary use of disciplinary procedures instead dampen some people's initiative, which will in turn fundamentally damage the foundations of the company. Hilton's principle of doing things makes all his management staff willing to work hard and devote themselves to him, and to carry out their duties with a serious and responsible attitude. The best expression of common values is the formation of corporate culture, and universal rules for the behavior of the entire personnel.

Political activities of cliques in specific leadership management environments should be avoided

John Côte found that a good leadership management environment rejected something that was regarded as a covert alliance or organization. Members can help each other and serve a common target. Though political activities also have some value, they are definitely harmful to the atmosphere of the organization as a whole. If various cliques appear within the organization, its interests inevitably face the danger of segmentation.

Unfortunately, the instigators of political activity in organizations are precisely leadership managers. It is generally understood that in the early days of leadership management, leaders need some political activities to build or consolidate power. But if the leaders blindly rely on political activities to achieve leadership management, their power base will instead be weakened over time. Therefore, capable leaders always take steps to control the political activities within their organizations.

Leadership management environments also play a very important intermediate role in the efficacy of leadership management. In the study of the efficacy of leadership management, an element that cannot be ignored in any case is the leadership management environment. And a leadership manager hoping to make a difference must conscientiously devote himself to shaping these environments.

Leaders should correctly understand and control specific leadership management environments

Since specific leadership management environments are complex, the understanding of the objective environment must be comprehensive and multi-angled. The degree of understanding of the objective environment is determined by cognitive ability and level of leadership managers. Therefore, the cognitive ability of leaders should first and foremost be improved. If a leadership manager cannot fully understand the category, characteristics and laws of changes in the objective environment and its impact on leadership management activities, or cannot make a comprehensive analysis of the developing trends, then it is impossible for him to firmly establish an awareness and a conscious and profound understanding of the objective environment, thus achieving good leadership management effectiveness to promote the development of the cause. Therefore, only if leaders take the initiative to understand the objective environment in practice in accordance with the laws of epistemology, can they do a good job in specific leadership management environments.

Leaders should actively adapt to and take advantage of specific leadership management environments

An organization sometimes cannot change some objective environmental issues or is incapable of changing them over a period of time, which requires leaders to actively adapt to them; otherwise they will lead to a failure of leadership. Adaptation to the objective environment is not passive, and the objective environment should be utilized. Utilization in adaptation and adaptation in utilization should be carried out. Leaders should take full advantage of favorable objective environments; for

unfavorable and even harmful objective environments, leaders should do their utmost to avoid the occurrence of adverse effects; for bi-directional objective environments, leaders need to draw on advantages and avoid disadvantages. In this way, work can be developed in specific leadership management environments.

Leaders need to actively transform and optimize specific leadership management environments

Only if leaders influence, lead and guide their followers to keep on transforming the objective environment, can they get more wealth from nature and create material and spiritual civilization. The transformation of the objective environment by leaders is conducive to the successful application and roles of the functions of leadership management. These functions during the process of their utilization will inevitably encounter objective environmental problems. A good objective environment favors their utilization, but the superb leadership management capabilities of leaders can be more fully manifested in an adverse environment. The leaders, through their own efforts, make the objective environment develop in a favorable direction, and provide good conditions for the application of their functions. Similarly, the transformation of the objective environment by leaders helps improve their accomplishment and quality. It can be said that a good quality of leadership management is formed by the objective environment and subjective world, but that it has an opposing action in the transformation of the objective environment, thereby enhancing the subjective ability to cause its transformation and offering a unique condition to fully use the influence of leaders in specific leadership management environments.

Leaders must be good at dynamically dealing with specific leadership management environments

Leaders should pay great attention to specific leadership management environments that cannot be treated passively. They cannot become passive and be at a loss as to how to handle a case or be kept constantly on the run, missing their objectives, and feeling disappointed at losing. Moreover they need to overcome a negative environment, unfavorable

factors and their negative impacts, to come up with constructive and positive solutions and adaptations, and to create and use wisely the sufficient utilization and mobilization of positive factors playing their positive roles, thereby becoming a master of understanding leadership management environments and furthering both their own destiny within their organization and those of the objects of leadership management.

In fact, if the leaders are powerless and have no high ideals in leadership management environments, it is impossible for them to become real subjects of leadership management. Specific leadership management environments are the touchstone of the value and quality of leaders and even the whole subject of leadership management.

In short, if leaders want to obtain ideal leadership management achievements in specific disadvantageous environments, they must correctly understand the specific situation; they must ensure that the intentions, choices, behavior and processes of leadership management are suitable for the environmental requirements; and they must be flexible and implement appropriate leadership management for different environments. All in all, the management of leadership management environments is a co-existing one for all groups: the objective survival needs, by studying the laws of the internal and external environment, and by adapting to and controlling laws in order to be more suitable for their own survival and development, are one of the most important responsibilities and missions of leadership managers.

3

Qualities of leadership managers

The quality of leaders is the sum of basic conditions and inherent elements that often play roles in leadership management work and are formed through acquiring learning and practical exercises on the basis of innate physiology and psychology. In the study of leadership management science theory, the quality of the leaders is generally divided into political, ideological, cultural, business, physical and mental qualities, as well as leadership and management capabilities.

The quality of the leaders has a direct impact on the effectiveness of the leadership management activities, which has been proved by countless facts. For a leadership manager of relatively high quality, his exercise of power can really play a role in strictly enforcing orders and prohibitions, while for a leadership manager of relatively poor quality, his exercise of power often fails to achieve the desired purpose and results in the reverse psychology of subordinates and their contravention of rules. So the personal qualities of leaders have a direct and important impact on the validity of organizational leadership management activities and the emotions of the members of an organization.

Modern society organizations are usually large-scale and have crisscrossing multi-level structures. Since the organizational activities of modern society are also very complex, it is difficult to gain an advantage only by means of traditional leadership ways of thinking and methods. Therefore, modern leadership management needs organizational leaders with modern scientific knowledge of a high quality and level. Every leadership manager must face reality, and encourage positive and proactive self-learning and adjustment, so as to possess all the qualities appropriate for modern leadership management.

Section 1. Concepts of leadership managers' quality

The quality of leaders is one of the most important factors that influence the effects of leadership management.

Quality in a narrow sense means the innate physiological characteristics of a person, and it is the natural foundation whereby people acquire knowledge. With the development of society, the connotations and extension of the term 'quality' have changed, and it is widely used in various fields of social life, thus becoming a social concept. Quality in a broad sense refers to basic factors condensed by a person's natural and acquired characteristics. The people's quality is either stable, basic, or changeable. As the centrally dominant members of an organization, leaders decide on the best way to develop manage the success of an organization's activities. Therefore, the quality of leaders does not only consist of certain unchanging aspects, but is a multi-factor synthesis. Specifically speaking, it includes at least the following three aspects.

Political quality

1. Political orientation.

In the new historical period of reforms and opening up, the correct political orientation is needed to deal with the complex and volatile international environment; cooperation and conflict between countries; and the new problems brought about by these reforms. The political direction is reflected through the line, principles and policies. The practice of social development has proved that a firm and correct political direction can give full play to initiative and creativity, and can work together to promote the overall situation towards specific goals.

2. Awareness of serving the people wholeheartedly.

Leaders have certain powers for the implementation of management. Power has duality, and it cannot only allow leaders to give full play to their wisdom and talents for the welfare of an organization, but it can also lead some people towards the abyss of crime. The leaders' powers are entrusted by the general population and everything they do should be to serve the people.

Knowledge quality

The importance of knowledge is self-evident. Especially in an era of the "knowledge economy," science and technology have increasingly permeated all fields of economic development and social life, and have become the most active factors in promoting the development of modern forces of production. Meanwhile, mankind is also carrying out a revolution in new thinking and new knowledge. Just like Lenin taught, the leaders should manage as experts. Now the question is what is meant by "expert" in mastering new knowledge?

The structure of knowledge is divided into professionals and generalists. The so-called professionals refer to expertise in understanding one or two subjects of professional and technical knowledge and skills. In addition, those who master the knowledge of new disciplines and also a general knowledge of philosophy, natural and social science, and a general knowledge of modern science and technology are generalists. The knowledge structure of this generalist type is also known as the "pyramid-shaped knowledge structure." The top of the pyramid represents professional knowledge; the middle represents knowledge of new disciplines and the base represents science and technology, especially the general knowledge of modern science and technology. Professional knowledge is required to be specialized and profound while non-professional knowledge including scientific and technological knowledge is required to be wide and extensive. The generalist type knowledge structure is characterized by not only specialized and profound expertise, but also a broad range of knowledge on a solid foundation.

The knowledge structure of leaders is required to be a generalist type in principle, to take practical measures which unify specialities and a wide range, and to portray themselves to be modern leaders with a pyramid-type knowledge structure.

Ability quality

Ability is a method of understanding and transforming the world, or it is the skill to manage and control knowledge after its acquisition, namely people's creativity. The quality of leaders in other aspects, such as political quality, knowledge quality and psychological quality, is the prerequisite for leadership managers. The ability quality is one of the most essential aspects of differentiating the leaders from other types of talent in the workforce.

From the perspective of talent type, general leadership managers, especially senior leaders, have talents of a generalist type. This also means that the leaders need to have a wide range of capabilities. Two main categories are summed up, namely innovation capability and comprehensive control and operational research capability.

Innovation capability. The innovation capability of leaders has many forms and specific representations, which mainly fall into the following categories:

1. Insight and observation ability. In life and work, people have a variety of mental activities that directly affect their behavior patterns and behavioral outcomes. These mental activities are often hidden and even disguised. If the observation ability of leaders is not strong and if the reflection of the phenomenon revealing the essence of things is not clear, it is hard to find the problem. If leaders are good at understanding information and at finding signs in order to take targeted measures, unexpected results will be attained.

2. Responsiveness and decisiveness. Understanding fleeting opportunities in fierce market competition, and timely decision-making can sometimes help to avoid disaster or make the dead come back to life. This requires a leadership manager to have the ability to keep calm in an emergency, to be fearless in the face of danger and to play to the rules. The responsiveness of leaders makes them vigilant in peace time and keep on capturing new information, holding their ground and keeping out of harm's way in times of trouble.

Decisiveness is an important factor of success. Time is a great resource for modern management. Any decision is required to be completed within a certain period of time; otherwise it will lose the significance it had during decision-making. Especially in the present era of information and knowledge-based economies, leaders must seize the opportunity to make decisions. Delay not only results in missing the boat, but it will also bring new risks. So worrying about personal gains and losses, looking fore and aft, hesitating about what move to make and indecisiveness must be avoided.

3. The ability to regulate emotion, will and personality. Decision-making is an important psychological component of the will, and it is also a stage in activities of the will. At any given time, leaders should not abandon themselves to emotion and replace policy with emotion. A tough will has great importance during decision-making, and leaders need to cultivate the independence, decisiveness, firmness and self-control of their own will, so as to adapt to the needs of modern decisions. Those who are persevering and strong-willed can maintain the firmness

of their goals and decisiveness of their actions regardless of any complex or difficult cases and they do not act rashly, neither are they indecisive. So the strong ability to regulate emotions, will and personality is the most important condition for success. This can determine success or failure at the crucial moment.

The personality as a psychological characteristic is a unique combination of the essential attributes of a person's psychological outlook. From the point of view of personality, people are divided into extravert and introvert types. Both types of people have their advantages and disadvantages, and the problem is that leaders should be clear on their type of personality and try to play to their strengths and avoid weakness during decision-making. Meanwhile, efforts should be made to control and limit the negative aspects in the long-term process of self-cultivation, so as to better adapt to the requirements of decision-making.

Comprehensive control and operational research capability. Leadership management is one of people's highest intellectual activities. With respect to its activities, it is the unity of many elements; with respect to process, it is the unity of many links; with respect to its decision-making, it is the process of pursuing science. Therefore, modern leadership management is complex systems engineering with multiple interacting elements and interconnected links. Leadership management needs not only logical thinking, but also non-logical thinking; interpretation, induction and further intuition, imagination, perception and inspiration; abstract thinking, and also image thinking and blue sky thinking. The reasons for leadership management activities as human intellectual ones lie not only in the complexity of applied types and ways of thinking, but also in the mobilization of all subjective factors – knowledge, emotion and consciousness, specifically including all human experience, knowledge, theories, wisdom, and standpoints, world views, values, and all the psychological characteristics and individual characters. In this sense, a comprehensive control and operational research capability is another basic ability requirement for leadership managers.

1. The ability to handle the overall situation. Paying attention to the interests of the whole is an important principle for leadership managers. The overall situation represents the interests of the majority of the members, determines the nature and development direction of situations, it represents the long-term and the future, and is the force to unite and coordinate various local aspects. In order to grasp the overall situation, leaders must have the strategic vision to face the world and the future.

2. The ability to gain and analyze information. Information is an important resource and the wealth of modern society. Leadership management activies are actually a process of obtaining, analyzing, developing, and exploiting, and the decision-making of the overall situation can be made by means of information. But it is enough for modern leaders to just recognize that information is the scientific basis for decision-making; instead, the reliability of information is an important condition to ensure scientific decision-making for leadership managers. Therefore, through information analysis and judgment, it can become the basis of correct decisions. This requires the leaders to analyze and compare the information through the scientific method of separating the true from the false, discarding the dross and selecting the essential parts, proceeding from the exterior to the interior and from the one to the other, in order to find out key information of decisive significance in order to make the right judgments and scientific decisions.

3. Mixed ability of knowledge. The science of leadership management has a high-degree of cross connections and integration of various disciplines. In the present era of surging and rapidly changing knowledge and information, the emergence of new knowledge, the generation of new technology, and the development of new products are almost overwhelming, which requires the leaders to be good at learning widely from others' strong points and following good advice as naturally as a river follows its course. Leaders not only learn from books to improve, but also rely on diligent learning from others in practice and being good at listening to the views of different people to gather everyone's wisdom to assimilate into their own knowledge and abilities. Only in this way can leadership management move in the direction of scientific development.

4. Teamwork ability. Leaders should not only deal with decision-making, but should also be good at organizing and effectively implementing decisions; not only evaluating and supervising the results of implementing decisions, but also be good at coordination and control. It is difficult for leadership managers to do this well, as it requires leaders to be adept in performing these different functions to achieve good teamwork in a complementary form.

5. Ability to integrate resources. No matter how much knowledge and wisdom a person has, they have to be enough for the multi-disciplinary, multi-level, multi-angled knowledge and wisdom possessed by leadership managers, so it is particularly necessary to have the ability to integrate resources. (1) The integration of internal and external talent; (2) the integration of knowledge and wisdom of others and groups; (3) the

integration of human capital, assets and resources, and their centralized effective use in order to organize a major event; (4) the integration of internal and external social resources for the construction of a harmonious living environment; (5) the selection and integration of information resources are new for the development of decision-making, as are the integration of internal and external research resources, and the promotion of innovation and invention which are solid backing forces for enterprises; (6) understanding the main aspects of principal contradictions leading to the development of general conflict; and controlling the operations research capability which is the expression of the level of leadership managers.

Section 2. Composition of leaders' competence

Since the scale of modern social organizations is becoming increasingly large, and leadership management is more and more difficult, this requires more and more extensive qualities from leadership managers, including both intellectual and EQ quality. Both play a unique and irreplaceable role in leadership and management activities, and both act as the two basic qualities which are indispensable to leadership managers.

A keen sense for information

In the era of knowledge economies, information as a resource will keep on penetrating into various fields of social life. In the future of social competition, those who can quickly and fully understand economic, scientific and technological information will be able to be fully aware of the pulse of economic development. This is the embodiment of healthy psychology in modern leaders in the world of information communication. Modern leaders must know that for an enterprise taking part in business competition and occupying a dominant position in the market without accessible information, it is impossible for an entrepreneur to become successful. Nowadays, some business managers have an insufficient understanding of information's competitiveness, and the closed traditional concepts limit their own pace and tie them down, thereby causing the slow transmission of information and weakening the market competitiveness of businesses.

A strong sense of competition

Business leaders in the era of knowledge economies must have a strong sense of competition, which is not only the requirements of the times, but also an external power aiding a company's development. The purpose of the competition is to improve economic efficiency and increase social wealth through joint efforts, thus continuing to meet the growing material, cultural and social needs of society and people. Studies in modern psychology and biology have shown that competition is the basis for the survival and development of all things, and it is one of driving forces for reproduction and survival of the fittest. An excellent leadership manager should recognize that competition can eliminate the traditional psychology of getting an equal share regardless of the amount of work done, get rid of the shackles of egalitarianism, and fully mobilize the subordinates' enthusiasm for work to achieve good economic benefits; competition can alleviate a group's problems to improve interpersonal relationships. It can also force operators to proceed with personnel training and employment, thus giving rise to the new fashion of respecting knowledge and talent.

A positive spirit of innovation

Those employees who have a rich pioneering and innovative spirit for creativity can adapt to the development of the knowledge economy era to cope with future social practice. Pioneering innovation mainly includes the following three aspects.

First is the spirit of creativity. This arises from a strong sense of professionalism and a high sense of responsibility, and is the power for creativity. Its purpose is to look ahead, never be satisfied, and strive for higher achievements. This is the psychological basis for establishing a pioneering and innovative spirit and is also the condition and target condition of the creative spirit.

Second is creative thinking itself, namely perception and inspiration. It regards new motivation as the pilot, and an ability to think swiftly and outside the box as the basis for creativity and imagination as the core. The strong creative ability in leaders can give play to their strengths to make them find new ways and create their own characteristics. Especially today with increasingly advanced science and technology and an increasingly shorter product life cycle, leaders without creative thinking cannot adapt to the intense competition in this era of knowledge-based economies.

Third is creativity practice. The process of creativity practice is the process of revealing new scientific concepts and building a new scientific theory. A competent leadership manger can understand the whole process of creative activities taking place in practice.

The concept of effective time

For the leaders of the knowledge economy era, there is no more important aspect than establishing the scientific concept of time. Leadership management of modern enterprises should start from the control and use of time in a scientific manner. Time, just like man, property and material, is an important resource in leadership management. So how can leaders achieve a high level of efficiency? The author believes that we need effective time management. To be good at planning, managing time, and working intensively and efficiently are all healthy mental traits for the scientific use of time. We also need the effective utilization of certain periods of time. To avoid the "time trap," we need to eliminate all interference during a period of time as much as possible to focus on doing an important job. Leaders must appreciate their time. Psychology shows that everyone has so-called highly efficient and inefficient times, and managers need to understand their own characteristics and be engaged in complex labor at a highly efficient time. He should be engaged in general labor at an inefficient time. Finally, we need to have a scientific arrangement of time for subordinates. The leaders' concept of time efficiency should be strong and try to exclude factors which waste subordinates' time.

A tolerant mind

A tolerant mind is an important manifestation of healthy psychology in modern leaders and this quality reflected in leaders is just like oil, reducing friction between people, enhancing solidarity between leaders and those being led, and increasing the level of compatibility in groups. Tolerance is a psychological need. No matter how clever a person, shortcomings and mistakes are always inevitable and thus an understanding of the leaders should be encouraged in order to have a relaxed and stable psychological environment. For leaders to love, nurture and utilize the talented people in their workforce is an outstanding characterisitc of a tolerant mind. They should not only learn the strengths of others to offset their own weaknesses; but they also have

to be able to tolerate other people's weaknesses to make good use of any advantages and bypass disadvantages. Of course, a tolerant mind is not arbitrarily free and indulgent, and it is based on adherence to principles. In this regard, leaders need to follow four principles; namely the principle of trust; the principle of eliminating envy between members of staff; the principle of avoiding the demand for perfection from the staff; and the principle of being strict with themselves.

A persistent thirst for knowledge

In a sense, leaders should be experts in many areas including a higher level of understanding of politics, economics, sociology and other disciplines, and moreover they should have have expertise in science and technology. Therefore, leaders are required to be good at learning and to possess a strong thirst for knowledge. First, it is necessary to learn about the theory of modern leadership management. A good leader manager should seize the opportunity to apply these basic theories to their work practices. Second, leaders must learn thoroughly about sociology and psychology. This is what leaders must master. In order for good leadership management work, the study and mastery of sociology and psychology must be achieved. The mastery of knowledge leads to the ability to correctly handle work relationships and fully mobilize the enthusiasm and creativity of the workforce. Third, it is necessary to learn to some level of expertise. They should have a proficient mastery of professional skills and how to be professional leadership managers, thus helping effective leadership management achieve its targets.

An indomitable will

A firm not only reflects a person's point of view, but is is a psychological precursor to consciously adjusting targets and aims. Possessing a strong will is an important psychological quality for business leaders. It will help them to understand activities with a clearer purpose and direction, to consciously overcome difficulties during the process of understanding, to take the initiative to understand the laws of development of objective things, and to aid the effective development of the workforce's intellect and talents. This volitional quality of successful leaders is mainly manifested by consciousness, principles, toughness, decisiveness, boldness and self-control.

A stable and optimistic mood

A stable and optimistic mood often filters through to the workforce, thus creating a harmonious atmosphere, stabilizing the emotions of the members of organizations and inspiring their enthusiasm. A good mood in the members of the organization and enjoyment of their hard work will make the entire team form a single unit which can make progress united. For a leadership manager, it is very rare to be in a stable and optimistic mood. They should not be too pleased with success, or displeased with failure; they should also see difficulties from the point of view of good conditions, and a bright future from the point of view of failure. They should be humble in victory, and not discouraged by defeat; fearless in danger and calm in chaos. This is the proper performance of a person with a healthy psychology.

Section 3. The political quality of leaders

For each organization the political opinions of its leaders determine their leadership management ideas and specific leadership management style, which thereby determine the forward direction and targets of the entire organization. This is especially true in China, where the political quality of the organization's leaders decides the attributes of the leadership management and staff within an organization.

Leading managers must put an emphasis on politics

Lenin indicated that politics is the concentrated expression of economics. Deng Xiaoping commented that economic growth is the most important type of politics. This means that politics is always inseparable from economics.

1. Politics, economic development and business development.

Politics is the concentrated expression of economics, economics is the basis of the politics, and politics serves economics. The nature of the economic foundation determines that of politics. Specific kinds of politics are bound to serve certain businesses. All politics in line with the laws of the development of production promote economic progress and development. Conversely, it can also hamper economic progress and development. Political corruption will inevitably lead to economic

recession, and political progress will certainly promote economic development. So-called political progress has to follow the laws of economics.

2. Politics and the organs of national leadership.

Politics as the soul of state machinery determines its nature; protects and serves the economic base; serves all social and cultural progress; and protects the interests of the nation, as well as the country's high degree of unity, the safety of the people and the stability and unity of society. Politics is achieved by the means of the spirit, the law, and by means of tightly-run state machinery.

3. Politics and the nature of political parties.

Politics is of a class nature, and certain political representatives act on behalf of the interests of certain classes. In modern society, politics and the political regime are generally concentrated in the hands of political parties. A political party, via the political regime, makes use of its powers to serve the public under its leadership and to restrict all its opponents. In China, there is a people's democratic dictatorship under the leadership of the Communist Party, which means that the Communist Party acts on behalf of the proletariat and all the people while other parties participate in the management of state affairs rather than ruling competitively.

4. Politics and social democracy.

Politics exists side by side and plays a part together with democracy and freedom. Democracy and freedom within the realm of politics serve themselves and they are a political means to an end. Democracy and freedom are relative, and there is neither absolute democracy nor absolute freedom. Politics itself contains democracy and freedom. The proportions of democracy and freedom are determined by the degree of the maturity of national qualities and the overall economic status and stability of social conditions.

5. Politics, news and art.

News media, such as newspapers, radio stations, television stations and news agencies, are the mouthpiece of the country. Culture and art in most cases are of class character and serve the classes. The stronger the artistry, the stronger the appeal, the persuasiveness and the education are. To a certain regime, it is bound to serve a certain kind of politics. Generally art is of a class nature, but there is some which does not have a class nature, such as original art, songs and cultural art.

6. Politics and class life.

Politics belongs to a certain class, and represents certain class interests. Through its authority, it mobilizes, organizes and protects everybody's

lives, and meanwhile fights against crime to ensure social stability and unity, and to protect national security. The living consumption and distribution that are closely associated are related to the size of their contribution to society. And all these are determined by state power.

7. Politics and religious beliefs.

Belief, religion and morality belong to the state superstructure. Belief and religion are protected and utilized on the condition that they do not violate politics. Conversely, they are restricted. Religion can serve politics, and can also be exploited for politics. Morality is the sum of codes of conduct for adjusting relationships between people, as well as the relationship between the individual and society. But morality is also built on a certain social and material basis which serves the classes and society.

8. Political ruling and social control.

Politics is responsible for protecting the economy, people's livelihood, social stability and unity. For the implementation of this protection, it is necessary to implement a high degree of rule and control. This so-called control is the management and it is the same for both companies and the country. The process of controlling a country should have the tightest control and must have a set of mandatory and non-mandatory systems of social control, including political, economic, legal, religious, and moral systems.

How leaders improve political quality

1. Leaders should carefully study political theory. After the daily management activities, leaders should make efforts to continuously combine developing political theory with specific policies to improve their political competence and sensitivity. The improvement of political quality must start from the basics and improve political cultivation. This is the study of the main theories of human consumption, leadership management science theory and social consumption productivity theory.

2. Leaders should be bold enough to stick to principles, be good at dealing with relationships, and be good at giving or retaining their own opinions. They should pay attention to the most important issues as well as a variety of complex relationships. While adhering to principles, they should learn to emphasize methods, and strive to do better in combining principle and flexibility, thus striving to form a good leadership management environment and atmosphere.

3. They should adhere to their beliefs and improve kindness and patience. A person without faith is not strong at any time. In violent storms especially they will be irresolute, and in the face of a huge setback their will power collapses and they will move towards a reactionary point of view. In a complex society, the relationship between the people is full of conflict. If an accomplishment is not good, contradictions will appear everywhere at work. People without patience will not undergo improvement and development.

4. They should pay attention to their flexibility. People with principles but without flexibility are dogmatists. This is mainly because they do not know about dialectics or causal relationships. The flexibility serving a principle is an adopted approach to achieve a purpose.

5. They should comprehend policy and strategy. Policy is fundamental, and strategy is a means to an end, the process of doing great things and a guarantee of success. Policy is macroscopic and theoretical while strategy is microscopic and specific. The combination of policy and strategy can allow leadership management activities to adapt to a variety of complex situations so as not to cause a vacuum.

6. Leaders should make efforts to overcome a cocky and arrogant attitude. This is a necessary practice for the success of leadership management activities. Without this point, leaders are bound to fail.

Section 4. The quality of knowledge of leadership managers

In the present era of constantly emerging information and fractured knowledge, everyone is facing the problem of updates to their knowledge. Especially in a modern enterprise, state-of-the-art equipment can change not only people's modes of operation, but also people's leadership management style. Therefore, as the leadership manager of a modern enterprise, he must make efforts to improve his own cultural traits in order to be qualified for his leadership management work. It would be best for a leadership manager to have professional knowledge in order for him to gain extensive knowledge. If they do not have professional knowledge, they must be broad minded and employ versatile people with the relevant professional knowledge so that they can apply a variety of methods to adapt to modern society. They must understand the truth of this mastery to achieve a high degree of unity of related knowledge in a leadership manager.

Expertise. This means the profession and technology in which they are engaged. Generally speaking, the leaders should be proficient in their own profession and have the ability to analyze and solve professional problems independently. When they encounter difficulties and disagree with each other with respect to expertise, they can make authoritative interpretations.

The knowledge of leadership management. As in practical philosophy, the knowledge of dialectical materialism, and the universality and particularity of contradictions, everything has its own laws and rules of motion. Leaders should learn to study, know and control management science, psychology, social statistics, behavioral science, and systems and operations research. Such scientific knowledge can explore the psychological wonders of people, and quantify and apply interpersonal relations or human behavior.

The knowledge of relevant aspects. As in written knowledge, survey study knowledge, as well as knowledge of other emerging disciplines, interdisciplinary and cross-disciplinary knowledge may seem far away from professional knowledge, but they are great at broadening horizons, and enlightening thought concerning social trends.

In addition, they should also have practical experience. Leaders should try to understand themselves and others better in management, interpersonal coordination, technical operations, as well as enterprise operations and sales, and to keep on synthesizing, analyzing, balancing, contrasting and thinking abstractly to gradually attain rational knowledge.

The knowledge structure of leaders includes: 1) a basic theory of the knowledge structure and theoretical form of leadership managers, 2) professional theory, 3) management theory, 4) related theories, 5) personal experience and lessons with respect to what kind of experience, 6) historical experience and lessons and 7) knowledge of other people's experience.

Both ancient and modern experience has shown that people who are better at absorbing, mastering and applying knowledge can become outstanding leaders. In modern society, a leadership manager with an innovative and pioneering spirit must always keep a desire for knowledge in mind and keep on seeking new knowledge and updating old knowledge. If people who have achieved something trivial try to keep on going without any change and are self-righteous, sooner or later they will be eliminated by new trends formed by the extensive application of modern scientific knowledge.

Section 5. The quality of ability of the leadership managers

It is far from sufficient for a leadership manager to have only a compromising political quality and reasonable structure of knowledge. In order to be qualified for this job, he also needs a lot of direct experience that is manifested in his basic work abilities. The basic work abilities of leaders include decision-making ability, organizational skills, skills of expression, observational ability, responsiveness skills, interpersonal skills, as well as other skills. Therefore, knowledge does not equal leadership management capability; instead, they need to be good at applying their knowledge to the leadership management process, so as to improve their leadership management capability.

Decision-making capability

One of the most important roles for a leadership manager is his decision-making role. All qualities possessed by leaders are ultimately meant for making the right decisions.

The characteristics of decision-making are dominance, practicality, forward looking and coordination.

1. The dominant features of decision-making are presented in the process where all the major activities of the organization are adopted and implemented after leaders make decisions. The development and implementation of all major activities and business within an organization are prohibited without the decision-making of the leadership managers. It will inevitably bring about chaos in organizational management and behavior, and may even have more serious legal consequences.

For the actions needed to be undertaken by an organization, one dominant feature first requires the leaders to make decisions. This is the basic requirement of obtaining legitimacy for an organization's behavior. Why must any activity by the organization first go through the decision-making process of the leadership managers? It is the same as a conductor in a orchestra, following orders and keeping in time can contribute to obtaining a harmonious sound. A general manager of a company in Shenzhen in China once made the remark that represented the aspirations of the majority of the decision-makers and was also a good epigram for the workforce. He indicated that what annoys leaders are those people who say they are not qualified for an assigned task before they even give

it a try. How can you know that you are not qualified without acting? If the job you do does not work or is wrong, then it is the leader's fault. It is often difficult to accept this kind of thinking. People who hold this view often overlook their own position in an organization. For the same pen, leaders see a small circle when looking down from above while other members see a round rod as viewed from the side. Others think that the leaders are wrong, which may often not be poor capability on the part of the leaders, but a deviation in the perception of other members due to the viewing angle, level, ability, and the amount of information.

In the decision-making process, leaders need to provide feedback during its process in order to fully and accurately control the situation. Leaders must keep in mind that they should not hold an irresponsible attitude towards their organization's activities on any occasion. In a market economy, the majority of leaders in the decision-making position are qualified and capable and want to do a good job. As long as the feedback is timely, they can make the right decisions based on a variety of information. Decision-makers should be punctual and accurate, and the right feedback from the subordinates is also very important and needs the cooperation of the members of the organization.

2. Practicality. For an organization's decision-making, leaders cannot just keep it in the form of thoughts, opinions and theories but should put it into practice, thus making the practicality of decision-making self-evident. Starting from the actual current situation in a region, industry, unit or department, leaders should put forward a specific plan for implementation and a solution to allow the executives at all levels to actually see and take action, thus making efforts to reach a common goal for the entire organization. The decision-making of leaders should be objective and in line with the actual situation, and it should also give specific tasks for all the members to complete. It cannot be too ambitious or unrealistic, otherwise it may eventually ruin the survival and development of the organization as a whole.

3. Forward looking. Decision-making takes place with a view to the future, and should have a future-oriented perspective. Leaders must take the initiative to understand any information, including system information and environmental information. Based on access to information, they need to have an insight into and the ability to predict trends, and then to propose related solutions or predict results for the collective leadership decision-making. Since they are based on prediction, ideas and thinking

must have a certain degree of vision, which is also a test of the quality of an organization's leadership managers.

4. Coordination. While leaders play their own leadership and management role in decision-making, they also need to coordinate the relationship between various departments of their organization. Before and after decision-making, they should actively coordinate all systems resources within the organization to form an overall effect, thus reaching the perfection of both working together and thus doing the best thing for everyone.

In decision-making, leaders must dare to act and bear responsibility in making a decisive deployment. For the methods and decisiveness of leadership managers, they should attach great importance to their methods and make full preparations for this level of decisiveness.

When making decisions, leaders should not only focus on themselves and dare to make decisions and to take responsibility, but also they cannot act arbitrarily and need to be good at listening to others and avoid any serious consequences caused by policy mistakes.

The decision-making process is the process of ultimately carrying out decision-making through combining all kinds of information. In order to make this process more scientific and be more in line with objective reality, leaders cannot just do their routine work and be immersed in all sorts of chores. They should strive to tap their own potential, improve their own knowledge, improve the level of their own business acumen and other comprehensive qualities, focus on research in physical problems, think positively, and make efforts to combine the organization's goals and the the needs of objective reality. Leaders must fully take into account the conditions of the organization, and should not rush off in blind pursuit of high performance. It should be stressed that the leader should have positive intentions and correct methods when making decisions. When the organization's conditions and the objective situation cannot be changed, leaders as decision-makers should be able to act flexibly; when other leaders have different opinions and recommendations, they should remember not to act willfully and should understand the responsibility assumed in their role and therefore handle it with care; if other leaders have made an agreement, they cannot immediately reject this agreement even if there is sufficient reason. They should not make decisions regardless of others' opposition. Otherwise, they may judge wrongly and give rise to a wrong result. Leaders should frequently carry out an examination of the pureness of their decision-making motives, check whether they often have major differences from other

co-decision-makers, and focus on an analysis of their reasons on order to seriously seek a solution, thus avoiding affecting the operation of the entire organization.

Organizational capability

The organizational capability of leaders is the ability to plan, organize, arrange, coordinate, and make decisions when the leaders are engaged in the process of actively managing the entire organization.

1. Planning. Organizational management activities should have plans. Leaders should not only be clear about the reason, the contents and methods of carrying out activities, but also know the sequence of that work. Only if this is clarified, can leadership management activities be carried out smoothly and in perfect order; otherwise, they will fall into chaos.

2. Thoroughness. To ensure the success of leadership management activities, problems in all aspects must be taken into account. As the leadership managers of an organization, they should not only pay attention to major aspects, such as the content and form of activities, but also to some small aspects, such as the reception of the staff, the arrangement of the work environment, employees' appearance and the dress code. The organization's overall effect must not be destroyed or fail due to a lack of detailed planning.

3. Coordination and communication skills. Any leadership management activity is not simply a matter of one or two people, but it needs the cooperation and support of all aspects. So leaders with strong organizational skills should be experts in coordinating relationships, communicating ideas, and encouraging enthusiasm. They should strive to help all aspects of the business and do a good job in leadership management.

Competence in communication

It is necessary for leaders to possess strong communication skills in their frequent contact with various internal and external parties. They may express their own views by means of report, letters, speeches and conversation. They might mobilize their subordinates with a smile, nod, or pat on the shoulder and show that they have seen the results achieved through a variety of ways. Leaders may also need to take the opportunity

to comfort the disappointed so that these subordinates can appreciate the support and care from their leaders in both words and deeds. Good communication skills are always an essential quality for leadership managers.

In interactions, leaders should learn a positive mode of speech as well as the overall art of speech, which helps to improve their attitude, and which has a more powerful impact on the people around them.

Observational capability

The ability to observe means the ability of leaders to examine and analyze people and things around them from the perspective of leadership management and under the guidance of leadership management theory.

The ability to observe is critical to the effects of leadership management work and overall condition on organizations.

The observational capability of the leaders is manifested in three areas.

1. Examining the things around them from the point of view of leadership management. Leaders should have a sense of leadership management in their minds and combine the things around them with the maintenance of good human relations.

2. Analyzing the things around them from the point of view of leadership management. Leaders should be able to accurately analyze the causes and consequences of the events occurring around them, from which the trends of the developments in an organization's management can be predicted.

3. Judging the things around them from the point of view of leadership management. Leaders should carry out a correct judgment of the impact of things or phenomena around them on the current state of their leadership management.

If a leadership manager can deal with these three aspects, then he has a strong ability to observe that will be conducive to leadership management work.

Responsive capability

The responsiveness of leaders refers to their coordination and handling capacity when they are faced by unexpected events or problems.

The actions of leadership management often change, and thus it is one of the basic requirements of engaging in leadership management work for leaders to possess well-developed responsiveness.

In leadership management work, well-developed responsiveness does not refer to transforming danger into safety in a general sense, or protecting employees from harm, but refers to the situation of handling an emergency where leaders can carry out one of their their work objectives – their staff not coming to harm and always having a good state of relations with them. Overall, the responsiveness of the leaders should include the following behavior.

1. Leaders should be calm in the case of an emergency. Responsiveness first requires leaders to keep calm and quickly find counter measures in the case of unexpected events or crises.

2. Leaders should have a lot of patience, and not be irritable or angry. Some unexpected events or crises may make the leaders feel embarrassed. At this point, leaders should have a strong ability to control their emotions, and be as tolerant as much as possible and convince followers to work together patiently for solutions.

3. Leaders should be able to think flexibly in order to come up with solutions quickly. Responsiveness is not passive, but active, which means that solutions to problems or alternative methods should be found out according to the nature of sudden events in order to make their work free as far as possible from their impact.

4. Leaders should improve their predictive capabilities and prepare for battle. Strictly speaking, responsiveness is not a momentary whim but a summary and accumulation of experience. If a variety of possible circumstances are considered, then it is relatively easy to solve problems once they appear.

Interpersonal skills

Leadership management work requires leaders to have a certain communicative competence. The interpersonal skills of leaders consist of not only social intercourse in daily life, but a special ability to rapidly communicate with all points of contact, namely the organization's employees, customers, and other organizational leaders, and to win their favor.

The interpersonal skills of leaders should include the following aspects.

1. Mastery of communication etiquette. Communication should have certain norms and requirements that are followed by any communicative activities. The proper use of clothing, posture, language, interpersonal distance, and seating arrangement in communicative activities can greatly enhance the effect of interpersonal communication. It is necessary for leaders to become familiar with the etiquette of daily communication so as to maintain their accuracy of speech and deportment in a variety of communicative activities.

2. Mastery of the art of communication. This means communication skills that can help leaders to better and more effectively communicate with staff and other people. The art of communication involves a clever use of the time and place and the creative use of different forms of communication which can help to eliminate any psychological discomfort.

3. The application of communication tools. Communicative competence can also be manifested in the application of communication tools, such as how to present a gift and a souvenir properly; how to make accurate use of language and non-verbal languages; and how to control their emotions.

Other capabilities

In addition to the above several major capabilities, leaders should also have some other capabilities, including a capability for comprehensive analysis, intuition and self-understanding. The most difficult one is the ability to understand oneself but it is very important to have this objective understanding.

1. The capability for comprehensive analysis. Leaders are often confident of their core positions in an organization. However, in the face of a more intense competitive environment, it is far from enough to rely solely on self-confidence. The desire for knowledge, analytical skills, a systematic approach, an open mind, as well as three-dimensional thinking are very important and also requisite. In short, a leader should be well versed in this capability.

2. Intuitive ability is the sense which involves predictive skills and innovative thinking of brain. Leadership management practice should attach great importance to this sense. Meanwhile, in addition to communicating with employees to discuss work, leaders should also keep an eye out to take care of their personal matters and family situation. If leaders can establish good relations with staff by virtue of

personal charm, then it will be helpful for mutual communication and trust between members of the group o organization.

3. The ability to know oneself. Successful leaders tend to focus on the regular analysis of their own strengths, weaknesses, opportunities and crises, which helps to continuously improve the quality of the individual, and enhance the sense of responsibility. The success of any leader is not accidental, and the most crucial point is to truly understand oneself and know your strengths and weaknesses. In the process of constant self-affirmation and self-negation, they should make themselves more mature to better adapt to future leadership management work.

Section 6. Psychological qualities in leaders

The psychological qualities of leaders mean that they should have a good attitude. Some scholars nowadays have divided the psychological qualities of leaders into several capabilities. This is obviously not appropriate. There is no doubt that any capability can reflect a person's state of mind, but the psychological qualities in leaders mainly refers to the psychological momentum possessed by leaders in their various relations with the outside world, including his subordinates.

General psychological qualities in leaders

Good mental qualities must first have a proper critical point and moderate leeway with respect to the psychological self, which means wide-ranging psychological limits, strong mental adaptability, good psychological environment and moderate psychological pressure.

The 'psychological limit' means the supreme limit of mental energy, such as the number of things a person can instantly perceive, and the threshold of bearing pain and cold. It specifically means the attention span, the limit to memory, pain-tolerance limit and the limit of putting up with wrong-doing in others. As a leader, he has access to wider experience than the average person. He has access to more information and has more access to a variety of social information. Therefore, for a strong leader, his mental energy should be higher than the average person through exercise and practice. Only by doing this, can he remain calm and handle a situation with ease in the face of difficulties, setbacks, and failures, and other strong stimuli. It is due to too small psychological

limits that some people are unable to withstand setbacks and failures and so they whine, cry and even commit suicide.

Psychological adaptation refers to the process in which individual psychological phenomena such as attitudes and emotions conform and adapt to the surrounding environment. There are two categories of psychological adaptation. One is involuntary adaptation. Under the influence of the surrounding environment, efforts of the will cannot be consciously made and so the environment is naturally adapted to unconsciously. The other is voluntary adaptation. Individuals should strive to adapt themselves to unfamiliar and unaccustomed environments through will and reason. The adaptation of leaders refers to the latter. In this modern society of exploding information, situations are ever-changing. Something that has just been adapted to becomes obsolete, which requires people to have strong mental adaptability and to cope with changing events by sticking to a fundamental principle. Only if a leadership manager has these kinds of psychological qualities will he have good responsiveness.

Mental preparation is a concept in social psychology. It is an important function of human mental activity. It specifically refers to the orientation of human behavior choices in deciding what to do, what not to do and how to do it. Mental preparation is a prerequisite to stimulating internal forces. An obvious feature of an intelligent leadership manager is having the ability to mentally prepare rapidly, to react quickly to information, to make firm decisions, to set a clear direction and goals, to change from being passive to being active, to improve levels of activity in an emergency, and to enhance their wisdom and courage to overcome difficulties in order to achieve the desired effect from behavioral activity. Leaders without these psychological qualities are often hesitant, irresolute and indecisive, and dare not take action in the face of new information, thus often losing many opportunities.

Psychological pressure means physiological changes and emotional fluctuations brought about by changes in the external environment or the internal mental equilibrium. A leader may be faced with a lot of outside pressures, such as the completion of the indicators, the welfare of workers, business risks, internal divisions, a lack of funds, a lack of power, a shortage of raw materials, as well as the failure of the competition and the loss of business. These external pressures often change into psychological pressure. The principles of psychology tell us that it is difficult to stimulate a person's sense of enthusiasm without pressure. Too much pressure will inflict physical harm. So wise leaders

will automatically adjust themselves psychologically. They should not create any pressure which is too much or too little. First, leaders need to increase psychological pressure through establishing an awareness of the practicalities. Second, he needs to weaken this awareness to reduce psychological pressure. Third, he knows how to reduce psychological pressure through enhancing risk awareness. So, psychological pressure is a method of driving people forward without destroying them physically or mentally. When faced with failure or major setbacks, they should always think of the event as an opportunity to learn and practice. When faced with a major disaster, they should have a strong mentality, so that the pressure can be reduced.

In addition to the above-mentioned factors, the psychological qualities in leadership managers also includes the following:

1. Psychological qualities in politics mainly refer to the ideals, aspirations, and a strong sense of entrepreneurial spirit, knowing laws and abiding by them, and taking into account the interests of the collective.

2. Psychological qualities in the context of character. Be strict with oneself and set an example in dealing with emotional stability, tolerance and magnanimity; openness, modesty and prudence; adherence to the principle of reward and punishment and see that it is rigorously carried out; be compassionate; be good at observing others' psychology, and analyze, understand and deal with their related problems.

3. Psychological qualities in management. This mainly refers to the ability of commanding the overall situation; the ability of discovering able people and putting them in suitable posts; the ability of logical judgment; the ability of coordinating and communicating interpersonal skills as well as the ability of opening up and integrating with careful consideration and a resolute spirit.

4. Psychological qualities in the context of the intellect. This mainly refers to a feeling of hunger for up-to-date knowledge and the sense of crisis of any situation. A full range of thinking skills, including analytical skills, the ability to integrate, the ability to think abstractly and to generalize, to innovate and have a wide area for thinking.

5. Psychological qualities of personality. This mainly refers to a strong will and a steadfast and stable spirit; extensive interests and an intense curiosity; a broad mind and an approachable style; frankness and sincerity; and self-control in being adept at controlling feelings with reason.

The manifestation of the psychological qualities of leaders

For corporate leaders, a good psychological make-up has its unique content and performance. In general, it has the following aspects.

Keen observation and calm judgment. These are the most important qualities for corporate leaders and are also an important psychological state. In the face of so many market competitors managers must cultivate the ability of being perceptive down to the minutest detail. They should seek opportunities from a large number of complicated and overwhelming social phenomena and capture the most valuable information from contradictory information. In this way, the minds of leaders will become sensitive and flexible, and moreover will always be full of experience. And with an increase in practice, such insight and judgment will be continuously enhanced.

High self-confidence and perseverance. In any situation business leaders should be full of self-confidence, because everyone has their own strengths, even advantages and strengths that are not owned by others. Some people are good at thinking; some are good at innovation; some are adept at socializing, and some people are good at coordination. Thus there is reason to be confident in oneself. Even if they have a challenging environment, make mistakes at work and are censured by others, leaders cannot lose confidence and need to be good at discovering their own strong points. The chairman of the United States Soccer Federation Dyveke Du Gen pointed out that if you think you have been knocked down, then you are knocked down. If you think you are standing, then you are standing. If you want to build success while you think you are unqualified, then you will be unsuccessful. If you think you will fail, then you will fail. Many examples of success in the world illustrate all the victories arising from the personal will and confidence to win. All success is in the mind. If you think you are superior than your opponents, then you are superior to them. So you have to assume positive situations and have confidence in yourself. Only in this way, can you build success. In life, the strong are not necessarily the winners, while victory sooner or later belongs to people who have confidence.

In addition to self-confidence, leaders of a business must also have a spirit of perseverance. In any task, they are able to work without complaint. When encountering difficulties and setbacks, they can advance courageously.

Flexible thinking and adaptability. Every entrepreneur has his/her own operating principles, which of course are valuable, but they should also

have flexible thinking and clever adaptability. Due to the unpredictable market, only if they adopt a more flexible policy at any time based on changes in the market, can they win or regain the initiative and change a disadvantage into an advantage. For example, an apple orchard in New Mexico was bombarded by hail that destroyed many of the apples while they were still growing. The owner was upset by this big loss, but then he had an idea. Using lateral thinking, he attached a note onto the baskets of apples, which read "The contents are all damaged, but please look carefully: a bruise caused by hail is a unique mark of apples grown in this region. These apples are full of real goodness, and have a wonderful sweet taste." As a result, he won the trust of customers, and all the apples were quickly sold out. According to conventional thinking, his bruised apples should have been sold off at low price, which would certainly have led to a serious loss. However, the owner was very flexible and acted differently, and took advantage of his disadvantages. And his unique and novel apples evoked the curiosity of customers, and inspired the customers to buy, thus turning the tables. In contrast, many business leaders are lacking in the ability to think flexibly. The everyday mode of operations develops a fixed way of thinking, and when they meet difficulties, they just complain and accept the losses rather than getting rid of the dilemma by the method of lateral thinking. The businessman in New Mexico was good at this business mode of lateral thinking to change his product's disadvantages into advantages. This spirit of courage in reforms and innovations is not only commendable, but also achieves success with original ideas and reaches the same goal by different means.

The courage to forge ahead and bold innovation. The entrepreneurial spirit of business leaders should primarily be reflected in his sense of innovation. They should have high aspirations and determination as well as being be careful and attentive. They must be diligent in thinking and perception, and then the power of understanding and inspiration, and a sense of innovation will ensue. The British economist Marshall once said that the entrepreneur's task is to create both a consumer and producer surplus. Another economist Schumpeter indicated that the entrepreneur's task is to destroy creatively, which means to boldly abandon useless elements and decisively choose the elements leading to successful work in his environment. The Japanese contemporary economist Ikemoto Jungjun pointed out that the essence of entrepreneurial behavior is to detect potential opportunities, and to exploit the relative relationship of input and output, and to take advantage of this opportunity flexibly. Their words have one thing in common which is that entrepreneurs in a

market economy must have a sense of innovation. Only with a sense of innovation, can they look for an opportunity for corporate development and profit in the imbalances of diverse and changing markets.

Entrepreneurs' conscious innovation should be manifested in the following ways. First, he can accurately seize the opportunity to look for and discover the opportunity for business development and profit in a rapidly changing and hostile market economy environment. Various opportunities include real and potential opportunities, as well as opportunites seen by others but not yet utilized. Second, he should not only be good at capturing an opportunity, but also be good at taking advantage of it. Taking advantage of the opportunity itself involves innovative behavior. Third, he should keep on researching and exploring effective management ideas in the light of its general trend and adjusting to changing circumstances, and modifying business strategies in accordance with developing and changing objective conditions.

The creative thinking of entrepreneurs needs to follow two basic principles of creativity science. First, it needs to learn to regard a familiar thing as strange and to study it in accordance with new theoretical ideas. Because things you are familiar with are understood and studied in a new way, and new conclusions are drawn. For example, merchandise that everyone is familiar with; Marx started researching it and found the laws of capitalism, discovered the law of surplus value, and revealed the trend of capital accumulation, and finally wrote it all down in *Das Kapital*. The other principle is to treat unfamiliar things in a familiar way. People often feel defensive about unfamiliar things, because they dare not or refuse to reach out and study them because of their unfamiliarity and not understanding their inner secrets. However, as entrepreneurs with innovative awareness, they should make analogies and an analysis of associations of unfamiliar things with the familiar, thus finding them to be acceptable.

Be bold at taking risks and competing. Entrepreneurs must be bold at taking risks and competing, because to some extent, many opportunities are to be found in adventure and competition. If they have no spirit of adventure and dare not enter unfamiliar areas, they will lose a lot of opportunities. But some entrepreneurs, especially those who have built up some achievements, prefer stability and are scared of taking opportunities due to the risk factor. This is almost a universal phenomenon.

China is a nation of small-scale production. In other words, it is a nation consisting of a small-scale peasant economy. In these times of

moving towards modernization, this sense of a small-scale peasant economy in some ways is still acting on the thinking processes of modernization. Some of the more distinctive features of a small-scale peasant economy are repetitive labor, recycling and a lack of an ability to take risks. People engaged in a small-scale peasant economy are timid, cautious, small-minded, and have weak characters. They lack the courage for adventure, and have no instinct for competition. In China, many entrepreneurs with a family background of farmers or who are surrounded by a peasant mentality tend to repeat their behavior, which has little chance of taking risks. This determines that their business development can only reach a certain level, and therefore it is difficult for them to move forward. The business is either kept static or pushed aside by the market economy.

Section 7. The improvement of leaders' qualities

The qualities of leaders are the most vital part of leadership management and to enhance these qualities it is crucial to strengthen the leadership management's capacity for building. Leaders need not only to enhance learning and improve their qualities, but also to establish a good image and to strengthen management. They need to pay attention to self-discipline and take the lead, so that by using their charisma they can drive forward, influence and boost the morale of the members of an organization to improve their work and to strive for common goals.

Leaders should become learners

Leaders shouldering the historical mission of promoting business development and their own career advancement, should strengthen their learning, actively use it in practice, and have courage for innovation and advance with the times. They should enhance their sense of learning, constantly update their existing knowledge, and maintain a kind of professional sensitivity and eagerness for all new ideas, new viewpoints, new knowledge and new approaches that are all conducive to promoting and improving their work. By constantly learning, increasing their knowledge and improving their ability, the foundations for improving their own leadership can be constantly reinforced.

This enhancement of learning in leadership managers, from the point of view of content, must have not only height, but also depth and breadth.

1. Strengthening their theoretical study. If leaders are sober and strict in theory, they can be sober and strict in politics in order to ensure the correct orientation of the leadership.

2. Enhancing their professional knowledge learning. In accordance with work needs, they should learn extensively about the modern economy, management, education, science and technology, the law, postal services, and marketing. At the same time, through a wide range of learning, they broaden their horizons, increase innovation in thinking, and enhance the ability of scientific decision-making and guiding its implementation.

3. Focusing on learning the art of leadership and modern management ideas. With scientific theory guiding their management practices; making efforts to strengthen planning in their work; creating a scientific mode for meeting targets; creating a relaxed, harmonious and enterprising team atmosphere; and making a rational allocation of human, financial and material resources, leaders can thus allow the highest possible efficiency of their team.

In order for leaders to improve their learning they should do the following:

First, learn from books. They should systematically learn theoretical knowledge, new ideas and concepts from books, in order to increase their knowledge and expand their horizons.

Second, learn from the community; learn from others. Confucius said that if three of us are walking together, at least one of the other two is good enough to be my teacher (The Analects of Confucius, the ER). As leaders, they should focus on learning, and have the courage to learn from other people's good ideas, manners and ways so as to benefit from others' strong points and make up for their deficiencies. They should learn from life experience, which is the best teacher. All aspects of daily life and work have the potential for learning everywhere as long as leaders pay attention. A leader should be an observant and conscientious person and simultaneously seek for, sum up, accumulate and improve their learning in practice.

Third, pay attention to practice, and then learn and apply it energetically. Without practice, there are no gains or advantages from one's intellect developed from knowledge learned from books or strong attributes learned from other people. They should adhere to the spirit of seeking truth from facts, carrying out a specific analysis of specific circumstances and develop their work creatively.

Only if the leaders constantly enhance their learning, can they continuously enhance their own knowledge and capabilities, and enhance their own qualities. By constant improvement, they can improve their leadership skills and exert more influence on their organization's members in order to improve the work undertaken and boost the development of their own careers within their organization.

Improving the demeanor and work methods of individual leaders

As a leadership manager in a new era, he should have the greater charm inherent in leadership management. The charisma of leadership management affects the performance of their capabilities. The charisma of leadership management contributes to their unity, influences subordinates, and helps to strengthen their effects. In order to improve the charisma of leadership management, it is necessary to have three good qualities, namely those of culture, morals, and character. The organic combination of these three qualities can be helpful to improve the overall qualities and charisma in leadership managers. Therefore, an ambitious leadership manager should continue to strengthen the cultivation of cultural, moral and character qualities. The work methods of leaders should be quiet yet commanding in influencing the managers under their leadership.

Influence employees with friendly behavior. Leaders should be approachable, affable and associate with subordinates on an equal basis. In this way, they can gain the support and obedience of others in order to become leaders worthy of the name. Otherwise, all the levels both up and down will lose morale. Even if other qualities of the leaders are excellent, it is difficult to get everyone's support and obedience.

Respect is the most valuable quality. "Leadership management capacity is not a person, a job or a project but the interactive relationship between the leaders and managers under their leadership, namely the range of activities range." So, leaders must establish a close working relationship with managers under their leadership. If subordinates know, understand and trust the leadership managers, they will be more willing to support and follow them. On the contrary, if the relationship between the leaders and managers under their leadership is distant and mutually suspicious and jealous or even mutually hostile, then the subordinates will gradually drift away from their leaders and they will lose their unity and appear united outwardly but divided at heart.

Awareness of innovation. This is absolutely necessary for a remarkable leadership manager. Leaders' awareness of innovation is linked to unknown causes and actions not yet discovered. Leaders are keenly aware of the direction and scope of development; they are aware of fleeting opportunities, and determine the direction of the development of organizations and individuals with a broad view combined with social trends, thus indicating forward targets for organizations and individuals. Leaders with an awareness of innovation have better access to the backing, admiration and support of their subordinates.

Work as an art will make colleagues happy. In order to become a respected and beloved leadership manager, he must have a good sense of work as an art, carrying forward a solid, pragmatic and pioneering work style. Leaders need to be bold in exploration, have a pioneering spirit, and work creatively. The establishment of a good style requires them to keep away from those unhealthy practices of not telling the truth, no tangible deeds, and not seeking efficiency, but to maintain close relationship between colleagues, and to fully mobilize enthusiasm and creativity.

The will and work style of leaders should be quiet yet commanding. There is a saying in China, "Soldiers follow the command just as the grass follows the wind," and "The movement of a dragon's head decides that of its tail." Napoleon had a saying that a flock of sheep under the leadership of a lion can defeat a group of lions led by a sheep. The strong-willed, unified and democratic; serious yet lively; well-disciplined; strictly pragmatic; vigorous and resolute work style of leaders is bound to create an invincible team with an organized and executive force. The style of leaders decides the style of the team. A saying goes that the style of work of the leaders decides the team's style of work. A firm conviction in the leaders and their style of work are the soul of the team he leads.

Shaping charisma Charisma is the most important characteristic in leadership managers. Confucius said, "If a ruler is personally upright, all will go well even though he does not give orders. But if he is not personally upright, even though he gives orders, they will not be obeyed" (The Analects of Confucius; the Zilu Article). It can be seen that the ancients have noted the important impact of the self-image of leaders on an organization's members. A successful leadership manager should have this charisma.

The charisma of will. The will is one quality of a person's psychology, but also a characteristic that is contained in the mind and embodied in action. The will is characterized by decisiveness, patience, steadfastness and perseverance embodied in leadership activities by leadership

managers. The will is always accompanied by an ambitious target. Any leadership manager with lofty ideals must constantly struggle to achieve his ambitious goals. Therefore, leaders must give top priority to the common goals, common cause, and common interests, and inspire enthusiasm, initiative and activity in an organization's members to make members feel an energetic driving force behind their goals and career. The opportunity to play different individual roles must be given to members of every organization, so that the members can feel the significance and value of every individual in the organization. To motivate an organization's members' innovation and progress in the context of targets and their career, and to unite their wisdom and strength, this allows them to always feel certain that their individual interests and those of their organization are closely linked. Through unremitting efforts, they must be able to achieve their desired objectives, have success in their career and to realize the value of their life in general. Leaders need to continue to inspire lasting enthusiasm and an inexhaustible motivating force for work in the members of their organization; to continue to strengthen the professionalism and responsibility of the members of the organization; bring people together through career development and work responsibilities; make efforts for promoting entrepreneurship; foster positive thinking; plan work objectives and methods; and to make every effort to complete their tasks. They then experience the joy of a successful career, which in turn stimulates a higher degree of entrepreneurial passion and enthusiasm for work.

The charisma of belief. We are from all over the world and have got together to reach a common goal. This statement is very appropriate to revealing the charisma of belief in leadership managers. Although the kinds of duties and division of labor of the leaders and employees are different, the most important bond linking them is a common belief. Therefore, leaders should always prioritize a common belief in targets and the common cause, and inspire enthusiasm, initiative and activities of the members of an organization, so as to let members of the organization feel the attraction of their goals and career.

For outstanding leadership managers, belief as an essential psychological quality is the basis for the leaders to build great achievements. Only if leaders are full of a will to win, will they be confident about their careers, keep up a good pace, have the courage to overcome any difficulties and meet challenges from all sides at any time. The guiding force of belief in leaders is not just confined to belief in themselves but it can also affect other people, which is a crucial reason for the belief to become part of

their charisma. If leaders have only tenuous belief, then their undertakings are only partly successful. A manager can apply his own belief to influence employees and thus make them willing to serve the goal of leadership managers.

The charisma of personality. The power of the personality is endless. Leaders who focus only on their power without using their personality will never oversee a good job, let alone an improvement in their leadership capabilities. Leaders must respect the human dignity of the members of their organization, care for and appreciate them, and give them opportunities to learn, work and develop. In the course of their work, not only can the goals of the organization be achieved, but also the development and progress of the organization's members can be improved. Leaders should pay close attention to the interests and needs of their staff, as well as the things they care about, and create an environment for members of the organization to feel supported through trust and training. They must not be condescending, arrogant, put on airs, show off, or consider themselves to be a bullying and domineering "official." They must not hold the one-sided belief that "distance" produces the authority to set artificial barriers. In the hearts of the members of an organization, leadership managers should always be mentors in work, good friends in life and people worthy of always being trusted and relied on.

Establishing correct views on employment

People are the most active factors influencing management activities, and leaders need to firmly establish a people-oriented leadership management philosophy. Through the establishment of scientific concepts of employment and adhering to the correct leadership methods, they stimulate everyone's enthusiasm, initiative, and activities to bring together the thinking and energy of all the members for the success of both an organization's cause and the attainment of personal values.

Focus on education and guidance. Leaders need to strengthen the construction of their own ideological style and set an example, which will have a persuasive and educational force. Thereby they can better exert their influence on subordinates and become a model for subordinates in guiding them to establish a correct outlook on the world, life and values.

Build first-class career achievements by using first-class talents. Career development needs talent and the key to success lies in it. Leaders should

foster a scientific concept of employment and keep to its correct direction. Leaders should focus on the point of view of personnel selection and employment whereby employees put their career first, possess morality, and dare to use their talents better. They must make efforts to discover, nurture and make good use of and retain their talents. For the business elite with a strong sense of ambition and responsibility, their managers need to increase their training and actively help their careers, so that they can be seen to recommend and be good at discovering able people and putting them in suitable posts. Thus, various talented workers can play their roles and create their own niche. In the process of selecting, educating and employing people, it is necessary to listen to the views of all the members of staff, act in strict accordance with systems and procedures, and conscientiously implement a democratic centralized system in order to seek out the genuinely clever and able people and to provide a stage for them on which they can display their talents. By the correct selection, education and employment, leaders attempt to highlight the distinctive point of view of looking after, appreciating and educating heir talented members of staff. This not only helps to mobilize the enthusiasm of subordinates, but also to establish a good image of leadership managers, thereby carrying forward a good atmosphere and producing good results.

Strengthening the construction of a control system. While strengthening education and guidance, it is necessary to strengthen the systems of construction, supervision and evaluation. First, the leaders should take the initiative to accept their supervising role. The establishment of a power operation mechanism with a logical structure, scientific distribution, rigorous procedures and effective restrictions can cause mutual supervision between leaders and their subordinates and between departments and their staff, thus avoiding the concealment of the power structure and actions. Through the establishment of an appraisal system, comprehensive evaluations are made in ethics, diligence, and performance of an organization's members, and the corresponding reward and punishment systems are improved, so that the members who are devoted to duty, honesty and dedication, and who have an outstanding performance are rewarded. People who are lazy and mediocre are punished in order to restore and uphold the right and to suppress bad elements, thus mobilizing the enthusiasm of the majority of the members of an organization.

In short, in order to enhance leadership management capacity, it is necessary for leaders to strengthen internal work and practice external work; to make proper use of their power; to establish the authority to

make an organization's members work together; and not only to enhance learning and improve their quality, but also to establish a good image and strengthen leadership management. They need to pay attention to self-discipline and give the lead, so that they can drive forward, influence and boost the members of organizations to improve their work and to strive for common goals of leadership management by their charisma.

4

The leadership management system and evolution

Leadership management systems mean specific institutions or systems for independent or relatively independent organizations to conduct leadership management activities such as decision-making, command and supervision, which ensure their integrity, consistency, stability and continuity within a strict system. It is the bridge to building relationships and having interaction between leaders and those being led, which has an important significance for the development of a collective.

The core content of a leadership management system is to stipulate the authority of leadership management, its institutions and relationships, and the types of its activities within in an organization's system in an institutionalized form. Leadership management activities within any organization system are neither random nor disorganized. They are standardized and institutionalized, or non-personified activities conforming to a clear level of leadership management, the chain of command, and communication channels.

Leadership management activity within any organization's systems is not a kind of ever-changing or frequently changed activity. It has a set of fixed rules, regulations or articles of association, and various leadership relationships. Authority and duties are within a certain fixed degree of stability and time frame. These characteristics of leadership management activities within an organization's system are determined by its leadership management systems. Without certain leadership management systems, their activities within an organization's system cannot function normally.

Section 1. Elements, structure and role of the leadership management system

Leadership management is not a single activity, and it needs to be carried out in certain organizations. For leadership managers, leadership management is the collective behavior of coordinating the members of the organization within the scope of their duties and also letting subordinate members complete organizational goals together with them. Anything in an organization is transmitted and handled by people, so leadership management activities from beginning to end are essentially dealing with people in every aspect. Therefore, the core of leadership management is dealing with various interpersonal relations within organizations, including the relationship between leadership management personnel, leadership management staff and subordinates. The sum of all these relationships constitutes the overall structure of an organization. In short, the overall leadership management system is a designed, social, or business organization made up of interlinking systems based on various elements necessary to the realization of the leadership management's objectives, purposes and tasks. It is just like an intelligent computer machine that has an overall interlinking system. The rationality of the system determines the results of achieving the tasks and purposes of leadership management. The process of leadership management is first to manage people through an organization's system, laws, discipline, and rules. And then the workforce manages things and objects, thus achieving the ultimate goal of leadership management.

The meanings of the leadership management system

The so-called leadership management system is an already formed organization's institutional establishment and legal arrangements based on the leadership management's authority. A leadership management system with leaders as subjects is an organic entity of an organization's institutional form, as well as a relevant rules and regulations system which is established to guarantee the normal working of leadership management activities and to realize the leadership management's function. It is an institutional system composed of various divisions of leadership management authority, formulated by leadership management offices and their corresponding organizational settings in leadership management activities. A leadership management system as a bearer of

leadership management activities is a particular social management system that has a specific meaning and a wealth of content.

In order to understand the leadership management system, the following three points must be understood.

First, the essence of the leadership management system is the division of leadership authority, and this division of leadership authority is regarded as the system's core. The core issues involved in the leadership management system are how to divide the leadership management authority. The duties and powers of leadership management departments or cadres at all levels in an organization should have clear divisions, which is an important prerequisite for standardized and orderly leadership management activities. The establishment of an organization's setup and a series of institutional arrangements in the leadership management system are expanded throughout the divisions of the leadership management authority and are all external manifestations which make up its substance. In fact, the scientific and rational allocation of the leadership management authority is the one of the core issues to be researched by leadership management science.

Inspection standards in three aspects are provided for evaluating whether the allocation of leadership management authority is scientific.

First is whether powers and responsibilities are consistent. If powers and responsibilities are inconsistent and if leaders enjoy greater powers than their responsibilities, this is prone to result in abuses of power for personal gains. Conversely, if the powers enjoyed by the leaders are less than their responsibilities, the leadership management tasks cannot be completed or there can even be no responsibilities related to their powers.

Second is whether the division of powers and responsibilities is clear. If this is clear, it is convenient for the leaders to perform their duties according to their powers and be serious and responsible. If it is unclear in the process of leadership management this can result in overlapping powers, multi-headed management or vacant powers, and no person in charge is likely to appear.

Third is whether the allocation of powers and responsibilities is appropriate. The appropriate allocation of powers and responsibilities includes not only their allocation, but also who has allocated them. If allocated appropriately, the correspondence between the powers and responsibilities and the right people will be guaranteed and imbalance wihin the system can be avoided; an inappropriate allocation will lead to a split between the powers and responsibilities and the right people.

The leadership management system is the organization's structural establishment within its system. The division of leadership management authority is generally reflected in the organizational or institutional system. In other words, the setting up of the system of an organization or institution is the carrier for dividing the leadership management authority. In this sense, the leadership administrative system is an organizational tool for embodying the division of leadership management authority and ensuring the orderly operation of its power. As an organization's structural establishment, the leadership management system is an overall organizational structure.

The leadership management system is a kind of institutional arrangement. It is an institutionalized form of its functions and a realization of its conditions. It is a series of specific institutional arrangements or institutional norms that regard the division of leadership management authority as its core content and the realization of organizational goals as its main function. The essence of the division of the leadership management authority is a division of the labor or duties system. The institutional setting is essentially a set of organizational systems. The essence of staffing is the arrangement of the personnel within the system. The system of powers and responsibilities with operating rules are essentially the normal system of organizational and work behavior; they are a management and responsibility system. In this sense, the leadership management system is an institutional system about the division of leadership management authority and structural establishment. Of course, from a broader point of view, the leadership management system is not only associated with organizational form but is also closely linked with other specific social management systems.

Elements of the leadership management system

According to the understanding of the concept of leadership management system, it is generally believed that the elements of the leadership management system are the substantiating of the organizational structural establishment and specific institutional arrangements based on the division of authority in the leadership management system. This includes the principles of leadership management organization, the composition of the leadership management agencies, the organizational structure and institutional arrangement of leadership management.

The organizing principle of leadership management. The general principles of an organization's structural establishment are based on the division of authority in the leadership management system.

1. The principle of goals. An organization's structure should be designed to be consistent with its goals. The design of the hierarchy and branches of any organization must be conducive to achieving an organization's goals and completing its tasks. Therefore, the first step of organizational design is to rationally determine the overall goal of the organization as well as various specifically derived goals on the basis of a comprehensive analysis of the external environment and internal conditions.
2. The principle of completeness and unity. The organizational setup system must be complete and unified, and must have policy-making, consulting, information feedback and supervisory agencies.
3. The principle of classified business content. According to requirements of an organization's goals, the business activities necessary to realize the organizational goals must be determined, and make proper classifications in accordance with the nature of those business activities such as market research, business decision-making, product development, quality management, and marketing management. A clear picture of all these kinds of activities and the approximate workload must be prepared. On this basis, an overall design of the business activities is made, so that the overall business process is optimized.
4. The principle of adaptability. The establishment of an organization's setup should be appropriate to time, place, and conditions. It must also have a certain degree of flexibility. The setup must be constantly adjusted and restructured according to the changes in the objective situation and the characteristics of leadership organizations.
5. The principle of high efficiency. This is required to reduce administrative costs, and to improve organizational efficiency as much as possible. An organization's design aims to improve work efficiency, rather than gratify personal wishes or some other purposes. In a word, the leadership management system must have clear organization, strict discipline, rigorous requirements, a serious attitude, clear goals and tasks, and an efficient method of meeting those goals.

Composition of the leadership management agencies

The essence of the leadership management system is the division of leadership and its institutionalization, which inevitably requires establishing certain agencies, departments or divisions of labor to bear the corresponding powers and responsibilities. There must be some leadership management institutions within any leadership management system. A modern leadership body, namely the organs of the leadership generally include the following five parts:

1. The decision-making organ, also known as the decision-making center is the core of an organization's system. It is generally composed of a number of decision-makers who perform decision-making responsibilities in accordance with the rules of activities compatible with the nature of the particular organization. Decision-making organs have different names because of the nature of the organization, such as the administrative leadership management office, or board of directors, etc. The decision-making organ is the soul of the leadership management system. If no decision-making organ exists, or the decision-making body is not authoritative, the leadership management system will not be able to effectively carry out its work. A leadership management system can have only one decision-making body, otherwise it would be easy for the same policy to be made by different organs thus reducing or even destroying work efficiency. The decision-making organs must also be small in number but highly efficient. An excessive number of people or low quality of personnel can easily make an organization fall victim to a weak bureaucratic system. The task of a decision-making body is to make the right decision and choose the most appropriate program under any given conditions. It must not become a specialized entity. A decision-making body must have a complete and perfect system of rules and working procedures.

2. An advisory body serving the decision-making is the "General Staff" of the decision-making body. It is generally composed of professional and technical personnel, management experts and senior scholars who can be full-time or part-time. The main task of the advisory body is to accept a commission or take the initiative to work on major decisions, as well as to produce research reports of a high level or preliminary programs of decision-making for decision-making bodies. The advisory body also has different names, such as counselors' offices, research rooms, the Development Research Center and Strategic

Research Center, which all fall into this category. In order to make better use of its functions, the advisory body must have at least two conditions. One is the relative independence of the advisory system, and the other is the outspoken character and advisory ability of its staff.

3. The execution agency as the specifically executive department of the decision-making body, is generally made up by coordinating various professional executive departments. The main task of the execution agencies is to carry out accurate, fast, and effective implementations of various decision-making programs or decisions and orders of the decision-making body. Under the premise of correct leadership decision-making, the executive force has become the focus of competition. In order to complete a task well, the execution agency must do a good job in the following work focusing on the executive force: it must make great efforts to increase comprehension; to set target incentives to enhance the guiding force; to do a good job in communication and coordination in order to boost organizational synergy; to develop culture to enhance the cultural force; to appraise and supervise to assist the binding force; and to perfect the facilities to increase the material force.

4. The information agency as the information services department of management leadership decision-making is generally composed of comprehensive offices, archives, intelligence agencies, an information center, a statistics department, a social survey center, and petition letter departments all sometimes play the role of information institutions. The main task of the information agencies is to collect, collate and provide true and reliable information about leadership decisions, and to track the execution of decisions and provide valuable feedback. Information institutions as the "eyes and ears" of the leadership managers' decision-making system are indispensable, and they should be complete and permanent bodies. The information institution buildings should take full advantage of contemporary advanced communications technology and information equipment, so as to improve the level of office automation and the level of modernization of information processing.

5. The supervisory body as the control and supervisory department of the leadership management decision-making system generally includes disciplinary inspections, auditing, the superintendent's office, the inspection team, and the board of supervisors. The main task of the supervisory body is to supervise the formulation and implementation of leadership managers' decisions. They must promptly find any inclination or behavior deviating from the target, so as to put forward warnings and corrective recommendations to the leadership managers' decision-making

center. Then either authorized by law or commissioned by the organization, it investigates and deals with the people in charge, thus ensuring the correct formulation of decision-making and its accurate implementation. The supervisory body belongs to an organization's democratic management remit and in order to play its role must have at least two conditions. First, with respect to the system, the supervisory agency can exercise official powers independently by means of law; second, the supervisor sticks to principles, has an upright and outspoken character, and is good at supervision. The success of the supervisory body is guaranteed via two channels. The first channel is the full-time supervision of agency personnel, their responsibilities, and realization of their tasks. The second channel is to oversee people within the wider organization and to watch out for any violation of law or dishonest behavior on the part of leadership managers. The reporting system must be systematized and there must be protection measures and reward methods for whistleblowers.

Leadership management institutional arrangements: the division of authority and responsibilities of the leadership management system. The system at this level is mainly to decide the rational allocation of leadership and management powers appropriate to leadership management functions between the upper and lower levels of management in an organization. It is generally reflected in the division of responsibilities between members of the leadership management team, and the division of authority between higher levels and lower levels within an organization's system, as well as specifying the responsibilities of departments at the same level. The division of leadership management authority must be based on the division of labor of the leadership management functions, so that the power held by the leaders is conducive to their functions' completion. The endowment of leadership management powers must be based on the requirements of the work and the quality of the leaders so as to ensure that they have the qualifications and ability to undertake leadership management responsibilities. The exercise of the leadership management power must be brought under an institutionalized supervisory system and the people exercising these powers must assume leadership responsibilities.

The systems running the leadership management organs and the development of leadership management work. The systems at this level are mainly to decide the work program of the leadership management organs, and the operating rules of leadership management work, such as the systems of the leadership management team; decision-making systems

of leadership management; employment systems and office systems of leadership management; the referrals reporting system; the inspection, supervisory and feedback systems; the accountability system of leadership management; the government affairs openness system; the petition letter reception system; and the administrative coordination systems.

The management systems of the leadership managers. The systems at this level mainly decide the selection, appointment, promotion, assessment, monitoring and management of leadership managers, namely the management system of leadership management cadres that are extremely important in the leadership management system. The division of the leadership management authority should be practicable to the leadership management cadres whose division of labor can help to realize the leadership management functions. The operation of the leadership management institutions and the running of the leadership management organization systems are controlled through the coordination and command of the leadership management cadres. The specific systems of the relevant leadership management work should rely on the leadership management cadres implementing and following them. Moreover, the management systems of leadership management cadres are closely related to the leadership management systems. Different leadership management systems must have different management systems of cadres, while the management systems of these cadres have an impact on and constrain the efficacy of leadership management systems. In this regard, the relevant systems of the governmental departments are relatively perfect.

In addition to the above three points, the elements making up the leadership management systems also include the organizational structure of the leadership management. This is an important element of the leadership management systems, which will be discussed in the fourth section.

Functions of the leadership management system

The core content of the leadership management system is to stipulate the leadership management authority, institutions, relationships methods of leadership management activities with an institutionalized form within an organization's systems. The leadership management activities within any organization's system are not arbitrary and chaotic, but standardized, institutionalized, or non-personified activities following a clear

management hierarchy, sequence of levels, chain of command, and communication channels. Through the functions of the leadership management system an organization's targets and tasks are achieved.

At the same time, the leadership management activity within any organizational system is not continuously changing. It has a set of fixed rules, regulations or articles of association, and a variety of leadership management relations, authorities and responsibilities. It has a certain stability and long-term focus. These characteristics of leadership management activities within an organization's system are determined by its leadership management system. Without this leadership management system, leadership management activities within an organization's system cannot function properly.

The role of the leadership management system is more important than the quality of leaders and leadership management style. In a nutshell, the roles of the leadership management system mainly include the following aspects:

Leadership management and organizational structural systems for the common purpose and tasks. In socialized large-scale production conditions, leadership management activities are a complex process with numerous factors. The most basic factor is the mutual influence on and interaction with the leaders of the management team. It is not just the activities of individual leaders or a minority of managers. Only by improving the leadership management system and combining an organization's setup with its members into an organic system of work, can we ensure the smooth running of leadership management activities.

In real life, any leadership management activities are reflected in two aspects. On one hand, leaders affect the thinking and behavior of their management team through guidance, motivation, norms and constraints. On the other hand, the followers also affect the thinking and behavior of the leaders through selecting and electing them.

It is just this two-way interaction that jointly promotes the realization of an organization's goals. The leadership management system is a pivot which links leaders with their followers. Moreover it is an effective way of implementing leadership management activities and an objective basis for their normal and efficient running. The methods adopted by leaders to establish links with their management team and to exert influence on them depends on the type and characteristics of the leadership management system. Only by means of the leadership management system, can the members of an organization attain an organic combination, thus forming a joint force to achieve a common goal.

The leadership management system acts as an organization's base and tools for carrying out leadership management activities smoothly. Leadership management activities must rely on the leadership management system.

The division of the leadership management authority must be realized and recognized by the leadership management system. An important source of leaders' authority is its legitimacy within the leadership management system. Acquiring leadership management power and status by law includes: the functions of decision-making, its employment, command and coordination. These activities must be performed by means of a sound leadership management system. In order to reflect and adopt the views, suggestions and requests of leadership managers, the institutionalized channels of the leadership management system must be applied. Various systems and related procedures followed by leadership management activities are important parts of the leadership management system, and their effectiveness and authority arise from its recognition and support.

Among all the relevant factors impacting the leadership management system, only the leadership management system itself has a holistic and fundamental role. It can be seen that it is an organization's base, which ensures the smooth conduct and effective development of leadership management activities. It is a basic tool to sway the influence of leaders and to carry out leadership management functions.

A scientific and sound leadership management system is related to an organization's survival and development. The theoretical logic explained by the previous two points, as well as numerous positive and negative (real life) experiences, can fully demonstrate that the leadership management system is related to an organization's survival and development.

The leadership management system is the most basic and important institutional framework to standardize leadership management activities. If the leadership management system is unreliable with only a vague division of leadership management authority and an unreasonable organizational structure, it is difficult for even the wisest leaders to have any effective influence or leadership authority. Even if a leadership management objective is more than correct, it cannot avoid the fate of being distorted because the best leadership management resources cannot undergo reasonable development or utilization.

It is very important to note that an unreliable leadership management system can seriously affect the democratization of all operational management activities and impede the smooth progress of daily activities.

It is prone to producing a variety of management shortcomings, and make the powers of the leaders lose their customary rules and norms. This scenario not only damages leadership management functions, but eventually endangers the normal development of the organization as a whole. Its impact cannot be ignored.

The leadership management system and society. The positioning of the leaders in the leadership management system is an important foundation for effective leadership management.

The leadership management system as institutionalized and orthodox relations, methods and patterns, authoritatively stipulates the basic interrelations, rules of behavior and main procedures within a leadership management body. It has a long-term global and fundamental impact on the emergence, formation, status, role, specific behavior and results of a leadership management body. It is the legal basis of the leadership management practices in an organization. It provides a specific way and channel for this organization to participate in social activities, which has a pivotal role in leadership management practice.

Leadership management system is an important variable to determine the effectiveness level of leadership management. While evaluating leadership management performance, we must take into account the leadership management system being an objective factor. Leadership management effectiveness is reflected in their performance, that is, a consistency in the efficiency and achievement during the process of leadership management activities and attainment of objectives. It is quantified as direct economic and social benefits brought about by leadership management activities.

In fact, leadership management effectiveness is both a reflection and evaluation of the leader's working attitude and ability. It is also the result of the combined effects of objective and subjective factors such as climate, geography, and human behavior, among which the leadership management system is undoubtedly an important organizational stage. In addition, in order to improve the effectiveness of leadership management, it is necessary to ensure the right goals, the right direction, and efficient operations that are directly related to the quality of the leadership management system.

In other words, the leadership management system plays a very important role in improving the effectiveness of leadership management. Specifically speaking, the correct direction of the target is inseparable from adequate and reliable information. The democratic decision-making of collective wisdom is closely linked to the soundness of the structural

establishment; the reasonableness of division of duties; appropriate divisions between leadership management levels; and the range of the leadership management approach. To create or obtain leadership management effectiveness, it is necessary to establish a scientific and sound leadership administration system with excellent operations.

Section 2. The organizational structure of the leadership management system

The meaning of the organizational structure of the leadership management system

The so-called organizational structure of the leadership management system refers to the interrelation and the links between the departments within the leadership management agencies. The organizational structure includes two basic relations. The first is the vertical affiliation relationship of leadership management that determines the superior-subordinate relationship of leadership management. The second is the horizontal cooperative relationship between parallel departments within the organization.

Variables and relationships within the leadership management organization's structural form

The variables used to describe an organization's structural form of the leadership management system include; leadership management levels and span.

The so-called leadership management level means that in order to reduce the business volume in leadership management activities, leaders form the level and grade of vertical affiliation reflected in the level of authorization.

The so-called leadership management span, is also known as the scope of leadership management. This means that the scope available to leaders in leadership management activities through the horizontal division of labor is reflected in the number of the subordinates directly under leadership management.

For leadership management agencies on a certain scale, leadership management levels and span have an inverse proportional relationship. The fewer vertical levels in an organization, the more subordinates under direct leadership management, and the wider the leadership span is. Conversely, the more vertical levels in an organization, the fewer subordinates under direct leadership management, and the narrower the leadership span is.

The inverse relationship between leadership management levels and span determines two basic types of a leadership management organization's structure. These structure types are known as the cone (pyramid) and the flat types. The organizational form of the cone (pyramid) has a narrower leadership management span and many more leadership management levels. In a large, established organization, the cone has a tall, sharp and thin pyramid shape. The organizational form of the flat type means that it has a broader leadership management span and fewer leadership management levels.

If the issues to be solved in mass production corresponding to the division of labor and mutual cooperation for the leadership management system are decentralization and integration, then the basic problems to be solved in an organization's structure are this same division of labor and mutual cooperation. The basic role of the cone shape of an organization's leadership management structure is to focus on the centralization of power and control, while the role of a flat organization structure is to focus on decentralization and coordination. In traditional kinds of production, in order to improve the efficiency of an organization's operations, leaders choose one whose structure is of low complexity and has a high degree of normalization and centralization. With the advent of the information age leaders choose more often an organizational structure with good flexibility, wide diversification, and a high degree of decentralization.

The above two organizational structures consist of forms that can be described abstractly and generalized, which is useful in helping us understand the design ideas for an organization's structure, and also understand the relationship between any influential factors within the structure. In fact, specific forms of organizational structure are diverse. Therefore, different leadership management literature does not have exactly the same descriptions of organizational structures. At the same time, it is widely acknowledged that the specific forms of organizational structure are varied, and need to be chosen or restructured and then combined with the actual situation of the organization.

Organizational structural forms of leadership management

The most common organizational structural forms include linear, functional, matrix, and divisional types.

First is the linear structure, also known as the hierarchical or classification system, which is a pyramid-type organizational structure. It is characterized by various positions arranged in a vertical linear system. A subordinate has only one superior who can give orders to him, and he also reports to only one subordinate who is subject to his supervision. For example, corps, divisions, brigades, regiments, battalions, companies, platoons and squads in the military system are concrete examples of this form. The advantages of this organizational structure are unity of command, clear vertical levels, clear responsibilities, and convenience for supervision. One drawback is that it is easy for higher-level leadership management to fall into daily administrative affairs and they may be unable to concentrate on thinking over and studying major issues. It is only suitable for completing repetitive work with a single fixed method, but not suitable for some non-standard tasks with a high degree of complexity.

Second is the functional structure, also known as the sub-post system. Its main feature is to set up corresponding functional management departments according to a specific division of labor, and to implement a specialized management of this division of labor to replace the linear-system, all-round leadership managers, such as ministries within government departments. The advantages of this organizational structure are that its staff understand the business and are familiar with the specific circumstances, and thus can make an authoritative decision. Generally speaking, its efficiency is higher than that of a linear organizational structure. Its disadvantage is that it is likely to cause a surplus of managers, which has a negative impact on subordinate units. Therefore, a functional organizational structure makes it is easy to split the unified leadership management processes between subordinate units and is not conducive to solving the various comprehensive issues involved.

Third is the mixed-type structure, also called the U-type structure. The main purpose of this organizational form is to set up two sets of leadership management system in an organization based on the straight-line system. One set is to establish a linear command system according to the principle of unified command; and the other set is to establish a

functional leadership management system based on the principle of the division of functions. This kind of structure has been widely used in enterprises and administrative departments. The integrated and stable organizational structure of the linear function system is centralized. It maintains the advantage of having a centralized and unified command arranged in a straight line, and absorbs the strength of the functional system playing its role in professional management. It is an organizational form whereby subordinates have direct contact across a unified chain of command. However, this structure also has shortcomings that are difficult to overcome, such as a lack of effective communication between various functional departments. Moreover, this system has too little lateral exchange of information; an unclear division of powers and responsibilities between horizontically arranged departments; an inclination towards conflict and friction; a lack of enthusiasm and creativity among the members of staff; and excessive management costs caused by a surplus of management personnel.

Fourth is the matrix structure, which is also known as the "planning-target" organizational structure. Its main purpose is to combine the departments divided by function with teams divided by product or project to form a matrix, and to get a good combination of vertical and horizontal links in corporate leadership management. The advantage of the matrix structure is that it can strengthen communication and cooperation between various departments, which improves the efficiency of solving problems. It is conducive to giving full play to the role of functional specialists, and to training and exercising their wide range of talents. In addition, this form also enables companies to adapt quickly to changes in market demand. However, the matrix structure also has some disadvantages. First, dual leadership management increases the number of people passed through in the process of information transmission, and this complex relationship brings about difficulties in coordinating work and defining responsibilities. Second, its temporary character leads to instability. Finally, the dual leaders result in a doubling of administrative expenses, which greatly increases the cost of leadership management.

Fifth is the divisional structure. This organizational structure is characterized by "centralized decision-making and decentralized management." In other words, it combines decentralized management with independent accounting, and allocates responsibility and authority to each division to a maximum degree, thus enabling the top leaders to get rid of daily production operations to become a truly powerful decision-making body. The divisional organizational structure originates

from the General Motors Corporation in the United States in the 1920s. The advantage of this organizational structure is that it is more suitable for the facilitation of the distribution of knowledge, and complies with the requirements of increased information transmission and processing. Thus it improves information processing efficiency, simplifies ways of information transfer, and improves the efficiency of solving problems. It is helpful in improving market competitiveness and overall economic benefits of the divisions. Divisions can diversify risk to facilitate the assessment and evaluation of the operating performance of each one, and it also helps to improve the management capability of each divisional manager. The divisional system also has the following disadvantages: first, it is easy for the divisional system to cause departments to become insular, which affects collaboration and unity between the various departments due to their competitiveness; second, communication of information, personnel and technology among divisions is difficult; and third, the divisional structure can also greatly increase management institutions and staff, resulting in increased management costs. Although the divisional structure has these deficiencies, it is still widely used by many large companies. Very large companies with a wide variety of business and wide market coverage demonstrate the superiority of the divisional system.

Section 3. Types of leadership management system

The division of leadership management authority is at the core of the leadership management system. Different types of leadership management system reflect different divisions of leadership management authority. Depending on the criteria for the classification of the leadership management system, there are four basic types.

The directorate responsibility and committee systems

The directorate responsibility and committee systems are distinguished by the number of the highest decision-making members of a leadership management group. The directorate responsibility system, also known as "the system of one judge," means that the statutory decision-making

power is concentrated in one person in charge. The committee system, also known as the contract system, means to give the organization's decision-making powers to two or more people in charge.

The advantages of the directorate responsibility system lie in a centralized power's clear responsibility, quick action, and high efficiency. Its disadvantage is the inability to deal with problems due to limits in personal knowledge, wisdom, and talents. Moreover, a monopoly of power easily leads to the phenomenon of bullying and other abuses of power.

The advantages of the committee system lie in its collective wisdom, thorough consideration of decision-making, and the ability to represent the interests of all various aspects. Committee members work in cooperation with a due division of labor and take on tasks separately, which can alleviate the burden of the top leaders and avoid individual authoritarianism and abuse of power. The disadvantages of the committee system are slow action, lower efficiency, decentralized responsibility and unclear responsibility.

In contrast, for these two kinds of leadership management systems, it is difficult to tell which one is better overall. Generally speaking, quick decisions, and executive, technical, disciplined and sudden leadership management activities are more suitable to be adopted by the directorate system. The kinds of leadership management activities that belong to principles and policies, planning, legislation, coordination and a comprehensive balance are more suitable for the committee system. In practical leadership management activities, these two systems interrelate with each other in various ways. The executive heads of the directorate system often rely on a variety of special committees to help deal with any problem. The committee system also tends towards clearly defined responsibility.

The level and functions systems

In terms of the scope and nature of the authority of agencies within an organization's system, the leadership management system is divided into two types. These are the level and functions systems. This means that the leadership management system is formed by dividing the leadership management authority both vertically and horizontally. The level system means that an organizational system is divided into several levels in a vertical direction. Conversely, the creation of a system with its authority placed like footsteps on the same level is known as the linear classification

system. The functions system means that an organization's system is divided into various functional departments with different authorities, also known as the sub-career system.

The advantages of the hierarchical system are unity of command, concentration of power, clarity of level and neatness. The business sense of leaders at all levels is much the same and employee promotion or transfer can soon be carried out. Meanwhile, because this system stresses mastering and being familiar with all business aspects, it is beneficial to train generalists with the ability to coordinate arrangements and maintain an overall balance. Its disadvantages are that it is more likely for leaders to deal with major and minor immediate issues, because it is not easy for the leadership to oversee many intermediate levels.

The advantages of the system are: a meticulous division of labor; one function carried out by each individual leadership manager; proficiency in the business; and a high degree of efficiency. This is helpful to train experts versed in various different businesses and to improve the professional level of the members of staff. Its disadvantages are that having one strong specialty may result in overstaffed agencies, and also that different policies arise from different departments. If the situation is not understood as a whole, it is easy to breach economic principles.

In modern society, in a larger organizational system, both the level and functions systems are usually combined.

The complete and separation systems

In terms of the number of superiors corresponding to subordinates, the leadership management system is divided into the complete system and the separation system. The directives of superiors or the various constituent units of an organ are entirely focused on one chief executive or superior officer. This is called the complete, centralized, or unified leadership system referring to centralized leadership management.

The advantages of the complete system are centralized power, easily integrated planning, clear assignments of responsibility, a reduction in arguing and passing the buck, an avoidance of any duplication of work, a reduction of "friction," and improved work efficiency. The complete system's shortcomings are highly centralized power, arbitrary behavior in management, and the suppression of initiative, enthusiasm, and creativity of subordinate units in the implementation of policy. This increases the subordinates' dependence on their superiors and thus they become lazy and less inefficient.

The advantages of the separation system are as follows: its decentralized power will easily prevent arbitrary behavior and abuse of power, and it is conducive to discovering and developing talent. In addition, even if the leadership authority is unsound, incompetent or making wrong decisions, it will not have a significant impact on the overall situation. The shortcomings of the separation system are a lack of coordination between units, power conflicts, duplication of work, and serious internal friction, thus resulting in a waste of manpower, materials, and financial resources.

The complete and separation systems must depend on specific circumstances for their specific application. In general, if the nature of the work is the same, and it is necessary to implement a centralized and unified leadership, it is appropriate to implement the complete system. On the other hand, if the nature of the work is different, or even if its nature is the same but needs to be dealt with in different ways, it is appropriate to implement the separation system.

The centralized and decentralized systems

The centralized system and decentralized system are distinguished according to the degree of division within higher and lower level leadership management authorities. The centralized system means a leadership system where all the decision-making power of all business is concentrated in the leadership, and the lower-level organizations only have executive power and no decision-making power. The decentralized system means a leadership management system where subordinates can independently decide issues within the power of their own jurisdiction, while the leadership does not intervene.

The advantages of the centralized system are a unity of will, unified policy, and unified command. The disadvantages are that it is difficult to understand the particulars of any mistakes, and it is difficult to act according to circumstances. This system has poor flexibility and little adaptability, which always limits the enthusiasm and creativity of the lower levels of an organization.

The advantages of the decentralized system are as follows: subordinates can implement the directives of superiors according to local conditions, and can give full play to their wisdom and talent. Based on actual situations, they deal with problems depending on their different characteristics and give full play to local strengths and advantages. Contradictions and conflicts often happen among the various parties,

and they are also prone to lead to departmental insularity and decentralism, and to disregard overall interests.

The centralized and decentralized systems are a direct contradiction that can also be called a unity of opposites. Therefore, it must be specifically applied in accordance with different tasks and different environmental conditions.

There are four classifications of leadership management system: complete and separate leadership management systems, and the directorate responsibility and committee systems. These all influence the number of superior managers or leadership management organs in various ways.

From a scientific point of view, modern leadership management and research into the management of practical processes should be based on the reality of an organization's goals.

Modern intensive production, service, and marketing companies within the overall market system should implement systematic, standardized and programmed computer software along with an intelligent management which combines the centralized and decentralized system, in order to achieve a higher level of leadership management results.

Section 4. The evolution of the national leadership management system

Nature management in primitive tribes

Since the birth of mankind, people have been carrying out living and consumption processes in order to survive and develop. In the long-term development process of living consumption, people have created production, scientific and production research, and social consumption, namely the three most important types of consumption. During the process of creating these three most important types of consumption, relationships between human and nature, between people, within the family, between the nation and family, between nations, and between the tribes and tribal nations have been created.

In a matriarchal society, the mother's authority leads to an organization's leadership management learning about the internal disputes within a family. The mothers of families are responsible for coordinating and resolving these family disputes. The chief of a tribe is responsible for coordinating

and resolving conflict between families and tribal groups. Chiefs negotiate to agree on the disputes between other tribes. If the dispute cannot be solved, an armed conflict takes place leading to a resolution through victory during the course of the struggle. The main reasons for these conflicts are based on the amount of consumption of wealth, protection, competition and plundering of resources. There are also other reasons but they are generally secondary.

Throughout history, the organizational management of leaders (chiefs) has been mainly dominated by internally stipulated laws and regulations. Brothers and sisters in a family give priority to virtue, etiquette and education demanded by house rules. This kind of society gives priority to the teaching of respecting the old and cherishing the young. It provides laws and regulations for subordinates to follow, and penalties are given to offenders in order to maintain the stability and harmony of this primitive tribal society. At the same time production develops to guarantee the living consumption and safety of all its members.

National leadership management systems in slave societies

Various progressive elements in slave societies were created and gradually developed in primitive commununities. They were the opposite and unified laws of internal disputes within primitive communities and the movements of each class and stratum. The affirmation and negation of the law and the subsequent progress from partial qualitative changes to an actual qualitative change resulted in the outbreak of the revolutionary struggle of transiting from a primitive communal society to a slave society. The new-born slave society forced the destruction of the social system of the original primitive commune.

Qi established the Xia Dynasty and China became a slave society. After Yu became the leader of a tribal alliance, the title of the reigning dynasty was Xia. Historical Xia records told that after the death of the Emperor Shun and the three years of mourning were finished, Yu had to go to Yangcheng in order to avoid Shang, the son of Shun. The dukes or princes under the previous emperor left Shang to go to Yu. Then Yu ascended the throne in the south of the country. The title of this dynasty was named "Xia." This showed that Yu's prestige was still quite high. Yu cast nine tripods and also received supreme powers. At one stage he was also inclined to sanctify his power and make it inviolable. Otherwise,

he would not have been able to effectively unify and organize these various tribes throughout China.

After Yu's death, his son Qi succeeded to the throne according to the hereditary system, which showed that the clan communal system of primitive society had been completely destroyed; that the private ownership was formally established; and that the beginnings of a country was appearing. The arrival of slave society, namely humans changing from a primitive society into a slave society, was epoch-making progress in the history of mankind. When the social productivity of human consumption developed to a certain stage in primitive society, the original clan tribal leaders became slave owners, which was the inevitable result of the surplus of wealth gathered in their hands. At that time, there was a division of land into agriculture and cottage industries. Human progress developed from the Stone Age and Wood Age to the Bronze Age, and consumption and social productivity was greatly developed. At this time, the various constituents of slave society were born and they grew inside clan tribal communities. When Qi in the Xia Dynasty inherited his father's throne, and implemented the hereditary system, tribal leaders followed by imitation. The birth of slave society was the emergence of a new social system that opened up the beginnings of slave society.

In slave society, the system of private ownership began to become legitimate; agriculture and handicrafts developed further; the division of labor was more clearly defined; social productivity consumption was greatly improved; the production of goods improved greatly; people's standard of living became much better; and the conditions for cultural prosperity were also created. So, all in all this was historical progress.

By then they already had copper mining, smelting, and tool manufacturing, as well as the manufacturing of production tools. Tools were used to create consumption goods and surplus production that people needed. The exchange by barter and the equivalent exchange of prototype items representing currency of the same value were developed.

Slave society continued for about 1800 years starting from the Xia Dynasty (B.C. 2050) until the time when Qin Shi Huang defeated six states and unified China in the year 211 BC. This was the advent of the feudal social system. The development of social productivity consumption entered from the Bronze Age into the Iron Age.

Guanzi and Shangyang developed the three most important types of consumption to create a feudal social system. Guanzi (BC 725), with the full name Yiwu Zhong, was born in Ying Shang (now Anhui Yingshang).

In the 40 years of his service for Qi, he carried out a series of reforms in economics, politics and the military, thus becoming an outstanding politician in the early stage of the Spring and Autumn Period. Guan Zhong attached great importance to economic development through reform. He stressed that only if the warehouse has sufficient food can people know etiquette, and that only if food and clothes are plentiful can people know honor and disgrace. In order to develop the economy, he first broke the limitation of the well-field system, and took the progressive measure of "tax levy according to the quality of land." He advocated that tax be levied according to the quality of land and if the was graded in this way, it would improve the utilization of low-quality land and would be conducive to the development of production. Since Qi was nearby the sea, he also actively pursued fishing and salt, and took the approach of exporting fish and salt without tax, so as to encourage the fishing and salt trade. He employed fishing and salt officers and iron officials to make use of their official power in order to develop the salt and iron industries. He also forged and managed a monetary system, and paid attention to the development of commerce and handicrafts. In addition, he also set up a system of nine government offices which administrated finance. According to the harvest and the needs of the people, commodities were collected and sent out to adjust the prices of goods, thus making goods equal to finance and therby increasing national income. This laid the economic foundation for Qi to dominate the other princes. Confucius once praised Guan Zhong's feats; Qi Huan's unification of the nine princes was not by military means but by the power of Guan Zhong.

Guan Zhong implemented the political policy of "three nations and five places outside the rural areas." The original administrative structure was rectified and the nation was divided into 21 parts with three kinds of industry, commerce, and military (soldiers and farmers together). Industry included three parts; commerce three parts; and military 15 parts. In addition, the five places outside rural areas (outside the State) were established. Officials were respectively established for management, and the residences for soldiers, farmers, industrial workers and businessmen were set out. They were staffed by people and their households, and it was not allowed for them to migrate without permission, thereby strengthening the rule of the domestic system (which is equivalent to the regional census registration system).

On the basis of political reform, Guan Zhong further implemented the reform of the military system to combine residential organizations with

military manpower. This made soldiers go into agriculture, and formed unity between soldiers and farmers. He combined the military and administrative organizations in order to make them work in production in peacetime and fight in wartime. Guan Zhong's reforms, to a certain extent, conformed to the developing trend of social change; objectively accelerated the collapse of the slavery system and the formation of the feudal system; and played an important role in promoting the development of society, which is the process of breeding, growth and development of the feudal system out of slave society.

Guan Zhong assisted Qi Huangong in promoting the rapid development of life, social, and production consumption by the force of state, which marked that the feudal social system was established in Qi, and the slave system had been abolished.

2. Shang Yang was a famous politician in the middle warring states. In the year 359 BC, Shang Yang made the first reform under the support of Qin Xiaogong. It reads as follows:

(1) Abolish the monarchy, namely the hereditary system. (2) Implement a series of household systems. (3) Reward military honor, and prohibit personal fighting. (4) Reward farming and weaving. Encourage agricultural production and for those who produce food and cloth exceeding general production, they will be exempt from forced labor and tax. (5) Encourage an individual peasant economy. It was stipulated that families with more than two sons must divide up the family property and live apart until adulthood. They had to establish families independently and could not live a dependent life, or they would be punished with a double tax penalty.

The implementation of Shangyang New Law made remarkable achievements within a decade, and Qin began growing in prosperity. In 352 BC, Qin Xiaogong appointed Shangyang to be Da Liangzao (the Sixteenth Grade of Qin peerage that is equivalent to Chairman General). In 350 BC, the Qin Dynasty moved the capital to Xianyang and started the second Shangyang political reforms. Their main content was to implement landshare systems. Villages and townships were merged to form counties and unified planning was introduced throughout the whole country in which 31 counties were established. The counties established officers to be approved and dismissed by the monarch. The reform abolished the "well-field" system and crisscrossing footpaths between fields. Abolishing the land slavery system; the "well-field" system; and leveling the crisscrossing boundaries between those "well fields" encouraged land reclamation, recognized private ownership of

land, allowed the sale of land, and imposed taxes according to the amount of land. He standardized weights and measures, which promoted domestic economic ties. He developed Qin Law and encouraged poetry and literature, but banned learning through travel.

Shang Yang's two political reforms attacked the slave owner's nobility, and strengthened the emerging landlord class. He developed a feudal economy; strengthened the military force; intensified repression and control of the people; and stabilized social order. In short, the Shang Yang Reform made the feudal system become well-developed and consolidated in the state of Qin. Moreover, three kinds of consumption had made rapid development in the state of Qin. Due to the development of the three most important types of consumption, the impoverished and backward state of Qin became the most advanced. It was the most prosperous and powerful state among the vassal states, which laid the foundation for Qin Shi Huang to unify the six states.

National leadership management systems in feudal societies

The feudal society of China and the Middle Ages in Europe belong to the feudal era, in which the production leadership management system was strongly feudal.

In China, Qin Shi Huang unified China marking the beginning of a feudal society. Qin Shi Huang established the management system of the national legal system leadership (imperial power) with a centralized system.

Qin Shi Huang establishing a centralized system was the unprecedented measure he took after unifying six states. After Qin Shi Huang unified China, the original national organization of feudal separationist rule was unable to meet the needs of the new situation, so he took a series of measures for adjusting, improving and strengthening centralized rule.

Changing the "King" to the "Emperor." The supreme ruler of the Spring and Autumn Period was generally known as the "King." But after Qin unified China, Qin Shi Huang felt that his merits exceeded three Emperors and that his feats overshadowed five Sovereigns. The title of "King" was not lofty enough to show his nobleness, so he ordered the subjects to discuss the title of the Emperor. After much discussion, the subjects concluded that in ancient times there were the Emperor of heaven, the Emperor of the Earth and the Emperor of the people and that the Emperor of the people was the most noble. Therefore, the honorific

title of the Emperor became Emperor of the people. However, Qin Shi Huang was still not satisfied, and combined the single word "Emperor" together with the word "supreme" to become "Supreme Emperor." Since then, the Emperor replaced the king to become the title of the supreme ruler, and Qin Shihuang became the first Emperor in Chinese history. Shihuang ordered the cancelation of the posthumous title law and did not allow the next generation to give a posthumous title to the Emperor of the previous generation. He claimed himself to be the "First Emperor," and arranged for his son or grandson to take the throne. The future generations were counted in numbers, being called the second generation, third generation and so on for countless generations. In order to show the Emperor's majesty and distinction, a system was put in place by the Qin Dynasty: the Emperor claimed himself to be "we," and the stamp was called the "royal seal," while the general public was not allowed to use "we" and the royal seal. In addition, a system of clothing was also formulated.

Strengthening the organization of the central government. The central regime of the Qin Dynasty was the continuation and expansion of the original central regime of Qin, but there were many changes in the name and powers of the office. The supreme ruler was the Emperor and besides him, the most important officials in the central government were divided into three kinds, namely the prime minister, Qiu, and imperial counselor.

The prime minister: in the Warring States period, originally known as Xiang and Xiangguo, he was referred to as prime minister after unifying the country. Lisi was the first prime minister who was the head of all officials. Appointed by the Emperor, the prime minister assisted him in state affairs.

The supreme government official in charge of military affairs: formerly known as Wei, and Wei State after the reunification of the country, he was called Taiwei and was the supreme government official in charge of military affairs. Appointed by the Emperor, Taiwei was in charge of military affairs and arms as the head of the military officers.

The imperial counselor: Qin State originally had an imperial counselor and then another imperial counselor who was secondary to Xiang. The imperial counselor was appointed by the Emperor and assisted the prime minister, as his position was subordinate to him.

Under the three counselors of state were the so-called nine ministers, while the actual numbers were more than nine and most were originally from Qin. A small number were newly appointed.

During Qin Shi Huang's reign, the most important feature of the centralization of authority was that all political and military power was in the hands of the Emperor. In order to hold onto power, the prime minister, the supreme government official in charge of military affairs, and the imperial counselor were in charge of political, military and supervisory power respectively and independently. For example, the prime minister set up meetings and sent out memos to assist the Emperor in dealing with routine affairs, and he also received and read petitions from local people.

But the right to command the armies belonged to the supreme government official in charge of military affairs, and the counselor also reserved the right to review the proposals of the ministers and the petitions from local people. Though Qiu was named as the highest military officer, he actually had only the right to lead troops and not the right to deploy them. Because the three counselors of state were independent of each other, the final decision-making authority belonged only to the Emperor.

Adjustment of local government organizations. Unified local government organizations mainly implemented a four-level administrative organization of the cities, counties, townships, and villages. When Qin was unified, the country was divided into 36 cities; and later, after the development of the national border and the adjustment of city governance, the number of counties went up to 46. The county had a guard, an officer and a supervisor. The guard governed the people, the officer led the military, and the supervisor was responsible for supervising the common people and government officials. The duties of the supervisor were similar to that of the imperial counselor in the central government. The city governor, city officer and supervisor had clear duties, which were consistent with the clear division of duties carried out by the three counselors of state in the central government.

The head of a county was the county magistrate. Counties were divided into townships and villages as individual units. Each area of ten li or less was a village that had a head. Ten villages constituted a township where they had educators, tax levies, officers and patrols.

The feudal bureaucratic system introduced by the Qin Dynasty was a big step forward in the history of China's political system. It not only changed the hereditary system, but also cancelled the levy privilege system. Since the unification of Qin, this system had been implemented in the country and it remained essentially unchanged through 2000 years of feudal society.

Strengthening the rule with the cycle of the five virtues as an ideological weapon. In order to deceive the people and seek a legitimate theoretical basis for unifying the country, Qin rulers adopted the cycle of the five virtues to promote the fact that the Qin Dynasty replaced the Zhou Dynasty the same way that water virtue replaces fire virtue. According to the cycle of the five virtues, the river is named as the water virtue, and October is considered to be the beginning of the year. It advocates black color, and the water virtue is called number six. It advocates twelve laws and acts by those laws. The clothes and flags are all black. The number six is considered as an important discipline. War chariots are drawn by six horses.

The six mysteries should be combined with the five virtues, so that they can reach into political measures, laws, institutions and written descriptions to become an important ideological tool for ruling people.

Promulgating the laws to protect feudal land ownership. In the 31st year of Qin Shi Huang's reign (216 BC), he announced the law of reporting lands to the country. This made landlords and home owners report the actual amount of land they owned to the state, which meant that the Qin Dynasty recognized their private ownership and gave them protection. In addition, he implemented the pro-agricultural and anti-commerce policies that cracked down on non-producing activities, and encouraged policies to engage people in agriculture and handicraft production. This measure played an important role in the protection of feudal land ownership and the development of the feudal economy.

Standarizing the currency, weights and measures, and characters. After the Qin unification, Qin Shi Huang ordered the standardization of the national currency with gold as the main form of legal tender.

Before Qin unified the country, the currency, and weights and measures were very confusing. Qin had made uniform regulations on the standard of weights and measures during the reforms of Shangyang. The Qin government, based on the Qin system, ordered the standardization of weights and measures, and engraved the amount on all the weights and measures produced by government offices, to send throughout the country as standard instruments.

Repairing the Royal road and barriers on the Chi road. The Royal road around the capital city Xianyang was constructed in 220 BC. In 212 BC, Qin Shi Huang ordered the repair straightaway of a stretch from Xianyang to the north, and this was completed in just two years. The Royal road, the Five Feet road along the southwest border and the New road constructed between Hunan, Jiangxi, Guangdong and

Guangxi, made up an easily accessible road network with Xianyang at the center. Then the width of the roads and rails were standardized for convenient travel.

The leadership management system of the feudal society was introduced by the Qin Dynasty, and although later dynasties also made changes, its core content did not alter apart from these minor adjustments.

The leadership management system in capitalist countries

The leadership management system in Western capitalism consists of bi-partisan competition and the governance of three powers. The separation of these powers (checks and balances), is the established principle of the basic political system of Western capitalist countries. At its core are the checks and balances of legislative, executive and judicial powers that are independent of each other. From the point of view of day-to-day running, the three major powers, being executive, judicial and legislative, are separated into three different government agencies of equal status that have mutual checks and balances. It is a democratic political doctrine, which is widely adopted by the current global capitalist democratic countries.

The doctrine's history. The separation of the three powers is a political doctrine that advocates that the authority remit of the executive, legislative and judicial powers should be clear in order to avoid abuses of power. The origin of this principle of the separation of powers can be traced back to the time of Aristotle. In his *Political Science*, Aristotle discusses the three elements of the policy, namely procedural, administrative and legal functions, which can be regarded as the seed of the separation of powers doctrine. Following Aristotle, Polybius talked about the separation of powers doctrine. He highly praised the principle of checks and balances between the powers of Archon, the Senate, and the Tribune in Roman politics, and believed that this was the main reason for the flourishing of the Rome. Polybius further developed Aristotle's separation of powers doctrine. Following Polybius, the separation of powers doctrine was expounded by Cicero, whose theory of this doctrine was mainly expressed in the *Republic*. He advocated that a republican form of government should have the advantages of three constituents, namely the monarchy, the nobility and the civilians, and that there should be a combination and ongoing reform of these three branches. From the political situation and the relationship between

the three branches of state power, Cicero entirely inherited the claims of Polybius. Since then, the separation of powers doctrine was in existence for a long period of time, especially in the Middle Ages in Western Europe, before it almost disappeared.

In the seventeenth century, the publishing of *On Government* written by the famous British thinker John Locke indicated that the separation of powers theory in the modern sense had been formed. In *On Government*, Locke made a detailed description of the theory of the separation of powers. He divided power into legislative, executive and foreign branches and wrote that these three powers should be exercised by different state organs. Legislative power belonged to Parliament, executive power to the King, and foreign rights related to war, peace, diplomacy and alliance, were also for the King to exercise.

After Locke, the French Enlightenment thinker Montesquieu further developed the separation of powers theory, and he made his famous theory of the "separation of powers." In *Spirit of the Law*, he divided state power into three kinds, namely legislative, executive and judicial powers. This so-called separation of powers meant that by law the three powers were handed over to three different state organs, while maintaining their respective areas of authority, and undergoing mutual checks and balances. This theory of Montesquieu had a great influence on the creators of the Constitution of the United States. The Constitution of the United States allows Congress to impeach the president, but in more than 200 years since the founding of the United States, there have only been a few presidential impeachment proposals. In 1974, because President Nixon announced his resignation over the Watergate incident, he was not subject to impeachment; in 1999, the US Senate rejected the proposal for the impeachment of President Clinton.

The purpose and realization of the separation of powers. The purpose of the separation of powers is to avoid dictatorship. Emperors in ancient times, as well as local officials, had legislation, law enforcement (executive) and the judiciary in their own hands, which easily led to abuses of power. Even in modern times, the legislation and power to utilize tax are usually controlled by a Parliament representing the will of the people, and the independence of this judicial power is to prevent the law enforcement agencies abusing their power.

The actual realization of the separation of powers is different in the various major capitalist countries, but the truth is that only the United States (which has a presidential system) implements this "separation of power," and the vast majority of other Western countries have adopted

a parliamentary system. The most distinctive feature of Western countries with a parliamentary system is that legislative power is not separate from executive power. Parliament is not only the national legislature, but also the center of national power. Those who exercise executive power are in Parliament (Lower House), including the prime minister.

Those elected by the Parliament are the leaders of the majority party. They belong to both the legislative branch and the executive department. In other words, legislative and executive power are unified. Both powers are not only a symbiosis, which means that the election of Members of Parliament is also the indirect election of the Prime Minister (Premier), but they also perish together, which means that the Prime Minister (Premier) must keep the support of the majority of the Members of the Parliament, otherwise he has to either step down or dissolve Parliament for a new election. Moreover, in general, a parliamentary term is without limits. As long as he can get the support of the majority of the Parliament, the Prime Minister (Premier) can always hold onto his post. In a parliamentary system, the government (Cabinet) is made up of political parties (or a coalition), which are represented as seats in Parliament. Britain is a typical parliamentary country. In a parliamentary system, party politics is essentially the people dominating parliamentary politics behind the scenes. "Parliamentary supremacy" is essentially the "ruling party first." The period of rapid development in Japan after The Second World War is due to the long term in power of the LDP. The countries and regions of the four dragons in Asia adopt political models as follows. South Korea became one of the Four Dragons during the period of military rule; China's Taiwan became one during the martial law period of Chiang Kai-shek and Chiang Ching-kuo; Singapore's is due to the long reign of one family; and China's Hong Kong was a British colony controlled by a Governor.

Several types of the separation of powers. The political system of Western capitalist countries is mainly the governance of three or two powers by bipartisan or multi-party competition for the leadership. The following are the most representative:

1. The US presidential system. The United States Constitution provides that Congress can impeach the president, but in more than 200 years since the United States was founded, Congress has never passed a presidential impeachment case. In order to protect civil liberties and to limit the powers of the government, the Americans accept the idea of Montesquieu, which clearly separates the executive, judicial and legislative powers within the US Constitution, and makes them check

and balance each other. At that time, it was an unprecedented experiment. So far, the separation of powers in the US Federal government is still the most thorough of all the democracies, and most of the State governments in the United States have the same constitutional framework.

One common question related to the separation of powers is how to resolve the conflict between the executive and the legislature. One way is to adopt a parliamentary system. Under a parliamentary system, the leaders of the administrative organs are from the majority of the legislature, and the executive and the legislature are not completely separated. In modern times, it is generally believed that a successful and stable liberal democratic political system does not necessarily require a thorough separation of powers. In fact, apart from the United States, for all countries introducing a similar system, their first attempt at democracy has failed; instead, the success rate of parliamentary democracy is much higher.

Even if the United States has the most successful separation of powers, there are still a lot of difficulties in resolving the conflict between the three departments. In 1929, during the Great Depression, Roosevelt took office and issued a series of decrees, and thereby achieved unprecedented powers authorized by Congress in the history of the US President. The US Federal Court often dismissed some Acts. As a result, in January 1935, the Supreme Court declared Roosevelt's *National Industrial Recovery Act* unconstitutional with an eight to one vote. In the same year, when an unemployed worker attempted to use the *Minimum Wage Law* to obtain wage compensation, the lawyer of the accused party pointed out that the bill violated the 14th Amendment of the US Constitution. For the implementation of the New Deal, Roosevelt, on 6 March 1936 had "fireside chats" and was thus directed to the Department of Justice, asking Congress to let him introduce an unlimited number of judges in the Supreme Court. This action indirectly placed the judiciary under the jurisdiction of the administrative departments, which caused a intense nationwide debate. Later, the Chief Justice of the Federal Supreme Court held that the *Minimum Wage Law* was not unconstitutional. Some believed that this concession by the Chief Justice was to maintain the political landscape of the separation of powers.

2. The British cabinet system. Britain's separation of powers has a great degree of difference from that in the United States, which is mainly due to the different political situation in the United Kingdom. The British Parliament consists of an Upper House and a Lower House. The Upper House, also known as the House of Lords, is mainly composed of royals,

a hereditary aristocracy, newly conferred nobility, the judges of the Court of Appeal and important figures in the Church. The House of Lords is the highest judicial organ in the United Kingdom, and according to British tradition, the speaker of the Upper House is held by the Lord Chamberlain. The Lord Chamberlain, namely the Minister of Justice has a high position of power and he is not only the country's judiciary leader but also a Cabinet Minister.

For the House of Commons, its members are directly elected by voters in accordance with a majority of votes in their constituencies. The House of Commons exercises legislative and financial powers and administrative supervision. The legislative procedure consists of the proposal of a bill, a parliamentary debate on that bill, its approval after voting for it and reading it three times, its delivery to the House of Lords for their approval, and finally the approval and promulgation by the monarch. The financial power of Parliament is exercised by the House of Commons, which is in turn in the hands of the Cabinet. For the parliamentary supervision of administrative rights, this takes place through members who put forward questions to the relevant government minister who introduces a debate on government policy, and finally it is approved or rejected by the Government. Meanwhile, Parliament has the right to put forward a no-confidence vote on the government. In this case, the Cabinet must resign or submit to the monarch to dissolve the Lower House for an early general election.

Compared to the power of the House of Commons, the power of the House of Lords is relatively limited, its main power being to veto or review the bills passed by the House of Commons. If the House of Lords does not agree with the bill passed by the House of Commons, it can only be delayed for a year, while financial bills passed by the House of Commons can be postponed for only one month. The House of Lords retains its jurisdiction handed down in history, and is Britain's highest appeals court, as well as being the highest judicial organ of the United Kingdom. The House of Lords has jurisdiction to accept and hear the appeals of all civil and criminal cases apart from Scottish criminal cases, and also to hear aristocracy and impeachment cases proposed by the House of Commons.

The UK is basically a country with a separation of powers, but historically it has never had a written Constitution, thus resulting in the legislative powers having a higher position in the separation of powers than the other two powers (executive and judicial power). This means that any bills passed by Parliament are at the highest level, and they are

not subject to any constitutional charter specification. The British Parliament can pass any new bills but the judiciary has no power to declare the new bill invalid.

In addition, the powers of the British administration are traditionally made up of two aspects, namely, the Acts passed by Parliament and the Royal Prerogative. The Royal Prerogative is the powers retained by the monarch, such as the power of signing international agreements, the power to declare war, the power to issue passports to nationals, and the power of granting pardons. The Royal Prerogative cannot be challenged by any jurisdiction. So, in the United Kingdom, the legislative power is the highest power, which is also the cornerstone of the establishment. Next comes executive power, while the lowest is judicial power. In the UK, the judiciary passes judgments only according to existing legislation and cases of common law.

It is worth mentioning that Parliament (House of Commons) is democratically elected, but the Prime Minister is traditionally appointed by the monarch. He is the leader of the party that has a majority in Parliament, that is to say, the ruling party in the UK is the political party implementing the regime and legislative powers. The government is likely to pass legislation favoring itself through its influence, such as the War Damage Act of 1965 and the recent anti-terrorism laws. The UK does not have a clear separation of powers, as it has only the independence of the judiciary.

3. The French dual-leadership system. The establishment of the Fifth Republic learned some lessons from the failure of parliamentary democracy in the previous republican periods, and thus it began to create and implement a semi-presidential semi-parliamentary democracy (the dual leadership system) that is maintained by current French politics. The close cooperation of France and Germany in recent years has become an integral driving force of economic integration in Europe, such as the introduction of the Euro in 1999.

The French President has certain powers, but the Prime Minister holds the real power. People often call France a semi-presidential country that is different from the presidential systems of republican countries such as the United States. The French implementation of a semi-presidential system gives the Prime Minister a second place status, while the French President enjoys a wide range of powers. In France, the Prime Minister appointed by the President leads the activities of the government and is responsible for national defense, and ensures the implementation of the law. The Prime Minister is permitted to submit to the President for any

appointments for members of the government. The Prime Minister actually has to take orders from the President, playing the role of assistant to the President.

4. Japan's parliamentary cabinet system. Japan has a parliamentary cabinet system based on the separation of the legislative, judicial, and executive powers. The Mikado – the Emperor of Japan as a national symbol has no right to participate in national policy. Congress is the highest authority and the only legislature and is divided into House and Senate. The Cabinet as the highest executive body is responsible to Parliament. The Prime Minister (also known as the Cabinet Premier) is elected by Congress and appointed by the Mikado. The promulgation and implementation of the current *Constitution of Japan* was on 3 May 1947. Article Nine of the Constitution stipulates that it implements a parliamentary cabinet system based on the separation of the legislative, judicial, and executive powers. The Mikado can never make use of State power to wage war, or threaten or use force as a means of settling international disputes. To achieve this goal, Japan does not grant power to the army, navy, air force or other war forces, and does not recognize the national right to make war.

5. German Constitutional Monarchy. Germany is a parliamentary republican country. The President as the Head of State has no real power. The real power is in the hands of the Prime Minister. The tenure of office for the German President is five years, and that of the Prime Minister is four years. The German President is a figurehead, while the Prime Minister is in the center of national political life.

6. Russian Democratic Federalism. At the present, the Russian Federation is adjusting its national political life in accordance with the principle of separation of powers. The Constitution of the Russian Federation provides that the Russian Federation is a republican democratic federal State which implements the separation of powers and a presidential system.

First is the President. The President is the Head of State and is the guarantee of the Constitution, and the rights and freedoms of Russian citizens. The President performs duties in accordance with the Constitution and the laws and is agreed on by the State Duma for appointment.

Second is the Parliament. The Federal Assembly of the Russian Federation consists of the Federation Council (the upper house) and the State Duma (lower house). It is an independent part of the organs of state power, and is the representative and legislature of the Russian Federation. The main power of the Parliament of the Russian Federation is to pass

the Federal Constitution and laws. According to the provisions of the Constitution, all draft laws are submitted to the State Duma, which are then also approved by the State Duma. Then, the Federation Council considers and approves the laws already approved by the State Duma and has supervisory powers over the President, the government, and the judiciary. The Upper House of Parliament, namely the Federation Council, can dismiss the duties of the President of the Russian Federation. Furthermore, the Parliament's Lower House, namely the State Duma, can put forward allegations for the dismissal of the President, and put its trust in the Government of the Russian Federation.

Third is the Constitutional Court. The Russian Constitutional Court is a body that can put checks on the President and Parliament, and balances the relationship between the administrative, legislative and judicial powers by means of the court system. It has the right to review an Executive Order issued by the Heads of Government and the laws enacted by Parliament for anything unconstitutional, that is, to see whether it is consistent with the Constitution, and it has the right to point out unconstitutional executive orders and to declare if those laws are invalid.

In summary, the state system of capitalism has had a certain amount of experience and achievements in the leadership management of national life, and has promoted social progress and civilization, but existing problems and crises are still serious.

Section 5. Modern leadership management theory in China

The best representative of China's modern management theory is Sun Yat-sen, followed by Mao Zedong in modern times. Their leadership management theories are briefly described as follows:

Sun Yat-sen's leadership management theory

This as the crystallization of blending Chinese and Western political culture is the result of theoretical and institutional innovation. It is the scientific summary of his lifelong revolutionary practice. His leadership management theory, and his strategy of governing the country reflected and summarized the requirements of the people and the trends of modern history. It was the

most advanced and complete leadership management theory system at that time in China. It is summed up in the following points.

1. Advocate direct democracy. Sun Yat-sen was against feudal autocracy and representative politics in the West, and advocated a regime that would be commonly owned by civilians. This was the core content of Sun Yat-sen's leadership ideas.

2. People as masters and officials as servants. Sun Yat-sen believed that the relationship between the Government and the people was a relationship between servant and master and so it was the relationship between those serving and those being served.

3. Advocate a Five-Power Constitution. Sun Yat-sen's Five-Power Constitution evolved from the separation of powers of the Western bourgeoisie. The three powers: legislative, judicial and administrative, along with their examination and correct selection, constituted the power structure of the "separation of Five Powers." The first three were learned from the West, and the other two borrowed from the examining and supervisory agencies and their functions within the feudal system. Their starting point was to remedy the disadvantages of the separation of powers by the Western countries, and to explore an improved political program.

4. Advocate a separation between political and governing power. On the basis of the sovereignty of the people, Sun Yat-sen divided civil rights into political and governing power. The so-called political power referred to the political power of the people and was mainly reflected in elections, formulations, referendums, and recalls. The so-called governing power, referring to the powers of the State and government, included the executive, legislative, judicial, examining and supervisory powers. The Five Powers were in the hands of the government, so that "the government can govern the state affairs with great power." In this way, the people had four "powers" that acould be used to manage the Five Powers of the government. It was considered a completely political organ of civil rights. This was the ideal system of Sun Yat-sen.

5. The employment theory of "employing only talented people" and "making the best use of talents." Sun Yat-sen was devoted to the national revolution for more than forty years. He formed a complete and systematic employment theory that has superb and unique proposals for the cultivation of talent, and its selection, appointment and supervision. First, pay attention to training. He created the Revive China Society, the United League, the Chinese Revolutionary Party, and other groups and political parties to encourage the bourgeois revolutionary talented people to emerge in large numbers. Second, establish a civil service examination system for selecting talent. Through studying Chinese and foreign history

and learning lessons, Sun Yat-sen believed that selecting a qualified person through an exam was the most reasonable and the best system. Third, employ personnel who adhere to the talents and virtues that we are talking about today, namely ability and integrity. Fourth, be courageous and borrow outside talented people to plan, organize, operate, and train for yourself alone. Fifth, as far as the type of talented people goes, Sun Yat-sen held that people who have foresight are inventors, the slowest learners are propagandists, and people without foresight are blind followers. If these three kinds of people help each other and make progress together, then the progress of human civilization is definitely possible.

6. Set up a special supervisory agency. This supervisory agency has the independent power and right to supervise. In addition, people can manage the government through "the right to vote, the right to recall, the right to formulate, and the right to referendum," in order to place officials under the supervision of the people.

Mao Zedong's leadership management theory

Mao Zedong had a special kind of leadership qualities, and no one could surpass his unbeatable leadership capabilities. Radical changes in modern China are rooted in Mao Zedong's great leadership management abilities and intelligence. Mao Zedong is a great man who was very good at using power, playing the role of power, mobilizing the people, and calling on the masses. His remarkable skills in theory, decision-making, organization, coordination and inventiveness formed his leadership methods and models that have made up a valuable wealth of leadership management science. Deng Xiaoping, Jiang Zemin, and Hu Jintao all inherited and developed his scientific theory of leadership. In a nutshell, his leadership management theory and leadership art were mainly reflected in the following aspects.

1. One political party. One party serving the people, the ethnic diversity, the development of the economy and law, the people's statehood and the armed seizure and defense of the regime constituted the guiding ideology of Mao Zedong. His Marxist ideology was to serve the people, the proletariat, and the general interests of the public as a whole.

2. Investigation and research can be practical and realistic. Mao Zedong focused on investigation and research throughout his life. Scientific investigation and research was an important prerequisite of his scientific decision-making and his resourcefulness and decisiveness.

3. Dialectical theory and control of the overall situation. Mao Zedong was good at mastering the principle and sometimes contradictory debates

surrounding conversion. He combined a firmness of principle and flexibility of policy skillfully to make them vary with time and place.

4. Have insight into the general trend and make scientific decisions. With superhuman abilities, a wealth of experience and farsightedness, during long-term intricate and complex revolutionary practice, Mao Zedong had the situation well in hand. He had lots of brilliant schemes, made scientific decisions and had full assurance of success.

5. Trust the masses and win over the masses. Mao Zedong scientifically and strategically positioned leadership activities to take control and make good use of the rights representing the people and to adhere to the work motto "from the masses, to the masses."

6. Allow talented people to practice. In the process of practicing the three most important types of consumption, find and identify talented people; teach and nurture them; and moreover be good at selecting and appointing the most capable, in order to gather a large number of resourceful people under your command. Talented people also promote the practice of the three most important types of consumption. During the Chinese revolutionary civil war, they went through fire and water and performed outstanding feats. Then they made plans for the cause of building socialism and of creating miracles.

7. Assess the situation, and make a resolute decision. Mao Zedong was good at carrying out a scientific analysis of each historical period and each strategic phase. On the basis of understanding their specific events, he developed guidelines corresponding to reality, which reflected Mao Zedong's superb decision-making skill in strategy and tactics.

8. Overall consideration and an understanding of the central idea. Mao Zedong first worked on overall consideration, that is, comprehensive arrangements for different tasks in different positions and at the same time he made appropriate arrangements for various issues. Moreover, he emphasizes the importance of understanding the central ideas in order to seize the key factors affecting and driving the overall situation, while special attention is paid to strategic decisions, so as to guarantee the realization of the strategic mission through policies, strategies and tactics.

9. Collective leadership, and the division of labor. During his leadership career, Mao Zedong was always stressing and adhering to democratic centralism, the unification of the collective leadership and individual division of labor, which prevents not only personal autocracy, but also overstaffing.

10. The method of combining theory and practice. Under the guidance of theory, adhere to a combination of spiritual culture and practical behavior, as well as a combination of democracy and the rule of law. In the three practical processes, pay attention to learning, practice, thinking and summarizing; be bold in innovation and have the courage to win. Wth the theory of spiritual culture, unify thinking and guide practical behavior, adhere to a consistency between the objective and the subjective. The backbone of this theory is to take the lead to build a learning, innovative and developing party and socialist system with Chinese characteristics, and a leadership model guided by typical experience.

11. Ethical government with no corruption. It is required for central and leaders at all levels to set an example of a leadership model with close-knit organization, rigorous discipline, strict requirements and a serious attitude. It is a guarantee for the consolidation and development of the party regime. An honest government and anti-corruption are fundamental to the health and longevity of the party regime. Mao Zedong and the older generation of proletarian revolutionaries set an example for the Chinese people from generation to generation. Since the reforms and opening up, although the level of corruption is serious, the Party Central Committee and the government continue to severely punish corruption and have good prospects.

It has been 90 years since the Communist Party of China was founded. It has been 62 years since the foundation of the People's Republic of China and 31 years since the reforms and opening up. Mao Zedong, Deng Xiaoping, Jiang Zemin, and Hu Jintao inherited, carried forward, and created traditional Chinese and foreign scientific theories on the leadership management. This accumulation of leadership management experience in scientific theories is very important.

Section 6. Research into the seven-authority government system under leadership management with Chinese characteristics

The Party in China has direct leadership over the military and national defense. The government system is a multi-party political consultation; the National People's Congress system; the seven-authority management of the State, namely the political consultation power; the legislative

power of the people; administrative power; judicial power; electoral and recall power; the testing and recommendation of talent system; supervision and prosecution; and supervisory and picketing rights. The national system of the seven-authority management is in the process of improvement.

The National People's Congress is the supreme authority on behalf of the interests of the people

Representatives from grassroots farmers, workers, soldiers, businessmen, intellectuals, and representatives from the arts and cultural sectors, as well as all levels of the regime's personnel are directly elected to the supreme authority.

The candidates for chairman and vice chairman are nominated by the Political Bureau of the CPC Central Committee and are submitted to the People's Congress for the election of the chairman, vice chairman of the members of the Standing Committee of the National People's Congress. After the closing of the Congress, the members of the Standing Committee of the National People's Congress take charge of daily work. The chairman presides over the overall leadership management, and the vice chairman oversees the division of labor.

1. The President is nominated by the Political Bureau of the CPC Central Committee, and elected by the National People's Congress. The term of office is five years and he may be re-elected to two terms. The President as the representative of the country directly manages defense work.

2. The Legislative Committee is responsible for constitutional legislation amendments and the investigation, legislation and comments on specific laws, and finally it submits its findings to the annual National People's Congress for discussion, modification and approval.

3. The Judicial. Under the leadership of the National People's Congress, the country sets up the Supreme People's Court while the provinces, autonomous regions and municipalities establish the Higher People's Court; municipalities (regions) set up the Intermediate People's Court; and districts (counties) establish grassroots People's Courts.

4. The National People's Congress exercises the right to supervise and rectify the Courts at the same level, as well as lower-level Courts dealing with law enforcement, crime, violation of the law of public security, and legal correction and criminal litigation rights.

5. The people's supervision and court. Under the direct leadership of the People's Congress, it implements and enforces policies according to the law, and organizes their supervision. For illegal behavior and behavior in violation of the rights and interests of the people, and for corruption and other criminal behavior, they must be fast-tracked, and leapfrog appeals are litigated in the People's Court or the People's Congress for their decision. Officials and law enforcement officers breaking the law must be judged and punished by law.

6. For the election of the Prime Minister and Deputy Prime Minister of the Central People's Government, the Political Bureau of the CPC Central Committee nominates the candidates, has a personnel consultation with national democratic parties and then the National People's Congress holds elections. The institutional setup of the State Council and the ministers and committee director are nominated by the Prime Minister and appointed by the National People's Congress. They listen to the report on the work of the State Council and deliberate before voting each year.

7. The national-level management systems of countries and provinces, autonomous regions and municipalities are applied by the State Council and scrutinized and approved by the National People's Congress.

8. The examination and recommendation rights of the civil service. The national civil service is re-educated after recruitment. The overall level of performance quality, capacity, patriotic ethics, honesty, and diligence is appraised during this practical process. They are recommended and appraised from level to level and then selected and promoted to hold an available post.

9. Supervision and picketing rights by the people. This is the supervision of law enforcement and its administration, as well as infringements of the law within the civil service by the people. It is under the direct leadership of the National People's Congress. It supervises law enforcement and violations, and reports criminal behavior. It consists of the supervision and media supervision bodies, and the people's supervisory body on the ground, including methods such as tip-off boxes and letters. A monitoring center which records people's visits and letters is set up by the province, city, county and town, so that people can widely supervise their staff at all levels to enforce the law and to hold office with impartiality and fairness.

The state organs and institution units staffed by civil servants should have better staff and simpler administration; they should remain honest and clean; protect with fairness and justice people's rights; and establish a harmonious society through respecting, abiding by, and enforcing the law.

The Chinese People's Political Consultative Conference (CPPCC)

The multi-party cooperation and political consultation systems under the leadership of the Communist Party of China make up the basic political system in China. The Committee proposes the chairman, the vice-chairman, and the Standing Committee members of the CPPCC. Its candidates are negotiated by the Central Committee of the Chinese Communist Party and the democratic parties, and then further submitted to all members for election. All the major policies of the Communist Party in China; policy, decision-making, justice, public security, diplomacy, war, and other decisions related to short, medium or long-term plans for economic development, including drafting national legislation, are submitted to the Political Consultative Committee for discussions and consultations to reach a consensus. CPPCC members participate in the People's Representative Conference for State Affairs, and are entitled to participate at all levels of the regime to achieve the right to leadership management.

The Chinese People's Political Consultative Conference (CPPCC) is an important organ of multi-party cooperation and political consultation under the leadership of the Communist Party of China. The CPPCC is a patriotic united front organization of the Chinese people, and is an important form of socialist democracy in China's political life.

China is a multi-party state. The Chinese Communist Party is the ruling party, and the democratic parties are participating parties. In addition to the ruling Communist Party of China, there are eight democratic parties. They are: the Revolutionary Committee of the Chinese Kuomintang, the Chinese Democratic League, the Chinese Democratic National Construction Association, the Chinese Association for Promoting Democracy, the Chinese Peasants and Workers Democratic Party, China Zhi Gong Dang, the Jiu San Society and the Taiwanese Democratic Self-Government Alliance. Various democratic parties and religious representatives have the suffrage as stipulated by law. The basic points of participating in governmental and political affairs are: to become part of State power; to participate in the negotiations for major State policies and national leadership candidates; to participate in the management of State affairs; and to participate in the formulation and implementation of State guiding principles, policies, laws, and regulations.

All democratic parties are independent organizations, and enjoy political freedom, organizational independence and equal legal status

within the scope of constitutional provisions. The basic policy for cooperation between the Chinese Communist Party and the democratic parties is long-term coexistence, mutual supervision, treating each other with sincerity and sharing hardships.

The various democratic parties are neither parties out of power, nor opposition parties; instead, they are Participating Parties. The basic role of a democratic party participating in government and political affairs is as follows. The democratic party is a part of State power: it participates in State policies and negotiations for the candidates for State leaders; in the management of State affairs; and in the provisional execution of State guidelines, policies, laws, and regulations. When the country needs to take significant measures or make decisions on major issues with regard to the national economy and the people's livelihood, the Chinese Communist Party consults with the democratic parties and non-partisan democrats beforehand to attain a mutual understanding. Only then do they make a decision. There is a certain percentage of representatives for democratic parties and non-party members in the organs of State power, namely the People's Congress and its Standing Committee. The permanent special committees and local people's congresses at all levels, in order to better participate in the management of State Affairs and to play a supervisory role, give full play to the role of the democratic parties and non-party members in the CPPCC. They are allowed to hold leading positions at all levels of government and the judiciary.

There are six main channels for democratic supervision by the democratic parties:

1. Put forward comments during a political consultation.
2. On the basis of in-depth investigation and research, submit written comments to the Party committees and functional departments.
3. When the people's congresses and their standing committees and special committees organize an investigation into and study of the related issues, members of democratic parties and non-party members participate.
4. Put forward criticism and suggestions by making a statement and proposals in a CPPCC session and by giving advice in an inspection visit.
5. Participate in investigations into major issues and special inspection activities organized by those concerned.
6. Be invited to serve as authorized personnel in the judiciary and government departments.

The State Council

The central government of the State Council acts on behalf of the Central Committee of the Communist Party of China and is the supreme organization of powers to manage national governance endowed by the National People's Congress. The Prime Minister is the chief duty officer.

The various ministers under the leadership of Government are nominated by the Prime Minister, and appointed by the National People's Congress. The ministerial heads of the national ministries are under the direct leadership of the Premier and are responsible for the formulation of annual reports to the National People's Congress. These reports are about the country's economic budget and about the work they carried out from the previous year. Any issues are voted on in order to be adopted by all representative committee members. Moreover, they report on the economic budget and on development plans, guidelines, policies, and strategies. They implement plans for each specific project for the current year, which are modified, voted on, and adopted by all the delegates. The provincial, municipal, and county governments are under the direct leadership of the Central State Council. All levels of governments perform and accept the officials elected by the People's Congress at the same level and report on their work, decision-making and supervisory power.

The Central Military Commission

The Central Military Commission is under the leadership of the Political Bureau of the CPC Central Committee. The party's General Secretary concurrently serves as President and the Chairman of the Central Military Commission. The Central Military Commission means that the national defense and the armed forces are under the direct leadership management of the Communist Party of China. The Central Military Commission is responsible for the army, military actions, and for all decision-making related to war, and it is also responsible for defending national security. Furthermore, it supports the needs of a variety of special government work, such as emergency and rescue work.

The Court

The Court is the national judicial (trial) authority. It is a national agency that is responsible for adjudicating cases, and solving basic civil, administrative, and criminal case disputes. The grass-roots courts have

the power to mediate in disputes. The Court's organizational system includes local people's courts at all levels, special people's courts and the Supreme People's Court.

The work of all kinds of people's courts at all levels is supervised by the Supreme People's Court. Local people's courts at all levels are set up according to their jurisdiction, and specialized courts are established according to their needs.

The main duties of The Court are:

1. Trial law stipulates that grassroots people's courts shall accept the in the first instance cases of self-prosecuted and publicly prosecuted criminal, civil, and administrative cases according to the law within its jurisdiction.

2. To exercise judicial enforcement and judicial discretion according to law.

3. To determine State compensation in accordance with the law.

4. To carry out judicial supervisory functions.

5. To study and collect opinions on laws, regulations, and draft regulations. Also to provide legal advice on the problems found during case proceedings.

6. To be responsible for directing ideological and political work, education, and training of all the county (district) courts; to manage judges and other personnel according to their authority; to assist in the management of the institutions and staffing of subordinate courts; and to be charge of picket work of all the county (district) courts.

7. To take part in trials, to raise awareness of the legal system, and to educate citizens to voluntarily abide by the Constitution and its laws.

8. To coordinate, manage and supervise all work of the civil jurors and their mediators.

9. To undertake other work that is in the jurisdiction of grassroots courts.

Picket courts

Under the direct leadership of the People's Congress, picket courts are set up whose main duty is to implement and enforce policy according to the law and to organize its supervision. For illegal acts, behavior in violation of the rights and interests of the people, corruption and other criminal behavior, they must be picketed and fast-track appeals are litigated in the People's Court or the People's Congress. Any officials and law enforcement officers breaking the law must be judged and punished according to the law.

Under the leadership of the Communist Party, the Ministry of Personnel has been set up to recruit talented people, including self-nominations and the talent recommendation system as well as the serious and relatively impartial and fair system of personnel selection. Personnel training must be protected by laws, rules and regulations. Organized crime and people involved in corruption must be investigated and severely punished by the law as well as anyone connected to this violation of laws must also be investigated.

Supervision by the people

The importance of supervision by the people. The internal supervision and self-supervision of the government has been proved to be inadequate. What is needed now is the people's supervision of the government. The people's supervision of the government is a right endowed by the Constitution and the law. The consequences and lessons learned throughout history due to a lack of this right to supervise the government are multiple.

Supervision inside the government is certainly indispensable, but it cannot replace the people's supervision. Only supervision by the people can apply universal pressure to enable the standardized operation of government power. In fact, only this supervision by the people, moral and anti-corruption education and other auxiliary means can truly play a role.

As long as the rights to information, participation, and expression as basic premises of the right to supervision are implemented, then they have a good chance of success, which in turn creates better conditions for the people to supervise the government more effectively. In the future, China will further broaden the channels allowing the people's appeals and expression. The National People's Congress and the CPPCC, the judiciary, petitioning, reception, people's organizations, as well as traditional and online media channels, will be reformed and broadened in scope in order to safeguard the people's right to express themselves.

The rights, content and form of supervision by the people. Supervision by the people cannot be compared to or replaced by anything else, and it is already extensive. The people are ubiquitous and ever-present throughout the various regions and industries. The 2.6 billion eyes of 1.3 billion people watch government officials, and any corruption and illegal practices cannot go unnoticed:

1. The extent of supervision by the people is comprehensive, covering all aspects of political, economic, cultural, and social life throughout the whole process of the exercise of power.

2. The diversified forms of supervision by the people. Through a variety of channels and different forms, it can exercise the right to supervision endowed by the Constitution and the law, such as ways of commenting, writing letters, interviews, phone calls, online reporting and democratic evaluation.

3. Legislative protection. People can expose State Institutions at any time through criticism, suggestions, complaints, charges, and prosecution. They may also reveal and expose them through the mass media such as newspapers, radio, television, and the Internet to attract the attention of the national institutions of power in order to be fully effective in the eyes of the law.

4. The property and personal security of supervisors are protected by law. The People's Congress at all levels up to the National People's Congress has agencies which directly receive appeals from victims. Having received appeals and checked the facts, they punish severely the organizational or individual behavior causing harm to their victims according to the law. Otherwise, the rights to supervision by the people will become empty words and slogans. Therefore, supervision by the people can only be realized through means of legal and organizational security. This is the magic weapon for the ruling of the Communist Party, and it is also the magic weapon for the Communist Party to rule on behalf of and protect the people, to be honest, impartial and fair for generations and to remain invincible.

5. The organizational structure of supervision by the people. Agencies have been set up under the direct leadership of the National People's Congress (not under the leadership of party committees at the provincial, municipal, county or township level), and also under the leadership of the People's Congress at all levels. These agencies can bypass local organizations right up to the Supreme People's Congress. They supervise and report on illegal and criminal behavior which harms the interests of the people of the party and government public servants at all levels.

In addition, there are now many supervisory networks which are also an important form of supervision by the people. This supervisory network is covert, so it can protect the privacy and safety of the informants.

New meaning of the "people." The word "people," also known as civilians, refers to the common or ordinary people. They have existed

since ancient times. In ancient China, the people generally referred to life itself. For example, it was described that "People, birds, animals and vegetation are all living things" in the *Guanzi Seven Laws*. In ancient Greece and Rome, the writings of Plato, Aristotle and Cicero also used the concept of the people, but it referred to slave owners and freemen. Since modern times, the concept of the people has been widely used to make a general reference to all members of society, but it often confuses citizens with nationals. After the birth of Marxism, the concept of the people took on a scientific and specific meaning. Historical materialism believes that the people have a historical and political reach, and it is made up of the workers who are engaged in material production. The concept of people has different meanings in different countries and at different historical periods. In China's Anti-Japanese War, all anti-Japanese classes and social groups belonged to the people. It was during the War of Liberation that all classes, all strata, and social groups who were against the imperialists, including the landlords and bureaucrat-capitalist class, belonged to the people. During the socialist period, the range of people was wider, including not only the workers, peasants and intellectuals, but also all patriots supporting socialism and the reunification of the motherland.

The people, citizens, and nationals are different concepts. Although they all reflect certain social relations and status of the people throughout the country, there are significant differences between them. The people are a political concept relative to an enemy, and they reflect certain social and political relations. The citizen or national is a legal concept, which refers to the people who hold the nationality of a country and who enjoy the rights and obligations under the provisions of the Constitution and the laws of that country. It reflects a certain legal relationship. The people means the majority of people promoting social development, while the citizen or national refers to people holding the nationality of a country and who are not marked by a progressive role as a symbol. In addition, the people are a collective concept, and are an aggregation of numerous people. Any individual cannot be called the people, while a citizen or national can be used for a single person.

Today, we often use the word "people throughout the country" which mainly refers to people with the nationality of that country, namely the nationals of the country.

The people in China at this stage include; workers, peasants, intellectuals, socialist workers, the builders of the socialist cause, patriots supporting socialism, and patriots supporting the reunification of the motherland.

It is obvious that the people are a political concept relative to an enemy. Mao Zedong made a very clear explanation of this in his book *On the Correct Handling of Conflicts among the People*. The concept of the people has different forms in different countries and at different historical periods of various countries. During the Sino-Japanese War, in China all anti-Japanese classes, strata, and social groups belonged to the people. During the period of building socialism, all classes, strata, and social groups favoring, supporting and participating in the cause belonged to the people. Currently, the scope of the people should be broader. All those classes, strata and social groups who support socialism and the reunification of the motherland belong to the people, including all socialist workers (both manual and non-manual work), patriots supporting the reunification of the motherland and patriots supporting socialism.

In fact, the original idea of the people consisted of ordinary people who in the past we often referred to as "the masses." This class will never go beyond the definition and scope of the concept of the people.

When we now study supervision by the people as a critical issue, the concept of the people must be further clarified.

5

Leadership management science methodology

Research methods refer to the tools and means to find new phenomena and matter; to propose new theories and ideas; or to reveal inherent laws in things. This is the skill of scientific thinking by using wisdom, and generally includes the study of literature, observation, reasoning, behavioral study, historical research, conceptual analysis, comparative study and other methods. Research methods are constantly summed up and adapted by people engaged in scientific research. Due to factors such as the point of view of the people looking at a problem and the complexity of the study object, as well as the research methods themselves being in a dynamic development process with constant influence, combination and transformation from all sides, it is difficult to reach a fully unified understanding of the classification of research methods.

Research methods are the tools of researchers, without which they would not be able to effectively analyze society or scientifically reveal the changing laws of social phenomena. Any social science, such as law, economics, sociology, and statistics must have the appropriate research methods. Methodological issues always have had a particularly important role in this discipline. The specific objects of the study of leadership management sciences determine the special nature of their research methods; it is impossible to carry out quantitative analysis under strictly controlled conditions by means of chemical reagents, microscopes and other tools like those used in chemistry, biology, or genetics. It is also impossible to process abstract reasoning and logical judgment as in philosophy, mathematics, or logistics, and it can only be measured and studied by using particular social research methods.

Section 1. The social survey

The social survey was originally a primary method in sociology for the study of social phenomena, and now it is widely used in leadership and management science as an effective means of study because it allows researchers to get closer to the study object.

The concept of the social survey

The social survey is a method of examining social phenomena, collecting data and analyzing the relationship between the various factors step-by-step with an objective attitude, and by using scientific methods in order to master the processes of actual social situations. The method is very important to leadership management science, because the social survey is the only feasible way to understand the behavior of the majority of people rather than by inference or any other methods. Some individual people's behavior can be directly observed, but widespread behavior must be indirectly understood through the social survey method.

Classification of the social survey

The social survey mainly consists of the following elements:

1. A clear purpose to the survey.
2. A survey object with social significance.
3. Scientific survey methods
4. The actual effects of the survey.

The social survey can be divided into a macroscopic survey (such as the wide ranging or large-scale survey including national, provincial, county or an entire population census) and a microscopic survey (which mainly involves two or three small groups of people) depending on the different units of analysis.

According to the content and functional differences of a survey, it can be divided into two categories, namely a research survey (for solving theoretical or policy issues) and a work survey (for solving current problems at work).

The proper attitudes of the social survey are:

1. An attitude of seeking benefits; striving to promote social progress, solve social problems and improve people's well-being.

2. A realistic attitude; respecting objective facts rather than superiors or books.

3. An attitude of asking for advice; eyes down and humbly learning from the people and asking their advice.

General procedures of the social survey

Social surveys have a set of rigorous academic programs, and these programs must be strictly abided by in order to obtain objective and real data, as well as the conclusions we want. Overall, this program includes the following stages: topic selection; preparation (preparing survey content, tools and objects); the survey itself (data collection and survey implementation); analysis (auditing, sorting, and statistics analysis); and the conclusion (survey report).

Stage 1. Topic selection. Select an issue worthy of study such as the construction of small towns, returning farmland to forest, and so on according to the country's current economic situation and the related principles and policies, as well as your own interests and knowledge, all combined with the elements and characteristics of the social survey. The necessary methods should be adopted during the topic selection, such as reference to literature, data and consultation with any relevant teachers.

Stage 2. Make a plan. Propose questions at different levels and determine a systematic survey project closely linked to the chosen topic with reference to the relevant information. For example, in order to study the issue of the construction of small towns, it is necessary to put forward questions such as its necessity and the conditions required, and each question will contain a number of smaller questions.

Stage 3. Design indexes. Indexes refer to a description of the survey object by using certain numbers and units, such as the population and per capita income of an area. We should comprehensively describe the essential characteristics of the survey object from all its aspects with a variety of quantitative and qualitative indexes to ensure vertical and horizontal comparability.

Stage 4. Draw up an outline. This refers to finalizing the preparations above in the form of an outline; reselecting all the proposed questions and projects by identifying their importance; and to making it more systematic and complete.

Stage 5. An appropriate survey mode and method should be selected. Commonly used survey modes include a general survey (studying every tiny part of the survey's objects individually without any omission); a typical survey (selecting one or more representative units to carry out a comprehensive, systematic and thorough survey); and a case survey (a survey made for an individual, a crowd, or an event; one unit of society).

The most commonly used survey methods include the questionnaire method (a rationally designed, open, closed, or hybrid questionnaire used for the collection of information); the literature method (studying the survey object indirectly through written materials, statistics and other literature); the access method (obtaining information through conversation); and the observation method (on-site observation and collecting statistical data through the impressions of the senses).

Stage 6. Training and preparation. Invite relevant experts to conduct the necessary training for their investigations, including training for survey attitudes and skills. Attention should also be paid to the preparation of the necessary financial and material conditions; to the necessary arrangements with the unit under investigation; and to seeking the support of the relevant units to ensure the smooth development of the survey.

Compiling the survey report

The characteristics of the survey report. The survey report is a written report based on the survey results to correctly reflect objective things and their laws. It usually reflects significant events and new things, as well as highlighting typical things, concrete experience and serious lessons.

1. Society. As a mirror of the times, the survey report can objectively reflect from different sides a social situation and problems with an obvious social function. The typical experiences summarized in a survey report have a guiding significance for all aspects of society, and the problems revealed play a dissuasive role for all aspects society. As a spokesman for public opinion and social facts, the survey report can objectively reflect the aspirations of the people, and inspire them to overcome various difficulties on the road ahead and to win their confidence.

2. Pertinence. The survey report is always compiled against a background of ideological tendencies, specific practices or practical problems to express the author's point of view, and ideological tendencies

with a true reflection of objective things. The opinion of the author, whether in favor or against, must be clearly defined in the report without any confusion.

3. Authenticity. The purpose of all social surveys is to understand objective reality, identify and solve problems and understand the law. The whole point of the survey report is to speak using facts, therefore the truth and accuracy of the material used is crucial. The material used in the survey report should be identified through scientific processes and thus carefully verified, rather than through hearsay; the material should be concrete, with a clear point, rather than abstract.

4. Typicality. The survey report should be typical. Typical or common things can reflect the general nature of everyday things and laws. The survey report is compiled to solve a problem, summarize an experience and study developing trends, and therefore needs a proper choice of a typical object to analyze and explore the laws of development and to seek a solution to conflicts.

Types of survey report

1. According to the differences in reflecting the wide range of survey objects, survey reports can be divided into the overview survey report and the special subject survey report. The overview survey report, also known as a comprehensive or widespread survey report, is written on the basic conditions of the survey and reflects the results of all surveys comprehensively and systematically. This kind of survey report is generally carried out in relation to a particular region or unit, and often involves the basic situations of all kinds of subjects, including politics, economics, culture, population, geography and history, and will make a more detailed explanation on the development, changes, causes and effects of the survey object. The special subject survey report is written on a particular issue, which can be a typical experience, a special situation, a new invention, a historical event, an existing problem, and so on. The special subject survey report has clear theme, specific material, and is targeted and highly persuasive.

2. According to the differences in reflecting the contents of survey objects, survey reports can be divided into one for summarizing experiences, one for reflecting situations and one for exposing problems. The survey report for summarizing experiences is a report written about typical experiences which have emerged in practice, and which have a universal guiding significance. It turns events with objective laws which

are practiced, felt and understood into rational knowledge, which will then be used to guide further practice, but are more generally used in newspapers or conference materials. The survey report for reflecting situations is written for a specific subject with a certain aspect, with the purpose of providing the basis for leadership and management authorities to understand situations, research issues, and develop policies or programs. This kind of survey report has a clear theme, specific material, and is targeted and highly persuasive. The survey report for exposing problems is for revealing the key points of a certain problem with a large number of facts investigated in order to get people's attention and realize the purpose of clarifying facts, educating people and solving problems.

3. According to the differences in the purposes of surveys, survey reports can be divided into theoretical and practical recommendation reports. A theoretical survey report is written for proposing or supplementing, or proving or disproving a theoretical point of view. It is for scientific research purposes, and therefore special methods are required in the collection of information, as well the proposal and demonstration of theoretical perspectives. A practical recommendation report is written for proposing certain work or policy recommendations after conducting a survey about things, most of which belong to a special subject report to be used by the Party, government departments and every type of business.

Writing a survey report

1. Establishing a topic. The topic is the soul of the survey report, the basic idea that the author wants to demonstrate. The determining factor for whether a survey report is of good quality, valuable and can get people's attention, is if the topic is correct and profound. The topic must be correct, thorough and meticulous; careful research must be carried out on objects by using scientific viewpoints and methods. In addition, the topic must have a lot of information; a comprehensive understanding of history and the current situation; calculate the causes and effects of objects and events; reflect the essential rules of objects; and it must have a positive significance; this is what we call a correct topic. The topic must be new and innovative, that is, the survey should reveal something that others have not studied, which has relevance to its time, or can study the same object from different angles. The topic must be clear, that is the basic idea it expresses must be without any ambiguity, what is right and wrong, as well as the likes and dislikes of the author. The topic must be

centralized, that is the purpose must be clear; the content must be specified with the key points highlighted; and comprehensive explanations must be made around the topic, rather than going for grandiose projects but without any in-depth research.

2. The formation and refinement of the topic. The topic of the survey report gradually evolves from the practices of the author in his/her life, is generated through in-depth research and then analyzed and summarized using that material. It often happens that the author is deeply touched and inspired by certain materials, has found their social significance, has realized the essence of the object, and therefore has formed a clear topic.

3. Material selection. First of all, good materials must be chosen. Decide the choice of material according to the need for expressing the topic, that is get rid of secondary non-essential and trivial materials which have nothing to do with the topic and choose materials that truly reflect the essence and main outlines of the objects being studied. Attention should be paid to the diversity of the material during selection. Materials from today's reality and history; those from the negative and positive points of view; and those in written and digital form must be chosen. Secondly, materials obtained from the survey must be objectively identified, that is analysis and comparative study should be conducted in order to keep only the refined data. Thirdly, related analysis and research should be carried out on the survey materials to find out their internal and external links; their reflections of the horizontal and vertical; the direct and indirect connections between objects, and their reflections of the causes, consequences and effects of events.

4. Preparation of an outline. If we consider the topic to be the soul of an article and the materials to be the flesh and blood, then the structure should be the internal organization of the article, and therefore the preparation of an outline refers to laying out a strict and sound structure. There are two kinds of written outlines, that is the item outline, which lists the chapters of the survey report depending on levels, and the perspective outline, which lists the narrative views of each chapter.

5. Report writing. The layout should be appropriate and the structure should be complete. Survey reports do not have any fixed format, and therefore should be reasonably arranged according to materials obtained from the survey conducted and those around the topic. It usually consists of three parts: The first part is the beginning, which should describe the significance and purpose of the survey; the survey's object and scope, the methods adopted and their processes. The text should be as short as

possible as well as being clear and concise. The second part is the main body, the chapters describing the survey materials with both a narrative and discussion (the contrast between the past and present). The third part is the ending, the conclusions and recommendations, as well as the summary of the survey report. The length of this part is unlimited and should be determined depending on the actual situation. The proportion of the three parts is not static, it is mainly based on the requirements of the content.

Commonly adopted structures include: the first type, or the vertical structure, which mainly depends on the order of things, that is descriptions and clarifications of the various points according to their order. The second type, or the horizontal structure, mainly depends on basic experiences or highlights several key issues, and then describes them layer by layer. The third type, or the cross structure, mainly depends on the logical relationship between different sections of content, analysis and descriptions layer by layer. Sub-headings can be used in long sections to sort out the descriptions and highlight the key points.

Use points of view to control the materials. Ideas and materials should be combined together and should illustrate the points of view using typical examples. Summarizing the points of view by giving a précis of the material can give people a general impression. Illustrating the points of view using contrasting materials can make questions more specific and profound. Demonstrating the points of view by using data can enhance the scientific nature and convincing power of survey report.

The report must be interesting and easy to understand. Words that can be easily understood should be used and it is advisable to adopt a user-friendly writing style, to bring out the facts and reasons, and to avoid any abuse of esoteric terminology.

Section 2 Sample surveys

The definition of a sample survey

A sample survey is when a random part of the survey objects are selected from the whole, and they are used as representatives to carry out an analysis, after which a conclusion can be made about all the survey objects. In a sample survey, all the survey objects are called the “totality;” the selected representatives are called the “sample;” and each specific survey object is called a “sampling unit.” The number of sampling units contained in the sample is called the “sample size.”

The characteristics of a sample survey

One of the characteristics of sample survey is that the randomness of the sampling must be ensured, that is to ensure that every survey object has the same chance of being chosen as a sample by following certain methods and rules. Thus, it is certain that the sample will have a greater chance of having the same structure as the totality, as well as being a good representative, and thus the accuracy of deductions taken from the sample for the totality will be very high. For example, the election for the President of the United States is held every four years, and before the election, research agencies interview a minority of voters using sample surveys, in order to predict who will win. The famous American research agency, Gallup Poll, has predicted the American presidential election 11 times during the last 40 years and only two errors have been made; once in 1948 because the prediction time was too early, and the other in 1976, in which it turned out that the number of votes for the two candidates was very close. The remaining nine times were all accurate.

The main benefit of a sample survey is saving manpower, time and money. For example, there are 70 million voters in the United States, and generally only about 1,500 people need to be sampled to calculate the overall situation. So in a modern survey, this type is the most widely used. In recent years, sample surveys have generally attracted a great deal of attention.

The classification of a sample survey

Sample surveys can be divided into two categories, namely random sampling and non-random sampling, also known as probability sampling and non-probability sampling. Probability sampling is the one we are interested in here. Equal probability means that every unit in the totality has the same chance of being sampled. The most commonly used types of random sampling are simple random sampling, equidistant sampling, type sampling, systematic sampling, cluster sampling, stage sampling and so on.

Simple random sampling, also known as pure random sampling, is the most basic method used among the various probability types. No artificial grouping or ordering will be made to the overall units, and the sample units only depend on chance. It can be conducted by means of a balloting method or a random number table. The steps are:

Step 1. To obtain a sampling frame, that is to obtain a list of all the objects (all the units) using research.

Step 2. Number all the units, that is a number is assigned to every unit.

Step 3. Use a random number table or choose samples directly.

In a sample survey with fewer objects, a choosing method can be used for sampling. Simple random sampling needs an overall list, which is difficult to use in a large social survey, and the sampling results will be more scattered, thus increasing the difficulties of fieldwork, so generally this method is not adopted.

Equidistant sampling, also known as mechanical sampling or systematic sampling, is to draw samples in accordance with the same interval. The first step is to collect a list of all the units, which should then be arranged in sequence. After that a sampling interval is determined according to the overall number and the number of samples. Finally samples are chosen randomly according to the sampling interval. The first sample chosen should be in the middle of sampling interval, rather than at the beginning or end. This kind of sampling gives a good representation. A sampling interval is calculated as follows:

S (sampling interval) = M (number of overall units) N (required number of samples)

Type sampling is also known as stratified sampling or classified sampling. It is a method which classifies the objects in accordance with their characteristics before conducting probability sampling. For example, in order to understand the attitudes of the people in a certain organization about reform, firstly those people can be classified by age, gender, job etc, and then sampling can take place from these various types with the simple random sampling method. Samples obtained by this method not only come from different types of people, but also comply with the principle of randomness, so they are very representative. This is a commonly used sampling method.

Cluster sampling is a method which divides the totality into a number of groups or clusters, and then survey units are chosen by a group or cluster. Finally a comprehensive survey is carried out on the group or cluster being sampled. The group or cluster here is generalized, it refers both to the crowd and to the administrative units, it also sometimes refers to the products made in a factory. The organization of this method is relatively simple, but the survey can only focus on certain groups or clusters chosen, and is not evenly distributed among the totality. Therefore, the accuracy of making deductions from these samples about the totality is not so good.

Stage sampling, also known as multi-stage sampling, or grading sampling, is a kind of probability sampling which divides the choosing process of sample units into two or more stages. It the sampling is carried out gradually according to an affiliation with objects, such as a city, county or town. For example, in a sample survey conducted in a province, firstly, sampling is done by taking regions as the sample units, then it goes one step further to take counties as sample units. Finally the rest can be done in the same way until the individual level is reached. This method is suitable for a large-scale survey, which has the disadvantage of greater inaccuracies.

The above are five methods used for random sampling. Beside these there is also non-random sampling, which includes occasional sampling, judgment sampling, and snowball sampling. Occasional sampling is carried out spontaneously, such as by using live interviews; judgment sampling is a method where the researchers decide what kind of person or group should be questioned about the area of research by focusing on their experience and knowledge; snowball sampling is a method going from less to more, such as public security officers conducting a deeper investigation than usual.

Section 3. Case surveys

A case survey is a common research method used by leadership and management science when they need to conduct a deeper survey about a single individual in order to obtain comparable data.

The definiton of a case survey

A case survey refers to one which takes a single unit as its object. This social unit can be a family, group, organization or a single individual; in most cases it is a single individual. The case survey aims at a certain kind of phenomenon or problem and selects a unit to investigate and gather all information. This is followed by a detailed description and analysis about the whole process including how the survey came about, its development, the relationship between any internal and external factors and comparison to other similar cases in order to arrive at certain conclusions.

The main uses of the case survey method are:

1. Education and teaching research always attach great importance to the development of an individual and individual differences. A detailed

description of an individual's characteristics can be achieved by this survey, which contributes to a personalized education and promotes the overall development of students.

2. It explains and illustrates some abstract theories and perspectives using specific examples, in order to provide a basis for further confirmation of the theory or assumptions.

3. It verifies the feasibility and effectiveness of a treatment program or counseling strategy, and provides workable strategies and steps to solve certain types of problem.

4. It tries to extend the conclusions taken from an individual case to wider similar groups in order to discover or describe a general trend.

5. An accumulation of case survey information contributes to the overall induction of things, and prepares for later analysis and theoretical generalization.

The history of the case survey goes back to ancient times, and some of the ancient Chinese Biographies belong to this category. *The Aristocratic Family and Biography from the Records of the Historian* written by the historian of the Han Dynasty, Si Maqian, is actually a case which reflects the family system, social phenomena, social systems and social change of that time. In another example, Spencer from Britain was the first scholar to conduct a case survey. The case study approach was used in just legal and medical aspects initially, but it is widely used in many fields nowadays, such as adolescents, young people, the elderly, women, crime, traffic, merchandise, urban construction and other aspects. In addition, in the management of many professional organizations and national authorities, especially in enterprise management, case studies have drawn special attention. For example, the management of Toyota knows everything about the marriage, family, birthday, housing, and other details about every employee. In China, more and more attention is being paid to case surveys and they are gradually becoming more and more widely used.

The characteristics of a case survey

A case survey is often seen as realistic, descriptive and qualitative research, which corresponds to positivist, confirmative and quantitative research. In fact a case survey is not divided into qualitative and quantitative research; it is defined by the singularity of the study object. The characteristics of a case survey are as follows:

1. Singularity and typicality of the study research object. The case survey method, as the name implies, has a research object which is usually a single individual or a single group, and even if there is more than one object being tested, they are usually treated as a unit or a certain problem. As the sole individuals of a case survey, they should have different typical characteristics.

In general, the research objects of a case survey should have the following three significant features; remarkable behavior; some form of measurement and evaluation indicators that are different from others; the key affiliates have similar impressions and forms of evaluation.

Although the object of a case survey is an individual, he/she is not completely isolated, but linked to other individuals as one taken from a group, and thus these individual objects must reflect the characteristics and laws of other individuals and the group as a whole. Although the purpose of a case survey is to understand the specific circumstances of an individual, it should also reveal general laws through this individual case study. Of course, we need to correctly deal with the relationship between the individual and the group. Although an individual can reflect certain general characteristics, he/she is not identical to the whole group. A case survey has fewer samples, and so the representation of the study's conclusion is also smaller, and therefore should not be mechanically extended to the general group; careful thinking and analysis must be made in order to avoid committing this error. In addition, if the individual does not have any typical characteristics, he/she does not have much research value.

2. Diversity and comprehensiveness of research methods. The methods of collecting information during a case survey are diverse and comprehensive. These include the test method, the interview method, the observation method, the experiment method, the literature method and others. They are often integrated and applied together in a real study, in order to understand the development of and changes in the study object from many angles. This is the only way to conduct a more comprehensive and systematic study about the characteristics of the study object and his/her development and changes in order to draw scientific conclusions.

3. The depth of the research content. The research cycle of a case survey is generally a long one. Both a static analysis and diagnosis, or a dynamic survey or track can be made in an individual case; the current situation, the past or even the future development of an individual case can be traced, and general continuous tracking studies need to be made to

each individual case. Due to there being only a single object in a case survey, more research time is needed to facilitate the thorough, meticulous, comprehensive and systematic analysis of an individual case.

4. The application of research results. A case survey is a method which uses a specific object to investigate its specific status, occurrence and development, and to understand and analyze relevant or relative things or objects, thus facilitating improvement and treatment based on a diagnosis, to prescribe the right medicine or solve a problem, and to make its results both useful and possible.

The steps of a case survey

The specific steps of a case survey are as follows. The first step is filing. It is required that a set of files must be established for each case, and all the data should be registered, numbered, and saved respectively; in addition, individual case cards should also be made. The second step is to access the specific identity, background, family, education, and work experience of the case object through methods such as visiting, and so on. The third step is to collect information from relevant parties, that is, evidence such as personal presentations, transcripts, and registration forms. The friends, classmates, colleagues and staff of the case object should be visited in order to find out about the character, attitudes, values, hobbies, and beliefs of the case object. The fourth step is to analyze the data and verify the evidence to establish some conclusions about the case object. The fifth step is to write a case report.

Although case research has many advantages, because of its limits in respect of manpower, resources and time, it cannot be used universaly. In addition, it is difficult to prove the authenticity of some information about an individual, and special training is needed, so this method is only applicable to a small number of people.

Section 4. Questionnaire surveys

A questionnaire survey is the method of collecting data through the completion of questionnaires, and it is also the most commonly used data collection method in modern surveys. The questionnaire consists of an investigation sheet with detailed questions and parts of the answers. In fact, it is a detailed outline of the survey.

Types of questionnaire survey

Based on the form of the answers needed, the design of the questionnaire can be divided into two categories, an open questionnaire and a closed questionnaire.

No correct answer will be provided in an open questionnaire, as the respondents answer according to their specific situations. A question such as "What is the value of life?" is the only one on the questionnaire sheet, and below there is a blank space for respondents to write their answer. This type of questionnaire applies to more educated people.

Answers are provided for the questions asked in a closed questionnaire, and respondents can only choose answers from ones given. For example the question "What is the value of life?" has four answers: contribution to society, obtaining objectives, enjoyment, or money, and the respondents must choose one of them.

Answers are provided for the questions in a semi-closed questionnaire, but there is also room for the respondents to choose to agree or not agree with any of the ready-made answers, and so a separate answer should be provided. For example, using the question "What is the value of life?" in the form of a semi-closed questionnaire, the answers would be: contribution to society, obtaining objectives, enjoyment, money, or others.

The design of the questionnaires

First determine the content of the questionnaire. The first step is to determine what kind of information should be collected according to the purpose of the survey. The second step is to divide the information into several mutually exclusive classes according to the nature of the information. Finally, the knowledge, experience and ability of the survey objects should be considered. The content of a general social psychology questionnaire usually includes two aspects One is facts, that is basic information, such as age, occupation, specific behavior such as attendance at community activities. The second aspect is attitude, such as opinion, motive, emotion, belief, psychological tendency and so on.

Arranging the structure of questionnaire. The structure should be taken from one of three aspects. First it is necessary to arrange the order of the content. General questions should be placed at the beginning of the questionnaire; special professional questions should be placed at the end; questions which are easy to answer should be placed at the

beginning and those not easy to answer should be placed at the end; familiar questions should be placed at the beginning and unfamiliar ones should be placed at the end. So when respondents answer the questionnaire questions, they go from easy to difficult, from simple to complex, and from the familiar to the unfamiliar, rather than be faced with difficult questions from the very beginning, which may put them off altogether.

Second, it is necessary to arrange the order of the categories. This starts with basic information, such as gender, age, educational level and so on. Then comes behavioral data, such as the number of times present in a report meeting or the number of times they've received legal and disciplinary training. And finally comes information based on attitude, such as their views about legal and disciplinary training.

Third is the time sequence. Questions with a time sequence should be arranged in order to avoid confusing the memories of the respondents, which may make them unable to sort out the correct order of events. As for the specific order, that is from far to near or from near to far, this should be determined based on the specific circumstances under consideration.

Specific principles in the design of a questionnaire. A questionnaire is a tool for data collection, so the quality is critical. In order to ensure the quality of the questionnaire, the design should adhere to the following principles:

1. A questionnaire should be focused, and not too wooly. For example, in a survey for investigating the validity of leadership and management methods in a corporation, the questionnaire should be designed around the central issues without referring to other questions. The number of questions put forward in the questionnaire should be appropriate, as they may not completely reflect the problem if the questions are too few, and then in turn lack the evidence to make a conclusion. This is a waste of human and material resources and may cause difficulties in understanding the results.

2. Questions should be accurate and clear. General terms should be used in order to avoid too specialized terminology, especially easily misunderstood terms, to cater for those people with a low level of education.

3. No leading questions should be included in the questionnaire to avoid the bias from respondents towards the question he/she selected to answer, which would significantly reduce the authenticity of the survey data. For example, "Do you think the Party's wrong style of working is the main cause of economic problems?" with the answers, "Yes, No and Do not know." This question is very leading. It can be changed to "What

is the main cause of economic problems: the Party's wrong style of working, poor planning, an imperfect system or any other reasons?"

4. The words must be accurate without using abstract concepts, such as happy, painful and so on. More specific words should be used. Do not use questions with multiple or unclear meanings, such as, "Are you often in contact with your Manager?" There are two inaccurate words here; the first one is "often" and the second one is "contact." What does the word "often" mean? Is it daily, weekly or monthly? And what does the word "contact" mean? Is it conversation, a handshake, reporting on work, or improper behavior? Another example is "Where is your hometown?" This is also inaccurate as it may be understood as the place of birth, the place of birth of their parents, or even the birthplace of the family, thus it is better to simply use, "Where were you born?" Also, do not use negative sentences such as, "You do not agree with the student protests, do you?" In short, the wording of the questionnaire must be careful.

5. A questionnaire should begin with an introduction explaining the purpose of the survey, as well as thanks to the respondents for their assistance, in order to make the respondents clearly understand the research objectives and to be willing to cooperate.

6. A large-scale social survey questionnaire should be trialed on a small scale to check its usability, such as how widespread in reality it is; or whether the questions are too personal, which may result in a lack of cooperation, and so on.

Section 5. Social experiments

A social experiment is a research method used by social science researchers to conduct a study of social facts by using experimental ways and means taken from the natural sciences, and which is mainly used for comparing the differences between experiment subjects.

The definition of a social experiment

An experiment is the process of artificially controling or setting some variables; ruling out interference as far as possible; observing and recording the activities of the study; and analyzing two or more variable changes under the guidance of an existing theory or hypothesis and in accordance with the pattern of the experimental design, with the purpose of finding a causal link between the phenomena and revealing their laws of movement.

Types of social experiment

Social experiments can be divided according to different experimental conditions into natural experiments and laboratory experiments.

Natural experiments. These take place under natural conditions. The researchers intend to change or create certain conditions causing certain psychological phenomena. This experiment is able to observe the actual performance of the subjects and is therefore more realistic.

Laboratory experiments. These are conducted within a specialized laboratory with strict controls and by means of a variety of instruments; they will simulate the conditions of the natural environment or working environment to observe and study changes in people or their behavioral reactions. Most laboratory experiments deal with people, and the results obtained are often different from actual situations. In addition, laboratory experiments are mainly used for the study of some simple behavioral phenomena, but as far as personality traits and other complex phenomena go, they show a lot of limitations.

According to their different direct purposes, experiments can be divided into the exploratory experiments and replication experiments.

Exploratory experiments. These explore the unknown nature of a study object to understand its composition, changes in characteristics, as well as its connection with other objects or phenomena.

Replication experiments. These have a certain understanding of the subject and some recognition or certain hypotheses have already been raised, and so the purpose of replication experiments is to validate that recognition or hypothesis.

According the relationship between quantity and quality, experiments can be divided into qualitative experiments, quantitative experiments, and structural analysis experiments.

According to their roles in scientific understanding, experiments can be divided into control experiments, factorial experiments and simulated experiments.

Control experiments. Two or more similar group samples should be used. One is the control group, which is used as the standard for comparison, and the rest are experimental groups on which certain experimental procedures are conducted to determine how far the experimental groups have a similar nature to or influence on the control group.

Factorial experiments. These are experiments set up for finding out and exploring the main causes impacting the occurrence and changes in certain things. The main characteristic of this experiment is that the

result is already known, but the factors influencing the result, and especially the main factors, are unknown. In order to conduct a factorial experiment, the first step is to know various factors that affect the outcome as far as possible. To this end, it is necessary to carry out a detailed and thorough investigation and study without missing any tiny tell-tale clues, because sometimes these kinds of insignificant factors may be major reasons causing certain results. If there are two factors, control experiments can be used to determine the main factor. For experiments with multiple influencing factors, there is one exclusive method which can be used, that is while keeping the multiple factors unchanged, only one of them is changed each time to determine the specific impact of each factor, and finally to find the main cause. Sometimes the change or phenomenon is not caused by any single factor, so then further factorial experiments are required.

Simulated experiments. In scientific research, sometimes due to objective constraints, it is not allowed or impossible to study the research object directly. So it is necessary to obtain an understanding of the research object through simulation, that is, a substitute or model of the research object is used instead and the actual situation of the research object is simulated.

The design of social experiments

The design of social experiments refers to the knowledge of the general program of scientific research, which includes a sequence of content from the proposing of the question, the formation of a hypothesis, and the selection of variables to result analysis and writing a thesis. It shows researchers an overview of how to conduct scientific research, and the whole process of trying to reach a solution.

The main procedure of experimental design:

1. Establish the statistical hypotheses related to the research hypothesis.

2. Determine the experimental treatment (independent variable) to be used in the experiment and how far external conditions (additional variable) must be controlled.

3. Determine the number of experimental units (under test units) needed in the experiment and the overall sampling in terms of test units.

4. Determine the method of assigning experimental conditions to the test units.

5. Determine the measurements from each test unit which need to be recorded (the dependent variable) and what kind of statistical analysis is to be used.

Experimental plans and method strategies should be prepared by the researchers according to the research purposes clarified before the experiment. Its main content is to arrange the experimental procedures and propose how to conduct statistical analysis on experimental data.

The main steps of the design of social experiment can be summarized as follows:

1. Propose assumptions according to the purpose of research.

2. Prepare the methods and procedures intended to verify assumptions.

3. Select the appropriate statistical methods for processing and analyzing the experimental data.

The main function of experimental design is the control of variables, and efficiently manipulating or changing independent variables under controlled conditions, so the changes in irrelevant variables (that is, the reaction variables) can be well observed. Good experimental design is mainly manifested in the reasonable arrangement of experimental procedures and effective control of irrelevant variables. Some of the irrelevant variables in social experiments can be excluded by experimental instruments and technology just as in scientific experiments, but most of them are difficult to exclude, and the experimental design must be relied on to balance or offset their impact. These kinds of control methods are called experimental control methods. The most commonly used ones are:

1. Eliminate variables or maintain a constant method: use laboratory conditions to exclude the interference of irrelevant variables, and try to maintain the variables which cannot be excluded such as age, weight, experimental environment, test level etc.

2. The balance method: divide the objects into an experimental group and a control group according to the random principle, and keep the impact on each group from irrelevant variables equal.

3 The offset method: the aim is to control the impact of variables thanks to the experiment's sequence, and mainly uses a circling mode (only two experimental processes using AB and BA methods).

4. The incorporation method: This is the process of how irrelevant variables acting as independent variables can change the experiment design from a single factor to a multi-factor design, and then varied statistical analysis can be carried out on the results to find out the independent effect and interactions of each variable. There are some

independent variables, although we know that they will affect the results, but they are impossible to be balanced or offset by experimental control due to the limited experimental conditions, and they can only be analyzed using statistical methods after the experiment and then excluding them from the conclusions. The control method is called the statistical control method. The most commonly used statistical control method is covariance analysis, also known as covariate analysis. When it is impossible to carry out random sampling on an individual basis due to the difficulties in actual conditions or administrative reasons, and the integrity of unit group (such as taking a class as a unit) must be maintained, this method would be applied.

There are many standards to evaluate an experimental design, but the key is to see whether they can give full play to the following functions:

1. Solve the problems that the researchers need to be solved, that is, the experimental design must match with the problem being researched.
2. Having better internal validity, that is, the ability to effectively control the irrelevant variables, so as to make the changes of response variables as a result of independent variables only.
3. Experimental results should have a certain scientific universality and can be generalized to other subjects or other situations, that is, have higher external validity.

Section 6. Social statistical analysis

Social statistical analysis is a quantitative statistical method, which can investigate and compare the data of research objects of all aspects more precisely, and it is an in important means of obtaining conclusions.

The definition of social statistical analysis

Statistical analysis is a kind of method of collecting, collating and analyzing the quantitative data of a large number of social phenomena, which includes three basic aspects: statistical survey, statistical collation and statistical analysis.

The purpose of a statistical survey is to collect the information required by the research; first to collect the information reflecting the characteristics of a survey unit through a social survey, and then to carry out statistical processing on the large amount of raw data collected to make them structured and systematic.

Statistical processing refers to the quantitative description of a research object, such as describing their main tendencies and relationships between various variables in the social phenomena under research, so as to achieve the purpose of quantitative understanding and reflection of some social phenomenon, as well as providing the basis for further quantitative and qualitative analysis.

Statistical analysis verifies and certifies the theoretical assumptions under research through statistical inference. Sometimes it is also needed to predict future trends through statistical inference.

The basic methods of social statistical analysis

There are basically four social statistical methods, including the observation method, the statistical grouping method, the descriptive statistical method and the inferential statistical method.

1. The observation method. Adequate units of social phenomena are needed in the process of observing and studying social phenomena as a whole by using social statistics. Due to the complexity and universality of the inter-relationships of social phenomena, and based on sociological theoretical analysis on the object being studied, it is necessary to determine the scope of the survey objects by observing a sufficient number of survey units, and thus to understand the regularity of social phenomena and processes. This requires extensive use of the observation method to organize various forms of social surveys and to collect large amounts of raw data necessary for the analysis of social statistics.

2. The statistical grouping method. Large amounts of raw data obtained through a social survey is only material, which must be processed through the special statistical grouping method before being used in a comprehensive analysis. According to the purpose of social research and combined with the internal relations and characteristics of the objects under research, social phenomena can be divided into different types or groups with different natures, which is known as "statistical grouping." Using this method, we determine the totality of social phenomena of the same type, and correctly use various social statistical indicators to reveal the characteristics of different types of social phenomenon.

3. Descriptive statistics. The main purpose of descriptive statistics is to describe the results of the observation of social phenomena and processes. This method originated from the seventeenth century after statistics emerged, and when the School of National Power described the political,

economic, geographic, demographic and other conditions in Europe by text and figures to illustrate national conditions. However, the School of Political Arithmetics has compared and analyzed most of the social phenomena completely based on digital information. Therefore, the characteristics of descriptive statistical analysis are only a general description and analysis of the observation results of social phenomena. In later development processes of statistical statistics, they mainly performed the function of a description. Of course, their approaches have been greatly developed. There are some important statistical analysis methods including the comprehensive index method, high potential analysis, correlation analysis, dynamic analysis, index analysis, and so on were developed. However, descriptive statistics can only show external views of the observed social phenomenon, and only explain what, but not why the results of the observation are such as they are, that is, unable to make a proper explanation about the social phenomena and processes observed.

4. The inferential statistical method. In both macro and microscopic social research, both deducing the indicators of the totality by indicators of samples, and conducting statistical verification about certain assumptions proposed in social research by sampling, research must be carried out by means of the inferential statistics method. In the early 1900s, Gao Saide proposed the Seven Distribution Theory and provided effective test methods to estimate the average number from a small sample of data, thus introducing a new type of statistics. When Pearson and Neumann developed the verification theory of statistical hypothesis later, which further laid the basis of inferential statistics, it was widely promoted and applied.

6

Four stages of development in epistemology

As a theoretical and systematic world outlook and methodology, philosophy serves as a tool for macroscopic thinking. Located in the highest ranks of society and social organization, leaders and managers have to be good at macroscopic thinking and leading the overall management system to benefit human society. The macroscopic and high rank characteristics commonly shared by philosophy and leadership management science make them combine naturally to develop into a new discipline – leadership management philosophy.

What is the research subject of leadership management philosophy? There is still a difference in the answers to that question in the theoretical field at present. But generally, two views can be stated. One view holds that leadership management philosophy is the research of the basic issues in leadership management activities or universal rules in leadership management with philosophical views and methods, while the other view holds that leadership management philosophy is the research of basic issues in leadership management activities or the relationship between leadership management and philosophy. This book holds the first view, focusing on the discussion of basic issues or universal rules in leadership management.

In the modern world, leaders are confronted with more and more challenges. The leaders must have philosophical views and thoughts to easily cope with any challenges. Only philosophical views and thoughts can make people predict the future from small clues and hence prepare in advance; improve foresight and initiative in leadership management; convert challenges into opportunities; turn swords into ploughshares; and increase the leadership managers' ability to cope with different situations and their ability to be in control.

Section 1. Epistemology, the core of leadership philosophy and the soul of leadership management

Since its birth, epistemology has always been a constantly developing process suffused with philosophers' wisdom and the everlasting spirit of exploration. In general, the process has undergone the following four stages:

The conversations, discussions, questions and answers of Socrates and Plato and logos cognition constitutes the beginning and first stage of epistemology. Through using ideals, they are connected to objective practice.

The three classifications and twelve categories of patriotism put forward by Kant reflect the connection between prior consciousness, objective subject and nature, forming the second stage of epistemology development.

The views, practice, history and class struggles of Marxism, the theory that production relations and superstructure are primary aspects of a contradiction, as well as materialistic dialectics, developed epistemology and methodology into the third and advanced stage.

Creative thinking and cognition along with intelligent inspiration are mainly reflected in the ways of thinking and initiative in the practice of the three most important types of consumption. These cognitive processes develop the cognition, initiative and methods involved in reshaping the world into a new stage, the fourth stage of epistemology and methodology.

Epistemology and methodology, the core of philosophy

Human beings have always tried to innovate, create and invent things for their existence, development and consumption since their birth. Therefore, existence and consumption are the original power for their development. How to perceive the consumption of human existence and development? How to perceive human beings themselves? How to perceive nature? How to perceive the relationship between human and nature? How to perceive the self and others? How to perceive the self, family, clan, nationality and country? These perceptions have been continuous in the whole course of people's existence and development. However,

there is a primary original force in both existence and development at the birth of human beings and in the highly advanced developments in culture, that is, the consumption of human existence and development. A person is one member of all living beings, as well as their dominator, the lucky one in nature. The whole existence and development process relies on nature. Human beings try to satisfy their life and group consumption as much as possible, and continually create all the goods needed by them to satisfy their consumption. As their individual power is not sufficient to get the necessities of life consumption from nature, they adopted the collective power of families of the original matriarchal society to get the necessities together, distribute them evenly, work with their best efforts, nurture their young and develop a personal relationship of caring for the old in their families. For the sake of a good birthrate, social relationships between races and multiple clans developed marriage alliances to replace family tribal society.

Due to the needs of the consumption resources of existence and development needed to live, wars to protect resources or to steal consumption resources from other clans and families started, that is, war to protect and rob consumption resources. Such wars never ceased, which made the defeated clans weaker and even affiliated to other clans; or the weak were killed by the strong who took over their consumption resources, and then became even stronger by having more slaves (which were regarded as livestock). Social development made stronger clans and society developed in the following way: primitive commune – slave society – feudal society – capitalist society – preliminary stages of socialist society.

As stated above, throughout their development, human beings have created life consumption, social consumption and scientific production consumption, namely, the three most important types of consumption, in the long history from the daily life consumption of existence and subsequent evolution based on the needs of constant development. In order to satisfy the ever-expanding life consumption and social consumption of existence and development, human beings created production consumption, scientific research production consumption, and new consumption goods constantly. A conclusion can be drawn that human existence and development consumption were the original force for the progress of human civilization. In other words, the three most important types of consumption drive the human social economy, social spirit and cultural development constantly, which make up human civilization, progress and development. In general, two major categories of cognition can be classified: idealist cognition and materialist cognition. Idealist cognition is about the sky, god, earth gods, gods of objects, and

religion. People have had thoughts about gods as far back as the age of chaos, in ancient China for example. Materialist cognition appeared as far back as 7000 BC. It includes the divinatory symbols of Fuxi, the 64 divinatory symbols of Zhouyi, the most representative of which is the theory of Guan Zhong. This most famous materialist theory and methodology still has an important significance to modern society, which is only natural. Such ideas still exist nowadays.

Ancient Chinese epistemology and methodology

In Ancient Chinese epistemology and methodology, there are three representative figures: Guan Tzu, Lao Tzu and Confucius. They put forward many characteristic views in philosophical ideas, especially in epistemology and methodology.

Epistemology and methodology in Guan Tzu:

1. Ultimate origin theory. Zhouhe said that Taoism contains everything while Zhouhe contains the world. Yene indicated that Taoism has no roots, no stems, no leaves and no flowers. Everything relies on it for growth, development, and so it is named the Tao. The essence of the sky lies in justice, the essence of the Earth lies in peace, and the essence of human beings lies in gentleness. Spring, summer, autumn and winter and the seasons of the sky. Mountains and valleys are materials of the earth. Happiness, resentment, getting and giving and people's schemes.

Guan Tzu said, "Something invisible without shape is named the Tao, and something changing and cultivating everything is named virtue." (Xinshushang). But Guan Tzu also believed that the Tao is not an abstract void in itself. Therefore it can be known that the Tao is also Qi of material. Guan Tzu further put forward clearly that "Fine Qi" is converted into the elements of everything, which concerns the essence of life and the spirit. He also further put forward the theory of the sphere and heavens, that the world contains everything while being contained by boundless "Zhouhe." Meanwhile, Guan Tzu introduced the five elements, the workings of Yin and Yang, the idea of "interaction between sky, earth and human beings" into his examination on the rules of social and historical change and development.

The Theory of Nature by Guan Tzu: Tao is not non-existence in the abstract, but it is invisible. The invisible Tao is a law which combines the world with "Zhouhe" (Tao covering all things and time), the void of abstract law for specific things in the world, namely from individuals and parts to the whole, and to unlimited space. Moreover, movement

occurs along with this law, invisible and untouchable but it can be learned, gained and used, which is the law of the Tao.

2. The Tao of heaven, the Tao of the Earth, and the Tao of human beings. The Tao of heaven was described by Guan Tzu as a law of heaven that covers all life, controls the seasons, operates the sun and the moon and arranges the stars. The universe is controlled by these laws and runs in cycles. It is adjusted by natural laws and runs in cycles without ever changing.

The Tao of the Earth was described by Guan Tzu that heaven covers and controls all life while the Earth carries and cultivates it and life develops and is contanined by the four seasons. As this law has existed for hundreds of years and has never been changed, it is the same throughout all time.

The Earth is the source of all life and the root of all things. It gives birth to beauty, evil, virtue, crimes, foolishness and talent. Water is the blood of the Earth, just like blood in muscles and vessels. This is the reason why water is a material. A lack of taste lies right in the middle of the five tastes. So water is the standard of all things and the taste of all life. It was described by Guan Tzu that the Earth is the source of all life, which it is controlled by, namely the Tao. Heaven covers and controls all things. The Earth carries and cultivates all life while it grows, wanes and is contained in the four seasons. Throughout the ages, nature never changes its regulation (the Tao). So we consider all ages as being the same. The Earth is the source and root of all life and things. It gives birth to beauty, evil, virtue, crime, foolishness and talent. Water, as the blood of life, circulates around the Earth like muscles and vessels in human beings. So water is both a material and beauty. Water is the standard of all things, the root of all life and the basis of gain and loss. This is a description of the Tao of the Earth.

Guan Tzu described the Tao of human beings as being something that causes people to obey those who have the Tao (following its rules), just like they need food when they feel hungry, they need clothes when they feel cold and they need shade when they feel hot. When a ruler has the Tao and follows its rules, people will follow him. Otherwise people will leave. It is said that without the Tao nobody follows; and with the Tao nobody leaves.

Guan Tzu defined the essence of the Tao of human beings as a desire for food, clothes, shelter and vehicles. People expect better and better food, clothes, shelter and vehicles and more and more pleasure. It means people's living consumption is the natural source and motivation. Out of demands and desires for living consumption, their natural instincts

produce evil. The Tao of human beings is as fundamental as water, while leaders and managers are like boats. Water can both carry and destroy boats. Management's achievements can be made by following the Tao of human beings based on demand, development and the satisfaction of living consumption.

3. The Tao can be acquired, driven and used. According to Guan Tzu, the Tao is the same in its basic content and different in use. The Tao was explained by one but used by many different people. The essential laws of ever-changing things in the world are the same throughout all the ages. The development of all things will reach the same end via different ways. This law is the same throughout all the ages.

In Guan Tzu, everything in the world is fair to all people. Whoever follows natural laws will achieve great success while whoever violates these laws will have to face disasters and will not be saved. Guan Zhong pointed out here that the Tao can be known, acquired and used. There are different laws and uses in the Tao of heaven, the Tao of the Earth and the Tao of human beings. A king who wants to follow the Tao should strive for nothing. When a king uses and follows the Tao, he will achieve success. As the Tao is fair and selfless, whoever follows it should be fair and selfless too, which is called striving for nothing. It means the achievement of managing a family, a village, a country and the world, which means striving for nothing to make achievements.

So Guan Zhong pointed out that we should follow the Tao in our behavior and management. Virtues come from the Tao, as do manners, charity, justice and laws. If one wants to be a successful manager by following the Tao and striving for nothing, he has to depend on its laws and virtues. Without the four aspects of virtues, manners, charity and justice, a country cannot keep going. Without laws, a country cannot be managed which will cause damage. Neither can be neglected. Laws are made as the criterion of managing a country which is selfless. The whole point of the law lies in that kings, officers and leaders should obey the law first to set an example. A country can be managed by following these laws.

The theory of knowledge and the methodology of Lao Tzu

1. The philosophical law of Lao Tzu: "Nature." Lao Tzu said that human beings follow the example of the Earth; the Earth follows the example of heaven; heaven follows the example of the Tao; and the Tao

follows the example of nature. The Tao is the root from which all life emerges, so human beings, the Earth and heaven should all follow the example of the Tao. However, the Tao follows the example of nature. That is not to say there is a natural higher thing for the Tao to follow. Nature occurs naturally and automatically. Things are in the state they automatically become. It should be construed as the spirit of the Tao, which is the overriding and leading part in all the characteristics of the Tao. This is what Lao Tzu said; the honorable Tao and respected virtues both come from nature. The reason why the Tao and the virtues are respected by all life is that they follow the example of nature. The values of the Tao and its virtues lie in nature. Divorced from nature they will be without value. Lao Tzu took the Tao as the basis for his thinking, but nature as its roots.

2. Philosophical thinking on the cosmology of Lao Tzu. This can be divided into several parts which consist of the origin, formation, movement and changes of the universe.

The origin of the universe: cosmology is the basis of Lao Tzu's philosophy. Lao Tzu said there was something with no shape that existed before the world. It existed alone, without sound or form, dependant on nothing, and it never changed, ran in cycles or stopped. This was the mother of the world. I do not know its name. Just call it the Tao (Chapter 25 in *Tao Teh Ching*). As the origin of the universe and the general principles on which the world and all life depend, the Tao is naturally something different. All life in the world, as matter or things, can also be called "being." The Tao, as opposed to matter and things, is a metaphysical being which should be called "nothingness."

Being and nothingness here are uses or body of the Tao. On all levels, Lao Tzu said all life emerges from being, while being emerges from nothingness, (Chapter 40 in *Tao Teh Ching*) and nothingness is the Tao. But this nothingness is the opposite of being, not absolute nihilism.

The Tao contains nothing yet neither is it empty. It is in a state without shape, body or being. The Tao is naturally invisible, inaudible and untouchable (Chapter 14 in *Tao Teh Ching*). It exists in an intangible condition.

The Tao is also a being beyond time and space, without a so-called life span or size. As Zhuang Tzu said, it is not higher than Tai Ji, nor deeper than six poles, it did not exist before the world or even before ancient times. Such a condition gives birth to all life and never stops.

Of course, the Tao as a metaphysical being transcending time and space, cannot be tested or verified by consciousness, or described by language. So *Tao Teh Ching* summarized that, "The Tao which can be

described is not the everlasting the Tao." Although we have to explain it, we cannot clearly describe what it is. To really experience and know the Tao, we have to experience the conception or meanings of these words to understand its characteristics in transcending time and space. It is neither difficult nor easy to understand the Tao, because although the Tao appears easy to acquire, it is actually very hard.

3. Ontology in Lao Tzu's philosophy. The Tao produces one; one produces two; two produces three; and three produces all life. Chapter 42 in *Tao Teh Ching* pointed out that the Tao is the root producing all life. The Tao is the most important part of Lao Tzu's philosophy, as well as the most important concept in his ontology.

The Tao is neither material nor mental. The Tao which can be described is not the everlasting Tao. Chapter One casts a mysterious veil over the Tao. The Tao is modest and endless like a river. It is the origin of all life. (Chapter Four in *Tao Teh Ching*). It pointed out that the body of the Tao, which is the root and origin of all life, is a void. The Tao is neither material nor spiritual, but it really exists. There are matter and things inside. There is spirit and truth inside. All these ideas pointed out that the Tao is an existing being. In a word, the Tao is the inherent vitality and creativity of the universe, as well as the kinetic energy on which material and spirit depend to move and develop.

The Tao will not die or change; it runs in cycles and never stops. Its movement produces movement and changes in all life in the world including their death. The Tao doesn't change randomly, but follows a general law. The Tao runs in contradictions. Lao Tzu thought movement, change and lives in nature follow some general laws, one of which is "the law of opposites": things move and develop in different directions. "Happiness may hide in disaster while disaster may come from happiness," explains the laws of opposite transformation in the development of things.

4. Methodology in Lao Tzu's philosophy. First of all, the Tao advises people to pay attention to the real world. The Tao produces all life, and is the originator of nature. The development of all life is an expression of the Tao's potential motivation. The Tao, superior and everlasting, is within all life in the world. It guides people to improve society and life, which are far away from the Tao, through efforts and development according to the Tao, and to get closer to the ultimate ideal of the Tao. This is the real purpose of Taoist schools: to respect the Tao and to value virtue. So Taoist schools do not retire from the world in a negative way, but pay great attention to real life.

Secondly, the Tao tells people how to know the world: a thing can be known completely when both its positive and negative aspects are considered. Lao Tzu did not only remind us to observe any opposing aspects but also taught that keeping these negative aspects will produce more effects than keeping the positive ones. In "know the strength of the male but keep the softness of the female. Know the purity of nature but keep in a humble position." Lao Tzu expressed a viewpoint different from most people. Most people choose to flaunt their superiority and fight for the top position while Lao Tzu suggested people remain soft and keep back. In the mutual transformation of two opposing aspects, Lao Tzu emphasized the transformation from the negative to the positive. "Whatever needs to be restrained must be relaxed first; whatever needs to be weakened must be strong first; whatever needs to be abandoned must be prosperous first; whatever needs to be captured must be given first; this is the so-called subtle light. In a word, the development of the Tao is the transformation towards opposing aspects and directions. When the Tao acts on things, they will act according to this rule.

In a word, Lao Tzu's Taoism systematically discussed the ontology of metaphysical beings for the first time in the history of Chinese philosophy. From the teachings of Lao Tzu, the Tao began to rise to be the highest philosophical concept. This was not only an important change in the Tao's meaning but also led to a fundamental breakthrough in the development of Chinese philosophy. Lao Tzu's philosophy held a pioneering position in ancient Chinese ontology, and proposed and built the first ontological model in the history of Chinese philosophy.

5. The epistemology and methodology of Confucius. As the most influential philosopher in ancient China, although Confucius declared himself as "only describing and explaining the thoughts of predecessors and not to create any myself," he actually built a pioneering philosophical system which included a cosmic point of view, a human point of view, epistemology, methodology and other aspects before the contention of a hundred schools of thought. Opened in accordance to the logic of his main philosophical categories, his philosophical system can be summarized as fate – manners – charity – knowledge – the golden mean.

In terms of his cosmic point of view, Confucius rarely mentioned cosmic laws. What Confucius called heaven, was sometimes God dominating everything, including, "the fear of God's orders (*Ji*) and being judged by God" (*Yi*), and sometimes nature as a whole. He indicated that the four seasons according to heaven run regularly as does all life (*Yang Huo*). As for fate, Confucius held a positive position. He thought that one who does not understand fate cannot be a gentleman

(*Yao's Words*). Confucius also said that he "understood fate at fifty years old." But the word "fate" in Confucius' work does not mean the absolute idea and orders of God, but a historical necessity which cannot be controlled by human beings. However, in Confucius' eyes, human beings are not totally incapable. On the contrary, he proposed that people should hold a positive outlook for dealing with fate. As such, he was regarded as one who still made an effort even when he knew that it could not be done (*With Xianwen*). He also described himself as one who worked so hard that he even forgot to eat; and one who was so happy that he forgot all worries and his age (*Personal Statement of Confucius*).

In terms of his humanist point of view, Confucius proposed to establish and restore manners, restrain people, and to combine combine charity and manners. Manners, as a concept, are very important in Confucius' ideological system. To cultivate one's moral character, in Confucius' opinion, one has to learn manners first. No manners means no foothold (*Ji*). People should restrain themselves and relearn manners (*Yanyuan*). To administer a country, Confucius proposed to restrain people by means of manners (*Being Officials*) and administrate the country with standards in social manners (*Advancement*). Confucius was not the first to emphasize the importance of manners, which was discussed earlier. Confucius made an original contribution by taking charity into manners and combining them. He said that if one has no charity, what could he do with manners? If one has no charity, what could he do with ceremony and music? (*Yi*) Although there was concept of charity in ancient times, Confucius attached new implications. He did not only explain charity as loving people but also proposed to help and understand others by putting oneself in another's shoes. The principle is to "hold others when one himself wants to stand and help others to succeed when one himself wants to succeed" and not to "force others to do things one himself does not want to do" (*Yanyuan*). After Confucius took charity into manners, they were not only effective as an external force but supported by "charity," which worked as an internal sense and automatic power.

In epistemology, Confucius did not abandon the aprioristic view of inborn awareness and listed it as the the most important aspect of cognitive ability. But Confucius considered "wisdom obtained by study," which he repeatedly discussed, more important. He described himself as "one who was not born to know but was interested in history and bright enough to learn" (*Personal Statement of Confucius*). He emphasized that if one values charity but does not like to study, he will become foolish; if one likes wisdom but does not like to study, he will become dissolute

(*Yang Huo*). In the process of attaining knowledge, Confucius proposed listening and watching more; with the consideration that knowledge can be gained by paying attention. Not all knowledge gained by listening and watching can be believed. We should learn to observe carefully. All likes and dislikes should be investigated, he said (*Wei Linggong*). Confucius also proposed the three-step process to see, observe and investigate people: to see what he is doing, what he has done and what he wants to do next (*Being Officials*). Confucius also proposed "Si" (namely thinking), which is in the stage of rational knowledge. He emphasized the combination of study and thinking. Learning without thought is useless; thought without leaning is perilous, he said (*Being Officials*). He also proposed to think once, think three times and then think once more (*Ji*).

Confucius also proposed using the method of analogy in the process of thinking, namely to gain the effects of drawing inferences about other cases from one instance through repeated analogy and reasoning. If one cannot draw inferences about other cases from one instance, do not take more examples, he said (*Personal Statement of Confucius*). In the process of attaining knowledge, Confucius does not consider thinking as an end in itself. He thought that based on thinking and learning, we should continuously exercise and practice. It is happy to learn knowledge and exercise it from time to time (*Xue Er*). He proposed really practicing (*Li Ren*). Confucius also held the position that a man of noble character should make every effort to do his best instead of talking nonsense (*With Xianwen*).

In terms of deciding whether knowledge is true or false, Confucius did not clarify this. What he did say was that in order to evaluate a person we should listen to his words and watch his actions (*Gong Yechang*). Confucius seemed to consider the unification of words and actions as a good standard on which to make a judgment. However, he also thought considering others and putting oneself in the place of another was a means of charity, namely that every man of noble character should be rational enough to judge right or wrong. In later Confucianism, this idea was further developed to take moral principles, such as charity and justice as the top standard to judge right or wrong.

In methodology, Confucius absorbed the idea of neutralization from the Western Zhou Dynasty and the Period of Spring and Autumn Era, and developed it into an idea of moderation. Moderation is not only a world view but also a basic method to deal with nature, society and life. As a methodology, moderation consists of the following:

First, we should look at something from both ends. Confucius considered that as everything has two ends, in order to learn and retain something we have to bear this in mind (*Zihan*). The two ends in

Confucius' words refers to the two opposite aspects of one thing, such as the beginning and end, higher and lower, improvement and stagnation, disadvantages and advantages, widespread and limited, brave and timid.

Second, we should hold the two ends and use the middle. *Moderation* recorded Confucius' words that a manager should hold the two ends and use the middle in dealing with people. He also pointed out that the reason why a man of noble character can be moderate lies in his consistently moderate actions. It emphasized that actions should always be moderated. But Confucius hated "Xiang Yuan," who seemed "moderate" but in fact had no principles.

Third, too much is as bad as too little. Confucius held the viewpoint that exceeding certain limits is as wrong as missing something altogether. His idea of moderation covers not only dialectic elements, which admit that the opposite aspects of something are mutually dependent and can change each other in certain conditions, but also negative elements in order to keep within limits to prevent transformation.

In a word, Confucius held the philosophy that heaven, along with personality and will, is the ruler of nature and society, which is completely different from the ideas of Guan Zhong and Lao Tzu, who considered heaven as the natural Tao.

Western epistemology and methodology

Epistemology and methodologies are tools which people use to perceive and reform the world. In the fourth century BC Socrates was the first in the Western world to put forward a systematic methodology. He believed that everlasting general knowledge were conceptions born in people's minds. Many of these widely applicable conceptions were created using a method of questions and answers along with satire, spiritualism, deduction, defining and other procedures. Plato developed this methodology and named it dialectics. The logistics of Aristotle makes a generalization of previous ways of thinking and outcomes of scientific research methods at that time and established a formal system of logic containing conception, categorization, proposition, induction, deduction, proof, dialectics and other systems centering on syllogism. He regarded dialectics mainly as a method of thinking which exposed contradictions in cognition and overcame them to reach the truth. The problem lay in in the fact that they denied the laws of contradiction as being fundamental, which rendered their method of thinking as metaphysical.

In early modern times, the exploration of correct ways of cognition and changing nature became the main issue of philosophy as a development of natural science. The experience induction method and rational deduction method were developed due to the development in experimental science and mathematics.

In *Novum Organum*, Bacon, an English philosopher, criticized scholasticism and formalized the syllogistic induction method (conception, category and proposition), which impeded the development of scientific development. He put forward the experience induction method, which proposed a combination of reasoning and experience, a focus on observation, experiment, analysis, comparison, the induction of feelings, complicated objects and their structural rules to reshape nature. In the eighteenth century, Kant made a breakthrough in metaphysical thought with his nebular hypothesis. In the huge idealistic system he constructed, he placed a focus on the philosophy of epistemology and put forward the method of logic. Descartes put forward four principles making up this new method: do not take anything as real unless you are very sure about it; settle problems systematically with his method of analysis; follow a sequence of thought from simplicity to complexity; recheck everything completely to make sure nothing has been missed. He drew the conclusion that he existed as he saw it, and deducted that God existed, which led to idealistic epistemology.

1. Plato's epistemology and methodology. Plato opposed sophistry with dialectics and placed dialectics above all the fields of science. He believed that dialectics was the only science to provide true knowledge. Besides the adoption of the question and answer method put forward by Socrates, his dialectics was mainly a logos demonstration theory, a method of examining the relationship between logos, that is, conception dialectics, including analysis and integration, and the argument development methodology.

In epistemology, Plato believed that people could only get ideas from their sensory organs, while the perception of logos only relied on the soul. Originally, the soul had knowledge of everything, which was lost due to the contamination of the body. Activities of the sensory organs could bring back knowledge into the soul. Study is a kind of recollection towards this end. He further divided cognition into four kinds of competency and stages: imagination, faith, reason and sense.

As to its dialectical aspect, Plato inherited Socrates' method of seeking truth with conservation, discussion, analysis and integration, and promoted it to research on the logos – the contradictory progress of categories and the dialectical relationship of the unity of opposites. First,

the dialectical theory was the question and answer method – a reasoned attainment of the spirit. Second, dialectics was the cornerstone or peak of all the sciences, philosophy or even metaphysics itself. Third, dialectics was a tool to attain understanding. Finally, dialectics was an ideal way of thinking, as well as being a method of analysis and integration.

In ethics and politics, Plato inherited and developed Socrates' ethics and established a moral theoretical system. He believed that this system's aims consisted of all kind deeds, the only real and everlasting basis of value and the source of morality. He distinguished three aspects in the human soul, namely reason, will and lust, and put forward four kinds of morality: wisdom, courage, control and justice.

In his methodology, Plato established an ideal society taking Sparta as a template, that is, Plato's ideal country. He believed that Sparta had a simple social life, collective political power and an oligarchical system, and was different from Athens with its political infighting. This is why Plato chose and created it, making it a well-known ideal society in European history, the first Utopia known to the world.

The ideal country template of Plato was Sparta with an additional four kinds of morality to turn it into a Utopia. The standard for justice in a city was that its merchants, soldiers and guardians were engaged in their own work with no interference. A just city was made up of citizens doing their own work, not violating traditions and seeking reform. Virtue meant that guardians were equipped with knowledge and wisdom. Knowledge referred to "universal rules" put forward by Plato, "true knowledge of the logos, so they must be people loving wisdom," that is, philosophers. The warriors should be brave with a great and relentless will. Control included a control over lust. This ideal country came about through education. First, education was about poetry, drama, and diction, etc. Second, education had to cultivate members of an ideal country free from lust. The ideal country of Plato became material for jokes and satire of later generations.

2. Kant's epistemology and methodology. Kant was born into a handicraft-making family in Konigsberg, Prussia in 1724. He was a great and influential philosophers with masterpieces such as *Critique of Pure Reason, Introduction to Practical Reason, Critique of Judgment, Introduction to All Future Metaphysics, Foundation of The Metaphysics of Morals, Speculations on the Origin of Human History, A Discussion on The Application of the Teleology Principle In Philosophy.*

Kant thought that meaning, intuition and experience were the instinctive and cognitive processes in a person's brain on objective affairs and practices as people exist in an objective world. He defined

intelligence, inspiration and the process of innovative thoughts as acquired through experience. As nothing is a priori in a person's mind, there can be no a priori experience, knowledge and wisdom. All of these are a result of a person's practical experience in an objective world. The human brain receives, stores, and processes information instinctively to build thoughts, consciousness and cognition. Intelligence, inspiration and the development of the creative process were in the category of epistemology, which had not yet been born. Experience, knowledge and wisdom are inherited, accumulated, innovated and developed constantly in a long-term practical process. All of these are created in the practice of the three most important types of consumption. Nothing exists without the practice of consumption.

Kant said that they did not exist in themselves as phenomena. They could only exist inside our body. Without the sensory organs, we would have no idea what there was on Earth. What we know can only come from our senses, which are a part of us. We can only relate to this. Space and time are pure forms of these experiences through our senses and it is all material. We can only know time and space, which were known to us before our consciousness of everything else in reality. Therefore, such knowledge is called pure intuition. In our knowledge, feelings will result in "a posteriori knowledge," which will generate something like "prior intuition." No matter which category our feelings belongs to, there is no doubt that pure form depends on our perception, while material form can exist in various ways. We cannot get nearer to an objective thing-in-itself with intuition even if it reaches the maximum possible degree of clarity. What we rely on as knowledge is merely our intuition. Kant reverses the relationship between space, time, a thing-in-itself and people's cognition.

The sky, the Earth, people and all beings have an objective natural existence and they obey certain laws. A human being is one member of all beings and the only one with cognitive competence, subjective intuition and creativity. All beings in the world have a natural objective existence. They exist whether you know about them or not.

The perceptual cognition described by Kant comes from objects. It is accepted passively, and takes the subjective and experience by their appearance. Reason comes from a subject. It is created actively and integrated uniformly. It takes a universe form, an objective and a priori image. The structure of Kant is a kind of conceptual abstract intuition. It is not conception but something schematized and intuitive in conception, nearly equivalent to some kind of chart, form, or model.

Kant believed that categorization was a priori, and a purely intuitive conception. He said that as a purely intuitive conception was indeed different from an experience intuition, and all sensory intuitions in essence, it was impossible to define it as intuition. For example, reason and results can be sensed with the intuition as they are contained in phenomena.

Necessity and contingency: Kant divided the above-mentioned twelve categories evenly into four groups in his a priori epistemology and methodology. It was not a casual decision to include three categories in one group. You will see through deeper investigation that the third category in each group was produced by a combination of the second and the first categories. For example, totality, the third category in quantity is just the unified majority; restriction, the third category in quality, is just substance combined with negation. Interaction is just the causality of entities provided by each other. Necessity has real existence awarded by possibility itself. It is obvious that Kant's transcendent knowledge combined a priori sensibility and intellectuality through the twelve categories. His twelve categories were actually a methodology of epistemology, which also converted methodology into transcendentalism. Pure category analysis is reasonable while it is wrong to categorize methodology in transcendentalism. A methodology of transcendentalism will lead to a subjectivist idealistic methodology.

3. Hegel's epistemology and methodology

Hegel (1770–1831), the greatest philosopher of the nineteenth century, epitomized idealism. In *Phenomenology of Spirit* published in 1807, he took the basic ability to understand the absolute universe and nature as a principle and spirit; discussed the development of human consciousness, knowledge and absolute spirit; and laid the foundation for his basic principles and dialectics. From 1808–1816 he worked as the president of Nuremberg Liberal Arts School. In 1812 he published *Logic* and *Science of Logic* which proposed systematic idealistic dialectics. In October 1816, Hegel worked as a professor at the University of Heidelberg. In 1817, he published *The Encyclopedia of Philosophy* and completed the great system of dialectical idealism. After 1818, he worked at the University of Berlin as a professor and as dean, during which time his thought was tending towards conservatism. In *Philosophy of Rights*, published in 1820, he advocated that philosophy should work for the country. After he died, Hegel's students wrote and published *Lectures on the History of Philosophy* Volume I–III.

Hegel built a great system of objective idealism and systematically developed dialectics. He thought that all things in the universe were

entities developed by an absolute idea itself. Logical development was the first; then it was externalized to become nature; and finally it returned back to itself through a person's spirit. Correspondingly, he respectively described these three stages of development through logic, natural philosophy and spiritual philosophy. Dialectics was his greatest achievement, which he, based on a deep criticism of metaphysical schools of thought, described the whole of natural history and the spiritual world as a process in continuous movement, change and development for the first time, and concretely discussed the contents and general direction in the development of dialectics.

Hegel's dialectics is subjectivist. He divided thought into three parts: intellectuality, dialectical reason and speculative reason. Intellectuality insists on fixed provisions and differences between provisions; dialectical reason, the antithesis, eliminates these provisions, forms internal conflict and promotes the development of knowledge; speculative reason, the synthesis, unifies or conciliates these two opposing parties. Hegel regarded this three in one theory as an absolute idea, even the basic underlying rhythm of every concept. By following his principles from the abstract to the concrete, and introducing a conformity between logic and history, all based on this format of three to one, Hegel undertook his logical reasoning to build a great and complex system of objective idealism. The system includes basic rules and categories of dialectics, such as contradiction being the internal engine of development; the process of development going from quality to quantity and from quantity to quality; and categories consisting of the identical and different, essence and phenomenon, contents and form, reason and result, necessity and incidental, necessity and freedom, etc. The combination of logic, epistemology and dialectics was also discussed in the system. These thoughts of Hegel were used to prove the self-developing process of the absolute idea, so his dialectics was built on the basis of idealism. Meanwhile, Hegel regarded his philosophy as a closed system and an absolute truth, which led to the internal conflict between an essentially revolutionary mode of thinking and a metaphysical system. However, Hegel's dialectics was the greatest achievement of German classical philosophy and an important theoretical origin of Marxist philosophy, having a profound and lasting influence on later development of science and philosophy.

A category dealing with the stages and forms of knowledge development in Hegel's philosophy had three different uses and meanings:

(1) Definitely referring to speculative thought, namely the thought concerning unification of diversity.

(2) Generally referring to reflection on the contents of feeling and presentation, namely general philosophical thought.

(3) The same kind of reflection, referring to the sagacity of intellectual thought, which is little used. Hegel mainly used it in dialectical thought.

Hegel referred to knowledge of the truth mainly in three ways: experience, reflection and philosophical knowledge. Experience is direct knowledge. Reflection provides the truth by certain relationships between thoughts, namely two mutual reflections, which have certain independent provisions to each other while at the same time having a relationship to each other. Its characteristic is that learned categories or concepts are only abstract, namely one-sided and limited, not real forms with which to state the truth. Philosophical knowledge is the perfect format with which to learn the truth. It is the process of dialectical negation to reflection, reaching the unification of diversity and conformity of opposites, namely the concrete truth, by abandoning separations and contradictions in reflection. Although Hegel's discussion was idealistic, subjective initiative and dialectics were also included.

4. Feuerbach's epistemology and methodology. Feuerbach (1804–1872) was a German materialistic philosopher. He produced two major works, *Criticism on Hegel's Philosophy* (1839) and *Essence of Christianity* (1841). His development of knowledge follows the process of God, reasoning and people. In his early years, Feuerbach was determined to become a theologian but he finally turned to the rational criticism of theology. His criticism on Hegel's idealism in 1839 marked his break with Hegel's school of thought. In 1841, in *Essence of Christianity*, Feuerbach disclosed the falsehood of Christianity with humanistic ideas. He argued that the essence of God was actually an alienated essence of humanity. With this he sharply criticized religious theology; lifted the Hegelians' criticism of religious theology and atheism to new heights; destroyed the system of idealism; and restored the authority of materialism, liberating the ways of thinking at that time.

In his criticism of religion and Hegel's idealism, Feuerbach proposed humanist materialism. He took human beings and their basic nature as philosophical objects and as the basis on which thoughts and existence were unified. Nature is a unique existence and the summation of all things that can be felt. He criticized idealistic rationalism and Kant's agnosticism; described materialistic sensualism; valued rational knowledge; and he affirmed the roles that life and time played in knowledge. However, a human being was understood by him to be a

unification of soul and body, namely an abstract and biological human being. In his opinion, besides natural essence, the essence of a human being was mainly its reason, will and heart, based on which the essence of religion and purpose of human social life were explained as the pursuit of happiness. Two moral principles had to be obeyed: the reasonable restraint of oneself and the love of others. Feuerbach proposed to build a religion of love as the substitute for Christianity to conquer social inequality with people's love. The problem of Feuerbach's materialistic philosophy lies in that it raised up love to become a kind of "super love." In class society, especially a society of intense class conflict, super-human thought and love is not objective enough.

Marx accepted Feuerbach's materialistic philosophy as one of the origins of Marxist materialism. However, Feuerbach failed to look at the problem from the point of view of social class, productivity and superstructure, all of which were not clearly defined enough and were criticized by Marx. This was the source Marx's learning, inheritance and development in Feuerbach's ideas.

Section 2. The intentions and development of practical philosophy

Different from animals, people can make the world satisfy their own needs only by changing it. All in all, the history of human society is nothing but the developing history of people's consumption and consumption to create more consumption. In this chapter, we will make a comprehensive and systematic summary of the formation and development of practical philosophy and an explanation of its basic intentions, including practical value, practical worldviews, practical development and practical innovation. We will also attempt a further academic establishment of practical philosophy, with the fundamental purpose of developing people-oriented values; promoting subjectivism in practical philosophy; proposing views on practical development; pushing beyond existing works on practical operations; and seeking the mobilization of practical innovation in current times.

Classical practical philosophy

1. Aristotle's practical philosophy. The history of practical philosophy can be traced to Classical Greek Philosophy, in which Aristotle was the

first to investigate practice in the sense of philosophical reflection. He called all human actions and activities "practice," which is a generic term of all forms of human activity. In his opinion, "all technology, study, practice and choices target a certain goodness." He thought that practice should take "goodness" as its target and that "the highest goodness" is the totality of all human actions and activities. This thought injects the value of ultimate concern into all human actions and activities.

Aristotle took people's practice into an independent scientific area and founded the knowledge of practice "involving goodness, the all-inclusive aspect of human life." Philosophers after him called this idea, which thought practical actions in human life were at the level of philosophy, "practical philosophy." As the founder of practical philosophy, Aristotle defined its essence as concerning itself with the correct ways and goals of human life while taking on the task of analyzing people's practical actions and daily lives by using the concepts of goodness and a happy life. These ideas became very popular. They emphasized people's understanding and reflection of their own real lives and reporting any knowledge or concrete actions that such understanding and reflection actually led to, thus guaranteeing a correct, reasonable and moral life.

However, the main tendency of Aristotle's practical philosophy was practical dualism. He called people's free time activities "practice," while he called productive activities "creation," and clearly divided them, which cut the unification of human activities and actions in half, setting practice and creation in opposition. Aristotle did not even call a craftsman's creativity "practice," which was obviously wrong.

2. The practical philosophy of Bacon, Kant and Fichte. After the Renaissance, with the rise of the bourgeoisie, Bacon was the main figure criticizing Aristotle's speculative philosophy, and he made two fundamental changes to it.

The first was turning the focus from moral philosophy onto natural philosophy. Bacon thought that Aristotle was addicted to argument and that moral philosophy had drained his main energy. As Bacon was interested in the study of nature, he proposed a "new tool" for this, namely the inductive method.

The second was turning from ultra-utilitarianism to utilitarianism. Bacon thought that Aristotle's philosophy was powerful in speculation but nearly useless in practice. He proposed that function was the most fundamental attribute of practice, and scientific and technological values should be greater than values of ethics and morality. By investigating practice in the scope of epistemology, Bacon optimistically regarded

practice as the most important means for people to conquer nature. This practical view gave an enormous boost to natural science and technology, and produced a plain utilitarianism at the same time. So the practical view of epistemology was also a practical view of experientialism (utilitarianism).

After Bacon, Kant and Fichte proposed a practical view of ontology. Through a criticism of reason, Kant clearly divided rational functions and activities into two aspects: theory and practice, which respectively acted on two different regions (worlds). The former was to solve problems in the phenomenal and empirical world mainly through knowledge and study and by being a man of knowledge and science; while the latter was to solve problems in the world mainly through faith and will and being a moral man. So Kant sought the basis and reason not only for knowledge, but also for human actions and practice. He emphasized the priority and importance of practice, and turned the problems to be solved in ontology (to seek the ultimate existence and the truth of the cosmic inventory) into practice and actions taken from knowledge and study, namely action as a result of thought. In other words, the ontological problem lay not in theory or study but in practice and faith. Kant's division of theory and practice built a new way for the development of Western philosophy.

It should be pointed out that what Kant called "practice" referred to morality and religion, mainly moral training and human actions. That is to say, he did not develop the one-sided and limited practical view of philosophers since Ancient Greece. Moreover, Kant completely separated theory and practice, and knowledge and faith (will) of the phenomenal world into two opposite aspects, both lacking in dialectical thought. There is no doubt that Hegel's philosophy was a large and all-inclusive system of speculative philosophy, which was its apotheosis in the history of philosophy. There was a lot of practical philosophy in it, including political philosophy, moral, historical, legal, and religious philosophy and so on. But his philosophical system was speculative on the whole.

Fichte developed Kant's ideas about freedom. He regarded the "ego" as the subject of practice. The ego, being neither individual experience or a part of the existing knowledge about reality, was a kind of self-conscious action called "primitive action." The basic essence of the practical ego was constant effort. He founded the practical philosophy of "activism." These practical philosophies of Kant and Fichte both contained some kind of meaning for ontology.

In conclusion, we can take two ideas from studying practical philosophy in the context of the whole history of philosophy. First, all

practical philosophy so far had set technological and productive activities in opposition to free moral activities. This was a dualist view separating the totality of human practice. Such a separation set human activities in opposition to each other and made scientific and technological activities represented by "creation" free from the restrictions of ultimate morality. It was the idea which originally separated human beings from nature.

Second, dividing the totality of human practice was bound to lead to a corruption of this idea. This separation of practice turned transcendental thought into a fantasy with no real meaning on one hand, and technological, utilitarian activity away from any transcendental value on the other hand. Through the promotion of Bacon's and other French philosophy in the eighteenth century, and the enormous social influences of science and technology in modern times, this technological utilitarian activity was misunderstood as the basic meaning of "practice," which completely consumed the original meaning of "practice." It was also an inevitable result of the separation of practice.

Marxist materialist dialectic practical philosophy

Marxist practical philosophy inherited and developed the precious resources of the various practical philosophies and put it into the domain of anthropology, thus realizing a revolution in the history of philosophy.

1. The basic intention of Marxist practical philosophy was to understand relationships between human beings, nature, society, theory and practice on the basis of a subject's creative activities. Its spirit was exactly the cultural spirit of the Industrialized Age. The development of modern mechanical industry and scientific technology delivered an enormous boost for human power to conquer and change nature, and which established their dominant position over nature. The market economy, accompanied by mechanical industry, liberated people from various inequalities arising from society, thus establishing a subjective social communication structure in the relationship between human beings and society. Marxist practical philosophy, which described the process of people's liberation through their creative activities, was a precise and concentrated reflection of the age.

In as early as the nineteenth century, Marx founded a practical philosophical anthropology. In Marx's opinion, the essence of a human exists only through the process of practice. Therefore, the practice of knowledge in the past reflected and expressed a separation of human

beings from nature; an individual from society; thought from existence; and spirit from life. With the development of practice, people would finally conquer this separation, rebuild the entire world and realize people's all-round development (becoming a complete human). In the anthropological theory of practice, it is one and the same problem to solve this basic philosophical problem; to fundamentally change the separations within ontology; to solve basic conflicts in life; and to realize people's liberation.

2. Completeness of practice. Marxist practical philosophy considered "practice" as everything in life. During the evolution of human history, Marx thought that before the division of labor and civilization, there was an original period of completeness in human history, when human beings and nature, subjects and objects were not completely separated and in a condition of "nature and man in one." Therefore, the so-called "practice" was complete in every single person at that time and one single person could complete all the steps of practice. After people developed civilization, specializations in social labor developed, and people's practice was becoming more and more complex. When an individual's practice could not contain all the activities of practice, then specialization in people's practice appeared.

In anthropology, Marx conquered the dualism of practice and built a total practical idea. People's knowledge about productive labor developed through a process. Aristotle played productive labor down, considering utilitarian productive labor as an activity having nothing to do with people's nature. Therefore, slaves doing productive labor were not treated as human beings. This thought controlled and influenced almost the whole history of Western philosophy until the German classical philosopher Hegel connected productive labor with human nature for the first time. Hegel thought that labor was an indirect satisfaction of people's needs, instead of a direct and natural satisfaction – that is, such labor is human. From then on, labor became abstract and common.

3. Practice is the unification of transcendence and experience. In anthropology, Marxist practical philosophy considered practice as the unification of transcendence and experience, containing the ultimate relationship of human beings.

Based on Hegel's ideas about labor, Marx made a further development by pointing out that labor was a natural existence for human beings. It was people's labor using and making tools that produced relationships between human beings, nature and interpersonal relationships. Interpersonal relationships were called "communication" by Marx. With a productive relationship as its core, communication covered a wide

scope. Marx emphasized that the human-nature and interpersonal relationships were interactive and unified. The human-nature relationship was the premise and basis of interpersonal relationships, while interpersonal relationships would also influence the nature of the human-nature relationship.

4. Materialistic dialectics as a weapon of practice. Marxist practical philosophy was built on the basis of materialism, insisting on material first and the spirit second. It considered material as being from the origin of the world, which existed independently from people's will.

Marx emphasized that the material world was inter-connected and eternally developing. The movement and development of all things followed some laws. These basic laws could be divided into three categories: the first was a single law controlling a certain area; the second was a special law controlling different areas; and the third was a common law controlling every area in the material world. The investigation of the laws in the first two categories was concrete science, such as mechanics, physics, chemistry, biology, social science and humanities. But all these laws had to be proved by people's practice.

To learn laws in practice, materialistic dialectics has to be used. Marx considered materialistic dialectics as the science of inter-connection. He also said that dialectics is nothing but a science to learn the common laws of the movement and the development of nature, human society and thought.

Laws in dialectics were not only there to expose the subjective material world but also to find out about nature. People's epistemology and methodology were used to find out about the world. Therefore Marxist epistemology was a materialist dialectical epistemology and methodology, which found, summarized and concluded the three most important types of practical consumption practice. These can be called materialist dialectical practical philosophy. It is a human tool which can correctly get to know nature and use, change, innovate and develop the three most important types of consumption. People's three most important consumption processes continuously further human development and improvement based on materialist dialectical practical philosophy.

Leninist materialist dialectical practical philosophy

Lenin systematically explained his practical view in materialism and empirical criticism.

1. The objectivity of the practical standard. Lenin considered that in the context of human material activity, practice had the meaning of objective reality. He combined knowledge with practice, laid knowledge onto the basis of practice, and emphasized the objectivity of practice and its objectivity in gaining knowledge. As Lenin paid great attention to the dynamic integration of materialism and dialectics in his practical idea, he emphasized the objectivity and reality of a practical standard, and any relativity in using this standard. He emphasized unifying the certainty and uncertainty in the practical standard.

Lenin emphasized the objectivity of the practical standard. He proposed that certainty and uncertainty in the practical standard as nothing but proof for this objectivity. Why is the practical standard objective? In Lenin's words, it is because what our practice has proved is the only ultimate and objective truth, and insisting on an objective practical standard is to insist on objective knowledge and materialistic epistemology.

2. Integration of knowledge and practice. From 1914, Lenin began to carry out systematic research on dialectics. Through criticizing and changing Hegel's philosophy, Lenin deepened and developed his practical ideas to a further stage. Lenin found that the so-called integration of knowledge and practice showed the interactional relationship between them. On one hand, of course knowledge had to depend on practice; on the other hand, practice could not exist alone without knowledge. So Lenin pointed out and emphasized that, "knowledge and practice have to be integrated."

In Lenin's opinion, practice had both subjective and objective characteristics, so it could combine subjectivity and objectivity and realize conformity between them. This made practice always basic and decisive. So Lenin declared in *Notes of Philosophy* that practice was beyond (theoretical) knowledge not only for its universality but also for its direct reality.

The Leninist practical idea mainly included a dialectical interactional integration of knowledge and practice on the basis of practice, an explanation of people's actions, and its dialectical process through interaction. Although these thoughts were proposed as a criticism of Hegel's related discussions and basic thoughts, they were also discussed by Marx and Engels from different angles and on different levels. Such a concentrated and systematic analysis and discussion on materialistic grounds of various dialectical relationships in human activity on the basis of practice is a very important theory that Lenin contributed.

3. Practical activities unify various relationships. After the October Revolution, real practice became an urgent problem for the proletariat and its party. Lenin pointed out that at that time everything lay in practice and that as they were facing such a historical turning point, theory was actually becoming practice, and was activated, modified and tested as such.

In *The Second Discussion on Labor Unions, the Current Situation and Mistakes of Comrade Trotsky and Bukharin*, Lenin declared four basic principles for dialectical logic, in which the third rule set out the position and functions of practice. We must take all human practice – as the standard of truth and actually deciding to confirm this and its various connections – into the complete definition of everything.

Lenin's discussion on practical philosophy told us that people's real activity is a comprehensive union of various relationships. We can only describe them in theory but cannot absolutely separate them from each other in reality. As practice decided people's real need for things, there was included within this provision an element of knowledge. The interactional relationship between knowledge and practice of inter-infiltration and mutual provision decided that they could not be separated in reality. Also, Lenin considered practice not only "the standard of the truth" but also the unity of various relationships in reality. Therefore, people's real relationships in reality could be understood and maintained only in this unity of diversity. Any provision and description of reality made without this unity would fall into the metaphysics of abstract relationships.

Lenin considered practice not only as an objective standard to find out the truth, but also as a real ruler to measure the real meanings of human activities. As all of human will and thought could be fully realized only by feeling reality through practice from its fundamentally natural meaning, it was still the basis of people's real activities, which were practical in nature. Lenin unified a natural provision for and concrete analysis of people's real activities, providing a basic theoretical framework or model for our study of their real and natural relationships.

4. A general description of the Leninist practical idea. We can generally describe the development of the Leninist practical idea as follows: at the very beginning, he emphasized the objectivity of the practical standard; then the activity of practical processes and the interactional dialectical relationship between knowledge and practice was discussed; finally he reached a complete and detailed analysis of the real and natural relationship between practical activities. During this process, Lenin gradually overcame the negative influences from the old materialistic

traditions and Hegel's abstract discussion, by expressing the continuous deepening and improvement of the Leninist practical idea, and by describing the historical development of Leninist philosophy from an important point of view.

Through summarizing the historical development of the Leninist practical idea, we can also summarize the Marxist philosophical practical idea as follows:

First, practice reflects people's real active relationships in changing the world. In an ultimately natural meaning, people's real activities take it as their fundamental purpose to change the world, which can only be fully realized through concrete changes. Therefore, we have to admit and emphasize the real objectivity of practice and its basic and decisive effect on people's real activities.

Second, perceptual things in reality have to be taken as practice and understood from the point of view of the subject. The reasons for this are: on one hand, practice is the basis on which the whole existing perceptual world exists; on the other hand, practice is the premise behind people's real knowledge and provision of things.

Third, the objective truth and reality of knowledge has to be provided and confirmed by practice. In the relationship of knowledge and practice, practice plays a basic and decisive role. Only when knowledge becomes a practical "being in itself" in perceptual reality, can people finally confirm, maintain and test the objective truth of knowledge.

Mao Zedong's materialist dialectic practice philosophy

As two giants in the period of revolutionary war and then peaceful times in China, Mao Zedong and Deng Xiaoping both made a tremendous contribution to practical philosophy in different historical periods.

1. The argument of knowledge and practice. Mao always stood for taking Marxism as a guide for actions instead of dogma. We learn about Marxism, not only to understand Marx's conclusion about common rules, but also to study his standpoint, viewpoint and methods of observing and solving problems. Although Mao wrote *On Practice* in 1937 directly to criticize the dogmatism of Wang Ming, there were another two deeper theoretical causes urging him to write this great work: one was to solve the problem of the relationship between knowledge and practice which had been an argument in Chinese philosophy for a long time; the other was to abandon, criticize and change Western pragmatic philosophy.

Although practice was discussed in pragmatism, it was naturally different from the practice discussed by Mao. The latter referred to people's objective activities in changing nature and society under the guidance of certain theories, namely "subjectivity controlled by objectivity." Activity, social life, history and objectivity are the basic provisions of the Maoist practical category. Basic forms of the Maoist practical category are social activities to manage society, productive activities, and scientific experiments. But the practice discussed by the pragmatist philosophers put people's social life aside, ignored human activity, dropped people as common biological objects, equated human practice to animals acting to survive, and reduced their activities to an organism's adaptation to the environment. However, Mao wrote in *On Practice* that we had to accord our thoughts with rules in the objective world; otherwise we would fail in practice. So we should be good at observing, analyzing and knowing things to maintain rules about objective things. Knowledge would be gained on the basis of practice. The practical view is the first and most fundamental view of materialist dialectic epistemology.

2. Valuing practical experiences. From the premise that practice is the basis of knowledge, Mao attached great importance to experience. He emphasized that book learning was not enough and we had to combine theory with practice and value practical experience. He considered perceptual experience as primary and that all truth came from direct experience. Knowledge started with experience, which was material epistemology. Moreover, as rational knowledge depended on perceptual knowledge, and if rational knowledge was created only in the brain without the basis of perceptual knowledge, it would be like water without a source and a tree without roots. Mao considered experience as a guide to lead our knowledge of the nature of everything from phenomena, and as a way or bridge from the realm of necessity to the realm of freedom. In *Speech at Enlarged Central Working Conference*, Mao pointed out that, "We have to experience a process in order to know socialist rules; we have to proceed from reality, from inexperience to experience, from a few experiences to many experiences, from building socialism, an unrecognized realm of necessity, to gradually conquering blindness, to know objective rules, to acquire freedom and a leap in knowledge, and finally to reach the realm of freedom itself." Through the category of experience, Mao also introduced the essence of contradiction, namely generality and individuality, absolute and relative, abstraction and concreteness, into an area of knowledge, thus conquering the conflict between rationalism and empiricism.

Maoist practical philosophy attached great importance to the utilitarianism of the truth. Mao once described Marxism-Leninism as a microscope and telescope, as well as an arrow aiming towards Chinese revolution. He indicated that it is impossible for a party, which is guiding a great revolutionary movement without revolutionary theory, historical knowledge or a deep understanding of practical operations, to gain a victory. Therefore, he attached great importance not only to the guidance of the truth to practice, but also to educating and equipping people with the truth. Once these correct ways of thinking on behalf of the advanced class is held by the people, it would become a material power to change society and the world. Based on this view, Mao proposed his famous judgment that material can become spirit while spirit can become material.

3. The standard of truth.

Mao held the position that truth is a correct reflection of subjectivity to objectivity and the objective content of people's knowledge which is independent of man's will. Although Mao valued the effects of truth, he did not define truth as effects or take effects as the only standard by which to test truth. In his mind, truth is the guide to lead our actions to expected goals. However, there are some situations when expected goals are not reached. Knowledge temporarily digressing from the expected goal may also be the truth. In *Where Did People's Correct Thoughts Come From?* Mao pointed out that in social conflict, power held on behalf of the advanced class may fail sometimes; this is not because of wrong ways of thinking. It is because the advanced class is temporarily not as powerful as the reactionary class when compared as fighting forces. This failure is temporary; the advanced class will succeed one day. This specifically expressed both the certainty and uncertainty of the practical standard produced by historical restrictions on social practice.

4. Emphasis on practical strategy.

Based on the principle of unification between motivation and effects, Mao also attached importance to method. In *Concerning People's Life and Working Methods*, he vividly pointed out that we should not only propose tasks but also find out methods of completing these tasks. It is our task to cross a river; but we cannot cross the river without a bridge or boat. It would be nonsense to cross the river without solving the problem of the bridge or boat; the task would be nonsense without a method. Mao thought that contradictions in objective phenomena, such as differences in nature, needed different methods to solve them. Conflicts between different natures can only be solved in different ways.

Mao emphasized an epistemology to seek the truth from facts and a working method of choosing working objectives based on facts.

5. Emphasis on practical benefits. The principle of benefits in Maoist practical philosophy had an example in different historical periods. In war times he proposed and used thoughts such as "save ourselves and destroy the enemy;" tactics such as "when the enemy advances, I retreat; when the enemy retreats, I chase; I harass enemy bases; when the enemy is tired, I beat him;" principles such as "strategically putting one against ten and tactically putting ten against one." After the People's Republic of China (the PRC) was founded, he proposed the spirit of "encouraging thrift and opposing waste" and "working hard and building the country with diligence and economy." In the 1950s, he proposed the general line "to exert the utmost effort, strive for the best and build socialism better, faster and more economically." All these fully reflected the principle of practical benefits.

6. The method of contradiction analysis. Mao's method of contradiction analysis was a materialistic dialectic combining analysis and composition.

In *On Contradiction*, Mao pointed out that rule of contradiction in things, namely the unity of opposites, was the most basic rule in materialistic dialectics. We should understand materialistic dialectics and the two world views; the universality and specificity of contradiction; the principle and major aspects of contradiction; the identity and militancy of aspects in contradiction; and the position of confrontation in contradiction. This is the first development Mao made in the practical philosophy of Marxism-Leninism materialistic dialectics. He also lifted it to a new height. His knowledge about the particularity of contradictions, and the principle and major aspects of contradiction were powerful tools for people's subjective point of view to get to know nature and themselves; to change nature; to create the three major types of consumption wealth, as well as being a powerful solution to conquer subjectivism, mechanical materialism and metaphysics. This is an issue that every leader and manager should study carefully, a golden key to every working method.

Deng Xiaoping's materialist dialectical practical philosophy

Deng Xiaoping made his contribution in philosophy first by recovering the authority of practice by breaking superstitions with his idea of

practice and with proposals to free our minds. He made conclusions based on historical experience and people's experience with this view of practice; he made and improved the Party's lines; guided principles and policies in modern times with a view to practice, making reforms, and starting an irreversible historical trend. Our success in reforms and openness does not depend on books, but on practice and seeking the truth from facts. Deng made many innovations, the greatest of which was to understand and develop socialism in practice.

1. The basic content of Deng Xiaoping's practical idea. It is seeking the truth from facts; proceeding from actual facts; and combining theory and practice and insisting that practice is the only standard to test the truth. The core of Deng's idea is to free our minds and seek the truth from facts, while the basis is the unification of theory and facts. Making conclusions based on experience is an important part of Deng's practical idea and a principle of his methodology.

The essence of Deng's practical idea is to free our mind and seek the truth from facts. He thought that Marxism attached the greatest importance to seeking truth from facts, which was also the essence of Marxist dialectics and history. To realize the great idea of Communism, we have to proceed from reality and objective facts, namely from practice. But facts are always changing. This characteristic of the real world requires our thoughts, knowledge and ideas to follow the change and development of the world, and our method to be flexible without any stagnation or conservatism.

2. Deng Xiaoping attached great importance to conclusions based on practical experience. Building Socialism with Chinese characteristics was called an "experiment" by Deng. He considered setting up a special economic zone as an "experiment" and the reforms and openness as a "great experiment." Since it is an experiment, it is important to make conclusions based on that experience. This process involves investigating and studying, as well as being a process of learning rules and make decisions. Our current lines, guiding principles and policies are made based on conclusions drawn from experience in success, failures and setback.

3. Deng's view to insist on the unification of theory and practice. Deng thought that we should insist on learning about the world, on learning new situations, on solving new problems and on creative practice with the standpoints, views and methods of Marxism. As a science of practice, Marxism always strictly takes objective facts and people's practice as its basis. They come from practice and return to guide and serve further

practice. As it takes the necessity and regularity of social development into its own theoretical system, it adapts to developments in time, practice and science. Deng's practical idea strictly insists on the close combination of theory and practice, and it improves and develops Marxism with people's creative practice.

4. The characteristics of Deng's practical philosophy.

i. Truth seeking. Deng considered that whether we really seek truth from facts can only be distinguished through practice which combines and compares subjectivity and objectivity. Without practice, it is hard to find out whether we are "seeking truth from facts" or "considering ourselves right."

ii. Creativity. Deng emphasized that in new historical conditions and new practical activities we should dare to and be good at investigating new situations, solving new problems, expressing new ideas, going along new ways and innovating with courage.

iii. The people. As people are the subject of social practice, their benefits are the starting point and end result of socialist practical activities. Therefore, the most basic characteristic of Deng's practical philosophy lies in the people. Deng held the position that socialistic practical activities have to be supported and joined by the people. Only with the support and participation of the people can our practices gain victory, otherwise we can only fail.

5. "Two standards" put modern practical philosophy into the framework of social development. These "two standards" are a great contribution within Deng's practical philosophy, whose greatest practical meaning lies in rooting them in the framework of social development. Thus it goes out of the classroom and away from purely theoretical arguments of a "scholastic" nature, correcting the mistake of practical philosophy becoming empty talk. The two standards are:

One is that practice is the only standard to test the truth. The problem of a standard of truth has been argued about in the history of philosophy and people's development for more than two thousand years. Deng considered that as the essence of truth is objective, only knowledge combining subjectivity and objectivity can be true; conversely, knowledge without this combination is false. So to investigate whether people's knowledge is true is to investigate whether it conforms to objective facts and also the degree of this conforming. It is extremely important to propose and emphasize a standard of practice.

The other is the standard of productivity and the standard of the "three benefits." In a sense, the standard of productivity and the standard

of the three benefits concerned the core of socialism with Chinese characteristics and the rejuvenation of China. Deng made conclusions based on historical experience and repeatedly stated the extreme importance of the development of productivity. This freed people's minds tremendously, fully expressing the great guidance of a scientific theory put into practice.

During his trip to the south in 1992, Deng proposed the standard of the three benefits, namely the standard by which to measure reform should be whether it is beneficial to developing productivity in a socialist society; whether it is beneficial to reinforcing the overall national strength of a socialist country; and whether it is beneficial to improving people's lives. The standard of the three benefits, from the theoretical heights of historical materialism, provided useful tools to deal with the chaos made by corrupted socialism.

The standard of the three benefits aims at different aspects of national construction with different directions, uses and positions. In the internal structure, the three standards have an internal logic, namely taking productivity as its basis; comprehensive national power as its key; and people's lives as a guarantee, all of which is an evaluation of socialism with Chinese characteristics.

Jiang Zemin and Hu Jintao's materialist dialectical practical philosophy

During times of reforms and openness in China, Jiang Zemin and Hu Jintao led the Chinese people to continuously push forward, to develop the economy, to build a more and more powerful country and to provide people with a better and better standard of living. At the same time, they have both made great theoretical contributions.

(I) Jiang Zemin's materialist dialectical practical philosophy.

With an inheritance insisting on using Marxist, Leninist, Maoist and Deng Xiaoping's practical philosophy, epistemology and methodology of materialist dialectical practical philosophy, Jiang Zemin insisted on a line of thought of seeking the truth from facts to analyze and solve national conflicts and new problems and also to analyze new problems appearing in the ever-developing process of international relationships during the building of a socialist economy and government with Chinese characteristics. He gained a lot of experience and built the following achievements:

From the heights of the practical idea in Marxist historical materialism, Jiang proposed "three representatives" to draw new conclusions from the nature of the Party's advancement, to realize the unification of the Party, socialism and human society, and to answer the perennial problem of in what way the Communist Party could hold power for a long time and always keep advancing.

The three representatives were proposed in the new historical situation of economic globalization, political multi-polarization and fast-spreading social information in the modern world; in the new practical process of reform, openness and socialist modernization programs in China; on the basis of the prospect of new challenges and tests faced by the Party and our country in the new century; and with careful consideration of the experiences whereby some other ruling parties had lost their power in other countries. It found laws in favour of the Communist Party holding onto power, of socialist construction and the development of human society.

In the new historical period, Deng drew new conclusions on the nature of socialism as a standard of productivity, raising our knowledge about socialism to a new height. Jiang insisted on and developed Deng's innovations to historical materialism as a standard of productivity. He drew new conclusions for advancing the nature of the working-class party based on the requirements of advanced productivity and the directions of development of this advanced culture, thus solving a perennial problem in modern socialist development, namely "What the party is to build and how to build the Party," and raising our knowledge about how the Communist Party is to hold power for a long time, how to consolidate, develop and complete socialism to a new height. From the point of view of the idea of practical philosophy, he argued that the advanced nature of the Communist Party should represent the developing requirements of advanced productivity, which not only emphasizes the standard of productivity as the essence of a new philosophy in Marxist historical materialism, but also expresses the meaning of this new philosophy in modern times.

Jiang Zemin's three representatives showed the advanced nature of the Communist Party firstly from its representation of the developing requirements of advanced productivity. Productivity is the ultimate decisive power for the development of human society, as well as for the development of a socialist society. Productive practices were shown in people's objective activities to change nature and society, in how people

continuously replaced backward productivity with advanced productivity. Therefore, it will inevitably become a logical aim of Marxist practical philosophy to demonstrate the advanced nature of the Party from its representation of the developing requirements of advanced productivity.

The three representatives drew the conclusion that the Party's advanced nature showed directions towards advanced productivity and culture, with an emphasis on "advanced." This is closely connected to the Party, which is the leader of a socialist society.

The role of representing the overwhelming majority in China showed the fundamental value of the Communist Party. It is the ultimate goal for the Communist Party to produce benefits for the people and to continuously raise and satisfy the benefits of consumption.

In a word, the "three representatives" solved three fundamental problems in social and historical development and the practice of the Communist Party holding onto power. They were a new theoretical creation to combine Marxism with the reality and characteristics of modern China; with a new kind of idea, the three fundamental theoretical problems in Marxist historical materialism; as well as with the splendid model of practical philosophy actually in use.

2. Hu Jintao's materialist dialectical practical philosophy. Hu Jintao's important discussion about a scientific outlook on development is a concentrated reflection of the worldview and methodology on development in Marxism. It is also a scientific theory, which is in the same strain as Marxism-Leninism, Maoism, Deng Xiaoping's theory, the three representatives and further advances with the times. After the sixteenth CPC National Congress, the Party Central Committee, with Hu Jintao as the General Secretary, continuously pushed forward theoretical innovations in the Party and systematically proposed scientific outlooks on people-oriented, comprehensive, coordinated and sustainable development.

A scientific outlook on development takes development as its first principle, people-orientation as its core, and comprehensive and coordinated development as a basic requirement. The three aspects are connected with each other in an organic unity, with its nature realizing humane and fast development in the economy and society.

As an importance guiding principle of Chinese economic and social development, the scientific outlook on development is an important strategy, which has to be insisted on and used to develop socialism with Chinese characteristics. It is not only a theoretical problem but also an important revolutionary practical problem. The practical idea in dialectical

materialist epistemology told us that theory came from practice and would solve the problem of knowledge. Knowledge guided practice and would be meaningful only after being used in actions.

The scientific outlook on development is not only a deeper knowledge of the general laws in economic and social development, but also a concentrated reflection of the worldview and methodology in Marxism on development. The implementation of this scientific outlook not only deepens the general laws in economic and social development, but also concretely makes use of the view of "connection, development and comprehensiveness" in Marxist philosophy. As China is currently facing many major national problems and complex international issues, a scientific outlook on development is the only correct way we can choose.

Academic discussion on modern materialist dialectical practical philosophy

The practice of the three most important types of consumption is a way for people to exist and develop. Society is nothing but a communicative relationship built by people in the process of practical activities, while history consists of the activities of people who met their own purposes in the process of consumption and thus created the three most important types of consumption. Various areas in society such the economy, politics and culture, are actually areas of practical activity in which people work. Social development is the development of various relationships in the practice of the three most important types of consumption and in the process of these activities.

1. The important role of practice.

Marxist philosophy concluded that the most basic form of practice is production, which deals with human-nature relationships and practical social relationships; and with scientific experiments, which deal with man-man relationships. The three most basic practical activities held different positions and played different roles at different times and in different periods at any one time. In times of revolution and war, the practice of dealing with social relationships, namely class struggle, was a major form of practice. In current times when peace and development have taken over the world, the practice of production dealing with human-nature relationships, namely the practice of development, has become the major form. Based on this situation, the scientific outlook of development puts its practice in a very important position.

It has been shown in history that scientific practical goals and plans do not mean scientific practical process. Therefore, a scientific outlook on development emphasizes that the process of realizing practical goals and plans has to be kept scientific, namely the unification of general laws and general goals. Meanwhile, a standard with which to investigate practical results, and the unification of general laws and goals should also be insisted on. Going back to the theory, science consists of general and specific laws in the processes of the three most important types of consumption. Following these laws is to follow science.

2. Subjectivity of practice. This includes subjectivity of the practical starting point, of the practical process of development and of the practical result. Subjectivity of the practical starting point refers to taking the needs, benefits and rights of the subject as the starting point of practical activities. As to the basic form of the practice, no matter whether it is consumption or material practice of production; practical consumption creating and changing social relationships; practical consumption creating a spiritual life; or practical consumption developing and protecting the environment, the starting point is always the subject. These are all practices to satisfy the increasing requirements of life, social and scientific productive consumption.

People, as the subjects, are not only the starting point of practice, but also the major force and internal engine during the process of practical development. In social practice, as the active subjects, people have limitless potential and intelligence, namely comprehension and inspiration. The economic and social development of a country and the promotion of its overall national power mainly depend on human capital instead of material capital. Creative thoughts, active comprehension and inspiration, research, creation and the innovative use of material resources do not belong to material, but human resources, namely the talents and highly-qualified labors of people possessing and using advanced scientific technology.

As people are the subjects and the starting point of practice, and the bearers and sponsors of practical development processes, they are certainly responsible for the practical result.

3. The systems of practice. These mainly refer to the integrity or comprehensiveness, as well as the harmony and sustainability of practice.

i. The integrity or comprehensiveness of practice mainly refers to the practical processes of consumption, including people's life consumption practice, social consumption practice, scientific productive consumption

practice and mental and cultural consumption practice. The three most important types of consumption practices are the engines pushing forward the progress of social civilization.

ii. The harmony of practice mainly refers to the following aspects: the first is that people's life consumption and social consumption are mutually coordinated and lead to positive interaction between elements in one form of practice; the second refers to the mutual support and mutual coordination of different areas; the third refers to the mutual coordination of different forms of practice; the fourth is communication and mutual coordination between national and international practice.

iii. Systems of practice can be analyzed in horizontal and vertical directions. Horizontally it reflects as the integrity and coordination of practice, as mentioned above. Vertically it reflects as the sustainability of practice. The sustainability of practice itself is a system covering various elements, in which the sustainable use of resources and the environment is the key, namely the sustainability of the practice object. With sustainable objects, we can have sustainable practical activities, sustainable economic and social development, and sustainable production.

4. Innovation of practice:

i. Innovation in practical ideas. As ideas are the guide of practice, all practical activities are the result of the objectification of certain ideas. There will be no innovative practice without innovative ideas.

ii. Innovation in practical objects. On one hand, a completely new practical object will be created, including practical objects in life consumption, scientific and productive consumption, social consumption and mental and cultural consumption. On the other hand, it is the innovation of practical means, the most fundamental part of material production practice. Today, the key to innovative means in material production practice is scientific innovation.

iii. Innovation in practical subjects. No innovation can be independent of the practical subjects. All practices are the results of the activities of practical subjects. The innovation of practical subjects has active and decisive elements in order to realize practical innovation. To do so, one practice cultivates the innovative consciousness and spirit of the practical subjects, which are necessary for the subject to be innovative. The other cultivates innovative talents, namely to cultivating and improving the quality and capability of the subjects.

5. As materialist dialectics is a practical tool, its laws expose the objective material world and learn from nature. It is the epistemology

and methodology from which people learn about the world. It is way of thinking for people to correctly learn from nature, and to use, change, innovate and develop the three major types of consumption. These development processes of the three most important types of consumption continuously broaden the development and improvement of materialist dialectical practical philosophy. As people's knowledge of nature is both limitless and limited, their knowledge of practical processes is also necessarily both limitless and limited.

To sum up, it is not difficult for us to find out that practical philosophy is the future direction of development in philosophy. It should exist in two forms: one is practical philosophy as a general principle; the other is categorized practical philosophy. As a whole, practical philosophy has not been developed enough yet. On one hand, we should explore the general principles of practical philosophy as a crucial inheritance of traditional speculative philosophy. On the other hand, we should build various categories of practical philosophy in combination with concrete subjects, for which philosophers have to thoroughly understand certain subjects. The development and prosperity of practical philosophy will not only be great progress in philosophy, but will also push forward the progress and prosperity of other subjects.

Section 3. Consumption awareness, intelligence and inspiration

Consumption awareness and philosophy

1. A new concept of philosophy. In *General Theory of Consumption*, the writer proposes a new concept of philosophy for the first time: Philosophy is the highest level of human thought; a way of perceiving and reforming nature; a crystallization of wisdom in natural and social science; and a form of expression of awareness and wisdom at the highest level.

Philosophy springs from human practical processes and their relationship with nature (matter); from the three most important types of consumption in nature; as well as from the reactive processes of the human brain. Thinking, the thinking process, cognition, consciousness, consumption awareness and wisdom are created through the human brain's instinctive functions (to discover and receive information, create impressions, memorize, store, process, the creation and processes of thought, and the output of information), and then they act on the three

most important types of consumption of human beings. It is a process of discovering, creating, accumulating, inheriting and developing, and also an infinite development process in circular spirals. Therefore, discovery, intelligence and inspiration (creative thinking) recognition are the core of philosophy.

2. Consumption awareness. Driven by the instinctive consumption of its metabolism, mankind obtains materials from the natural world, and then continuously creates new needs and desires with its intelligence, resulting in the total sum of the whole process of consuming material products (including the spiritual and cultural) and the three most important types of consumption. This process causes mankind to connect with nature. During the practice of the three most important types of consumption, human beings constantly learn about the relationship between man, nature, and different individuals, and thereby they come to understand themselves. Based on the innate functions of consciousness of the brain, coupled with receiving external information, memorizing, impressing, storing, and processing, human beings can create new wisdom and consciousness and release information, which will be reflected in an individual's behavior. This endless process of development in a spiral constantly creates a sum total of the wisdom of human consciousness, cognition, ways of thinking and consumption awareness, which subsequently enables mankind to adapt to the law of nature and to use human initiative in order to reform and create new consumption needs and invent new consumption materials (of spirit and culture). This process is also the growing development of human consciousness and cognition and the accumulation of wisdom. It is a process of development in a circular spiral with infinite motion.

The *General Theory of Consumption* proposes and demonstrates the regularity of ideology and of solving contradictions in the developing process of ideology. It points out the differences between ideology and ideological methods; the universality of the effects of seven ideological methods on the activities of the three most important types of consumption; and the motion rule of dominant to balanced, and balanced to dominant in the development of the unity of opposites.

In *On practice*, Mao Zedong said practice, cognition, more practice; cognition, practice, and more cognition. This format repeats itself in endless cycles, and with each cycle the content of practice and knowledge rises to a higher level.

Human cognition is at the core of philosophy. Materialist dialectics is a methodology which gives guidance to people in their cognition of objects and the processes of object movement, and which explains the basic laws in object development and movement. It is also a methodology which gives people guidance in their cognition of the laws of the objective world, as well as their adaptation to, reformation and use of the objective world. Objective dialectics is needed in the cognitive processes of all objects and materials in order to perceive and guide practical development in the three most important types of consumption.

Cognition runs through all processes of conscious human thought. All cognitive processes occur in the practice and development of people's three most important types of consumption. Cognition always goes from simplicity to complexity; from the surface to inner meaning; and from parts to the whole. In other words, it is a process from perceptual cognition to experiential cognition, and then to highly generalized, abstract and deductive rational cognition.

Consciousness originates from practice and exerts a counteraction upon it and guides it, namely a dialectical relationship of knowing and doing, doing and knowing. Besides, there are laws in people's cognition of things and matter. Combining my study and practice, I found the circular spiral developmental law of cognition, and I explained briefly the processes and developmental laws of understanding with the purpose of further emancipating people's minds; of understanding more objectively our practice and changes in things and matter in order to find out the rules; of making our thoughts conform to reality; of developing social harmony more scientifically; of developing the three most important types of consumption; and of meeting people's constantly increasing material, spiritual and cultural consumption needs.

The circular spiral developmental process law of cognition

Matter – consumption practice – cognition (discovery, intelligence, inspiration) – matter (including observation, discovery and the transformation, creation and utilization of materials) – consumption practice – cognition (discovery, intelligence, inspiration) – matter. The circular spiral development process law of cognition (Figure 6.1) is never-ending.

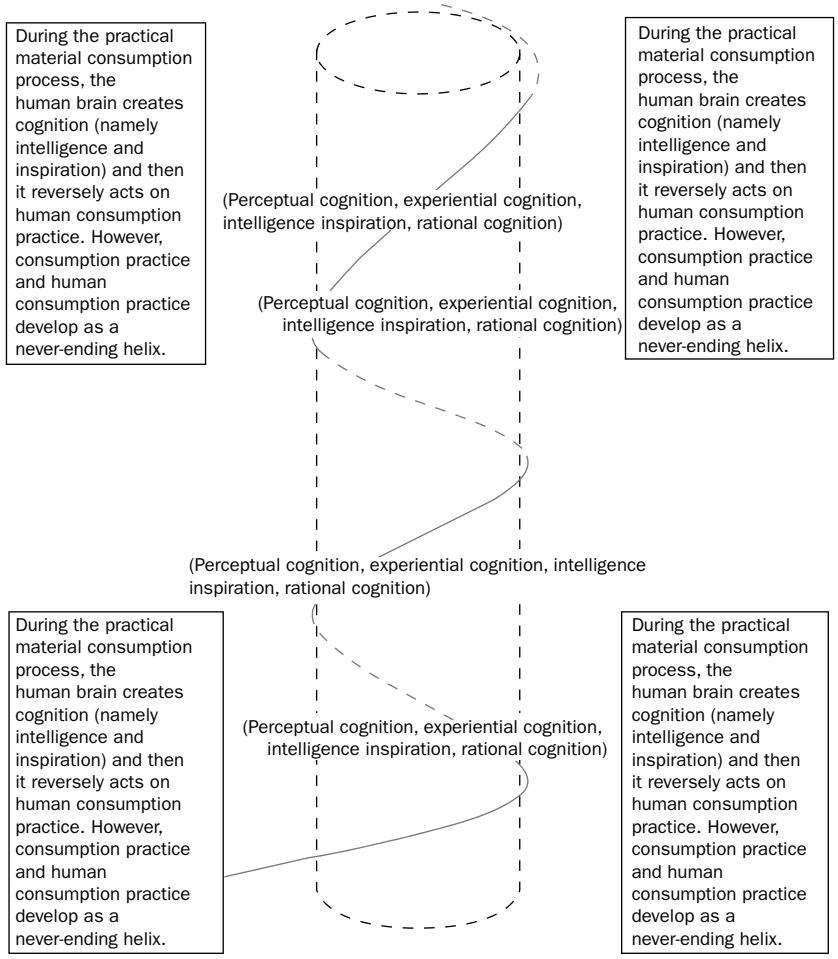


Figure 6.1 **The circular spiral developmental law of cognition**

Note 1: The original concept of cognitive processes does not include discovery, comprehension, and inspiration. In my opinion, I list them in the bracket following the concept to remind the reader that they are important cognitive processes.

Note 2: The cognitive process is composed of two stages, that is, the sensational stage and rational stage. In my opinion, the cognitive process should include three stages, namely, the sensational stage, experiential stage (including both experiment and experience), and rational stage. Besides, the cognitive process is progressive, from shallow to deep, and from phenomena to essence.

Explanations on the figure showing the circular spiral developmental law of cognition:

1. Materials are things in nature, also known as matter. Matter can be felt, observed and tested, and even if it fails to be felt, observed and tested within a certain period of time, it can finally be understood. It covers everything inherent in nature.

We now know that under certain ambient conditions, any matter undergoes recombination and change in quality or function (including physical and chemical ones), and matter in different quantities undergoes different changes in quality or function following recombination (including gene grafting, further recombination and trans-genesis). Based upon this understanding, people's cognition of natural matter has unlimited intelligence and inspiration; it develops new scientific research experiments as a consequence; and continuously makes new consumption products, the consumption of which drives the development of social consumption productivity and human civilization. The future is infinite and unlimited.

2. Consumption practice also refers to the relationships between goal-driven practices within the three most important types of consumption (material, spiritual and cultural) and nature; between people and society; between people and production; between production forces and relationships; and between superstructure and economic foundations. These are all contradictory movements.

3. Cognition (including thought, intelligence and inspiration): material and consumption practices are the sources of human understanding. The human brain accepts information from materials and consumption practice and produces consciousness and cognition (including thinking, intelligence and inspiration). It is a product of the human brain. That is, understanding originates from material and consumption practices and exerts a counteraction on those practices and guides them.

Cognitive processes. Observation, discovery, feeling, perception and impressions (representations) belong to the perceptual stage. Intelligence, inspiration, experiment, experience and judgment are in the experiential cognition stage (understanding goes through the whole process of cognition and is the initial stage of rational cognition.). Finally, abstract and reasoning are in the advanced stage, namely the stage of theory, thoughts and ideas. Special attention should be paid to the fact that discovery, intelligence and inspiration are important types of understanding in the cognition stage.

4. Discovery is when human sensory organs receive incoming information which is introduced into and processed by human brains, which then produce cognition. It runs through the whole process of understanding.

5. There is a process in understanding, a periodic one, also known as the process of circular spiral development. The three most important types of consumption practice leads to the cyclic development of an economy, namely the developmental law of cognitive process. This is the process whereby people understand any material or thing, going from not knowing, to an initial understanding, and then onto a deeper understanding; process of going from phenomena to essence.

Two remarks can be made at this point. The first is that originally, the cognitive process does not involve the three stages of discovery, intelligence and inspiration. However, I believe these three points are important cognition processes. Therefore, they are written in brackets following cognition to draw attention to them.

The second is that originally, the cognitive process includes two stages, that is the stage of perceptual cognition and the stage of rational cognition. According to my research, the cognitive process should be divided into three stages, that is the stage of perceptual cognition, the stage of experiential cognition (including experiments and experience), and the stage of rational cognition. Moreover, cognition involves a process from the easy to the difficult and from appearance to essence.

Cognition and the three major laws of dialectics

The cyclic developmental law has been discussed above. So what then is the relationship between cognition and the three natural laws of dialectics (the law of opposites including quantitative and partial qualitative changes; the law of mutual change in quality and quantity, negative and positive; and the law of negative and positive)?

Materialist dialectics is the methodology of cognition, the law of understanding and analyzing nature and everything in it.

Materialist dialectics is used to analyze everything, since everything is in a process of motion and development in a contradictory unity of opposites. During this process, there are quantitative and partial qualitative changes; the law of mutual change in quality and quantity; the law of positive, negative and positive, negative. It is the two latter laws of contradictory motion and development that promote the law of contradictory motion of the unity of opposites, which develops without

stopping. Actually these three laws are not on a par with each other. Among the laws of contradiction, the unity of opposites is the main one, while quantitative and partial qualitative changes; the law of mutual change in quality and quantity; and the law of negative and positive are innate laws of contradictory of motion within the overall process of the contradictory motion of things. With these three major laws of dialectics, it is easier to understand and analyze things, and to identify the nature of things as well as their complex relations, and subsequently to better guide practice. This idea was clearly brought up by Mao Zedong as early as 18 August 1964 in his communication with philosophers and he was proved right.

Feudal society arose from slave society. During the long process of its development, the new force of feudal society developed gradually and grew stronger until it replaced slave society (a change or revolution). That is, the new force of feudal society experienced partial qualitative changes and then developed onto both qualitative and quantitative change. The new feudal social forces occupied a commanding position and slave society's superstructure could no longer meet the development of the economic basis of feudal society, its forces of production, and the three most important types of consumption. Then the feudal revolution or change took over, and with its victory the slave system was replaced. This process went from partial qualitative change to quantitative change and at the same time it was an affirmation of feudal society as a new force arising from the slave system. The process of development of these new forces was that of negating the backwardness of slave society and its being replaced.

The process of development of the feudal system was led by the three most important types of consumption which constantly created new productivity, production relations and an economic base, namely capitalist commodity production and exchange. The new capitalist economic forces arose and developed from feudal society. The preliminary partial qualitative change and quantitative development only played a complimentary role, but with the accumulation of these capitalist changes, they grew into a predominant role, namely a qualitative change into capitalist society. Democratic revolutions began to break out or the revolution was completed through these changes. This process was also an affirmation of the new capitalist force overcoming the backward feudal force, and capitalist system ultimately replaced the feudal social system.

The capitalist system, a new force, was also an internecine conflict. Since it arose from the feudal system, it would still be imperfect for a long period. Led by the three most important types of consumption, its

economic base, productivity, production relations and the new system as a whole were all improved continuously. It was also a developing process in itself, from quantitative to qualitative change and also a process of a continuous affirmation of the new force and a denial of its imperfections.

The continuous process of the development of capitalism was a process from gradual quantitative change to a qualitative change, constantly affirming positive forces and denying negative forces and problems. But at the same time a new force was arising, the socialist force, which from partial qualitative to quantitative change, would call for social changes or socialist revolutions when enough qualitative changes had accumulated. This process was also an affirmation of a new force, the process of first affirming capitalism and then denying it. This is the scientific law of social development, and also the law of partial qualitative to quantitative change and the law of positive and negative.

During the change from feudal society into capitalist society, countries like the Netherlands, France, Germany and the United States all won their capitalist democratic revolutions by revolutionary means. However, in countries like Japan and Britain, the capitalist system was established through reforms and changes.

The process of development of the capitalist system was still the contradictory movement of the unity of opposites, and constantly gave rise to the laws of socialist quantitative and qualitative change, positive and negative. America, Japan and developed European countries were also constantly changing their social superstructure to meet the increasing demands of the three most important types of consumption, and moving forward. In Tsarist Russia, because of the First World War and the failure of Tsarist Imperialism, the working class managed to gain control over the whole country. The Russian Communist Party, under the leadership of Lenin, managed to seize power through revolutions and the country entered a period of Socialism.

Another example, human physical growth and development are a process from partial quantitative change to qualitative change and are also positive and negative process. During a mother's pregnancy, the fetus grows continuously, which is also a process going from partial quantitative change to qualitative change. When it comes to the tenth month, the fetus reaches maturity. The mother gives birth to the baby, namely the birth of a new life. This process is the affirmation of newborn babies and the negation of the fetus.

The baby's growth day by day is also a process from partial quantitative change to qualitative change. When it is one year old, it begins to walk and talk, which is also a process from partial quantitative change to qualitative change, a process going from an infant to a child. Through a similar process, the infant grows into a child, and then into young adulthood, middle age and old age. This series of processes are accumulations from constant quantitative to qualitative change and are also both positive and negative.

Let's look at another example. All corrupt cadres are at first mostly good or relatively good ones. They have certain rights during their progress and development. When it relates closely to economic interests, a very few of them begin to eat or take more than his due and yet feel totally unashamed. Over time, they become greedier with more and more corrupt money, materials, and spending. This process is also a process from partial qualitative change to quantitative change, namely from committing petty crimes to the hopeless qualitative change of committing a major crime. This process is also positive and negative, which at first affirms the cadres' initial progress and development and then negates this process by going from corruption to crime. If these corrupt cadres could realize the inexorable law of corruption, and pull back before it was too late and restrain themselves, their crimes could be avoided.

The change from feudal to capitalist society also underwent a process of constant creation of new productivity; of a new kind of economics driven by the three most important types of consumption; and of quantitative to qualitative change.

In modern history (1840–1949), China had a semi-colonial and semi-feudal society. As the vanguard of the Chinese proletariat became active, they took part in revolutions during this historical period. First there was the revolution of the capitalist class against feudal society, which was a victory for this new democratic system. Consequently, they underwent a socialist revolution and brought China straight into into the stage of a socialist society by skipping over the stage of capitalist development. However, the consumption productivity and economic strength duly created by capitalist society, as well as capital commodity production, commodity consumption exchange and consumption, could not be skipped over, so the construction of socialism under the specific conditions in China meant laws, regulations and policies pertaining to the primary stage of socialism had to be adopted to guarantee commodity production and exchange of capital; to develop the three most important types of consumption; and to develop social productivity consumption

so that the harmonious construction and development of a socialist economy and society could be guaranteed.

In summary, we have analyzed the law of partial qualitative change to quantitative change, as well as the positive and negative laws from the developing processes of four different things, and materials from the perspective of materialist dialectics. They are consistent with objective reality and the practice and laws of development. Compared with the traditional and classical understanding of qualitative and quantitative change and the negation of negation, the knowledge of partial qualitative to quantitative change and positive and negative laws are more in accord with objective laws and are more scientific.

Intelligence, inspiration and cognition

How is the development of cognition realized? Or, how does this cognition reach a higher level? Here we have to refer to intelligence and inspiration.

Intelligence (perception in thinking) is a prerequisite for inspiration. Intelligence does not mean inspiration. It originates from people's perceptions during their understanding and use of materials, and indeed it runs through the whole process of understanding.

Inspiration is an intelligent process of thinking and perception after discovering objective materials and things. This new creative thinking produced in an instant is what we call "inspiration."

People who are good at observation, discovery and thinking, and who are purposeful, careful and attentive also have a high level of intelligence and inspiration. For example, seeing that birds can fly in the sky, people were inspired and drew creative inspiration from the intelligence of the birds flying. They finally managed to make a new product, the airplane. The process was a complicated, creative, thoughtful one of intelligence and inspiration used time and time again before a plane was finally built.

The achievements of all discoveries, inventions and scientific experiments are inspired by the phenomena of things and events, from which people are struck by perceptions. So the inspiration of creative thinking is generated and new achievements are made. Intelligence, inspiration and the human brain's understanding of materials and things, belong to the category of creative thinking.

The effect of intelligence and inspiration on the development of cognition is undoubted. The former provides the latter with possibilities

and power. The three most important types of consumption are the source of the human brain's cognition, which will then have an influence on their practice. Ideology, one form of cognition, falls within the category of politics, yet it has also influenced the three most important types of consumption. Ideology can be corrupt, backward or advanced, but if we want to develop an advanced culture, we must include cultural values. The possibility of forward progress for an advanced culture lies in its high level and its strong power. To promote these characteristics, intelligence and inspiration are vital.

Intelligence and inspiration, important aspects of epistemology

Epistemology is an issue which has been discussed for a long time. It is the science of the initiation and developmental processes of human cognition as well as its laws. It focuses on the source of people's consciousness, their cognitive ability, form and nature, the structure of cognition and objective truth and so on. In modern philosophy, especially contemporary philosophy, epistemology is gaining more and more importance. In the history of the development of epistemology, every introduction of a new and important concept caused a great academic change. Throughout the history of Western philosophy, there were three major philosophical revolutions caused by the introduction of new concepts.

1. Plato introduced "logos" into epistemology. Plato, the famous ancient Greek philosopher living in the fifth to fourth century BC, put forward the idea of "conceptual cognition," making him the real founder of epistemology. In his book *Utopia*, Plato introduced "logos" for the first time into epistemology, resulting in the earliest idealist transcendentalism with a complete form in the history of European philosophy. Plato divided the world into the sensory and ideal; the former referred to the real world where people lived, while the latter existed independently in another separate world, and these two realms belonged to different levels. Concepts were innate, that is each person was born with a number of concepts. In his opinion, people's cognition of concepts was not acquired but a recollection of the concepts already stored in the mind from birth. This process meant that people understood the external world. He believed that true knowledge was simply the recollection of concepts by the immortal soul. In order to obtain knowledge, one just needed to arouse the soul's memory of these concepts. So Plato's epistemology was the earliest form of transcendentalism.

2. In the eighteenth century the German philosopher Immanuel Kant introduced the "psyche" into epistemology in his book *Critique of Pure Reason*. He proposed that all cognition involved some kind of psychic process, which initiated a great philosophical revolution. Kant stated that the objective of cognition was simply to perceive phenomena and noumena, but this was beyond people's capability. For Kant, all the images in the brain and sensory organs were influenced by our subjective characteristics. The true features of objective reality, or the "things-in-self," differed from the forms in our mind. The empirical materials perceived by our minds were subjectively arranged in a sensory and conceptual way, so bestowing laws on the human mind and thus creating the kind of forms exclusive to human consciousness. They were the basis of knowledge. The basic units in our consciousness were just scattered sensory images. It was our congenital abilities which assembled the numerous sensory images and which formed perception. The configuration was not random but adhered to some innate rules beyond experience. There were twelve types of rule, named as the "twelve categories of intelligence" by Kant. He considered that the twelve rules were pure, transcendental, and inherent to the mind. Kant's philosophy can be divided into transcendental idealism, dualism and agnosticism. However, it was Kant who replaced objects of matter with objects of experience. In other words, he shifted the cognition of objects from an external position to an internal one. This significant contribution gave a solution to the problem of a coherent relationship between cognition and its objects. As a result, Kant made a complete reversal of the relations between cognition and its object, and between human beings and nature. It was not how cognition perceived the object, but the opposite; it was not that man adapted to nature, but that he set up laws for nature.

3. Marx introduced practice into epistemology. Marx, the great founder of Marxism, introduced practice into epistemology for the first time during his studies, which led to another major change in the history of philosophy. Marx's introduced practice into epistemology scientifically, and took practice as the most primary and basic viewpoint of epistemology. Practice meant all the activities by people of transforming the objective world. Practice was the source, purpose and driving force of cognition, and also the sole criterion for testing cognition. At the same time, he pointed out that practice was objective, and that material activity conducted in a motivated way with will and purpose was also social and historical. There were three basic forms of practice: production, practice to reform nature; and practice dealing with social relations and

science. Marx explained the dependence of cognition on practice. He pointed out that cognition could only be made possible in the human brain when people got "material" from practice, thereby revealing the nature of cognition and its developmental processes, as well as the general law of cognition. It is acceptable to say that the introduction of practice into the epistemology by Marx thoroughly refuted the agnosticism held by all the previous philosophers including Plato and Kant. Therefore, Marxist epistemology is equal to praxis, and is a motivated and revolutionary reflection based on practice.

4. The *General Theory of Consumption* introduced intelligence and inspiration into epistemology. Epistemology went into its fourth stage, the stage of combining practice, intelligence and inspiration. "Consumption practice and consumption awareness" in the *General Theory of Consumption* made a relatively thorough analysis of this issue, and can be summarized as follows:

The process whereby people develop cognition can be divided into the following three stages:

The first stage is to observe, discover, feel, apperceive and foster impressions (presentation), namely the stage of perceptual cognition.

The second stage is intelligence (thinking and understanding), inspiration, experiment, experience, thinking and judging, which means to try a new experience and learn lessons from it, that is the first phase of rational cognition. This is the most fundamental stage of human practice, the foundation of the formation of rational cognition.

The third stage is to summarize and reason abstractly, namely the highest rational stage of thinking, conceptualizing, opinions and conclusions.

In the *General Theory of Consumption*, intelligence and inspiration, as important parts of the cognitive procesess, are of great significance. Intelligence is frequently represented as a kind of diverse and lateral way of thinking. It is made up of a person's culture, wisdom, sense and practice. Instead of being illusory, intelligence is a useful capability of thinking and understanding things from their outer appearance to their inner essence, and from an idea to its reality, but is also the constant summarizing and improvement of one's own practice, and is the process of thinking from the abstract to the concrete. It is the reflection of a person's overall qualities, the ideological quality in particular. Intelligence requires the long-term practice and accumulation of knowledge and understanding, and learning from both. Thus intelligence is equal to the cognition and understanding of things' laws through study and practice. Historically, no one has been able to make a difference without a high

level of intelligence. In the opinion of the author, intelligence is the representation of one's intellect, which is based on constant learning, analysis and inference. Hence, only through hard study, diligent observation, meaningful thinking, by often throwing ourselves into complex situations, and seeking inspiration from life can we make ourselves become an intelligent person.

Then what is inspiration? According to the Bible, inspiration means the spirit of the God granted to man in the form of a supernatural effect. In fact, inspiration is the reflection of a kind of instantaneous and original cognition in the brain. It is a comprehensive and sudden psychological phenomenon, a result of the common activities of thinking and other psychological factors. Being novel and unique, inspiration is the result of creative thinking. This inspired thinking with creativity suddenly emerges thanks to the accumulation of knowledge and experience. Also, inspiration can be a psychological phenomenon so that the sudden comprehension of truth and spiritual excitement is caused by certain opportunities, often leading to some kind of breakthrough. It is the sudden enlightenment from a new thought process gained by a person after long-term study and thinking about a particular issue in great detail. The features of inspiration are its suddeness, transience, excitement and innovation. A general way to initiate inspiration is to think and observe frequently, namely to use the brain willingly, skillfully and frequently.

The significance of intelligence and inspiration in natural science and social life

1. In the area of natural science most innovations are from the inspiration and intelligence produced in the human brain. Innovation is the product of human imagination, or we can say inspiration and intelligence are the starting point and origin of innovation. Albert Einstein, the world's greatest scientist of the twentieth century, once said: "Imagination is more important than knowledge. Knowledge is limited. Imagination encircles the world and is the source of knowledge's evolution. Strictly speaking, imagination is an actual agent in scientific research." The world's greatest living scientist Stephen Hawking said: "it is personal inspiration that pushes forward scientific progress." Thompson, chairman of the US Creative Consulting Group said: "inspiration has become the most decisive creative power."

A large number of examples at all times and in every country show that intelligence and inspiration are the most critical aspects of invention and creation. The invention of the steam engine, aircraft and submarines, as well as Newton's gravity and Archimedes' law of buoyancy are the crystallization of intelligence and inspiration. There would be no creation or invention without them, let alone development and progress in society.

Intelligence and inspiration have a variety of features. First, the generation of inspiration is random and accidental. It is something that can only be found by accident, and not through seeking. Second, anyone in their everyday thoughts may have various kinds of inspiration at any time. Third, almost no economic costs are needed to have inspiration, yet inspiration itself may prove valuable. Fourth, inspiration is inexhaustible, which is its most special feature. The more you develop it, the more it will happen. Fifth, inspiration is ephemeral. If you fail to grasp it when it comes, it may never hit you again. Sixth, inspiration is the result of innovative and unique creative thinking. When inspiration strikes, a person is tense and excited, and may even lose control. Invention and creation in natural science come from intelligence and inspiration.

2. In the area of social life. Because intelligence and inspiration are a combination of one's academic qualities, such as wisdom; common sense; practice; a capability of being good at thinking about and understanding things from the outside to the inside and from the real to the virtual with full comprehension; a constant summarizing and improvement of one's actions; and a process of making one's thoughts go from the concrete to the abstract, they are always an important prerequisite for good work. People always find their work methods through their own intelligence and inspiration. No matter what you do, it is essential that you are diligent in study, research and practice. But you cannot stop there; you must also think, digest, summarize, improve and comprehend by analogy. This is a form of intelligence of a higher level which some people call "philosophical intelligence" to distinguish it from "natural intelligence."

Intelligence and inspiration are creative and valuable, causing images and ideas to be generated suddenly or accidentally in people's practice such as study and work. Creativity is an important part of intelligence and inspiration, and their value is the meaning of their existence. This is not to say that all sudden ideas can be called intelligent and inspired. Those that are not in touch with reality are called "wild flights of fancy." True inspiration should be based on long-term observation and thought.

It appears to be an accident but it is actually premeditated and represents the quintessence of human wisdom. Thus, inspiration does not simply come from the human brain, but also from the broader social life. In other words, only by working hard, putting constant pressure on oneself and having aims can inspiration occur.

Most people believe that effort and success are proportional. The more manpower, material resources and energy you put in, the greater the success you will gain. But this is a misunderstanding, because only hard work is not enough; working smartly is more important than working hard. Working smartly means working full of intelligence and inspiration, which makes complicated work seem simple and intelligent. Working smartly has to include making innovations and breakthroughs; thinking about optimization; learning and making progress; working cooperatively and striking a balance between work and life. Hard work and smart work are not contradictory. Hard work is the precondition of smart work, and smart work is a new requirement and at a higher level. It is smart to constantly reflect on, summarize, and judge your work so that understanding and control can be improved by gaining rational cognition from perceptual cognition as soon as possible in order to guide future work and make a qualitative leap in work efficiency and results.

Social development and human progress are in fact processes of induction and an improvement of intelligence. From Bisheng's typography to today's computer, from the airplane invented by the Wright brothers to today's space satellites, both should be attributed to intelligence, inspiration and reproduction. Seeing an apple fall from a tree, the great physicist Isaac Newton suddenly had an extraordinary idea and invented the law of gravity. This was actually caused his observation and thinking of objective events followed by a sudden flash of inspiration. The cause of this inspiration is precisely an inevitable result of the accumulation and improvement of intelligence. People with higher intelligence can always make analyses, judgments and conclusions beyond the ordinary and bring about refreshing changes. This is also a general description of intelligence; ordinary people cannot accumulate so much experience or perceive objective events so quickly.

Intelligence changes people's memories, recollection, associations, imagination, reasoning, judgement and abstract thinking to become perceptible thought processes which have meaningful value and understanding.

The practical significance of introducing intelligence and inspiration into epistemology

It needs to be noted that the introduction of intelligence and inspiration into epistemology in *Consumption and Management – New Discovery and Application* is not an introduction in a general sense, but serves as a very important procedure in epistemology. Having intelligence and inspiration admitted to epistemology gives it two further significant aspects. For one thing, intelligence is not unnecessary, but an important quality in modern people, and it is precisely what those who want to achieve something must keep developing and improving. For another, it is imperative to nurture intelligence and to respect inspiration from the point of view of society, and also to realize that intelligence may bring better and more specific thought processes to individuals, organizations or even the whole country while inspiration can perhaps be behind one or several major inventions.

Historically, no one can make a difference without a high degree of intelligence. In the opinion of the author, intelligence is the representation of one's intellect, which is based on constant learning, analysis, and the ability to infer the whole from a single instance. Hence, only through hard study, diligent observation, meaningful thinking, throwing oneself into complex situations, and seeking inspiration from life can one become a person with good intelligence.

Intelligence is not divine or a revelation, nor is it merely an instinct, a direct feeling, an inner or mystical experience or human intellect. It is a kind of highly valued thought process or a cultural psychological function based on people obtaining cultural awareness with their innate ability to think. Here, intelligence and all other thought processes cannot be separated from the value and significance of the cultural world. It is with this cultural significance that people's intelligence happens; or we can say that only by obtaining cultural awareness can people's innate ability to think give play to the psychological function of intelligence.

In the current era of change, intelligence and inspiration play an extraordinary role in human innovation. It can guide people to engage in innovative social activities in the following ways:

1. Be good at observing, discovering and analyzing. Nobody can carry forward his innovations without conducting observation, discovery and analysis, which is an important premise of intelligence and inspiration. Only on the basis of observation can it be possible to make new findings

and carry out relevant analyses, which then lead to inspiration to form the creative cognition of inspirational ideas.

2. Be ready to associate. Association is a way of breaking the boundaries of time and space and making associations based on existing knowledge about the various constituent elements of which things are made. Making comparisons, analyzing, combining and assuming when associating will give rise to inspiration and form the creative cognition of inspirational thinking. The invention of Sanzhu Oral Liquid is the result of the creative cognition of inspirational thinking, or to be precise, the result of association.

3. Be efficient in encouraging practice. Practice is the source of inspiration. The stimulation of practice includes both the inspirational effect of real practice and the improvement of previous practice. You need to think, ask questions and solve problems in practice. All technological achievements and other innovations at all times and in all countries are generated in practice thanks to inspiration. There would be no intelligence or inspiration without practice.

4. Nurture passion and impulsiveness. All work requires passion, because it can mobilize the enormous potential of a person to solve problems creatively. In the case of passion and impulse, one can enhance attention, enrich imagination, improve memory, and deepen understanding, hence allowing people to experience strong impulses to be creative, conveyed as self-consciously acting in accordance with the laws of objective things. Countless facts have shown that passion is the most likely trait to give rise to inspiration.

In short, the *General Theory of Consumption* introduces intelligence and inspiration into epistemology in order to help people improve their power of understanding and stimulate their inspiration, and thus not only the individual and his organization but also the whole nation can benefit. In this way, the individual, organization, and the whole people and nation will become more energetic and hopeful.

Section 4. Consumption practices and consciousness

The development of mankind's consumption (living consumption, social consumption, scientific research and production consumption) and its relationship with consciousness goes together with the development of consumption practices, consciousness, thought and understanding.

It also goes alongside the development of human creativity. The development of mankind's consumption practices is an analogy of human consciousness, thought and understanding which then in turn act on consumption practices. Mankind's most basic consciousness, thoughts and understanding have never been separate from consumption practice activities (historical idealism has never disappeared from people's consumption practices); it has also never been separate from the consumption practices of consumer consciousness, thought and understanding. The processes of development of the three most important types of consumption practices decide those of human consciousness, thought and understanding.

About 5,000 years ago, men were still in the habit of obtaining consumption materials from nature (also known as the material world) using primitive techniques. During this time, people used nature for their survival and consumption. Ideas arose from phenomena such as floods, fire and storms which in turn gave rise to creative consciousness, thinking and understanding, and which formed the concept of gods (God, the Jade Emperor etc.) and gave material form to therm. These so-called gods caused legends to be created, such as the Creation. They were virtual and unreal, just ideas and understanding created by the human brain. Although we should not underestimate this great invention since it was the transformation of a conceptual theory at the beginning of consciousness into a theoretical one. Scriptures, creeds, philosophies of religion, temples and theologians are all products of an extended and developed concept of "God."

The human brain receives and inputs phenomena appearing in the activities of all contradictions between human consumption, nature, and social practices, and then creates new awareness, cognition, thought, ways of thinking and understanding after processing, after which the brain will communicate this wisdom. This process is never-ending, describing the course of a spiral. That is to say, consciousness, thought, ways of thinking and understanding are the sum total of the human brain's understanding, reflection and action (including economics, society, politics and philosophy) on the ever-changing expression of all relationships between human consumption, the process of creating consumption and nature, between individual human beings and society.

Ideology is one of the manifestations of the activities of the conscience.

Idealism is an inevitable product of primitive times. That is, a product of the time when people were still in a state of chaos and ignorance and

were utterly ignorant of the causes and nature of everything. Materialism is the inevitable product of the age of science and technology.

The circular spiral developmental law of cognition, that is, matter – consumption practice – the fostering of a new cognition of the material – consumption practice – infinite circular spiral developmental law of cognition, is also a natural law going from material to consumption practice and then to understanding.

Interaction between consumption practice and awareness

Consumption practice is the resource of creative consciousness. During human consumption practice, the human brain can create a need for consumption consciousness at the same time as it reacts to consumption practice. So what is the definition of consumption practice?

1. Human consumption practice and creative consciousness in the human brain. The development of modern natural science, and especially recent results of scientific research on the human brain, reveal the fact that the brain is a complicated and specialized organic material system with an instinctive function of creation. The activity of the human brain inputs external information via the cells of the nervous system and thereby gives rise to consciousness, cognition and thought after memorizing, processing and creating. In other words, the human brain has functions for information input and output, systematic functions of image and digit memory and storage, information creation and processing, systematic functions of discovery, sensing, perception, intelligence, inspiration, judgment, generalization, abstraction and deduction, as well as the systematic function of overall guidance.

We know that the human brain is a specialized and complex organ with a creative function. The human brain receives external information via the nervous system, that is, practical information on matter and human consumption, and it generates consciousness by processing and creating. The brain is a material organ creating consciousness. After the input of external information, the human brain can only generate consciousness within the scope of that information. The generation of consciousness relies on information input. However, the consciousness, cognition and thoughts created are superior to the original total input and guide people's consumption practice.

2. Genius and consumption practice. Genius is a combination of an innate gift and consumption practice. All heroes, leaders, experts and talented people cannot make any achievements without consumption practice. They cannot get by without it. Therefore, genius is made by consumption practice.

People's gifts are the integration of the comprehensive qualities of the brain's innate qualities. There are differences between people's gifts and the number of geniuses is very small. The performance of their brains is much better than that of others in receiving information from nature and consumption practice, in creative thoughts and processes, and in cognition. Nonetheless, if they have no consumption practice, they will grow within a closed environment and will be nothing but fools.

The consumption practice of a particular age makes the geniuses of the age. Consumption practice and the natural environment in chaos in a benighted age leads to people talented in historical idealism. An age of science, technology and development leads to great geniuses such as Marx, Engels, and other great theoreticians in historical materialism. The economic construction age of the three most important types of consumption will definitely lead to a group of geniuses and talented people of this age. The history of the civilized world, its development and improvement, is a history of social consumption practice combining the people, genius and talent, a history of a struggle to develop. In one sense, if everyone can combine the consumption practice of their lives, careers and the age; play to their advantages (merits); avoid shortcomings; continue to study; practice; think; and summarize to try to produce innovations and success in consumption practice, every one of them can be talented, make different achievements and have a happy and harmonious life.

3. Consumption practice. Human consumption practice means consumption practice. All human consumption activities can be regarded as the process of consumption activity involving consumption and creating consumption. Consumption practice is also a human instinct to replace the old with the new, to actively obtain materials from nature and then get and create consumption materials of the kind they need with a purpose, a plan and a method. The increasing need for the three most important types of consumption and for improving and developing consumption awareness act on the sum total of the actual practical activities in the field of materials, consciousness and culture, namely, consumption practice. Consumption practice is the process of the human brain creating consumption awareness, and also the process of the

human brain's consumption awareness reacting to consumption practice. Humans have an instinct to obtain materials from nature to be consumed by themselves, and at the same time they actively create and produce (The process of production is also consumption) new consumables to meet the needs of mankind itself. Man can actively research, produce and create new consumables. This is the whole process of the human brain's creative thinking process acting on human consumption practice, and human consumption practice acting on the human brain; and the human brain creates consumption consciousness, which in turn acts on consumption practice.

The three most important types of consumption are human. All of man's consuming behavior comes from instinctive consumption and consumption consciousness. For example, I want to buy a computer. This is the first conscious thought I get, and then I go to buy it. Because of its different aspects, various forms, changes and endless requirements, it is hard to classify the types of consumption. In my opinion, it can be divided into three categories: living consumption, social consumption and scientific research and production consumption, namely the three most important types of consumption. Man continues to obtain materials from nature to meet these three types of consumption and at the same time, through practice, productive forces, production relationsips and scientific research and production are produced. Through production, the consumption of products (commodities), consumption patterns and consumption levels are all created. And it is the three most important types of consumption that bring about an economic basis and superstructure. The superstructure represents the economic basis while the consumption of social productivity and production relations and modes represent the consuming interests of all people and then react on all of these.

The concept of sustainable development is the rational cognition of the three most important types of consumption of human practice, that is, the cognition of various kinds of complex contradictions between modern economics, society, human and natural development, and also the cognition of an imbalance in development between areas and states. It definitely exerts an influence on the three most important types of consumption practice and provides guidance for the relatively scientific, proportional, coordinated and harmonious development of politics, economics, society and human and nature along the way of "balance – dominence, dominence – balance."

Of course the practical process is complicated and is an activity consisting of continuous cognition, adjustment of balance, and continuous

resolution of various contradictions. This is a growing process with its development describing a circular spiral. Practice will never keep still without advancing, but meanwhile it is imperative to follow the scientific law of development and the social law of living harmoniously. Otherwise, negative results will be caused. But understanding and following the law should follow a certain course, which is also the course of continuous understanding and practice, as well as the course of eternal persistance. Whether all this understanding and practice is correct or not can only be tested by people's continuous practice. Stick to the right, put right what is wrong, and modify the imperfect continuously. This is the correct process of practice, understanding, more practice and more understanding. This is also Marx's dialectical materialism, the relationship between knowledge and practice.

Consumption consciousness and consumption practice.

1. Idealism (non-materialism) is the inevitable outcome of a historical age. At the start of human history, everything was chaotic and dangerous. People had no idea on where everything in nature, including human beings themselves, was from, along with every kind of natural disaster, such as tornadoes, floods, blizzards, earthquakes, lightning etc. They looked for what they needed in nature with their instinct for survival and made the simple consumer goods they needed. It was also the start of the cognition of nature. However, human consumption and survival were also under constant danger from nature. All natural phenomena entered people's brains via the nervous system. After creating and processing this information, the brain only gave rise to perceptual cognition, which guided people to seek consumer articles from nature that they needed and to begin creating and processing these new consumer articles on a primitive level.

During the long history of human development, geniuses started to appear. After the input of information from various kinds of natural phenomena via the nervous system, their brains came to a conclusion after a process of instinctive creativity based on the information above, that is, everything in the world was created and granted by God. Human consciousness was also granted by God. All the phenomena in the world were dominated by God. In this way, an illusory consciousness was created. After long-term development, it developed into theology, which needed no practice for verification.

2. Materialism. Hegel believed that practice was a kind of idea, namely a conclusion drawn from ideas. But his conclusion covered the requirements of external reality, which was the result of people's activity changing this reality. At the same time, Hegel considered practice as a

necessary part of cognition's transition towards the truth. He thought that practice had the advantages of universality, simplicity and reality. Lenin held that when Marx added the practical standard to epistemology, his point of view became exactly the same as Hegel's.

In his *On Practice*, Mao Zedong, in a comprehensive and cogent way, discussed the relationship between knowledge and practice. He said that people's production activities were fundamental practices which determined all their other activities. There were many other forms of social practice. Class struggle, political life, science and arts, in a word, mankind was involved in all kinds of social life in all areas.

The writer believes that the dialectical materialism of Marx is a scientific cognition and common wealth for all mankind; it does not only serve the proletariat, but also for mankind as a tool to understand and adapt to nature as well as to reform and utilize the natural world. The human brain's reflection of objective things and matter is one of the manifestations of consciousness. In Marx's preface to the famous *Critique of Political Economy*, he commented on the subject of historical materialism that the means of production of material life conditioned the whole process of social, political and intellectual life. It was not the people's consciousness that determined their being, but, on the contrary, it was their social being that determined their consciousness. "Consciousness at any time is the recognized being and existence of people is their real life process." The reflection of objective reality and matter is one of its manifestations.

Politics is the concentrated expression of the practice of the three most important types of consumption. Classes, class contradictions and class struggles come into being during the practice of the three most important types of consumption. The fight for, protective control over, and domination of the three most important types of consumption affects the interests of human beings, groups, regions, countries, all laws, regulations, policies, democracy, administrative measures, diplomacy, the military, courts, the police, ideology, etc. which are considered the superstructure, and as belonging to the political category. Wars (just or unjust) imitated by states for the sake of interests of the three most important types of consumption are the highest form of political struggle. All consumption within the scope of politics can be classified as social consumption. We get to know something about practice, which is the first thing. Practice is the source of the human brain's consciousness, thoughts, understanding, and creativity. Through practice the human brain creates intelligence, inspiration, thoughts and understanding, which then act on consumption

practice and create new objects from it. Without thinking of intelligence and inspiration, there is no new consumption practice and no innovation or progress in social civilization. The relationship between practice and understanding is a kind of dialectical materialism, so we say philosophy has a class nature and yet it has no class nature. The philosophy of revealing the relationship of understanding, man and nature, of man and man, and of man and society has no class nature. People have a class nature in a society with states and classes, whereas their cognition of themselves and the relationship between humans has no class nature.

The active role of consumption awareness

The information about man's consumption practice is reflected in the brain, which processes the requirements and understanding of man's consumption awareness, and which then acts on his consumption practice and improves its development, namely consumption leading to the circular spiral development of an economy.

1. Consumption awareness. Human beings have an instinct for consumption awareness, which arose out of their survival needs. This is an important manifestation of human consciousness. For example, from the day of his birth, a person has the instinct for sucking a breast, which is a consumption requirement for maintaining minimum metabolism and survival.

Under the circumstances that mankind's consumption needs for survival and multiplying can be satisfied, human beings continue developing their awareness of consumption needs, which influences and promotes the development of scientific and productive consumption, and which drives the constant creation of new consumer products. That is the process of consumption of continuing to obtain consumer materials from the natural world and to create consumer materials.

All human consumption activities are determined by consumption awareness, in other words, man's consumption awareness determines his consumption activities and they are the outcome of a reaction to consumption awareness.

2. The demand for a useful consumption awareness of the enjoyment type.

i. Useful consumption awareness of the enjoyment type.

Suppose a person has the capability of enjoying consumption but no consumption awareness of luxury goods, he will therefore not consume

any luxury goods. And if people with the capability of enjoying luxury refuse to do so, it is impossible to facilitate the development of the society and economy.

ii. Using taxation to regulate consumption awareness and to promote consumption.

It is advisable to use tax policy and tax law to regulate people's consumption awareness and improve the their living consumption power; to reduce enterprises' profits by increasing the collection of various social collateral in the production and management process; to enhance the State's total wealth by imposing personal income tax, inheritance tax, corporate income tax, gift tax, and then conduct the second and third redistribution of the social wealth through the distribution policy of the superstructure, which helps to ensure a certain level of consumption among vulnerable groups; to adjust the proportions of the development of the three most important types of consumption and the extreme injustice caused by consumption. These above activities will boost the overall development of the economy.

3. Enhance consumption awareness and promote consumption. It is imperative to increase the common people's awareness of consumption needs, to mobilize people to work hard and to diligently create wealth in order to improve their consumption power and economic development. People's consumption level, together with the development of the three most important types of consumption, has developed enormously, so that the former enjoyment type of consumption has actually become a common one. The transition from the enjoyment type to the common type is a sign of improvement in people's standard of living.

4. Raise the consumption awareness of leaders to make it facilitate the sustainable development of the economy and science. Senior leaders should raise their cognition towards an awareness of consumption needs, which act according to the concepts of consumption. They should also understand the fact that people's living consumption is the core of social and productive consumption, and attach enough importance to the regulation of the scientific part of the development of the three most important types of consumption. In times of economic development, if emphasis is only on manufacturing production and a large share of capital is invested disproportionately in infrastructure, the proportion of national consumption becomes imbalanced and it can even lead to certain economic crises. In order to raise awareness of consumption needs, it is necessary in the course of production and management processes to reduce corporate profits, improve workers' incomes and

consumption power by means of tax and effective administration, and by doing which they can to propel the overall and sustained development of the economy. They need to regulate the relationships between human consumption and the natural world; to repay nature whenever obtaining something from it; to protect the ecological environment and arable farmland so as to lay a foundation for the sustainable development of future generations. It is also essential to raise awareness of consumption demand, and to raise funds for scientific research to strengthen the social productivity of new technologies, which are a driving force for the comprehensive, sustained and fast development of the economy.

5. Harmful consumption and consumption awareness. It is imperative to restrict, govern and fight against harmful consumption and consumption awareness with a variety of administrative measures, laws and regulations. Harmful consumption awareness leads to harmful consumption such as drug abuse, drug trafficking, alcoholism, smoking, manufacturing and selling counterfeits, human trafficking, theft, prostitution, gambling, fraud, giving and taking bribes, distributing pirate CDs, joining cults and so on.

An advanced culture should be promoted, while decadent and backward consumption commodities, which are harmful materially, spiritually and culturally, must be wiped out. This guarantees the sound construction and development of a social, material and spiritual civilization.

Raise the awareness of consumption needs of the whole people and increase their input in public social consumption, which entitles disadvantaged groups to enjoy the resulting social benefits created by rapid economic development and drives forward the comprehensive development of the economy.

6. Awareness of consumption demand and excessive consumption. Excessive consumption guided by consumption awareness can contribute to the sustained development of the national economy. The State advocates this kind of consumption activity. For example, for people with a stable source of income and consumption power, they should be allowed to buy houses and cars with credit or mortgage loans. In order to encourage consumption, the State reduced taxes on enjoyment-type consumption, for example a reduction on car tax. Taxes on consumption promote an integrated development of the economic consumption chain, which then stimulates economic development. However, people with excessive consumption awareness but no excessive consumption capacity and conditions should not have excessive consumption. This kind of living consumption beyond one's means is harmful rather than helpful.

7. A conservation-oriented construction of society and enjoyment-type consumption. It is meaningful to build a conservation-oriented society and to foster consumption awareness of conservation since it helps to reduce the consumption of resources and energy by recycling them. It also reduces pollution and improves the use ratio of energy and resources to the maximum. A conservation-oriented construction of society is possible by combining the extraction of resources from the environment with equal compensation back to the environment, thus ensuring that future generations can maintain sustainable development.

Establishing the somewhat limited consumption of a conservation-oriented society while at the same time encouraging enjoyment-type consumption can be contradictory and counter-productive. However, they both have the same purpose of driving forward and accelerating economic development and improving the level of national consumption as a whole. It is desirable to advocate enjoyment-type consumption while fighting against the waste of resources and energy, and to combine these two approaches effectively since they are two aspects which can supplement each other in order to allow the economy to grow rapidly.

8. Fair consumption does not mean average consumption. It is fair for those who get more pay for doing more work to consume more and for those who get less pay for less work to consume less. More pay for more work; distribution according to production factors; and people who earn more pay more taxes and income redistribution on a national level through taxes are all fair and equitable policies. Measures to improve the living consumption of vulnerable groups; basic social security through taxes; and saving State administrative expenses are also fair and equitable.

In short, the State Government represents everybody's most fundamental interests, as well as the overall economic infrastructure, total production relations, total means of production and overall ideology. It is its responsibility and right to continue to improve the economic foundation and to regulate people's consumption levels fairly and equitably so as to establish a harmonious society.

The materialization of spiritual consumption and the spiritualization of material consumption

1. The materialization of spiritual consumption means that it is represented in material form, and continuously meets the needs of spiritual consumption.

The demand for spiritual consumption, like the need for material consumption, is also an instinctive one and it grows as material consumption increases. There is pure spiritual demand for consumption, as well as forms of material consumption, which satisfies the demands of the spirit.

A human being has both consciousness and spirit, so that spiritual needs are instinctive needs; they both grow alongside each other. Different people can have the same or different development needs. For example, from infancy and the time we have memory and consciousness, we grow fond of praise and compliments from parents and other people. Praise and compliments are also methods employed in education and work.

Ever since people entered the era of commodity production and exchange, they also entered the era of value. Let's take a spiritual need to show one's development as an example. When one gets encouragement from the commendation and praise made by colleagues, leaders and relatives for work achievements, and especially praise from his leaders at higher levels, and a material reward is given, the spiritual need is much greater than that for material gain. This kind of satisfaction is the materialization process of spiritual consumption.

Spiritual and conscious types of consumption need democratic and political rights, which are expressed through people's actions. This process of expression is the practical materialization of spiritual consumption.

A person's achievements and contributions, coupled with a variety of medals and certificates of merit he has won are symbols of his performance or worth. This is the satisfaction of people's spiritual needs, and also examples of materialized spiritual consumption. That is to say, these awards and medals are material ones. Yet it is not people's material needs that they satisfy. Rather, they satisfy the psychological needs, namely the materialization of spiritual consumption. However, the spiritual can greatly influence the material. For example, replicating the good deeds of heroes and icons would greatly promote the material improvement of society and give people more strength.

2. The spiritualization of material consumption refers to the fulfillment of people's material consumption needs represented in the form of spiritual satisfaction. For example, as people have an ever-growing demand for material consumption, they will be happy when they get and are satisfied with the material consumption they expected. This is the spiritual reflection of material consumption.

One important process in the development of human consumption is that the desire for consumption is continuously satisfied by actual materials. This is also one process of spiritual satisfaction.

Human consumption continues to promote the development of needs for consumption awareness and to creatively improve the standard of material consumption. This is the process whereby material consumption continuously meets its own needs. This is another process of spiritual satisfaction.

All of our consumption behavior should a lay firm foundation for the sustainable growth and happiness of future generations. All of the current types of consumption are material. To meet the expectations of later generations, the current material types of consumption should take future generations into account in order to reach the aim, metaphorically speaking, of one generation planting the trees beneath which the next generation can relax in their cool shade. These are all examples of the spiritualization of material consumption.

The aim of studying the materialization of spiritual consumption and vice versa is to make people positive rather than negative in their consumption practices; to be rational rather than blind; and to be scientific rather than unscientific. Consequently balance and harmony will be achieved between economic, social and environmental development, and will change human consumption from having little choice to total freedom.

In summary, we can see that material and human consumption practice is the source of the human brain's creation of consciousness (intelligence, inspiration, understanding and thinking), which reacts on matter, consumption and politics. Man's three most important types of consumption practice, leading a cyclic development of the economy, also react on the three most important types of consumption and politics. Consumption consciousness determines consumption behavior. It is consumption that leads economic development. Consumption constantly improves the development of human civilization to higher and higher levels. The intelligence, inspiration and ways of thinking in dialectical materialism are ideological tools to understand, adapt to, transform, innovate and make use of nature. There are three stages in the process of cognition, namely perceptual cognition, experiential cognition (experiments and experience) and rational cognition. Discovery, intelligence and inspiration are importance aspects of consciousness. Consciousness is a product of history, which then reacts on material and consumption practice. Consumption, consciousness and matter are a unity of contradictions. Consumption practice is the internal cause of one contradiction, while matter and consciousness are the external

causes, which in turn become operative through internal causes. Consciousness follows a cycle of time and is therefore regular in its development. Knowledge is the core of philosophy, and the understanding of science, which comes from man's knowledge of nature and the three most important types of consumption, is a theoretical knowledge of generalization, abstraction and reasoning. It guides people to actively understand, adapt to and transform nature in the three most important types of consumption. However, philosophy should be liberated from the church and used to guide the three most important types of consumption.

The three laws of materialist dialectics are not a parallel unity of opposites, but rather they are the universal laws of everything. Moving from a quantitative to a qualitative change; the law of mutual change in quality and quantity; and the law of positive and negative are the laws of the unity of opposites of the overall system. It is the development of the two inside laws that ensures the constant development and progress of the unity of opposites.

Valuing ideology, developing an advanced culture, overcoming a corrupt one, and promoting the development of a backward culture are the requirements for constructing a socialist system with Chinese characteristics; for developing the three most important types of consumption; for people's physical, spiritual, and cultural development and progress; and for people's transition from the realm of necessity to the realm of freedom.

Section 5. The law of thought and leadership management

The importance of following the law of thought, and improving "soft" management

All of human thought arises from the three most important types of consumption, while no thought may be separated from their practice. It is the task of ideological and political work to guide people to unify and encourage the extremely complex modes of thought occurring during the processes of three most important types of consumption towards the correct way of thinking (but sometimes the wrong way of thinking takes place), and meanwhile to help people solve specific issues which arise due to many different reasons. The issues arising from thought are quite

complex, and we cannot describe them with simple moralizing. We should observe the laws of thought to deal with new situations and issues occurring during the three most important types of consumption.

Ideological and political work is the legacy of our Party and army. Every victory in our work is closely connected to strong and forceful ideological and political work. Resorting to Marxism-Leninism and the ideas of Mao Zedong, the older generation of proletariat revolutionaries enlightened the modern proletariat and intellectuals; established the Communist Party; further enlarged the Party organization by deeply and extensively promoting Marxism-Leninism and relying on ideological and political work; led large-scale workers' and farmers' movements; set up the people's army and improved their morale with effective ideological and political work. Under any conditions of suffering or difficulty, the Party fought with a strong will to seize victory in the anti-Japan war and defeated the Kuomingtang reactionaries. Mao Zedong pointed out that during the past fifteen years our Party had observed, and would continue to observe, revolutionary and Bolshevist traditions, which were orthodox in our Party, including everything positive politically, organizationally and in methods of work. This was undeniable. Without this great tradition, our Party would not have sustained, united and cemented itself, and we would not have wiped out errors within the Party, or won a revolutionary victory by fighting the enemy and establishing the Communist Party as the only one to win the trust of the people and different social classes. On the basis of the People's War, and upon such principles as the unity of the army and people, commanders and soldiers, and the disintegration of the enemy, the People's Liberation Army established its own strong and forceful revolutionary political work, which was an important factor in defeating the enemy. Without the influence of Marxism-Leninism and Mao Zedong on the army, without strong ideological and political work, it would have been impossible for China to win a revolutionary victory.

Since the founding of New China, besides the correct methods and policies, ideological and political work have played a very important role in social transformation. Mao Zedong said that the unification of politics, economics, and technology was essential. It will still always continue to be so every year. This is both loyal and professional. The word "politics" will still exist in the future. However, the meaning has changed. If we are always engaged in business and overlook ideological and political work, we will emerge as directionless economists and technicians, which is very dangerous. Ideological and political work

serve as economic fundamentals and ensure the completion of economic and technological work. However, ideology and politics are the main leaders. If we relax even a little on ideological and political work, economic and technological work will be led astray. Without strong and forceful ideological and political work, the implementation and execution of correct methods and various policies will encounter enormous difficulty and resistance.

The ten-year turmoil of the Cultural Revolution misled people's thoughts with many wrong-doings. The third plenary session of the 11th Central Committee of the Chinese Communist Party began to rectify wrongful cases; systematically corrected mistakes in various fields; and adjusted several policies and ideological and political work to conform to the building of four types of modernization in China. Due to the remaining "leftist" influence, people did not understand very well the newly formulated policies dealing with the development of new situations. Under such circumstances, it was very important to carry out good ideological and political work. Deng Xiaoping pointed out that we should put ideological and political work in a very important position, and to do it well, conscientiously and without any relaxation. This work involves Party Committees, management at various levels and every Party member. We should be target-focused and careful in this work. In order to make this work popular, the most important factor is that every Party member, especially those serving in leadership posts, should starting doing this work themselves when it involves the mobilization of the people. Therefore, in order to do ideological and political work well, we need to improve the Party's leadership and leadership system. If we fail in ideological and political work, the correct policies of the Party's central committee will not be smoothly carried out, and the adjustment of the national economy and the four types of modernization will not be realized. Therefore, ideological and political work is the lifeline for the development of the national economy and the realization of the four types of modernization.

Existence determines ideology. Since thought, ideology and politics emerge from certain economic fundamentals, then ideological and political work, with the development of different economic rules, interests, interelations, ways of thinking and views, will unavoidably form according to its own rules. Ideological politics emerging from socialist economic fundamentals and superstructure represents the fundamental interests of the people. In the fight against capitalist ideological politics, proletarian ideological politics is ever-present and

forms its own rules. It has become a science to study and master its rules. In order to do ideological and political work well, we have to study the rules of ideological activity for the emergence of thought. When we apply this rule to business management, we might get twice the result with half the effort.

The law of the ideological tendency of thought processes

1. The materialism of thought. Every human thought process is a reflection in the brain of a certain form of movement of matter, as well as a reflection of the processes of the three most important types of consumption. Since human beings are advanced animals, our brains are capable of taking the initiative and thinking instinctively; we are all able to summarize, induct and abstract to a certain extent. This concept is formed by analyzing and integrating unfamiliar things by using a combination of the above abilities, that is, abstracting, inducting and summarizing. What distinguishes human beings from animals is dynamic thought. Thinking is the most advanced psychological (mental) activity with a new material form (intelligence and inspiration). Human thought is the reflection of a certain social material culture in the brain's thought processes.

Thought is a reflection of certain forms of matter, so in class societies, where people live with a certain rank of class, no thought can go beyond the concept of class. Therefore, there are also laws of thought. It is necessary to understand that everything has laws, including general and specific laws. People should seek and discover laws, recognize them, master and use them, and obey the laws of thought in order to do ideological work well.

2. The effects of thought on matter. Since thought exists within a certain movement of matter, a correct thought strongly boosts material development while an outdated, decayed or wrong thought in a leading position severely impacts and hinders development. When the principle of steam-power was discovered, Watt, the famous scientist, inducted and carried out repeated experiments, and finally the steam engine was invented based on former inventions and creations, and its application boosted the rapid development of the material aspect of the whole of society. Based on the discovery of how lightning works, Franklin had new material (intelligence, inspiration, thought and cognition) deductions in his thought processes. He carried out experiments many times and

invented the lightning rod, while the extensive application of electricity brought human beings into the age of electricity. Similar to this was the discovery of the molecule, atom, ion and so on. Marxism-Leninism and the ideas of Mao Zedong represented advanced proletarian thought in human beings, which guided the proletariat class to transform the world and to win significant victories.

People's cognition is limited by the time and space of objective consumption practice, which also has limitations of its own. But intelligence, inspiration, creativity, thought and cognition are in a constant and never-ending process of development. Consumption practice is also a criteria which judges whether cognition is correct or not.

In normal conditions, when a person is in a positive mood, he works efficiently; when a person has a negative thought or is in a depressed or unhappy mood, his work efficiency will be relatively low. Therefore, thought is a reflection of a certain form of matter, and vice versa, that is to say "matter transforms into spirit and spirit into matter." This causes things to move forward continuously. This is the law of development whereby cognition exerts an influence on consumption practice.

3. Thought and laws of tendency. In summary, thought is a reflection of certain forms of matter. The movement of this matter has its own regularity and tendencies, which make up the characteristics of various kinds of matter and the differences between them. Since the movement of various kinds of matter has its own regularity and tendencies, when they are reflected in human thought, those thoughts with a certain regularity come into being. For example, when politics and the economy are unstable or in a transformative stage, the majority of people tend to wait expectantly and hesitate. In this kind of context, if the people are not educated in time with the correct thoughts and policies, the speed and anticipated effect of the overall revolution is compromised. Therefore, the work of education is extremely important, and must be the first priority of leaders, with no negligence tolerated.

When education in ideological politics is neglected, corrupt capitalist ideological cultural art will flood in, poisoning Party members, cadres and the innocent young generation. In this kind of context, human thought becomes heavily influenced, which brings harm to the Party and its overall demeanor. Facing this kind of reality, we need to promote the correct advanced types of thought; to forcefully propagandize the right people; to provide an integrated education; to carry out good deeds; and to seek severe penalties for malicious people and bad deeds.

When the immediate interests of the majority of people are involved, people's minds tend to fluctuate, having thoughts with regular and predictable tendencies. For example, in 1976 and 1979, the National Government was determined to adjust the salaries of forty to sixty per cent of employees. However, ninety per cent of people had their salaries raised. Before the official start of this adjustment in salary, taking advantage of the mindset mentioned above, leaders sent out a call for and a rapid delineation of the immediate targets for the "four types of modernization." The majority of employees imposed stricter requirements on themselves and competed to complete various production tasks. To a certain extent, the analysis of this kind of a mindset always discloses one simple fact: that people need first to consider food, water, clothes, shelter and transportation whatever their social consciousness. This is a basic material need for survival and development, as well as the basic starting point and aim of all work.

When the salary adjustment was officially started, people's thoughts turned away from a tendency towards the salary increase itself and towards whether it could actually be realized. In this kind of environment, people tend to compare their disadvantages to others' advantages and display various negative emotions. The main method of ideological and political work at this moment is to guide the people to really understand the meaning of the salary adjustment; to treat themselves and others correctly; and to the right attitude they should have when their salaries cannot be raised. What is more important is that the exemplary power of management at various levels consists of strong ideological and political work. Every Party member should always bear in mind that "the pioneering and exemplary functions of the Communist Party members are crucial." The power of example is greater than that of words.

When the salary adjustment ended, the thoughts of the majority of people soon returned to a stable phase in an atmosphere similar to that of the solid foundations of the way of thinking before the employees' salaries was adjusted. However, we should be quite clear that even a few irrational thoughts or events can cause dissatisfaction to some people.

Leaders should follow the necessary rules for the development of such an ideological activity. We need to bravely face mistakes occurring at work, patiently educate people without the correct way of thinking, and offer aid to people in need. After some time, the thought processes of these people will gradually return to normal.

The case above is an example of the laws of tendency. All matter and objective motion processes have general and specific laws. Leaders have to understand these laws, master them and use them.

When the way people think forms a kind of mindset, another form of mindset arises. Therefore, the constant laws of thought processes are applied to doing ideological and political work in order to prevent them from developing towards an extremist direction. Materialist dialectics is employed to solve problems. For example, during the process of growing up, a person encounters qualitative changes both physically and psychologically. Reason and logic are often affected by feelings. The relationship between a person's love life and study tends to become exaggerated and a badly handled love affair can severely impact on study and work. Therefore, we need to guide young people to correctly handle their love lives, marriage, study and work.

At a certain stage, an over-emphasis on the production efficiency of all employees can cause production safety and the correct use of equipment to be overlooked; but when incidents of injury and equipment damage occurs, and an investigation on the people responsible gets underway, the mindset of the employees can turn from focusing on production to dealing with incidents, which causes a tendency to be cautious and subdued, thus compromising production efficiency. The correct handling of such a tendency requires leaders to especially focus on production safety during a production boom, to operate strictly abiding by the rules, and to educate employees to eliminate potential disaster at the start of the upturn. In case of serious incidents, materialist dialectics should be employed. On one hand, clearly analyze the causes and liabilities for any incident, and on the other hand, immediately adopt remedial measures.

Section 6. The arts and methods of thinking and working in leadership management

The work of management at all levels is complex and vast. How can leadership performance and management efficiency be improved in a balanced way? It needs the application of scientific leadership management arts and methods. With the progress of society, leadership management arts and methods have seen a lot of innovations. To constantly improve and renovate leadership management arts and methods is a basic requirement to build leadership capabilities.

Methods of thought and thinking

Thought is the product of the functions of the human brain. It is the integration of all the processes of cognition. It creates leadership management arts and working methods, that is, a reflection and generalization on the cognitive processes of objective matter in the brain. It is a complex cognitive activity casting a reflection on the essence of matter and processes in the objective world with generalization, judgment, inference (inductive inference or deductive inference), hypothesis and theory.

Thinking is the way, approach and actions guiding people in their thoughts. Both methods of thought and thinking are subjective and they are products made during the processes of brain functions. Practice is needed for the judgment of whether a method of thinking is correct or not. The correctness of a method of thinking has to be judged in the process of practice. The methods of thinking, with their distinct laws, in turn give rise to the arts and methods of work. Abstract and general thoughts mainly affect methods of thinking, and in turn methods of work. The following seven basic methods of thinking have been differentiated.

1. The integrated system of methods of thinking. This is an important method of work for leaders of thought guidance. The concept of the integrated system of methods of thinking, or simply the integrated system (integrated structure system), is the collective term for the integration of every structural system. It connects, relies on and affects every method conditionally in an organic way in order to have a close systematically moving form of integration. Every part has its own systematic structure of elements and makes its own integrated system. They exist in a systematically moving integration in which every part is connected, relies on and affects the others conditionally in an organic way.

2. A logical way of thinking. First of all, what is logical thinking? It is the rational cognitive process of reflecting objective reality actively with the help of concepts, judgments, reasoning and other forms of thinking. It comes about through abstraction and analysis; thinking about tangible materials; the thinking process of discarding what is unnecessary and selecting what is essential; eliminating the false and retaining the true; getting from one place to another; getting from the outside to the inside; putting the specific images and individual properties of things aside; revealing the properties and nature of things; and through forming

concepts and using them to judge and reason in order to reflect objective reality in general and indirectly. Revealing the nature of things through the abstract gives it the features of consciousness, process and necessity. The basic forms of logical thinking include concept, judgment and reasoning. They mainly include induction and deduction, analysis and synthesis, as well as the abstract and concrete.

There are differences between the two concepts of logical thought and a logical way of thinking.

The main feature of logical thought is that it is based on the "should-be" point of view. From this perspective it begins to establish a viewpoint, it proposes examples. On the basis of the examples it begins to argue whether the viewpoint is correct, it avoids long-winded arguments, and finally draws a logical conclusion either by induction or deduction. It is a way of thinking that the brain, with respect to the targeted objects, conducts an induction, a summary, and abstract reasoning, that is, an ordered and reasonable way of thinking. This way of thinking gives rise to the advantage of normative and easy understanding.

A logical way of thinking can be divided into forward and backward interference. The former starts with induction, namely, from the individual to the general. The latter begins with deduction, that is, from the general to the individual. Arrange the work openly; design it as a whole, and then the plans, measures, methods, tricks, strategies and control, which are the positive ways of thinking ways of the human brain will come about. It can also be started from the bottom; make sure you know how to do something before at last going to the top to form a spike. These are two kinds of reasoning, namely argumentum fortiori and argumentum contrary. The normalization and rationalization of this method is very helpful to keep one's presence of mind in guiding overall work.

3. The dialectical materialist way of thinking. This is the opposite to the metaphysical way of thinking, which is to observe things from the point of view their interconnectedness, as well as their motion, change and development, that is, to solve problems with dialectical methods. Unlike the logical way of thinking of conducting reasoning step by step, the dialectical way of thinking, under the principle of a dichotomous approach, adheres to the principle that principal contradictions determine the nature of things, as well as the unity of opposites and the mutual transformation of contradictions. The principal contradiction can be transformed into a secondary contradiction, and a secondary contradiction, under certain conditions, can be transformed into the

principal contradiction and only in this way can it be possible to speculate correctly. This way of thinking analyzes in a dynamic process the cause and effect of things within their unity of opposites. Otherwise there would be arguments with both parties claiming to be in the right: bad things can be said to be good ones and good things may be said to be bad ones.

i. The analysis of change. Materialist dialectics holds that all things are changing and developing, and change is absolute, while a lack of change is relative. Nothing is absolutely without change.

Of course, all change, no matter what kind it is, happens in certain conditions. Internal causes are the basis of change, while the external causes are the conditions. The growth of knowledge depends on constant learning. If we only count on knowledge we have learned before and do not keep studying, then our relative knowledge becomes less. People change in certain situations. For example, the respected war hero Liu Qingshan went to Tianjin after the liberation. With this change of environment, he transformed from being a hero to being a sinner. On the other hand, some people who did not have much merit before, through study and hard work in a new environment, became people with great achievements in the construction of socialism, such as Wang Jinxi, who made great contributions to the field of oil. Therefore, we must discipline ourselves in our work and manage based on regulations instead of trust. Before you trust a person, do not appoint him; and after you appoint him, do not suspect him. This is our HR policy, which, can be used to replace the management system. Thus, we must improve the management system and strengthen institutional management. Some comrades still fail to see why we should do so. Actually, strengthening the management system is a requirement of the sound business development, and everybody is supposed to understand its significance, removing ideas such as that an auditor's check means there is a lack of confidence in you. It is a mistake to consider auditing to be a kind of distrust. Hence it is imperative to know that everything is changing and developing.

ii. Relations between principal and secondary contradictions. There are usually many contradictions in one thing, among which one is the principal, and the others are the secondary. The primary and secondary contradictions in their positions of dominance determine something's nature. Therefore, I repeatedly put forward that leaders must concentrate on the principal contradiction; otherwise it is hard to make any achievement. For example, as a branch manager, what will you focus on,

since there is so much routine work even in a small organization? Obviously it is sales, because it is the principal contradiction. As long as the sales volume increases, other work can be led towards good performance. If we try to deal with everything at once and spread out our energy, nothing will be done well. Thus, you need to learn to take control of the principal contradiction skillfully.

iii. The universality and specifics of contradiction. There are contradictions everywhere at any time, and contradictions within different things have particular features of their own.

Everything, including nature, both complex and changeable, exists objectively and regularly and can be understood, even though it may be hard to do so. There is a process, a gradual process to understanding all this. During our understanding, transforming and utilizing nature, the three most important types of consumption are both finite and infinite in our understanding. So only by mastering the laws of contradiction, dialectical materialism and these seven ways of thinking (or the "golden key"), can we better understand and transform nature, solve all contradictions arising in our work and affairs during the practice of the three most important types of consumption, and then achieve our various objectives.

In short, we should study the law of the three most important types of consumption with materialist dialectics. In this way, we can work actively, and achieve success.

iv. The reverse way of thinking, which is the opposite to logical ways of thinking, is a way of achieving the aim of solving problems correctly.

The reverse way of thinking is very important. For instance, it is bound to be used in putting forward arguments during scientific research projects; in working out work plans and measures; as well as in illustrating a point of view from a positive perspective. If we cannot argue against something, it is basically correct; if we can reverse a project, it is wrong or incomplete, and therefore we must improve or make a new project. When having discussions in a meeting, we must pay attention to negative comments which are sometimes proved to be true and therefore are valuable. However, on many occasions negative comments are wrong. Leaders should centralize the correct views through democratic means.

v. The transposition way of thinking: do not do to others what you do not wish done to yourself. The transposition way of thinking is when a person tries to consider a problem from the position of the other party, or to stand in their shoes. For one thing, leaders should think both from the point of view of the leader and followers, and the

followers should think about how to do things and solve problems from the point of view of the leaders. Any further transposition should be made by the leaders or those being led in the case of a third party analyzing and reviewing something's correctness. The transposition way of thinking way is whereby the brain studies its target by using the study methods of summarizing, induction and abstract thought. In this way, we can grasp the essence of things and find a rational and proper solution.

vi. The creative way of thinking. In order to carry out work in a creative way, it is necessary to master the creative thinking method. Try to develop one's intelligence, inspiration and understanding; try to be a purposeful, careful and attentive person; follow the principle of being practical and realistic, and then one will have a creative way of thinking, intelligence and inspiration. The creative way of thinking is not confined to the original knowledge, but is ready to think independently, to be good at doubting things and proposing questions. It is critical to be skillful at asking questions and being in total control of your thoughts in order to work creatively. Many people have ideas at work, but they doubt whether these ideas will work, and whether they are in tune with the local situation. With independent thinking, if we find that former concepts are not correct, we need to introduce our new ideas. This way of thinking is characterized by actively seeking a different solution, that is, being inclined to think about approaches different from the current ones, as well as having keen observation and great initiative and innovation. Actively doubt routine management, put forward new ideas and solutions, as well as suggesting ways of improving impractical methods. In this way, a person can have great initiative. In addition, this way of thinking has the advantage of putting forward new ideas and hypotheses.

Through the vast range materials you get through practice, and the observation of various complex factors in changes based on certain scientific knowledge and associations, rational thinking becomes creative thinking. The first characteristic of this way of thinking is strong doubt. If you doubt something, then you should try to solve the problem another way. Your leader may tell you what to do, but if you doubt it will work, you should consider replacing it another way. Creative thinking comes from doubt, and after that imagination begins.

vii. Thinking logically: "from prominence to balance and from balance to prominence." This is a general law in the process of motion and development, and is used to guide work on the basis of thinking and cognition. For example, the growth of an individual tree is both

prominence and development; stretching out twigs and leaves in the process of becoming outstanding is the so-called balance; continuous growth is prominence and branches and leaves on that growth is balance. This process repeats, and when the tree stops growing, the final balance guarantees its safety. From that time though, except for special situations, the tree generally begins to decline until it gradually dies.

In business management and development, management is balance and development is prominence. Just like half a bucket of water, if you carry it carefully and do not spill drop, it is still half-full and yet this water will still reduce by evaporation. At the start, only by adding water, will there be be more in the bucket, and this additional water is prominent. If the bucket is full of water, then the highest possible balance is reached. At this time, you need to change the bucket to increase its capacity and then develop a new balance.

In general, the above seven thinking methods (see Chapters 22 and 23 of *Consumption and Management – New Discovery and Application* for details) should be used in a comprehensive and connected way. Different thinking methods should be used in different situations. If you can be free not to work with simple, rigid, imperative, copied, and completely obedient methods, you will become a fair, flexible and constructive leader. Facing these problems, you will weigh up various conditions, use all kinds of ways of thinking, and create a lively and vibrant work place. These seven ways of thinking are a golden key with which to unlock numerous other keys. Use your brains, pick up this golden key thoughtfully, and make yourself smarter through application, practice, training, testing, repetition, progress and perfection to push forward your career and achieve better and greater efficiency. This is where the realistic significance of these seven ways of thinking lies.

The relationship between research on the laws of consumption and leadership management arts: leadership management has to research and manage human initiative in seeking, obeying, and adapting to laws; using subjunctive intelligence; having inspirational and creative thoughts and ways of thinking in the creation and practice of the three most important types of consumption and their processes.

Studying the laws of consumption to improve leadership management art

The arts of leadership are a perfection and promotion of its methods. An art is the improvement and perfection of a method. It is a way of

creativity, a method at a higher level. In addition, arts are also included within the scope of strategy. Leadership management art is generally displayed in the following aspects:

i. The art of the democratic working method. If we want to make good use of the democratic working method, we have to grasp three "skills:" the skill of transforming personal opinion into everyone's opinion; the skill of discovering advanced experience in people, refining some examples of that experience, and then using them to educate everyone; and the skill of utilizing the art of mutual education.

ii. The art of enlightenment. Enlightenment is the process whereby a person becomes interested in other things and people and causes them to become generally known. This is mainly manifested as follows: first, praise comrades on their creative work practice and bring them to people's attention; second, create and cultivate new examples to enlighten people to associate with, to observe and to think according to this practice; third, improve the working methods of subordinates; fourth, solve various kinds of contradictions in both work and life in an artistic way. What we should do first is to learn to put ourselves into other people's shoes.

iii. The art of grafting one twig on another. The first way is to sponsor activities beneficial to the government and society. During the process of donation, create the appropriate image and run a product promotion of what is most suitable for Sanzhu. The second way is to support some social groups, and run some activities for charity in order to graft our image and product promotion. The third way is to associate with social groups and government divisions when celebrating a holiday; by conducting activities together, our image promotions are grafted onto the holiday celebrations.

iv. The art of concern for people's lives. Firstly, look after the small things in the lives of your subordinates, solve problems for employees go out of your way to help them. Secondly, if an employee catches a cold or ends up in hospital, keep an eye on them and pay them a visit. Thirdly, when an employee gets married or has a birthday party, congratulate them.

v. The art of advertising promotion. First is the art of advertising promotion. Reporting a piece of news is not art, but creating a new one through that piece of news is. Second is the art of literature promotion.

vi. The art of solidarity among leaders and subordinates. First, talk to those who are suffering from work conflicts to let them communicate their emotions and feelings. Second, praise and encourage their virtues.

Third, talk with and treat others with the utmost sincerity. Fourth, care for them. Fifth, when subordinates get nervous, talk to them about everyday things to make them feel less nervous. Sixth, leaders should command employees in terms of rationality, strategy and policy to make sure of their oveall consistency.

vii. The art of being humorous. It is necessary for leaders to have a humorous conservation style and to be good with strong metaphors. Being humorous and good at coming up with inspiring strategies should be consistent. The way to understand this art is first to learn language skills, and then to pay adequate attention to being trained in practice. Artistic language full of humor and strong metaphors helps us express our intentions and feelings so we get what we want.

viii. The art of provocation. The best way to persuade someone is through provocation, which can be used to activate your employees' enthusiasm for work, their faith in winning and the spirit of fighting to the death and of bravely killing their enemies. The technique of this method lies in hiding the leaders' real goals, and making use of a kind of art to trigger feelings. The highest aspect of the human spirit can be triggered, leading people towards their working goals.

ix. The art of persuasion. Persuasion and provocation are consistent in terms of the arts of strategy. Their goals and methods of instruction are in accord. But the how to exert them on different people is not the same, especially on those who are experienced and sophisticated. When it comes to these people, no provocation can be used but persuasion. The virtue of the art lies in that its practical use varies with individuals.

x. The art of leadership "prominence – balance." "Prominence - balance and balance - prominence" is a law by which everything develops. We should apply this law to economic work on our own initiative, that is to say to stress management benefits and development benefits; to work daily, to lay stress on the selection and cultivation of good examples from which the others should learn, thus forming new waves of development.

xi. A further art of grafting one twig on another. Based on the circular spiral law of philosophical cognition, all matter, and thought derived from matter, can be repeatedly grafted. After grafting, there is a transformation into a new substance. The best, comparatively good, the worst, or relatively bad combinations are certain to appear. In actual practice, we apply the Thirty-six Stratagems, military strategies, and tactics of Mao Zedong onto commercial battles.

xii. The art of sensory expression. First is touch. A well-designed product should entail a good sense of touch. During conversation, if you impress others with your sense of touch, understanding and trust, your communication with others will go well. Second is sight. Sight refers to what we do and the products we make which are reassuring and can be accepted or loved by others. Third is feelings. Through friendly communication you can build friendship and promote an interesting conversation. Fourth is color. Color can be used to trigger people's emotions, initiative and desire.

xiii. The art of language technique. The art of language means strengthening solidarity and coordinating it with the implementation of certain work methods. When talking to an individual, one should try to aim at the right point from which he can start a conversation with others. In public, first of all, we should be aware of the characteristics of those we are faced with and find common ground on which we can converse with them. Consequently we develop empathy for other people. In addition, we should learn to use a conversation style which is both blunt and implicit. Compliments and praise are a kind language which people love to hear. If compliments and praise are applied in a good way, they can help arouse people's enthusiasm. We often say that we should guard against arrogance and rudeness while being modest and discreet. But being modest has to be to within a certain extent. If you are too modest, you will become a hypocrite. Indirect criticism has to be left with no room for being misunderstood.

xiv. The art of voicing opinions to leaders. Be courageous enough to raise opinions with your leaders, but when it comes to how we do it, we should use tactful language, that is, choose the way that suits the occasion best.

xv. The art of conjoining. The first step is to optimize. Conjoin your leaders' wisdom with others to create new approaches and methods. The second step is the art of entrusting this conjoining to others. The third step is the working method and art of holding brainstorming sessions to obtain new ways of thinking and to conjoin our way of thinking with those of others.

xvi. The art of conversing sincerely with peers and colleagues. First of all, take care of the overall situation by taking it into consideration, which shall be the starting point when we consider and deal with problems. Respect your colleagues, raise and discuss questions with them equally, instead of being arrogant. Try to be good at putting forward some different opinions and that what you say is the truth. Consider things as they stand, rather than deny everything. Adhere to principles

and to flexibility as well. Actively take part in constructive discussions which are very likely to generate inspiration and intelligence. Generalize abstract concepts and try out new methods.

xvii. The art of being good at rejecting. We must learn to be good at rejecting. Neither do we tell others what to do, nor do we hurt them. For example, when someone asks for confidential data from you, you can reply with the question "Can you keep it a secret?" If he or she replies "yes," you can say, "Me too."

xviii. The art of being a detective. First, throw a stone to clear the road. When we are not sure of some matters and do not know how to proceed, we should take our problems to other people for advice. We can judge what is right and what is wrong from their reaction. Second, detect by setting out points and by sampling. If we want to see the bigger picture, we need to set some typical points (good or bad) to carry out a detection investigation or survey. Third, induce others to get what you would like to know. Fourth, detect under cover. Send other people to wait and watch for you.

Studying the laws of consumption to improve leadership management methods

The core of leadership management philosophy is epistemology and methodology. The work methods and the level of the arts of leadership determine the results of leadership management. The leaders must study leadership management philosophy diligently as it is part of their core. A good mastery of correct leadership arts and work methods are the preconditions for an excellent outcome as they have a general application. Thirty-eight methods are introduced here which make up our actual work.

1. The work method of determination. Determine the aim you strive for first and then break them into smaller parts to make up an implementation plan. Otherwise, your work is disorganized and it is impossible to get a good result or make great achievements. The aims are classified into long-term, intermediate and immediate ones. The aims must be determined in a careful, correct and objective way so that they can be realized. Otherwise, it impairs the unity, attraction and passion of the people.

2. The work method of holding onto facts and being consistent between the subjective and the objective. It is pretty hard to do everything according to the actual conditions and to combine subjective will and

objective reality. The easiest work method in the world is the method of idealism. Why? Because if you stick to idealism, you can just take everything for granted and do what you want regardless of its correctness, the results and the consistency between motive and effect. It is easy as just following your thoughts. Command is also an easy way; it it easy just to give and follow orders. Of course, one kind of command should be distinguished form another. One kind of command gives confused orders regardless of the actual conditions, while another asks subordinates to implement reasonable plans based on the mastery of actual complex situations. A command with the suffix "–ism" is always a bad one.

3. Making overall and systematic planning to formulate correct strategies and policies.

i. Make clear macroscopic strategies and stratagems. A strategy is the integration of schemes, stratagems and planning. A stratagem is the method of operation according to the development of a situation. Strategies and stratagems share similarities but the former has an emphasis on policies and the latter are made in overall planning based on a comprehensive consideration on subjective and objective aspects. The aim of a macroscopic strategy is to determine a macroscopic plan with general guidance. The aim of a macroscopic stratagem is to make macroscopic tactics rather than specific tactics. For example, after the outbreak of the anti-Japanese war, the ethnic conflict took first place and the class struggle took second. In this situation, the macroscopic strategy of the CPC was to unite all their available forces, to establish an anti-Japanese national united front, to bring about cooperation between the CPC and the KMT, and to stop the civil war in order to turn against the external invasion together and defeat the Japanese. In order to guarantee the realization of this macroscopic strategy, the stratagems the CPC adopted included the peace solution of the Xi'an incident; the transformation of the Chinese workers' and peasants' Red Army into the Eighth Army and the new Fourth Army; the establishment of an anti-Japanese democratic regime; the implementation of the "three to three system," etc. The implementation of the above stratagems protected our nation; followed peoples' will, which guaranteed final victory in the anti-Japanese war; increased the power of the CPC; and guaranteed the final realization of the macroscopic strategy. A leader must determine a macroscopic strategy with an overall understanding and planning according to subjective and objective aspects of the overall situation, as well as the aims and specific tasks, and then make macroscopic stratagems according to macroscopic strategies to give overall guidance to everybody and everything they do.

ii. Make correct macroscopic strategies and microscopic stratagems. Stratagems serve strategies. They are the method and way of realizing strategies. The realization of a macroscopic strategy needs a macroscopic stratagem, as well as microscopic stratagems. For example, in the first revolutionary civil war, the KMT started five "suppressions" on the Central Soviet District. The macroscopic strategy of the CPC was to avoid suppression by its enemies and guarantee the survival and development of its rural base. Therefore, Mao Zedong made different stratagems according to the fluctuating power of the CPC and its enemies, such as "lure the enemy into remote places and defeat the weaker armies first," and in defeating the first suppression, "lure the enemy into remote pleaces, centralize a successful army to defeat their armies one by one," etc. The implementation of detailed microscopic stratagems guaranteed victory battles and the realization of macroscopic strategies. It is the same case for our Sanzhu Company. At the end of 1995, we determined the macroscopic strategy of spreading out to rural markets and taking them over completely. In our microscopic stratagems, we strengthened rural networks, established county-level offices, town-level sites and employed business leaders and entrepreneurs to strengthen and perfect every system in the rural networks. Through the implementation of these detailed stratagems, we brought about strategic planning in rural markets.

iii. Make correct macroscopic strategies and microscopic stratagems and policies. A policy is a rule of conduct made to realize basic directions at a certain historical period, and thus it is a specific item. In contrast, a stratagem is a course of action and a way of competing. It is abstract. Policies and stratagems are foundations to guarantee the realization of macroscopic strategies. They are very important to a business, a political party and an organization. In Mao Zedong's words "Policy and stratagem are the life of our party," the importance of policy and stratagem can be drawn. The history of the Chinese revolution and subsequent economic construction, as well as the development of Sanzhu Company, prove this point.

4. Methods of leading and control. Control is the basic method of leading. A leader with no group control over subordinates is useless. Therefore, leaders should exercise "effective but flexible" control to encourage the subjective initiative and creativity of subordinates on one hand, and have work organized in a flexible but organized way.

Control. The first type is single line control, that is, procedural control. The second is double line control, that is, two lines of implementation

and inspection. Leaders should establish special inspection bodies for the tasks he assigns. The third is mutual supervisory control. Leaders supervise subordinates and the subordinates supervise leaders by means of letters and visits. The final type is two-direction supervisory control. The implementation and guarantee systems control and limit each other. The legal, financial and personnel systems serve markets, but they also establish control and its limits.

Psychological control. This emphasizes honest work under the correct guidance. Bring people's attitudes round to the correct ways of doing things by studying the correct theories. Meanwhile, criticize and persuade the ones who lag behind and correct every kind of mistake.

Public voice control. This is here mainly to provide correct public voice guidance, which is very important. A party, a nation or a business all need the correct guidance of a public voice, which is the only way to establish the authority of a leader. In around 1945, in order to create a widely-accepted leader in the CPC to counter Jiang Jieshi, the CPC decided to build a great image for Mao Zedong in the party. The song "The sky turns red in the east. A bright sun rises and Mao Zedong was born in China," as well as the great image, ideology and virtue of Mao Zedong spread throughout the whole party, which played a significant part in promoting the image and development of the CPC and in bringing together the attitudes of all the armies and people in liberated areas. It was not case that Mao Zedong had no faults. But the situation then required making a "package" representing him with an emphasis on his greatness through propaganda. The case is the same for business. A business needs a leader with great honor. Otherwise, people do not stick together and scatter to different places. The role of guidance on public opinion is fully shown here. One side should be highlighted and the other neglected when making a propaganda package.

5. Democracy. This is a method or way, rather than an aim. There are three aspects to democracy. The first is that the leader should be good at turning his correct views into the common views of the people through democracy. Let's take a conflict I experienced as an example. I thought of a mature plan in planning for this conflict. As I was at a high rank, if I simply gave orders, the subordinates may not have been able to understand them fully. A passive implementation is sure to lead to a poor performance. In order to make my ideas public, I held a meeting for a discussion within certain parameters to allow everyone to fully go over the plan. Through discussion, everyone understood which were the right ideas and they made a complete correction of the faults in the plan.

Finally, everyone shared the same idea, which led to a fast and effective implementation.

The second aspect of democracy is when the leader does not know what to do and has to solve problems in democratic ways. The leader puts forward a problem with no solution to ascertain everyone's ideas. Then everyone puts forward their ideas as if they were leaders. Next the leader collects these ideas and discusses them with several people in private. If the discussion is successful, a solution can be determined, which will be made public for further discussion. If it does not prove good enough after public discussion, another discussion with a wider scope is organized. In this way, the leader can get ideas from the people to make up for his disadvantages on one hand and on the other hand, he can collect information from subordinates and make a final solution acceptable to everyone.

The third aspect of democracy is that leaders should broaden their minds by being good at going down to the lowest levels of a company and chatting and communicating with people with practical experience. Although they are not leaders, they are better than leaders in some ways. Although their experience is not wide, they can give a boost to their leaders' inspiration and intelligence to develop correct ideas. Such ideas originate from the grass roots, and so are easier for averyone to accept. The people can easily change leaders' opinions into those of their own, which brings easier success in their work.

6. Work methods. The work method arising from the will of the people is one of the basic work methods of the CPC. Mao Zedong was just a man who was good at using this method. It involves taking ideas from the people and applying them in turn back onto them. Leaders have to select the best models and experience from the people and popularize them through mass education and using the power of these models. In other words, carry out standardization, organization and education of the people using the presentation of models and promoting the development of work.

7. The work method of combining material and spiritual stimuli. People live in a material world. In order to have a certain standard of living in a certain period, survival is the first necessity. The sense of achievement in career and spiritual needs only come to the fore when possession of material goods has reached a certain level and people have passed the survival stage. In the primary stage of socialism, most people are still in the survival stage, so the pursuit of materials is the first priority. Consequently leaders should adopt material stimuli to arouse people's enthusiasm, including increases in salary and the timely issue of

bonuses, which are both types of material stimulus. There is an overall limit to materials, but the need for these materialsis infinite, so spiritual stimuli should be created at the same time. It is human nature to be happy to listen to kind words. Nobody likes being blamed and everyone likes to be praised, which is a universal spiritual need. Awards, commendations, and being listed on an honor roll all belong to types of spiritual stimulus. So good leaders should keep this aspect of people's psychology in mind and satisfy people's instinctive spiritual needs in order to arouse their enthusiasm, and to organize, lead and unite the people to move forward to a common goal. A good leader should be good at closely combining these two ways.

8. The work method of holding training sessions. This is a good work method, which can solve many problems for the following reasons. First, a training session can solve problems in an oriented way by organizing the study of theories to guide our work and solve problems. Second, it provides a platform which allows wide discussion, the exchange of ideas, and mutual understanding and encouragement. The overall level of understanding can be increased with advanced experience and models to make clear the aims and the detailed measures and plans to realize them. Third, obstacle and case teaching can be taught in training sessions in order to promote managers' actual work ability in a detailed way. Therefore, it is a good work method to hold training classes and leaders must learn to take advantage of it.

9. The method of carrying out ideological work according to the laws of thought. This mainly means that both general and specific laws of thought can be used to carry out ideological work. This so-called "one key to all locks" refers to idea of understanding typical examples. Problems with cognition can be solved by this one approach. But as to individual problems, they should be solved with corresponding methods, which is known as the so-called "one key to one lock" method. These two methods are defined fully and in detail in *Thinking Laws and Ideological Political Work* by the author, so I will make no further explanation here.

10. The method of protecting the overall situation at the expense of a part of it. As a leader, you have to look at questions with a broad perspective starting from a high point. Sometimes, it is impractical and impossible to do something by taking only a part of a situation into consideration.

11. The work method of playing the piano. This refers to the method of carrying out work in a comprehensive way, just like playing the piano, with ten fingers moving together with different force, speed and rhythm.

The reason why the sound of a piano is pleasant lies in the fact that the fingers all move with a different force in a different order according to musical score. Leaders should have a focus on arranging overall work systematically and on implementing and carrying it out in a coordinated way with a rhythm according to its importance in order to turn work into an artistic and pleasurable process.

12. The method of praise and reward. First, hand out praise at small meetings, even at a meeting of only three or four people. Sometimes light praise is fine with no blame on the others. In other words, hand out praise at any time. Second, hand out praise and awards at large meetings. Leaders should learn to use the method of presenting awards at large meetings with red flowers, musical instruments and a good atmosphere in order to build the popularity of model workers. The third way to praise and reward someone is to hold a meeting at the work site. This kind of meeting is held for the chosen model workers to introduce their practical experience on site in order to allow the other attendees to study how they carry out their work and in turn to make it popular. Mao Zedong was excellent at this. He held many meetings on site in Daqing after it was set up as a model of industry. Now we have adopted the method in Sanzhu. We hold on site meetings in provincial capitals and in offices in Shijiazhuang and Zhaoqing in Guangdong Province. Holding on site meetings in places with the best performance is also a way to promote all kinds of models. On site meetings can involve asking people to carry out studies on a large scale, which allows advanced experience to become popular, as well as giving impetus to overall work.

13. The work methods of top-down and bottom-up inspections. A top-down inspection means that leaders are required to carry out inspections after they assign work. Generally, superiors check up on their subordinates who in turn inspect subordinates who are inferior to them. This kind of inspection continues until the lowest level has been inspected. For example, I listen to the reports from the vice president and regional general manager, who have already listened to reports from managers at a lower level. These managers listen to reports from office directors. In this way, an inspection is made through reports. This method is necessary, but it is impossible to get a complete picture of the actual conditions. It is a person's instinct to say more about achievements and and less about mistakes. They report their mistakes but in a limited way. This is an instinct. No one can avoid it. Therefore, in order to gain an understanding of actual situations, another method, the bottom-up inspection has to be used. Just like a tree, if we view it from the top we can only see the shape of a semi-circle. If we change perspective and view

it from the bottom, we can clearly see everything at the top through gaps between the leaves. In other words, we also have to get to the root of a situation besides listening to reports level by level. It is very easy to check at the bottom how far the "sun and rain" from the top has penetrated.

14. The work method of "making a snowball" and "grasping the bare bones" of a situation. Different people in any group are sure to have different qualities. People are never the same. Thus, different people have different levels of acceptance and understanding in implementing ideas and tasks assigned by their leaders. Therefore, first you have to focus on one third of them to make them understand your ideas and gain a full understanding of all of your policies, strategies and plans. After they have accepted your ideas, ask them to introduce them to another third of the people around them. In this way, spread your ideas level by level to make more and more people accept your ideas, just like making a snowball, which becomes larger and larger. So this method is also called "making a snowball." It was a common method used by Mao Zedong. All the work of the CPC is carried out in this way. Carrying out work and transmitting ideas level by level to make a snowball larger and larger. During wars, it is often impossible to carry out all your work at one time. Instead, we have to "grasp the bare bones" of a situation, and then expand them using the snowball method. All work has to be performed steadily and firmly, otherwise a situation of "half-cooked rice" can occur, which means a job has not been done properly.

15. The working method of showing your trust and emotions to subordinates in order to build their self-confidence. Try every way you can to make your subordinates feel you trust them. In this way, they will work with more enthusiasm as it is pleasing to gain a leader's trust, just as it is upsetting not to have his trust. Therefore, as a leader, you must have confidence in your subordinates. In the meantime, you should emphasize your emotional attachment to your employees, because emotions can help increase mutual trust and loyalty. Since self-confidence takes half the credit for successful business, the self-confidence of employees has to be stimulated and built. Confidence always makes people try to think of solutions to finish a task and to undertake research and investigations to find better solutions. Many creative methods are put forward in these kinds of conditions. We can ask: if an employee loses confidence in his leaders and is dissatisfied with them, will he come up with so many new ideas and be as creative at work? It is unimaginable. Work is easier to finish well only when leaders can arouse the enthusiasm of their subordinates.

16. The work method of rectification and steady development. There is an old saying: "lay down three rules for rectification," or "a new officer has to do well on the first three issues and make the first three achievements." This is absolutely right. Usually there are three kinds of disorder. First, there may be no rules in the workplace, or people do not carry out their work according to the rules. Second, a leader does not have any authority and his orders cannot be implemented. Third, the work has no logical order to it and and therefore leads to a poor performance.

The first step in eliminating disorder is not to track down misdemeanors and mistakes made in the past, as they can be a result of many factors. During the second step, you have to apply the method of doing ideological and political work alongside the everyday rules if they are not followed due to the fact that the disorder is very serious. Hand out praise in some cases as rules can only punish people in a limited way. If most people do not obey the rules, you cannot punish them all, as nobody will then do any work. In this kind of situation, lay down the rules first. Hand out a lot of praise to outstanding employees and punish those people with the worst performance. It is called "unify the majority to crack down on the very small minority," a perfect way to eliminate disorder. After this rectification of the situation, a new order must be established quickly, which means establishing and perfecting the rules, guiding people with ideas which work, and maintaining them with rules and systems to make fresh progress. Significant progress can only be made under a management team which follows everyday rules. Be sure not to be biased against everyone. The third step is to quickly organize and reform the leadership team. During the process of rectification, select people who have potential and find the right ones to join the leadership for reforming, and consolidating your achievements. In general, this is known as the "trilogy." Finally, try to resolve and balance various kinds of conflict which stand out in a stable situation, as they cannot be solved during a period of disorder. Such conflicts must be resolved and balanced under the leadership of a new team.

17. The leadership method of dealing correctly with the relationship between trust and institutionalized management. Trust is a kind of spiritual factor which is both invisible and intangible, but which is reflected in various ways including business behavior. For example, a CEO can appoint a qualified manager he trusts to lay down a company's management rules and to manage the business overall. In contrast, a rule is a material factor which is visible and tangible. Trust is a way of arousing the enthusiasm of the workers while rules are the foundation of

a company. In other words, business management relies on rules rather than trust. Everybody is equal in terms of rules. We cannot violate rules due to trust. For example, one of my students is a cashier in our company. I have placed a great deal of trust on him. But he must accept all regular and irregular account auditing as stipulated by the rules. In top-down management, inspection and supervision applies to everybody within the scope of the rules. I am also bound by rules. Therefore, the relationship between trust and rules should be settled appropriately. Give sufficient trust to employees, and this trust must be subject to the rules and within the parameters stipulated by them.

18. The work method of proper employment. People are the backbone of management. Materials and money are managed through managing people. Therefore, the main part of management is managing people. As a manager, if you focus on materials and money management rather than on people, you will never be a good manager. Good management of materials and money can only be achieved through the good management of people. Good management of people means giving them positions and tasks according to their talents: ask a tiger to guard a mountain, a monkey to play in the trees and a flood dragon to swim in the river. Their positions cannot be interchanged. Asking a tiger to swim in a river is sure to drown it sooner or later. Therefore, the first thing in managing people is to select their talents well and employ them in appropriate positions. Talent becomes mediocrity in the wrong position. The correct employment of talent leads to achievement. Otherwise, it has the opposite effect.

19. The method of authority and legal management. Psychological control relies on the combination of authoritarian rule and all of its other forms. The detailed management of people, material and money relies on rules. In other words, our country needs prestigious leaders and groups for ruling with overall psychological control. In the past, Mao Zedong and the team he led played this role. After the third session of the Eleventh Congress, Deng Xiaoping and his team also played this role. It is not a matter of them individually, but a matter of the needs of the Party and country. A country has to be ruled by a group led by one person whenever it is. Otherwise, it can descend into chaos. Therefore, we must actively maintain the authority of the principal leaders. It is the same case for our company. It is impossible for everyone to be a "sun" shining everywhere, which is harmful to overall management. Develop a central authority combined with institutional management. The management of the whole network is incorporated within the range of institutionalized, normalized, and standardized management.

20. The method of developing the correct ideas of the minority and respecting people with different ideas.

i. Execution and supervision is a pair of contradictions restricting each other. Also, decentralization and centralization is another pair of contradictions, which should be reasonable and appropriate. Consolidate unity of thought and organizations to restrict anti-organizational activities. Difference is a good rather than a bad thing. Any difference can generate a new spark, and bring new wisdom and new thoughts. However, besides unlimited creativity, difference can also have a bad effect. If this kind of difference cannot be eliminated in time, it is impossible to develop an opposing force, which results in a weakening of power. Therefore, we have to accept correct ideas and put aside the minority of incorrect ones, while at the same time learning to use different ideas. Sometimes correct ideas are in the hands of minority. Mao Zedong always said that this was the case with the truth. Therefore, different ideas are subject to verification in practice. We have to further develop correct ideas and should not impair the enthusiasm of the minority who have them. This is easier said than done. Leaders much prefer handing out praise and extolling people rather than taking on different ideas. It requires seeking out a lot of common ground and saving minor differences to be resolved during a centralized and organized period. This is a principle that has to be established. Once it is established, everything is easier to deal with. Seek common ground, save minor differences for later, and tolerate the existence of different ideas. Only in this way can the minority be protected.

ii. Organize the principles of uniformity and centralization in practice, and obey orders from leaders. Otherwise, any differences can easily result in a lack of unity and focus. It is necessary to emphasize that subordinates have to obey orders from leaders while seeking common ground and postponing minor difference in order to guarantee absolute centralization, including the centralization of actions. However, if we only emphasize centralization, sometimes the wrong ideas may become dominant and result in failure. Therefore, we have to research everyone's worth and respect people with different ideas rather than harming them.

21. The work method of internal and external tactics. Leave internal tactics and move to external ones to carry out work when conditions turn against us. For example, in 1947 during the war of liberation, the KMT organized a lot of armies to attack a liberated area. Mao Zedong decided to attract the enemy's attention and protect Yan'an with a small part of the army and then to break the whole army into several parts to leave internal tactics behind and make battle in the enemy's rear. Liu

Shaoqi and Zhu De arrived at Xibaipo and established an interim executive leadership. The principle power of the army switched from internal to external tactics and thus wiped out the enemy, turning a passive situation into an active one.

We also need this kind of method in our daily work. Let's take the development of Sanzhu Company as an example. Once our work in Baotou was very resticted. How could the problem be solved? We left there and went to another place, and so our company survived. Do not restrict yourself by standing still and refusing to make progress. In a word, leaders should have the courage to leave a hopeless present situation, refusing to linger there.

22. The method of the weak hampering the strong and the strong defeating the weak. In the military, it is described in this way: employ superior forces to destroy your enemy. Yet a small group of soldiers can fight a revolutionary war and confuse and hamper the enemy's superior forces. "The horse racing of Tian Ji" is a story based on this method. In ancient horse racing, there were three rounds. After an analysis of the horses on both sides, Tian Ji changed the plan of "strong to strong, medium to medium" to the plan of "weak to strong, strong to medium and medium to weak." In this way, he lost the first round on purpose, won the other two rounds and consequently won the entire match. In a commercial war, leaders also have to learn this method.

23. The method of making use of conflicts and diverting attention away from them. When crises happen internally, divert attention away from internal conflicts in order to relieve or resolve them. This method is widely used in politics, the military, business and family life. For example, the famous historical story "Relieve the State of Zhao by besieging the State of Wei" is a typical case of a successful diversion. In capitalist society, governments always relieve and divert attention from domestic conflicts by colonial expansion when the internal conflict is aggravated by economic crisis. This practice is also applicable in business.

When employees are tired at work, too preoccupied in thought, or in a bad mood, it is best to direct their attention onto something interesting, such as news, or an anecdote to divert their thoughts and attention in order to relieve their tiredness.

24. The method of decentralization for the sake of conflict resolution. Power is always at the core of conflict at leadership level. Conflict can easily bring about the centralization of power distribution. Suppression is not a good way to solve conflict. Decentralization is a good way of

achieving a healthy balance in the leadership team. It has the following functions:

i. It can motivate members of the leadership team to act on their own initiative to give them responsibility, jobs and power to enable them to take charge of work at a certain level and assume the appropriate responsibility. Only in this way can you put the shoe on the right foot.

ii. It specifies the rights and duties at each level and for each person both horizontally and vertically. Furthermore, everyone has the duty to perform up to his level of competency, and every piece of work is supervized by a responsible employee. It can also bring about a planned, standard and detailed system of control. Otherwise a minority of people gets on with their work while the majority complains.

25. The method of re-education. Different leaders have different qualities. The promotion of the overall qualities of leaders is necessary to make the whole leadership group work in a united and efficient way. There are two ways to achieve this. First, leaders should attend in-company professional training courses in their spare time. In the military, "endless training leads to no failure in battles." The members of staff also need training. Establish various kinds of training systems to quickly improve the qualities of personnel in order to meet the demands of development. Second, arrange outside training courses, including long-term and short-time ones. Select a large group of people to attend training courses abroad or in universities. Re-education is also re-retraining. Combine outside training with in-company training. This is just the way Sanzhu works. Carrying out endless training is sure to make a success of Sanzhu. The quality of work must be improved and completed according to the schedule. The Head Office Manager Institute established by us is solely for high level training. Training centres have also been established by branches in different provinces. Factories also need to establish training institutes to provide training for the workers. There are six subjects in our training program: corporate culture and ideas; psychology; methods of business operations; daily work systems in business; various knds of professional training; and appropriate military training. Employees who fail to pass training examinations cannot take up their posts. Japan and France do the best training, so they have the best technology, quality management and professional ethics.

26. The method of handling public relations flexibly. Public relations involve internal and external aspects. Internal public relations are aimed at motivating staff to move forward towards the same goal. External public relations are there to gain more support and make everyone

familiar with your group. In general, it is to meet overall work aims and to implement programs. News propaganda is the most important aspect in modern external public relations. Be sure to make friends with people from the press. We can do our work better with their full cooperation. Our interests should be in accordance with those of the press. Mao Zedong said, "The struggle for power relies on the gun and the pen." Now, during a period of economic construction, two aspects are still indispensable to us, that is, news and the arts, which are important battle lines assisting economic development. They can make propaganda for the people, and encourage them to move forward in the right direction. Also, try to win more support from our leaders. For example, many leaders are not familiar with Sanzhu, so they cannot support us. We should go to visit them and make reports to make them aware of Sanzhu, and accept, understand and support us. We have to make friends widely in our work. We do this for the cause of our Party, the cause of our nation and the development of the Chinese national economy. The cause we are striving for is in accordance with the aims of our leaders.

27. The working method of setting an example. Just as the old saying goes, "You have to be strong to cast iron and be upright to correct others." A group can be made up of several hundred, or even several thousand people. If you want to make them follow your orders to meet the expected aims, you must set an example yourself. Otherwise, they will not follow your orders. The reason why the CPC was able to defeat the KMT armies, who were equipped with modern weapons, simply with millet and rifles lies in the difference between the CPC leaders and the KMT leaders. On the battlefield, the orders from CPC military officials were "follow me to move forward," which set an example to the soldiers, while those from the KMT military officials are "move forward on my order," which saved the efforts of the officials in battle. The KMT military officials were afraid of death, which is why it was impossible to generate a great fighting capacity in their soldiers.

Sanzhu Company did the same as the CPC leaders. I once swore that "I would like to eliminate poverty in China at the expense of shortening my life by ten years." If I just enjoy myself with entertainment and ask others to fight for the cause of our Party, will they be so hard-working? Therefore, leaders must set an example of themselves. As a leader, first you have to unite and care about your subordinates. Second, you must be able to guide the group to attain unity and to make their best efforts at work. Third, you have to set examples for everything wherever you are. In this way, you can be a model leader and win everything and defeat

anybody. Otherwise, you are not a qualified leader. It is a serious question and a matter of principle whether you can set an example of yourself. It is also the essence of a people which determines whether you can do this or not.

28. Pay attention to the connotation system of management and behavioral management. First, improve and perfect detailed control management programs of institutionalization, normalization, and standardization, which are the most important codes of connotation. A company should do management work well in two areas, connotation management and extension management, defined in *An Analysis on Development Benefit and Management Benefit* written by the author. Reduce input and increase output as much as possible through connotation management to increase overall work efficiency and economics. To achieve this aim, we have to introduce a wide range of management experience accumulated in over 200 years' of the international market economy in the following ways. On one hand, strengthen the discipline and distribution of management in overseeing the workers' labor. Distribution refers to salary and bonus distribution, which can generate workers' initiative to the greatest extent. In the international management of salary distribution, its frequency is changed gradually from once a month to three times a month to increase their enthusiasm for work. Second, make management a part of the full routine. Anyone separated from the workers will have no success at all. Routine management makes it convenient and easy for quality control, which guarantees the quality of the products. Third, attach great importance to the effects of human spirit and human behavior. Some successful businesses make word performance and courtesy performance important parts of enterprise management. For example, college graduates have to accept three-months of education on culture and courtesy besides regular internships in workshops after their employment by factories in Japan, so that the overall company culture can become deeply entrenched in the employees' mentality during this three-month training program, regulating employees on all aspects of their mentality and behavior through operation and control procedures. The procedures of regulation should be made as detailed as possible according to the production technology and capacity, and the equipment status of the company being used for technological processes. At present, on one hand all units of our enterprise should further implement every rule and regulation of management step by step in order to make management and control detailed and pay attention to its implementation. On the

other hand, we must focus and make a great effort in behavior and location management. New work should be finished creatively, which will have an impact on work quality. At present, Sanzhu Company factories are doing well, while the executive departments, headquarters in every province, and branch companies are doing badly and have to make more effort to keep up with the factories.

29. Management with the Charter of Anshan Iron and Steel Company and Daqing Spirit. This is a must for being a leader. The task of leaders is to achieve an aim by leading your subordinates. Thus, all feasible methods are good methods. "Two participants, one reform, and three combinations" is a good method in factory management and all businesses. A group with such qualities is much easier to be led. But, "Two participants, one reform, and three combinations;" "three types of honesty;" "four types of strictness;" and "four ways of being identical" cannot be simply words but should be put into practice. Only in this way can you achieve success. It depends on whether you really want to be a good leader or just pretend to be a leader. If you really want to be a good leader, you should be a doer in the actual realization of "Two participants, one reform, and three combinations;" "three types of honesty;" "four types of strictness;" and "four ways of being identical," which will result in success.

30. Make good use of new technical tools to carry out management tasks. All tools are made and controlled by people. However, modern tools can help people to carry out management tasks in the most direct and efficient way to save time and effort. For example, the utilization of personal computer monitoring, the Internet and mobile phones greatly increases management efficiency and provides first-hand data for leaders to maximize the efficiency and timeliness of decision-making. The application of new technology and tools are an important way of improving the quality of management and work efficiency. Therefore, modern leaders must fully make use of new technical tools for management. Otherwise, they are stupid leaders.

31. Managing leaders. We have a lot of work. It is pretty hard for us to manage over ten thousand people in a province. How do we do it? We manage leaders and ask them in turn to manage their leaders at lower levels. The president manages the vice president, who manages the managers. Everyone is responsible for his leaders level by level. Some leaders are not familiar with the method of single direction distribution. They manage affairs at all levels. So then what is the function of their leaders at lower levels? Therefore, creating a management system layer

by layer can improve the initiative of all layers so that work can be carried out in an organized way. It is the same case in the Chinese juridicial system. The central government manages provinces, which manage cities, while cities manage counties in turn. The central government cannot manage affairs at all levels no matter how great its power is. But it is not enough to build a good management system with only reports from lower levels. Therefore, we emphasize that senior leaders must get to the grassroots level, and carry out investigations, research and see policies from the low level perspective. Otherwise, they are not qualified as leaders.

32. The work method of putting ourselves into other people's shoes. What this means is that we think about problems from the opposite perspective. As a leader, you have to look at yourself from the perspective of subordinates, the people managed by you, to check whether your methods can be understood, accepted and adopted. Then look at the case from the perspective of a third party to comment on it. We can clearly bear everything in mind from the point of view of these three perspectives. Whether your methods are correct, reasonable and acceptable to subordinates can also be checked in this way. Why should you make them clear? The reason is your methods are to be implemented by subordinates. If subordinates think they are fair and reasonable, they will be broadly popular. Otherwise, you cannot make progress in your work. Therefore, in order to make sure your methods are correct, you have to check them from different perspectives first and then introduce them to subordinates for discussion. In this way, you will have a higher rate of success and greater prestige. Otherwise, the methods you give carelessly can easily be denied by reality. You will have no prestige at all if the method is used three times or so and then abandoned. Therefore, putting ourselves into other people's shoes helps to improve our ways of thinking and the correctness of our work, and enhances the level and authority of our leadership. Leaders must master this method.

33. The method of paying attention to the construction of networks. This stretches out to counties and towns. At present, we are doing well in some areas but badly in others. The construction of networks must be improved and perfected as quickly as possible, and then deepened and refined. It is an absolute must to establish networks well and check up on them regularly. It should stretch to group companies in the future. We purchased 470 Mu of land to build a cosmetic mall, and so the cosmetics branch will develop into an independent group company of Sanzhu in the future. Later, Sanzhu may establish group companies in many industries.

34. Mastery of the method of dealing with and awarding managers. The faster a manager is awarded, the better it is. Do not delay the award to tomorrow if you can do it today; do not delay it to next week if you can do it this week; do not delay it to next month if you can do it this month. When punishing a manager, a leader should criticize them harshly, yet all in good time and at a low profile to prevent them from becoming emotional. But under some special circumstances, the punishment of a manager should be dealt with promptly but accurately. Sometimes it is necessary for the big boss to slap the table and stare at his subordinates. But this way should only be used on specific people at specific times and places for specific issues. It is a method rather than an aim. The other way is to keep them idle. Some managers are not bad by nature but sometimes cause trouble which is not great enough to merit serious treatment. For such people, the leader should keep them idle. Do not give them any tasks or power and ask them to watch the way others work and tell them to cool down. This method is applicable to managers at a certain level rather than ordinary managers. It is an art and method, which does not hurt them but urges them to calm down and find out their mistakes on their own. Then give them their normal tasks again or even some important tasks.

35. The work method of holding regular meetings. We have a lot of work to do, as well as a lot of different methods, so we should try to make our senior leaders have more time to do more work and to regulate it and management procedures. Holding regular meetings is a good method. They should be attended by managers of a certain rank to report, research, discuss work and solve problems, and afterwards to hold office meetings to deal with their problems. In this way, leaders have more time to do much more important things. Once made at a regular meeting, decisions cannot be changed at all. Special meetings should also be held at other times.

36. Luring the tiger out of the mountains. The tactic of luring the tiger out of the mountains means luring your enemy away from his base to seize every opportunity. The tactic of "stealing beams and pillars and replacing them with rotten timbers" means to alter the content and nature of things by way of deception. These methods are widely used in wartime. It is said King Zhouwu and Jiang Ziya adopted the tactic of "luring the tiger out of the mountains" in the attack of cities defended by Zhang Kui, a major general of the Shang Dynasty. The cities were easy to defend and hard to attack. Zhou's armies spent a lot of time in attack but their efforts were futile. Therefore, Jiang Ziya adopted the

tactic of "luring the tiger out of the mountains." King Zhouwu and Jiang Ziya got near to the city wall and pretended to be arrogant. Zhang Kui saw this and thought that he wasn't launching any attack but just defending his city. But they shouted that he was too cowardly to leave his city. It was a great insult. So he left his wife to defend the city and went out leading his army with the aim of capturing King Zhouwu and Jiang Ziya, who ran and lured Zhang Kui farther and farther from his city. Then Zhou's armies lurked around the city and made a sudden attack. They killed Mrs. Zhang and took the city. In our work, this method can also be used widely. In marketing sales, especially in a very competitive market, these two tactics should be taken into consideration and used.

37. Drop the bait, cast your net wider, and drive someone to a pre-arranged destination. These tactics are commonly used in the military. In market competition, they are also often employed. These tactics have to be employed flexibly in commercial battles. In the *Romance of Three Kingdoms*, Xu Shu gave much good advice to Liu Bei and many battles were won as a result. In order to get Xu Shu onto his side, Cao Cao "dropped the bait." He ordered the capture of Xu Shu's mother but first served her well to learn her handwriting style. Then he asked his subordinate to write a letter to Xu Shu, a man who was very obedient to his mother, in the name of his mother. In order to save his mother, Xu Shu had no choice but to leave Liu Bei in tears. *Master Sun's War of Art* tells us not to attack an enemy serving as bait just for this reason. At the end of the Song Dynasty, Lin Chong served his country with his heart and soul as a leader of 80 thousand imperial guards, but was constantly framed by Grand Commandant Gao Qiu. At last his family was broken apart. But even when he was dispatched to Cangzhou as a prisoner, he still believed in his government. But Gao Qiu still wanted to kill him. Luckily with the help of Lu Zhishen and some others he finally survived. Finally, he was driven to revolt and an uprising.

38. Play according to the score, and win over the majority. As a leader, you must know exactly where you stand and what kind of people you are faced with when speaking, behaving and making overall decisions at any time. The first thing for a leader to do is to define his status and the object he is confronted with. For example, when talking with a regional general manager or a manager of an affiliated company, a leader should define that he is general manager and he is facing his subordinate. He should make clear the approaches by which people's enthusiasm will be stimulated to a maximum degree and the words with which he can win over the majority. He cannot carelessly say what he likes but he should

try to make his words or work methods supported, which needs a good definition of his status. He cannot do anything without defining his status. Meanwhile, he should take the quality, understanding and work ability of the majority into consideration. When someone makes trouble for him, a leader should check who he is, the role he plays, the place and the time. If this trouble is not intentional, the leader should make a compromise with him in a tactful way and prevent his behavior without harming him. He should consider the case after a meeting and carry out special investigations and research. The words of our managers should be different for different people. When talking with employees at the front line, he should talk according to their characteristics and mentality, as office directors and propagators are always at a lower level and have smaller ambitions. What do they care? More money or difficulty at work? After getting to know their problems, the leader should first give them the assurance that their problems will be settled later to guide them forward step by step. It is a different case entirely when talking with workers or employees in executive departments. For example, the words I always use are quoted from Mao Zedong "The struggle for power relies on two things, the gun and the pen." During a time of economic construction, we also need them. In a word, we have to try to bring them closer with appropriate words. This deserves our attention in trying to win over the majority.

Attention should be paid to the method and art of speaking, as a good method can rapidly solve conflicts and helps to relieve embarrassment and eliminate barriers at work in a tactful way. Let's take a small example. In a visit to foreign country, a foreign reporter, believing that China is very poor, asked a question to mock the Chinese, "How much money is there in the People's Bank of China?" Premier Zhou made a quick response and answered tactfully, "There is eighteen Yuan, eight Jiao and eight Fen." The answer surprised everyone present. Premier Zhou continued to explain that the face values of different Chinese notes and coins includes ten Yuan, five Yuan, two Yuan, one Yuan, five Jiao, two Jiao, one Jiao, five Fen, two Fen and one Fen. In total, this is eighteen Yuan, eight Jiao and eight Fen. He further stressed that backed by six hundred million people, the economic strength of the People's Bank of China is very great. The words of Premier Zhou are tactful and convincing, which fully indicates that flexibility in leadership is very important.

I have only made a comprehensive introduction to the 18 arts of work practice and 38 work methods listed above. The key lies in the art of their

actual application. During the application process, the one with the greatest art of operation is the winner. Everyone knows a work method, but its application is not so easy. Different people will have different effects in their application. The difference lies in the art of operation. Everyone should make an effort in the tactics of work methods. Think about them carefully while bearing actual work in mind, interpret them with inspiration and put them into practice. You will succeed when practice makes perfect.

In actual work, leaders and managers at different levels, systems and industries should pay special attention to stick to the six-step method in logical thought and the three formulas of executive power comparison.

The six-step work method in logical thought:

Carry out work in accordance with the six-step work method in logical thought. First, set aims and tasks. Second, impose standards and requirements on these aims and tasks. Third, make clear who is to carry out the tasks. Fourth, determine the requirements of time and place to realize the aims and finish the tasks. Fifth, set rules for rewards and punishment regarding task completion. Six, check and summarize the experience, the lessons learned and implement the reward and punishment system.

The three formulas of executive power comparison:

1. Clear the task arrangement without checking; rewards and punishment are equal to zero (result).

2. Clear the task arrangement while checking but no reward and punishment equals a bad performance (result).

3. Clear the task arrangement while checking and the reward and punishment are equal to a good performance (result).

There will be no executive power without supervision, checks, rewards and punishment.

7

Leadership management thought in ancient China

Leadership management synchronizes with human history. Since the birth of human history, leadership management has existed. Human beings are social animals, and when they are collectively engaged in productive and social activities due to the need to lead, organize and coordinate, leadership management has thus been generated. China is an ancient civilization with a history of five thousand years, and during the long-term survival of the Chinese nation, a splendid traditional national culture has been created, which includes a rich legacy of leadership management thought.

It is said that "Yaodian" recorded Yao and Shun's deeds in national management. During 12 BC and 11 BC "Zhouli" divided the Chinese bureaucratic system into 360 posts for the first time, and created corresponding ranks and positions with clear divisions between levels and responsibilities. This reflects the fact that by about the fourth century BC, comprehensive national management thought already existed. The doctrines of Guan Tzu, Lao Tzu, Confucius and Sun Tzu in the Spring and Autumn Era were the world's first system of discussing management strategy and tactical issues. A long tradition of Chinese ancient culture has bred profound leadership management thought, as well as colorful and unique leadership management styles and methods, the essence of which have not only nurtured the management ideology of our nation, but has also had a great impact on the management thought of the Japanese Yamato people, the Korean Gaoli People as well as other Southeast Asian countries.

Management thought in any country in the world is deeply rooted in the dynamic environment of the life of a nation, as well as in its national culture, which includes without exception the country's traditional culture. Management thought in ancient China also showed a distinctive Chinese geographical and traditional cultural imprint.

Among the pre-Qin philosophers in China, the most typical management thought was that of Guan Tzu, Lao Tzu, Confucius and Sun Tzu, all of whom had their own distinct characteristics. Guan Tzu re-innovated; Lao Tzu advocated inaction; Confucius stated "Governance through virtue;" Sun Tzu emphasized strategy. Nowadays that thought still has a significant influence on modern management thinking.

Section 1. Management strategy thought in *The Works of Guan Tzu* (c.725 – 645 BC)

The Works of Guan Tzu is regarded as a precious and ancient masterpiece, which comprises the fields of politics, economics, the military, philosophy, management, ethics, education and technology. It is hailed as the first encyclopedia in China by academia, and it is known at the same time as an encyclopedia of national governance. Incisive management ideas and insights abound in this book which makes it worthy of its reputation as an integration of ancient Chinese management and a center of management thought.

Known as a practical ruler, Guan Zhong adhered to the Tao of human beings, the Tao of Heaven, and the Tao of Earth, he focused on reality, and emphasized strategy and tactics. He governed Qi for 40 years, reuniting its lords and uniting it from being a weak and poor country. Guan Zhong's leadership and management thought, in a nutshell, is to continuously reform, which is the only way a country has a way to make progress. This idea in our era of reform and innovation has important practical significance (see "Ancient Chinese epistemology and methodology.")

1. Political reform

Guan Zhong believed that the most important thing for the implementation of national governance was to firmly carry out political reform. He carried out a comprehensive program of political reform with six aspects.

First, draw up and publish a constitution. Before Guan Zhong, when it came to national governance, there were *Dian, Zhi, Ling, Li,* etc. but there was no constitution. It was Guan Zhong who made the constitution the basic law when it came to governing a nation. Furthermore, he thought of the constitution as the top priority of national governance, which he called the "Primary Constitution."

In *The Works of Guan Tzu – The Establishment of Politics* he wrote: "at the beginning of lunar January every year, the monarch should personally spend five days attending to politics, evaluate matters of reward, as well as decide who has qualified for a knighthood, and assess officials. At the end of lunar December every year, the monarch also needs to deal with politics in person so as to determine convictions and penalties, and order sentences and executions, which takes five days. On the first day of lunar January, officials of all ranks should meet the monarch, who issued the constitution to the whole nation." Xiangshi from five towns and Dafu took the constitution and learned it by heart in front of the monarch when all the officials were gathered together. After that the court historian announced the constitution, the original was stored in Taifu, and copies were handed out. Xiangshi called officials including those from the grassroots level in their own towns after the meeting with the monarch so they could also learn the constitution. After the announcement of the constitution, those who did not follow it were executed, a crime called "not following orders." Those who learned from copies that were inconsistent with the original stored in Taifu were also executed. If the content increased, then it was called a "dictatorship," while if the content was less, it was called "neglecting orders." Regions across the country put the constitution into practice after it was published.

Second, set up Zai and Xiang's system. In ancient China, along with the advent of the monarchy, Zai and Xiang became known, and they were like the left and right arms of the monarch. They could be individually known as Zai or Xiang or collectively known as Zai Xiang. In Qi, Zai Xiang were high in position and they had responsibilities as follows: first of all, they were in charge of the central administrative unit. They carried out orders from the monarch and gave orders to officials. They were the head of officials of all ranks. Secondly, they formulated administrative rules and regulations. After the promulgation of the national constitution, Zai Xiang had the power to use administrative regulations in order to carry out the constitution. Thirdly, they mastered military power and tactics. When they were out in the field, they were generals; if not, they were Zai Xiang. Guan Zhong was typical in having both Zai Xiang power and military power. Fourthly, Zai Xiang had diplomatic powers. They could attend meetings with sovereigns to form alliances on behalf of the monarch, and visit other countries either accompanied by the monarch or alone. Due to the creation of this system, Guan Zhong's abilities were developed to the full. They assisted Duke Huan of Qi and achieved something significant.

Third, establish five central ranks of officials. At that time, the five ranks of officials set up in Qi were: the supreme executive in charge of the administration of justice was called "Dasili;" the supreme executive in charge of the military was called "Dasima;" that in charge of economics was called "Dasitian;" that in charge of foreign affairs was called "Daxing"; and that in charge of consulting was called "Dajian."

Fourth, set up local administrative systems called "Guo" and "Bi." Locally, Guan Zhong founded two sets of parallel administrative systems, "Guo" and "Bi." During the period of Duke Huan of Qi and Guan Zhong, Qi implemented the "Sanqiguo" and "Wuqibi" administrative divisions, that is to say, the country was divided into two parts, namely "Guo" (the capital) and "Bi" (the vast rural areas outside the capital). Then the capital could be further divided into three parts according to three different kinds of residential areas: military, commercial and business, called "Sanqiguo." The rural areas were further divided into five parts, called "Wuqibi."

Fifth, establish the "Law of the Three Elections." To be more specific: mayors recommended talented people, executives evaluated them and Duke Huan of Qi decided whether to employ them or not. The officer-selecting system "those who are good-hearted can be elected" made by Guan Zhong broke the nepotism stereotype where ranks ran in families and those who were related to officials could be put in an important position. Subordinates could be granted official positions as long as they did good deeds or had talent for managing state affairs.

Finally, set up a regulatory system. In order to ensure the smooth promotion of political orders and that full responsibility was assumed by officials, Guan Zhong also drew up an effective regulatory system, that is, he set up "Five Heng" in central authorities and "Li Se Fu" in local ones to supervise how officials did their jobs.

Agricultural system reform

The economic reforms employed many innovative measures, making Qi become strong and powerful.

One of the agricultural reforms was to promote the "land-equalization system" land policy, which extended the time that peasants owned the land. In the past, land was traded once a year, but after the reform it was traded every ten years. Meanwhile, peasants owned more land than before. The labor system was replaced by the rent system, which increased not only the actual land peasants owned, but also gave the

peasants more leeway to plant according to their own schedules and more initiative to decide on what kinds of planting were more suitable.

The second was to implement share-cropping. After they had paid tax, the peasants could keep the rest.

The third aspect of the agricultural reforms was to advocate "do not take away people's time for planting and harvesting" and "go easy on taxes." In order to guarantee the smooth running of agricultural labor, Guan Zhong emphasized that during the busy season, the country should issue planting policies, spare the guilty, release people in custody, and resolve disagreements to ensure that agricultural labor was carried out in time. This was all beneficial to grain production. During the summer time, moral behavior should be rewarded, people with a good sense of filial piety should be respected, and those who worked really hard should be spared slavery and taxes to encourage other people to work hard.

The agricultural reforms also included the new tax law "tax charges are different based on barren or fertile land." "Xiang" meant to observe and evaluate land to distinguish barren land from fertile. The so-called "Shuai Zheng" meant that taxes were collected based on land grade. To ensure that farmers sowed on time, the country prepared a great variety of farming tools for poor farmers to rent and at the same time issued loans to ensure the smooth progress of spring ploughing.

Tax system reforms

The Works of Guan Tzu said that a scientific and discreet attitude should be adopted in dealing with taxes, otherwise the desired effects would not be satisfactory; even worse, it could bring about negative consequences. As *The Works of Guan Tzu·Guoxu* emphasized, imposing taxes on farmers could lead to destructive consequences for production: "giving makes people happy, while taking makes them angry, which describes our national conditions." If taxes were imposed, people would be unsatisfied and, besides sabotaging productivity, it would lead to the scenario that "the subordinates hold a grudge against the authorities, whose orders will not be fulfilled." Therefore, going easy on taxes is a top priority.

According to *The Works of Guan Tzu,* from a national point of view, reducing taxes is not that hard to do if good policies are made. *The Works of Guan Tzu·Dakuang* wrote: "taxes are levied every two years; three-tenths of taxes are collected during harvest years; two tenths of taxes during years that are not bad or good; and one tenth when farmers do not harvest well; when severe famine strikes, no taxes are collected."

In this policy, in addition to no taxes during famine years, taxes were levied every two years; three-tenths of taxes were collected during harvest years, and the annual average taxation was fifteen per cent; two-tenths of taxes during years that were not bad or good, and the average taxation annually was ten percent; and one-tenth when farmers did not harvest well, and the annual average taxation was five per cent. On average, one-tenth of land taxes were annually collected. *The Works of Guan Tzu·Youguangtu* wrote "farm tax is five per cent, city tax is two per cent and customs duty is one per cent." This was all was stipulated by Duke Huan of Qi when he met the dukes for the third time. The tax policy laid down here was not heavy but only temporary. For agricultural tax, *The Works of Guan Tzu·Zhiguo* wrote "tax on grain only accounts for one tenth of the state treasury," which shows only one tenth of farm tax was imposed in general circumstances.

Going easy on taxes, in Guan Tzu's eyes, was not the most desirable approach. He believed that the best way was to make sure that all the money belonged to the nation without levying taxes on its citizens, "wealth is given to the monarch without collecting taxes from people." This was easier said than done, and entailed a series of desirable and effective measures.

Business administration reform

Commercial and industrial reform was one of the projects of official Shanhai policy to ensure the stability of the interests of the country and economy. A State monopoly over the mountains and the sea was an important source of salt and iron. Salt and iron are people's lives; they are essential in production, and play a decisive role in the development of the national economy. Countries take control of salt, iron and other natural resources. In order to achieve this, national and partial monopoly systems were set up.

The second aspect of commercial and industrial reform is to develop policy, business and foreign trade. In order to develop business in Qi, trade was encouraged. Guan Zhong formulated a series of policies and measures that were beneficial to merchants. First of all, tax cuts or even a tax-free policy on trade was implemented. Even if there was some tax collection, the rate was low. Also, posts were set up to welcome travelling foreign diplomats and businessmen. According to *The Works of Guan Tzu·Dakuang*, in Qi there was a post every 30 meters providing a great variety of food to welcome these foreign diplomats and businessmen.

Those coming to Qi for business and trade would be well treated, and carriages would be used to carry their luggage. Inns were established to provide a good service for foreigners. *The Works of Guan Tzu·Qingzhong* wrote: "please give orders to build inns for foreign businessmen; those with carriages of four horses will have meals for free; those with three carriages pulled by twelve horses will be given free hay for their horses in addition to free meals; businessmen with five carriages pulled by twenty horses will be provided with five service personnel.

Commercial and industrial reforms also included minting coins and adjusting prices (a specific explanation will be provided below).

Currency reform

According to *The Works of Guan Tzu*, the country should get involved in the transaction of important materials, especially grain and other items, which could help it to gain financial support and stabilize prices, as well as people's lives. In the meantime, "rich merchants" were prevented from manipulating the market or "seizing" peasants. *The Works of Guan Tzu·Shanguogui* mentioned ways in which the country could plan and intervene in economics. The country should be divided into towns and counties based on the knowledge of the amount of land and its population. It should know the "number of fields and population" as well as the quantity of vacant land and mountains. In this way, a general knowledge of the production of grain in one town or county would be mastered and if "by the end of the year people can make ends meet or not." This was the so-called "Taigui," also known as basic planning. Accordingly, "currency for circulation" (public money) was used for funding, and loans were granted to farmers by the country. The amount of loans was decided according the number of people in a family. The higher the number of people, the more money would be loaned. The lower the number of people people in a family, the less money would be loaned. After harvest, loans would be converted based on the price of grain and then paid in grain. If mountain land could not harvest enough grain to support families, public money could be used to "help them keep wolves at bay." As a result of all this, a large amount of the grain harvested by farmers would be collected by the country. If the price of grain increased, the country could make great profits from selling it in order to support the country's finances.

It was one of the most basic measures for the country to get involved in the trade and regulation of grain. So *The Works of Guan Tzu·Qingzhong*

repeatedly talked about this matter. Increases and decreases in price due to an imbalance between supply and demand could help the country buy or sell goods and make great profits. The so-called "ten-fold profit" was only used to exaggerate their great amount. It was not an absolute unit of quantity.

The country should engage in textile trade in addition to grain trade by utilizing a combination of agriculture and cottage industry. If there were multiple female labor forces working in some town, they worked not only to support themselves; the surplus clothing could also be included in the "Taigui." Surplus textiles were converted into money by the country and used for advance payments. In this way, feudal countries could buy or sell textiles according to the fluctuation of the price of goods and gain great profits. Furthermore, the country should also stock up on oxen and horses; equipment and chariots for the military; goods from the mountains and fields; and small agricultural tools. They could all be sold, from which the country gained enormous profits.

To sum up, the country could gain great profits and enrich its finances by transactions of grain, textiles, and various other goods, through which prices as well as people's lives could be stabilized. At the same time, hoarding and profiteering by merchants would be prevented.

Price adjustment and control reform

Price has to do with adjusting economic relations and regulating economic activities. Every time there is a change in price it causes interests to switch between the two parties involved. So price is an effective means, and an adjustment lever for the economy. Through price fluctuation, national revenue can be increased. And the "Qingzhong" relationship of commodity reflected by price fluctuation is an organic component of *The Works of Guan Tzu.*

In *The Works of Guan Tzu·Qingzhongyi,* Guan Zhong mentioned the concept of "Heng," which referred to the movement that commodity prices always made when fluctuating around a central line. So it was not necessary to fix prices at a certain level. Balance should be achieved during fluctuation, and prices could be fixed at some levels by force. The country could use prices to regulate economic life and gain profits.

In addition, *The Works of Guan Tzu* also used price fluctuation to boost prices by employing tax measures in order to regulate national economic life. *The Works of Guan Tzu·Qingzhong wrote* that if the government owned a large quantity of cloth, taxes on cloth were not

necessary. Taxes on flax should be collected and consequently the price of flax would increase by ten times. The increase in the price of flax would lead to a big increase in that of cloth. Similarly, if a large number of textiles were owned by the country, taxes on silk were collected. In such a way, the increase in the price of silk would result in an increase in that of textiles. Cloth and silk could be sold by the country during a price increase to boost national revenues.

Monetary system reform

During the Spring and Autumn period, great changes took place in the ancient Chinese social economy, which was also the time when the first metal coins were widely circulated and the monetary economy was founded. Monetary theories in ancient China became rich in content. At this time, some systematic opinions on currency gradually appeared. These ideas were produced in China without being influenced by existing ideas from the outside, which made them more creative and had a great and far-reaching impact on the development of currency theories later. *The Works of Guan Tzu* advocated national monopoly on currency to increase revenue by manipulating the "Qingzhong" relationship between currency and other goods. Despite certain limitations, it was of some positive significance at that time.

Money was an important tool to control the economy, so *The Works of Guan Tzu* believed that the country had to monopolize it and have control over its minting and circulation. *The Works of Guan Tzu·Qingzhongyi* wrote that late monarchs used currency to hold onto property, to control civil affairs and make the world a peaceful place.

The monetary theory mentioned in *The Works of Guan Tzu* was thorough and systematic, including the origin, nature, categories, functions and amount of currency. It could be said *The Works of Guan Tzu* was the most systematic and perfect system related to monetary theory, which include the following aspects:

As to the origin of currency, *The Works of Guan Tzu* proposed that three reasons could be used to explain this. The first was for disaster relief and the people; the second was for convenient transactions; and the last was for the evaluation of tools as coins. This was the "three sources of the origin of currency."

The Works of Guan Tzu talked about the nature of currency from the point of view of wealth. Money was a part of wealth but not a mark of measuring whether a country was rich or not; metal money was different

from material wealth because it could not be eaten as food or worn as clothes. Its nature was a means of circulation and had an equivalent value.

As to the categories of currency, there was metal and commodity money circulating in Qi. China had a history of pearl and jade being superior money, gold being average, and knives and cloth being inferior. *The Works of Guan Tzu* stressed that grain was an extremely important kind of commodity currency. At that time in Qi, grain acted the role of commodity currency.

On the monetary standard issue, Qi implemented a grain and coin standard system.

The functions of currency functions were dicscussed in *The Works of Guan Tzu*, which described them as a measure of value, articulation, payment and international currency. *The Works of Guan Tzu* attached great importance to its measure of the function of articulation. It wrote: "gold and knife money can be used by the people" (*The Works of Guan Tzu·Guoxu*). "Gold and knife money can be circulated among the people" (*The Works of Guan Tzu·Qingzhong*). "Knife money is a channel" (*The Works of Guan Tzu·Kuiduo*). The so-called "Tongshi" and "Tonghuo" meant there was no connection or medium of exchange. It considered the measure of the function of the circulation of currency as "channels," such as channels for water. Commodity circulation would not be possible without currency circulation. This point of view was made at a relatively comprehensive level.

The Works of Guan Tzu discussed the role of currency. It helped commodity circulation develop the role of "Goudu;" it facilitated exchange through the role of "Tongshi" and it developed the idea of "keep properties, deal with civil affairs and guarantee peace" in order to regulate the social economy. It played a significant role in Qi's great achievements. *The Works of Guan Tzu* thought of currency as a means of circulation, a circulating medium and a channel of circulation. The channel of commodity circulation was currency. Commodities could not flow without the required currency.

According to the author, "Qingzhong" theory was the basis of monetary quantity value theory, including knowledge and the implementation of the "Qingzhong" law, and it was an analysis of the concrete application of quantity value theories of gold, coins and commodities. In order to be fully aware of the casting and circulation of currency, *The Works of Guan Tzu* proposed a measure of money supply and management, called "Bi Cheng Ma." "Cheng" meant "counting" and "Ma" referred to "method." The basic steps and methods mentioned

in *The Works of Guan Tzu* were: first, carry out a typical survey in the region within a radius of six miles; second, mint and issue money based on an estimation of the demand for money throughout the country. Such thorough financial management strategies would inevitably bring about the stable development of the economy.

The Works of Guan Tzu spread the concept of "Qingzhong" widely in currency, commodies, price, trade and other aspects of social and economic activities. Especially from the perspective of feudal countries, currency was the central focus, and the development of currency became a significant tool used for economic intervention by feudal countries. This concept exerted a far-reaching impact on later ages.

The Works of Guan Tzu·Qingzhong advocated that the country must hold a monopoly and strict control over currency. First of all, "the right to issue money only lies in the hands of the monarch," and people were only allowed to use money. Also mentioned in *The Works of Guan Tzu·Qingzhong* were gold and jewelry, which were not easily available to the general population. It was easier for the country to gain control not over domestic produce but that in specific places outside the country.

So what does the "Qingzhong" relationship between currency controlled by the country, but at the same acting as channels for commodity circulation and other goods mean? *The Works of Guan Tzu·Shanzhishu* wrote: "if great value is attached to money, that of goods will be little; yet if little value is attached to money, that of goods will be great." *The Works of Guan Tzu·Shanguogui* also wrote: "nine-tenths of the currency in circulation belongs to the government and one-tenth is owned by the people." If great value was attached to money and that of goods was little, governments should pay money for goods, which led to a decease in the value of currency and an increase in the prices of goods, even as much as ten-fold. The government needed to sell goods to keep down their prices. Obviously, the statistical work of the country should be carried out in advance, and would thus lead to success. The monarch could employ national policies to decide whether to buy or sell without levying taxes on the people. This was the effect of national statistical work.

Under certain conditions, currency was in inverse proportion to all other things. "Shang" referred to the phenomenon that currency was out of circulation because of its being collected by a feudal system; "Xia" referred to the phenomenon that currency was in circulation among the people. If nine-tenths of currency was collected by a feudal country and only one-tenth was left among the people, then the value of money

would increase, while the price of goods would drop. At this time, a feudal country would issue currency to buy goods. When goods were collected by the country, and currency was circulated among the people in large amounts, the number of goods in circulation would be greatly decreased. And due to the impact of the relationship between supply and demand, the prices of goods would increase and monetary value would fall. By then, a feudal country could sell things in large quantities and take back the currency. The theory of "Qingzhong" advocated making use of the quantities of money and price fluctuations. A country could increase its economic revenue by the timely selling of currency or goods.

The limitations of the theory written in *The Works of Guan Tzu* lay in the fact that metal currency existed before it went into circulation. Therefore, it could be used as a measure of value in itself, instead of prices determining the quantity of currency in circulation. However, the above theory only applied when the relationship between supply and demand caused price fluctuations. As long as a feudal country used it properly, it could help increase economic income.

Monopoly reform

According to *The Works of Guan Tzu*, control measures should be taken on grain, salt, iron and other important commodities beneficial to people's livelihood. Grain was "the god in charge of people's lives" and "the master of the universe." It was the root of people's life blood. The country should take over the control of grain and then control its economy. The country could stimulate people's enthusiasm for work by controlling the monopoly price in order to protect the foundations of the national economy.

Salt was a necessity of people's lives concerning their survival. Iron was the material for tool manufacture, which was also a necessity in people's lives. The country carried out a monopoly on salt by the "official Shanhai." Taxes were paid when selling to ensure a stable, centralized and acceptable income for the country.

In addition, *The Works of Guan Tzu* emphasized that all natural resources should be owned by the country, which could prevent national resources from being taken advantage of by the minority and at the same time ensure "self-sufficiency without taking from the people." *The Works of Guan Tzu* advocated employing a flexible "Qingzhong" strategy in foreign trade. For instance, the measure of "prices are higher

than other kingdoms" should be adopted to stop important but scarce commodities from being drained. High prices on material assets should be maintained. In such a way, important commodities would not be lost, and meanwhile valuable material assets would be drawn into the country because of price increases. For the surplus commodities in Qi, a strategy of "prices are lower than other kingdoms" was taken to stimulate export. Under normal circumstances, "prices fluctuate with those in other kingdoms" to maintain an approximately equal relationship.

The Works of Guan Tzu proposed that local monopolies should be used on salt and iron to increase national revenues. Salt was not entirely controlled or sold by the government. Local monopoly was used for salt. According to *The Works of Guan Tzu,* iron should be owned but not run by the country. Taxes should be levied on those in the iron industry with a proportion of three tenths. The country acquired iron goods and issued appropriate prices to sell them. In this way iron goods were monopolized by the government.

The monopoly on salt and iron helped Qi to master the means of production, transportation and management of salt. Local monopolies on salt and iron also greatly increased the national finances; taxes were reduced and burdens on farmers were relieved. Meanwhile rich merchants were prevented from reaping huge profits.

Foreign trade reform

According to *The Works of Guan Tzu*, foreign trade could help to make a country prosperous and powerful. *The Works of Guan Tzu* advocated the "Qingzhong" strategy to develop foreign trade. It also said that Qingzhong was the key to how the world operates, and that making use of what could be used and controllling what could be controlled was how to rule the whole world by taking advantage of it. This was known as the international trade balance, to achieve which a series of measures should be taken. First, in order to take advantage of what was valuable, reasonable countermeasures of commodity prices needed to be adopted. Generally, the prices at home should fluctuate with those in other countries. "If prices in other countries are high, then those in Qi will also be high; while if prices in other countries are low, those in Qi will be low as well," in order to prevent material assets from being drained away, and to make sure of "guarding the country's treasure without levying taxes on the people."Second, whenever it was necessary in Qi, measures were taken of "when prices in other kingdoms are low, those in Qi are

high; those that are not valued by others will be valued by us; and those that are rich elsewhere will be poor in Qi," which meant elevating prices to store important but scarce material assets and to encourage imports. "If the price of grain in other kingdoms is ten, ours will be twenty, and their grain will become ours; and vice versa; our grain will be theirs." *The Works of Guan Tzu·Kuiduo* wrote: "people tend to do things at high prices which can bring in benefits, but if there are no benefits, people will do less." For goods that Qi needed to export, the strategy of "our prices will be lower than other kingdoms" should be adopted to make the prices of the goods lower than other kingdoms in order to encourage selling, and winning in competition, etc.

The Works of Guan Tzu·Qingzhong attached great importance to business strategy. Foreign trade was emphasized. Intelligence should be used, tricks should be played, and strategies should be employed to take rivals by surprise and subdue them. The fact that Qi beat Lu and Liang was a good example according to *The Works of Guan Tzu·Qiongzhongwu*.

National defense reform

In an environment of competition between dukes and disputes between different kingdoms, if there was no powerful military, there would be no point talking about social stability or economic development. To achieve this end, Guan Zhong conducted daring military reforms.

First, perfect the command system. Guan Zhong suggested to Duke Huan of Qi that he should divide the national army into three forces, one of which he commanded himself. Gao Zi and Guo Zi appointed by Duke Huan of Qi respectively took charge of the other two. In these three forces, there were officials at different levels who received and obeyed orders from their superior. In such a way, the implementation and execution of orders were guaranteed.

Second, stabilize military sources, and combine the military with politics. Guan Zhong claimed that "things can be hidden by being combined with politics," which meant armaments could be achieved in secret and that military matters could be hidden within national politics so that other countries could not acquire the military plans about campaigns launched by Qi. This was the so-called "combining military matters with domestic affairs."

Third, strengthen military education and training, which had strict rules: be cautious of "Shihao," examine "Jiuzhang," practice "Shiqi,"

learn "Wujiao," and cultivate "Sangong." "Sanguan" referred to three types of command signals, namely a drum, gold and a flag. It required a good understanding of the signals by soldiers to make sure military strategies and tactics worked. "Wujiao" meant to teach soldiers to recognize flags of various colors; to recognize different kinds of horns in order to learn how to advance and retreat; to use weapons of various sizes; and to be aware of the punishment and reward system. Then soldiers had the courage to fight.

Finally, focus on military technology and manufacture sophisticated weapons. In order to ensure the production of sophisticated weapons, Guan Zhong stressed the importance of investigation and craftsmenship of a very high standard. After being manufactured by craftsmen, and then examined carefully, the weapons could be stored. In short, Guan Zhong set up a well-trained and well-equipped army, which provided military protection for Qi. As *The Works of Guan Tzu·Xiaokuang* wrote, "the monarch has 30,000 well-trained soldiers who could be employed to rule the world and to punish kingdoms with no morals and thereby create stability." In such a way, the monarchs of major powers could not be constrained.

Section 2. Lao Tzu's strategic management thought (571 BC)

Lao Tzu was a great thinker in China's Spring and Autumn age. His ideological system included profound and ingenious management wisdom from which the witty remarks and maxims still have great resonance after two thousand years and still have an exceptionally great influence on the leadership and management of organizations ranging from a country to a business.

In the Spring and Autumn age, there were numerous schools of thought competing with each other. Abundant religions, schools of thought and cults existed, the most important ones of which include Taoism, Confucianism, Mohism, Legalism, the Yin-Yang School, the Political Strategists, the school of Logicians, the school of Agriculture, and so on. Among all these school, Taoism is at the core of all schools of thought.

The late Spring and Autumn age when Lao Tzu lived was a changing age of social instability and state disorder. The original political system, laws and regulations could not meet changing social realities, but the

ruling class adopted many measures and ways to exploit, suppress and control the people in order to maintain its ruling status. This behavior of the ruling class was in order to satisfy their lust for ever-increasing corruption, which caused in turn disorder in society and poverty of the people. Based on a retrospection and summarization of history, and an analysis and critique on reality, Lao Tzu put forward his program and ideas to solve social problems and risks.

The *Tao Te Ching*, a work composed from Lao Tzu's wisdom, puts forward some rules for state governance. In as few as 5000 thousand words it contains varied and profound wisdom and a wide variety of ideas on management. A review of these ideas can have a great practical significance for our management work.

The management principle of governing with no interference

1. Governing with no interference as an excellent leadership art is one of Lao Tzu's most famous ideas. But this idea of "no interference" is misunderstood by many people. It seems to them that "no interference" means doing nothing. Actually, to Lao Tzu, "no interference" means no random actions and no illegal behavior. In modern terms, leaders in any industry cannot break any natural, social, economic, market, or value laws, etc. The nature of "no interference" is the strategy of a kind of interference. Therefore, "governing with no interference" put forward by Lao Tzu is an excellent leadership art.

The idea of "no interference" put forward by Lao Tzu does not mean doing nothing or an inability to do anything when faced with reality. There are laws of movement of everything that exists, which have no will or desire, but just eternal truth. "Governing with no interference" means to follow an objective trend, respect natural laws and to not act compulsively or interfere for no reason.

"Governing with no interference" is to interfere while appearing to have an attitude of non-interference, and to recognize objective laws just as the saying, "make inference through non-interference and deal with problems without generating new ones" goes. "Governing" means to master and use objective laws and make use of people's initiative. It further indicates that a national leader should behave with an attitude of non-interference and obey the law without selfishness or selfish motives. Only in this way can "Governing with no interference"

be realized. People with selfish motives cannot govern the country well. Managers should deal with affairs with an attitude of non-interference (no excessive interference) into those affairs. "Assist everything naturally with no excessive behavior." "Be good at benefiting everything rather than competing with them" asks us to assist everyone and benefit their natural development. To Lao Tzu, governing a country and managing a people with such a "non-interference" attitude can realize an "automatic solution of people's problems with no interference from me; uprightness in people's character with no education from me; prosperity in people's lives with no work from me; and simplicity in people's character with no desire in me." Finally the perfect effect of "nothing is unsolved with nothing done" can be realized. That is, the maximum effect of leadership is achieved with minimal leading work.

2. The dialectical relationship between interference and non-interference. As "non-interference" means doing things selectively rather than doing nothing, managers should distinguish what should be done and what cannot be done. Mao Zedong once said the responsibility of a leader is not to do everything himself. Instead, a good leader only does two things: make policies and employ people. These are two key aspects of management and a representation of "governing with no interference." In terms of leadership, the "non-interference" of a leadership activity is to ask leaders to focus on major issues, to have control over the strategic direction of an organization's development on a macroscopic level; to assign duties and responsibilities to every department; and to ask all departments to perform their duty. One leader in "Bell Labs" made a good interpretation of "governing with no interference:" The responsibility of a leader is to make the people led by you not believe you are interfering with their affairs.

As to the concept of non-being, Lao Tzu believes that "Everything in the world comes from non-being, and existence also comes from non-being." Everything in the world is a detailed something which is visible during its existence and which comes from non-being. From the perspective of management, it asks that managers should obey natural laws from non-being to existence, and advocate governing with no interference. Do everything by doing nothing. If you want to own the world, you should cause no interference. If you do cause interference, you cannot own the world. "Cause no interference and everything is done well." Conversely, managers causing interference will fail, and

people struggling for something will lose it. It can therefore be concluded that "natural laws" take "governing with no interference" as their core. Obeying the executive principles of "natural laws" is the only way to create a stable country and an ordered society and to realize the state of non-being. It turns against excessive levies and taxes from rulers. "Governing with no interference" is a resistance against ruling with "interference" and random behavior.

When undertaking heavy and onerous tasks, it is impossible and inappropriate for leaders to do everything themselves, which needs non-interference. But the key problems and central tasks must be addressed well, which do need interference. How to deal with the dialectical relationship between interference and non-interference? First, have an accurate understanding of situations and make timely policies. Second, stick to principles and regularize policy-making. Third, make flexible policies which take the characteristics of detailed things into account. This asks a manager to take care of the general situation, to focus on research work, to listen to a wide range of opinions, to understand work characteristics and to stick to scientific policy-making.

Is there anything difficult in the world? If you deal with them, difficult things become easy. If you do not deal with them, the easy things become difficult. This proverb from Peng Duanshu, a famous writer of the Qing Dynasty, in his work *On Study* interprets the dialectical relationship between action and non-action, and between easy and hard. It inspired people to face difficulties and change difficult things into easy ones with effective behavior.

However, in terms of the relationship between action and non-action, we should do things deserving of our effort and not do things not deserving of our effort. Everyone should hold to the principle of "make interference in some things while make no interference in other things" and always stick to it.

Between interference and non-interference, there is also "partial non-interference." During one lifetime, there are a lot of things which need to be done. Being limited in energy, one person cannot do everything, no matter how great or small, and may have no success in anything despite a waste of labor and effort. This concerns the art of giving up. Classify things according to their urgency and necessity. Compulsory things must be done well. Make an evaluation of optional things. Do the important things well and leave other things alone, because if you concentrate on one thing, it is liable to result in high efficiency and good results.

The relationship between interference and non-interference is simple in appearance. But actually, it is very complicated. Getting a good understanding of their dialectical relationship is sure to make a great increase in management efficiency.

3. Do everything through non-interference. Non-interference is an important idea in Lao Tzu thoughts, and it is used many times in *Tao Te Ching*. There are two levels of "non-interference." The first level is causing no interference because you do not want to, which is in accordance with the principles of the Tao and is therefore the best, the most ideal and the highest level. The second level is "cause no interference but you actually want to" describes a strong subjective material motive. As to non-interference, Lao Tzu also made many other remarks in other chapters, such as the Tao usually does everything with no interference and automatically solves people's problems this way. Therefore, the idea of non-interference put forward by Lao Tzu was to cause great interference with no apparent interference.

Can you care for people and govern a country but cause no interference? Lao Tzu believed that no interference was the basis and origin of governing a country. Actual interference exists in non-interference. Govern a country with uprightness and have the world with no interference. Lao Tzu strongly turned against intentional and random interference in governance. An interfering style breaks the core essence of the Tao and undermines the effect of "non-interference," resulting in difficulties in governance.

It can be thus be concluded that non-interference has a positive significance in terms of management, as Lao Tzu takes "non-interference" as a way of management, which is, doing nothing against any laws and seeking no selfish interest. Besides, the non-interference of Lao Tzu is actually a special way of causing interference. Do things with value and do not do that which is petty or of low interest.

Lao Tzu put forward the management principle of governing with no interference against a specific historical background. At that time, rulers cruelly exploited people and every kingdom was striving to expand with no regard to people's poverty. They were using all of their armed might to take part in aggressive wars. According to Lao Tzu, their behavior was just interference. People were hard to govern because their rulers cause interference. Therefore, Lao Tzu held that if rulers could govern a country with no interference, its people would be friendly. If not, then people would be hostile and society would begin to break down. People

would behave well if a government's policies were simple; they would become hard to deal with if policies were too complex. In a tolerant and healthy political environment, people would be friendly and loyal to their rulers. In a cruel and intolerant political environment, people would complain and revolt. If there were too many prohibitions, people would be poorer and hold more weapons; the country would become less active; people would be more deceitful; and more crime and corruption would occur. The stricter the law is, the more burglars there are.

Lao Tzu's idea of governing with no interference required, "no showing off of talent and no competition with the people." He was against an excessive showing off of people's talents so that they would not strive for fame and more rights. "Put no value on treasure, and there are no burglars." In other words, do not value precious objects in order that people do not become thieves and burglars. He also hoped to wipe out culture and rejects governing through wisdom. It would be a disaster for a country if it were governed through wisdom, and vice versa. He asked autocratic rulers to take a cautious attitude to war. Weapons were unlucky objects and should only be used when there was no choice. Wars were sure to result in direct damage to the economy. After battles there would definitely be an unlucky year. These were all important effects of governing with no interference. They showed Lao Tzu concern for people's pain. He held that governance should be in accordance with natural laws with no excessive interference. Some things should be done while others not, especially wars started to satisfy personal desires.

Lao Tzu's governing with no interference has relevance today in that in a market economy, the government should do some things and not do others. An all-powerful government controlled by one person should change to being a government with limited liability and ruled by laws. The government should carry out its duties according to the law rather than indulging its every whim with no consideration whatsoever, which wastes manpower and money.

Finally, it should be noted that Lao Tzu's governing with no interference is a kind of art of leadership made from the standpoint of rulers. Its core meaning is to realize "interference in everything" from non-interference. Lao Tzu thought that all social disorder and wars at that time were brought about by wise people making suggestions to rulers. So he hated wisdom and did not hate rulers. In some aspects, this was a defense for stupid and incompetent rulers and in some other aspects, it was an advertisement for rulers' implementation of obscure

policies and fooling their people. So it has many negative sides. We have to hold a scientific attitude in our study of Lao Tzu to advocate some of his ideas and abandon others.

Always be flexible in management strategy

Over two thousand years ago, Lao Tzu recognized the influence of the environment on leadership. He advocated that leadership could not be limited to certain fixed modes. Instead, it should be flexible and change as required by natural laws according to different times, places, affairs and people. Contingency theory expert Fiedler believes, "There is no best method in performing leadership. Leaders who are good at flexible change according to the environment are needed." Excellent leadership art is needed when governing in order to deal with the situation flexibly, to cope with change by changing itself, and to realize the aims of the organization. Competent leaders should be able to adopt different contingency measures according to internal and external situations in the organization. Different qualities and types of behavior are needed in different situations. The same leadership behavior will have different effects in different situations.

1. Obeying laws. Lao Tzu held that the Tao was the source of everything and the general law dominating the sky, the Earth and the people. In Chapter 39 of *Tao Te Ching*, Lao Tzu said that with "one thing" the sky would be clear and the Earth would be peaceful. "One thing" here can be interpreted on two levels: as a general law of objective matter, or as a detailed law of operation for different objects. Lao Tzu emphasized that people should get to know the Tao, learn to live in harmony with nature, and learn to obey all laws.

Everything has its own laws. Leadership is no exception. Lao Tzu held that if leaders could obey laws and be in harmony with nature, everything would then become friendly towards them. Therefore, leaders should obey laws in modern management through their own behavior, and take the necessary measures according to contingency laws. Leaders should recognize factors within their own context, and their characteristics according to different management environments, objects and aims to determine the most appropriate management theory, mode, and methods in order to satisfy the needs of a particular context so that maximum effect can be made with the current resources in an organization.

2. The treatment of employees according to their characteristics. For managers, talented employees are the most valuable resource. The

efficiency of their work directly affects the success of leadership activities. It is crucial for successful management that managers discover able people, place them in appropriate posts, and adopt appropriate leadership activities and methods according to the characteristics of their subordinates to meet the needs of a specific situation.

Lao Tzu said that Da, the sky, the Earth and mankind were all great. A country had four great things, the most important of which was its people. People were the cleverest of all beings, rulers of the world and users of the Tao. In considering a person's important role in management activities, Lao Tzu paid great attention to the strategies of employing people with appropriate talents. The saints always tried to save people so that nobody was deserted. Kind people were positive examples of unkind people, and unkind people were negative examples of kind people. If someone did not learn from positive or negative examples, he was stupid even though he may have appeared clever. This meant that leaders had to use the good aspects of every person so that no one was deserted. If we put everyone's wisdom together, we would always be successful. In history, Liu Bang, the first Emperor of the Han Dynasty, was a perfect example of a leader who treated his empoyees according to their characteristics. Therefore, on the basis of discovering able people, a successful manager should employ his staff according to their ability; assign work according to their work competency, knowledge, morality and age; and try to reach an optimal allocation of human resources so that everyone could use their advantages to the full, exert their abilities, and play their role according to the current conditions. The ideas of Lao Tzu were similar to the ideas of "management is people." A central aspect of management is people, as emphasized by modern humanist management.

3. Counter-attacking. There are always accidents or emergencies in day-to-day management, which require managers to adjust their strategies quickly and flexibly according to different situations and based on their control of the present situation. In terms of responding to any situation, Lao Tzu thought that the most important characterisitic of a weak manager was flexibility. He once said that flexibility led to perfection, which meant that flexible objects are easy to be kept in a perfect condition. Flexibility allowed adaptability and could accommodate itself to different situations. The most important thing in the world was water, and nothing was better at attacking strong things because it had a flexible form. Lao Tzu said that managers should make changes like water constantly changing its form: being square in square containers,

being round in round containers, being widespread with no limits, or being narrow to get into narrow spaces. In this way, you would always be successful.

Lao Tzu said that if you wanted to make a retraction, you had to first make an extension. If you wanted to weaken something, you had to strengthen it first. If you wanted to abolish something, you had to make it legal and prosperous first. If you wanted to take something from someone, you had to first give it to him. Flexibility and weakness triumphed over rigidity and strength in this way. Lao Tzu believed that inside weak leaders there was great potential with strong qualities of persistence and vitality, so they would turn into strong leaders once the right conditions were met. Confronted with a crisis, a strong leader could pretend to be weak to seek self-protection and concealment. Under this false appearance, he could make friends with people on his side, turn against enemies, defend himself, fight back or launch a sudden attack. Pretending weakness is the only means, and beating a strong enemy is the only aim. According to this strategy, managers in negative conditions cannot act rashly and arbitrarily. Instead, they should treat every case with flexibility, make temporary compromises and avoid the strongest attacks. On one hand, show weakness to enemies while gathering the strength to give yourself the opportunity of launching a counter-attack. On the other hand, hide your true intentions and cause your opponent to show his weak points before launching an attack and beating him. This is a strategy made up of rigidity in flexibility; the protection of rigidity with flexibility; taking retreat as a way to attack; and counter-attacking to beat your opponents.

The management art of being good and flexible towards subordinates

You will be safe and successful if you do not make competition. Making no competition was a fundamental principle always advocated by Lao Tzu in dealing with relationships between different people and different countries.

The idea of making no competition put forward by Lao Tzu was the means, and being successful was the aim. Making no competition here means to compete for things that others do not compete for; that others do not have the courage to compete for; that others have no intention of competing for, as they seem unimportant; or that others cannot compete for. Do not compete for things that others are all glad to compete for or

things you are not good at. It saves energy and effort and promotes ability and competence. It is good of course if you win in competition with others. But you should also keep calm if you lose.

The management art of being good and flexible towards subordinates put forward by Lao Tzu required that managers should be humble in the discovery, employment and keeping of talented individuals; that they should take responsibility; make precise plans; and be cautious in order to beat strong leaders through flexibility and settle problems while appearing weak. For managers, they have to adopt flexibility and rigidity, strength and weakness to realize "success in everything" through "non-interference" in order to achieve a state of "non-interference" as used by saints. Only through the management art of being good and flexible to subordinates can you make a country prosperous and bring about peace in your country, success in everything and no failure whatsoever.

1. Be humble towards the people and do not compete for profits with them. Lao Tzu said that true warriors did not show their strength. Experts in war did not get angry during wars. People always having success were never engaged in a struggle. Leaders good at employing talented people were always humble. This was known as morality and peaceful behavior, the power coming from a full employment of talented people and a code in accordance with appearances. Lao Tzu also said that the greatest kindness was like water, which benefited everyone but did not compete with them and tolerated their disadvantages. This was in accordance with the Tao. Managers need to behave like water by benefiting everyone and not competing with them. Be humble towards people and keep away from competition with them for benefits in order to gain superiority. The reason why the sea was the king of all hollows was because it was good at placing itself at the lowest level. He thought that the reason why the sea could bring together water from everywhere was that it lay at the lowest point of all the hollows. This humble position determined its status of king of all hollows. Therefore, saints were always humble in words if they wanted to govern everyone. Saints always placed themselves behind the people if they wanted to lead them. Therefore, saints did not attach too great an importance on themselves although their status was high. They did not harm people even though they led them. Therefore, if managers want to consolidate their positions and be good managers to their subordinates, they must be good to them with great tolerance just like the sea. They must be humble in words

despite their high status and place their interests behind those of subordinates even though their status is higher.

2. No competition and unselfishness. No competition is an important aspect when setting up a business. This crucial concept of no competition is also included in the Tao in this context. No competition is another virtue of water. No competition in the words of Lao Tzu had two aspects to its meaning. The first was that water nurtures everything but did not take away anything beneficial. The second was no competition with the whole world. It did not compete with anything in the world besides things nurtured by it and with no desires. Therefore, no competition was based on unselfishness.

The most important thing for the adoption of this concept in management is that one person, especially someone engaged in management, cannot always pursue his concerns or personal interests. Excessive pursuit of personal interests will not achieve the overall aim. Instead, it may lead to a negative result.

3. No competition and modest refusal. As an executive manager, one has to be humble, tolerant, and good at discovering and employing talented people and at beating the strong managers with weak ones. It is a very important art of executive management to discover talented people; to be good to them; to tolerate and employ them in a humble way and to govern the country with weakness and flexibility. This is because one great responsibility of executive managers is to discover talented people, to employ them scientifically and to guide them in the correct direction in order to fully take advantage of their initiative, creativity and enthusiasm at work. These are all executive strategies and leadership arts of excellent managers. They are indispensable qualities for wise managers. Lao Tzu thought that he who knew others was wise. Only wise people could recognize and understand talent. If executive managers can treat their subordinates in a very modest way, always place themselves behind them, and behave in a humble way towards them while not competing with them, are in a state of non-interference. The reason why the sea is the king of all the hollows is because it is good at placing itself at the lowest level. If executive managers can treat subordinates well and with great modesty just as the sea tolerates all rivers, they can be good managers. Only in this way, can they be king of all the hollows and win people's respect.

4. No competition and humility. Humility is the external manifestation of no competition. No competition does not mean making no competition or an inability for competition. It is a state of mind, which means no

intentional pursuit or presentation, and keeping in a stable and natural mood. No competition is to place focus on yourself to make competition with yourself, to conquer, promote and perfect yourself step by step so that no one can compete with you. No competition means that you cannot focus on others and waste energy and effort in plotting against them, which can only result in poor interpersonal relationships, tiredness, and an inability to compete.

The combination of no competition and humility makes a useful tool. In nature, it means that you should be dedicated to the promotion of yourself and make your relationships with others harmonious. Win people's respect and approval through external humility to achieve the aim of competition. Managers cannot be conceited due to their high rank. Instead, they should be modest, good to others and humble towards talent. Only in this way can they employ more and more talented people and win the respect, trust and support of their subordinates. "Therefore, humility and inferiority are crucial foundations of nobility and superiority." Managers should always place themselves below their subordinates and place their own interests last. They should not show off their nobility or be conceited about their achievements. Instead, they should be humble and gentle.

Lao Tzu thought only managers who could bear the burdens, disgrace and disasters in their with a humble attitude were true "saints," "masters of their country," "kings of the world." Therefore, Lao Tzu claimed that he who undertook the humiliation and disasters of a country was the master of that country and king of world. This means that managers taking the blame and bearing humiliation are helpful to state unity and social development, as he has the courage to take on the burden of so great a country, bear the responsibility and humiliation, resist negativity and corruption, and to always remain on guard.

With humility, managers can be cautious in most details; observe things with a careful mind; be prepared for danger in times of safety; look far ahead; be courageous and knowledgeable; have courage and wisdom; always be persistent; and have great foresight. He will not avoid responsibility or the aftermath of great disasters.

5. No competition and restrained desires. Lao Tzu advocated an outlook on life consisting of restrained personal desires. The idea of no competition is based on this. Lao Tzu thought that excessive desire was the source of overwhelming material desire, instability, and the constant pursuit of material goods. Therefore, he advocated that people should go

back to having a simple nature, and reduce selfishness and desire so that one's life would not fall into trouble due to these desires.

Lao Tzu thought the greatest sin was desire. The greatest disaster was not being content. The greatest mistake was to want more. Therefore, people were always perfect if they were content. Selfishness would appear if people had desires and were not content. Color would make people go blind and changing sounds would make people go deaf. If one was lost in sex, pleasure, delicious food and material desire, he was sure to be dazzled, distracted and harmed both physically and spiritually. Therefore, being content kept people from humiliation and timely prevention kept people from dangers. Therefore, Lao Tzu advocated simplicity and restrained personal desire in the treatment of people and things.

In general, the significance of restrained personal desire lay in the following five aspects:

First, it could prevent greed, whose harm was known to all.

Second, it could render people in a peaceful state, the key factor of which was restrained desire.

Third, it could make people remain fair in dealing with things, which was helpful to management. Lao Tzu said that if restrained desire led to peace in the mind, then the world would be peaceful as a consequence. The importance of restrained desire could be drawn from this.

Fourth, restrained desire was sure to lead to limited selfishness. Lao Tzu praised the sky and the Earth for their not being born for themselves, that is, their function solely is not for their own ends. As an example, Lao Tzu asked people to be humble and leave themselves out of any situation, that is, to place themselves behind everybody else and to have no consideration for their own life. If one always took others' interest into consideration with no selfishness, he would deal with everything in a just and grounded way.

Finally, through restrained desire one could eventually reach a state of no desire. Lao Tzu believed that in the great Tao, there was no desire. The Tao was so wide that it covered everything. Everything relied on it for their development with no exception. It made great achievements but did not consider them as achievements. It was so humble that it nurtured everything but had no desire. It was so great that everything relied on it and obeyed but it did not regard itself as a ruler. The reason why it nurtured everything and did not recognize achievements was that it had no desire. Therefore people should learn from it.

Codes in the management thought of Lao Tzu

Lao Tzu's *Tao Te Ching* is a great book with ideas about macroscopic theories of state governance, and business, family, and people management. Some experts think *Tao Te Ching* is also a book about management including the arts of governance, guidance, organization, coordination and control, and so on.

On a macro level, there are six codes in the *Tao Te Ching* deserving our reference and study. Besides the codes of the Tao and morality, there are also codes of "non-being, reversal, flexibility and water."

1. The code of non-being. Existence and non-being are descriptions of explicit and implicit phenomena in the movement of the Tao. Based on them we can perceive the law of the Tao.

All beings come from existence. Existence comes from non-being. Non-being and existence create each other. These words should be understood on two levels.

On the first level they are understood in terms of their general origin. Non-being is named "the beginning of the world," and existence is named "the mother of all beings," which means that the visible world comes from the invisible world, or the "explicit" comes from the "implicit." A more detailed representation is the change between life and death, that is, the stage of "being created by the Tao and nurtured by morality."

On the second level they are understood after all beings have been created. "Existence gives function and non-being gives usage." This means that the reason why everything has some function is that it is made by the "existence" characteristic in the Tao. The usage of everything is made by the non-being characteristic. That is how an object is made and its function supplied.

Existence and non-being can be further interpreted as "useless" and "useful," "with behavior" and "with no behavior" etc. But they are rooted in existence and non-being. Non-being has a special significance between existence and itself, which is well demonstrated by the phase of non-being generating existence.

Non-being is invisible and visible. "Existence" is visible and actual. The Tao of Lao Tzu is invisible, which means non-being. But non-being here does not mean "nothing." It goes beyond philosophy, logistics and belief. The state of non-being is the so-called state of great wisdom.

All beings in the whole world are created and processed by non-being. Therefore, on this basis we can make a further consideration: all new problems come from non-being.

2. The code of reversal. The *Tao Te Ching* is full of the idea of reversal. "Reverse is the direction the Tao moves" is a core idea of the *Tao Te Ching*, which can be interpreted in two ways. First, it is law of operation of the Tao that things move in a reverse direction. Second, the reverse movement of things results from the Tao. This can be concluded by taking into consideration the main idea of the *Tao Te Ching*, which is that the core property of everything is movement and change.

"The Tao moves in reverse and is useful in a weak way. All beings come from existence and existence comes from non-being. Just 21 characters fully demonstrate the interaction and development of every strength in world.

The antithesis theory of Hegel, the great German philosopher, was similar to this idea. The Tao of Lao Tzu also had two levels which were both opposing and complementary, circulating and repeating. Everything in the world is composed of states which are opposite and contrary. These opposite states are also complementary to each other.

Something is ugly if everyone thinks it is beautiful. It is evil if everyone thinks it is good. In fact, evil and good, ugly and beautiful are both opposite and complementary. A bend makes something straight, a flaw makes it perfect, hollowness makes it full and old makes it new. The contrary, opposite and complementary principle also circulates and repeats. For example, it is the fixed pattern of the seasons that make spring, summer, autumn and winter change to complement each other in terms of warm, hot, cool and cold. In human life, the weak and the strong always change into each other. Good and ill luck changes into the other in turn.

3. The code of flexibility. This code is described well in the great Tao as, "a turn of fortune after reaching one extreme" and "Adversity leads to prosperity" in the *Book of Changes*.

As everything is in circulation and changing into other states, so the weak becomes the strong, and the strong turns into the weak. The weak is the foundation for the development of the strong. The strong also becomes the start of becoming weak. Therefore, Lao Tzu emphasized "remaining weak." The weak is where the Tao works.

The reason why the weak can beat the strong lies in the fact that the weak finds it easier to survive, to present its vulnerable side and keep its vitality. This is also the reason why the weak has more success and the strong is easier to destroy.

The weak becomes strong over time. But it may change back into being weak after has become strong. How to prevent turning back into being weak? The answer is the so-called rule of "remaining weak" put forward by Lao Tzu.

The key to remaining weak, according to Lao Tzu, is to be humble and tolerant and always try to find one's weak points so that the trend of "becoming stronger" can be maintained. No show of strength can always maintain this internal trend.

The weakest thing in the sky is the wind, which is obstructed by thin paper and thus changes its movement and direction and changes its form to pass through the smallest gap. But when it grows into a hurricane, it can tear down trees, houses and everything it meets. The weakest thing on the ground is water. It has to change its direction and form when blocked by any little object. But once it develops into a flood, even great rocks cannot stop it.

However, most weak people do not understand this code. Usually they cannot remain weak but strive to be stronger. As a result, they take risks in random actions and make random speculations, which result in their early failure.

Some people can remain tolerant and persistent when they are weak. But once they have accumulated enough strength and had a success, they are too eager to show their strength taking no notice of the danger that "the strong is sure to change into the weak." In the end, the fate of failure is inevitable.

4. The code of water. The greatest kindness is like water, which benefits everything but does not compete, and which tolerates everyone's disadvantages. It is in accordance with the Tao: "Be profound in your thinking. Be benevolent in your behavior. Be honest in words. Be good at coordination in an organization. Make full use of your ability to deal with problems. Pay attention to planning in your behavior. A person who makes no competition is perfect." Everyone in conformity with the Tao is like water, which benefits everything but makes no competition with anything, and always lives in low levels where nothing else likes to live. Such virtue is the closest to the Tao. People with the Tao can adjust themselves to any situation just as water moves easily through any environment. Their hearts are like water, which is profound and deep. Their management is fair like water, which is organized and natural. They behave decisively and wisely like water, which is omnipotent. Once they take their chances appropriately, they always have success like water. Just as they do not make competition like water, they do not end in failure and being resented.

Kuroda Yoshitaka, the general who once assisted Toyotomi Hideyoshi to conquer the whole of Japan, was very good at battles with the help of water. He once conquered Takamatsu Castle, which was said to be unconquerable, and was praised as "the general like water." He wrote the following words in *The Five rules of Water*:

The thing which moves itself and others is water.

The thing which explores its direction is water.

The thing which shows its strength a hundred times more than its original strength when meeting obstacles is water.

The thing which cleans others with its cleanliness and great tolerance is water.

A great sea can change into clouds through evaporation and then change into snow, rain or fog, or ice as shiny as a mirror. No matter how its form changes, its nature does not change – it is still water.

The kindest people are like water. Water is willing to nurture everything but makes no competition with them. It is willing to reside where nothing else likes to reside. So it is close to the Tao. Leading our lives, we should be humble like water. In our minds, we should be profound like water. In contact with people, we should be benevolent like water. In words, we should be honest like water. In management, we should be organized like water. In the treatment of things, we should be flexible like water. In behavior, we should take appropriate chances like water. People will have no faults only by making no competition like water.

Section 3. Confucius' thoughts on strategic management (551 – 478 BC)

As the founder of the Confucian School, Confucius had the essential idea on management of ruling a country by virtue taking humanity as its core element, ritual as its core principle, and harmony as its main objective. This has entered the mainstream of Chinese traditional thought. His magnum opus the *Analects of Confucius* with a wide range of contents mostly refers to the issues of people's social lives, having a significant and profound influence on the Chinese nation's psychological qualities and moral behavior. The *Analects of Confucius* played a great role in social and political life in ancient times. When human society entered the industrial age, Confucius' thoughts on management attracted great attention again. Shibusawa Eiichi, the father of Japanese industry made his fortune through the *Analects of Confucius* and an abacus, and the

famous entrepreneur Mr. Konosuke Matsushita also manages and develops his business through reference to this book. These examples indicate that the essential ideas in the *Analects of Confucius* can be used for reference in the theory and practice of modern leadership management science.

Governing an empire with half of the Analects of Confucius

1. The *Analects of Confucius* is the "bible" of the Chinese People. Si Maqian from the Western Han Dynasty once made an interesting comparison in the *Historical Records, Confucian Family*. He said, "there were many emperors and virtuous people who were honored at that time, but they would not be remembered after their death; while the thoughts of the common scholar Confucius has been handed down for tens of generations. Hence, all scholars should take him as their model. Everybody who studies the Six Classical Arts in China, no matter whether he is an emperor, a prince or a marquise, takes Confucius as their principle guide. To sum up, Confucius can be considered as the greatest wise man of all!"

For the culture of the whole of the Orient, Confucius is someone special. He is addressed respectfully as, "the greatest sage and teacher," and, "an exemplary teacher for all ages," as well as one of the most erudite people in the Spring and Autumn period. He founded private schools and accepted a wide range of students, who he then took as disciples to travel through every country. Confucius' words and deeds have influenced the later generations greatly and profoundly. His famous work the *Analects of Confucius*, which records his words and deeds has been being praised as a classic over thousands of years of history. In total, the *Analects of Confucius* consists of 20 chapters, which describe in detail Confucius' political views, ethics, morals, educational principles and so on. It also refers to the words and deeds of Confucius and his disciples, to his governing ideas and his opinions on the ancient sages and men of virtue, and even to his feeling of helplessness because his political aspiration could not be achieved.

During the Spring and Autumn period, all the schools of thought competing for attention symbolized the mature development of thought and culture. Mature thought and culture leads to a mature political system. From Qin Shi Huang unifying the Chinese nation, to Emperor Wu of Han suppressing hundreds of schools and making Confucianism the State ideology, the Chinese people have become more and more

mature in politics. In cultural thought, the age of Confucius was a stage of developing maturity; while in politics, it was the eve of a great historical revolution. Confucius, who compiled the *Book of Songs*, the *Book of History*, the *Book of Rites* and the *Book of Music*, who prefaced the *Book of Changes*, and who wrote the *Spring and Autumn* annals, was indeed a great thinker.

However, he stood for denying the self and returning to to the political system of the Western Zhou Dynasty, so his thoughts could be said to be conservative. He was an objector to the great political revolution at that time; but after the revolution was completed, he was prized as a sage. His political views were not accepted by the society of the time, so his career was quite turbulent. 345 years after Confucius' death, Tung Chung-shu proposed making Confucianism the state ideology to Emperor Wu of Han. In this way society started to accept his thoughts on social management.

2. The people of the whole world as one community. The basic principle of Confucius' thoughts on social management can be summarized in nine words, "the people of the whole world as one community." This basic principle was raised by a Chinese politician during the Western Zhou period. Confucius just followed this political principle. The basic content of Confucius' thoughts on social management was: the Emperor should act like an Emperor and the courtiers should act like courtiers, as should fathers and sons, and humanity through righteousness and rules. Menci developed this to be humanity, righteousness, rules and knowledge. Tung Chung-shu developed it to be the principle of feudal moral conduct including the three rules that the Emperor rules the courtiers, a father rules his sons, and a husband rules his wife; as well as the five elements of humanity, righteousness, rules, knowledge and credit. The three rules strengthened the subjective control of the social system while the five elements coordinated objective control. This feudal moral conduct constituted a subjective and objective cooperative control system.

The Prime Minister of The Northern Song Zhao Pu once said that an Empire should be governed by half of the *Analects of Confucius*." When discussing the relationship between Zhao Pu and the *Analects of Confucius*, the philosophers of the Southern Song focused on just one point; that the Prime Minister need only read the *Analects of Confucius* in order to, "make the empire stable," and, "achieve peace and tranquility." It is thus clear how influential and important the *Analects of Confucius* were. It is also said that the ancient people attached great importance to the way of government in the *Analects of Confucius* because it contained abundant thoughts on management.

3. Confucius' thoughts on governing and ruling. Since the *Analects of Confucius* started to be used to govern an empire by the Emperor Wu of Han, it was prized as a "bible" of government by federal rulers. During the long historical period of the dynasties' prosperity and poverty, all the insurrectionists who wanted to overthrow a tyrannical dynasty oppressing the people had one point in common. This was criticizing Confucius, because if they did not criticize him, they would not have been able to rebel or revolt. After the insurrectionists or revolutionaries come to power, they would change over a period of time to advocating Confucius and use his thoughts to maintain their own government. Therefore, it was necessary to absorb the quintessence and discard the details of Confucius' thoughts on management and government. This chapter focuses on absorbing the quintessence of Confucius' thoughts on management and government and refers to them for analysis.

4. The spread of Confucianism. At present, Confucianism has spread almost all over the world and has become a common source of wisdom. In January 1988, at the First Nobel Prize Winners' International Conference held in Paris, 75 participants presented 16 conclusions on "facing the twenty-first century" after four days of discussion, including the important statement that, "people must return to 25 centuries ago to draw on the wisdom of Confucius for their survival." On 28 October 2009, the US House of Representatives passed a resolution commemorating Confucius' birthday to praise his contributions to human society. Thus it can be seen that Western scholars think highly of Confucius.

Over time Confucianism has significantly spread on two occasions. The first was when it spread mainly to East Asian countries from the second century BC to the fourth century AD. The second time was in the sixteenth century when Western missionaries introduced it to Western countries. In the eighteenth century, Confucianism spread across South-east Asia thanks to the Chinese people who traveled there. Also, during the eighteenth to ninteenth centuries, it spread to America. Thus, Confucianism gradually spread throughout the world.

With the deepening of our country's reforms and opening up, the development of China's economy and the updating of Chinese people's ideas, traditional Chinese culture such as Confucianism will be spread for a third time on a significant scale.

Rule by virtue

Rule by virtue is the guiding principle of humanity's ideas on management. Confucius said, "an emperor who rules the state by virtue is just like the As early as 2000 years ago, Confucius proposed the thought of ruling the state by virtue. He pointed out that if a ruler governed the people in this way, he would have great moral influence and would let people closely surround him. In terms of specific measures, Confucius proposed to first guide morality and feudal ethics and rules with government decrees and penalties. If you wanted to ask the people to understand honor and disgrace, they must have good moral ideas firmly embedded in their minds. Arbitrary and cruel torture and punishment could only make people fearful, and could not make them experience any gracious feelings. Second, Confucius emphasized that rulers should choose talented people through justice and fairness. Hence, qualified and kind people could be put into important positions, thus satisfying the common people.

Confucius moralized rulers: first he required them to be upright themselves. "Rulers should be upright." "If the rulers are upright, the people will behave well by themselves without the need for orders; while if the rulers are not upright, the people will not obey their orders." This showed that the behavior of rulers could have a great influence. Whether the people obey the rule of the government depends on whether the rulers behave correctly and have moral appeal or not. At the time of Confucius, some rulers stood for governing the state by severe laws to avoid rebellions of its subjects. Confucius criticized this. He said, "Leading the people by political bans and restraining them by penalties will only make the people beg to be free of punishment and would not make them feel ashamed. Leading the people by morality and restraining them by rules would make them ashamed. In other words, severe laws could only make the people fearful of being killed, but could not make them feel ashamed enough to avoid their breaking the rules. On the contrary, governing the country by virtue and educating the people by rules could allow the people to regulate and discipline themselves.

To rule by virtue has two meanings. First, it means to build a moral system and standard of behavior in the mind of the public to let people realize their shame and know the rules. Second, it is used to guide the people to be kind by advising others; to resolve bias with an open mind; to bring order out of chaos by moral example; and to treat the people

well by self-introspection so as to bring about order throughout the land.

Confucius made the "rule of virtue" a fundamental criterion; he raised the flag of "bright virtue and careful punishment," and he stood for "humanity" and restoring "propriety." Differing from a legal framework, Confucius highly praised the rule of virtue and disliked "not cultivating morality" all the time. He thought that the rule of virtue should be the core and principle of the political life of the whole country. As for the scale of the rule of virtue, he supported "moderation," that is, he insisted on the objective truth with no bias. Confucius thought that the rule of virtue was much better than the rule of law. Carrying out the rule of virtue and "replacing punishment by virtue" could obtain the effect of "no disputes," and "influencing the people and abolishing the death penalty" naturally. However, Confucius did not abandon the rule of law completely, and endorsed the opinion that "relaxed political policies and strict ones should complement each other" and "virtue is the principal while penalties are complementary," which was an important cornerstone of Confucius' political thought.

In the opinion of Confucius, "Morality is a weighing scale, and humanity and rules are the weights; if ruled by virtue, the public would promote their good behavior and change their bad ways." Through the education of rule by virtue, the people would cultivate a set of moral criteria in their minds, which would be more advanced than their fear of punishment by law.

For the people

Confucianism's way of ruling a country and its officials by virtue was built on the basis of the idea of "For the people," which consisted principally of the following views.

The first view was that the people are the foundations of a state; as long as the foundations are stable, the state would be tranquil and peaceful. Confucianists thought that, territory, sovereignty and the people are the main components of a state, among which the people make up the most important one as their support or opposition decides if the state would develop or decline. Hsun Tzu proposed the view that, "the Emperor is like a boat, while the people are like the water on which the boat floats: just as the water can bear the boat, so it can also swallow it." When learning this lesson from the demise of Emperor Jie of the Xia Dynasty and Emperor Zhou of the Shang Dynasty, Menci said: "The

reason why Jie and Zhou lost their empire is that they lost the people and their support." (Menci, *Li Lou Shang*). This indicates that the Confucianists thought that the root cause of gaining or losing an empire, or of changes of dynasties, was the common people, as well as their support.

The second view was that, "the people are more important than the Emperor," and "the rights of an Emperor are bestowed by the people." The Confucianists thought that political power did not belong to the ruler himself, but belonged to all the people. The people did not live for the ruler, and conversely the ruler should be made to meet the demands and willingness of the people. Menci also believed: "The people are the most important, the country takes second place and the Emperor follows." The country was built by the people, while the position of "Emperor" was set up for the country. Therefore, the relationship between these priorities was quite clear.

State politics should obey the principle of "for the people" in all affairs. The position of "Emperor" was set up for the people so that his election would be decided by the people. This has been a general principle since ancient times. No matter whether the "ruler" is called the King, Emperor, President or Chairman, they will admit no exception.

The third view is governing the country by conventions and taking the people's interests as first priority. In the *Analects of Confucius*, the topics of "feeding the people," "enriching the people," "appeasing the people," "protecting the people," "teaching the people," and so on are discussed frequently. Confucius, who emphasized administration for the people as the most important element for rulers, believed that politicians should carry out policies to benefit the people; make profits from engaging in business benefiting the people; and let the people work by selecting the appropriate labor for them in order to achieve the goal that, "to spare a little will benefit another greatly and the people will work without complaint."

This idea of Confucius was developed and extended by his successors. Menci made a further analysis on Confucius' idea of benefiting the people, and warned that if the Emperor and courtiers in power want to win the support of the common people, they must pay attention to "focusing on the people," "protecting the people," and allowing the people to "buy their own real estate" during their administration. He once advised King Xuan of Qi to "share his happiness with the people." In his opinion, "as long as the Emperor takes the happiness of the people as his own business, they in turn will take the Emperor's happiness as their own business; while as long as the Emperor cares about the

problems of the people, they in turn will take care of those of the Emperor." Hsun Tzu, who further proposed the inherent union between enriching the people and strengthening the state, believed that "if a state wants to be strong, the people must become rich first; as long as the people become rich, there will be sufficient revenue and prosperous consumption for strengthening state power." He stood for administrating the state by benefiting the people in order to achieve the objective of running the state well and giving the people peace and security. It can be seen that the Confucianism took the view of "enriching and delighting the people as an achievement and upsetting them as a fault." This was a measure of the work performance of the Emperor and his officials.

The fourth view is to select qualified persons and employ capable people, in order to govern the state for the public. In order to run the state well and give the people peace and security, Confucianism also focused on selecting outstanding people of high morality to hold public posts. In the opinion of Confucianism, the way to run a state well had to be to select the qualified and talented people. To obtain this talent would guarantee the state's and the people's stability and peace. If the people did not feel safe or stable, it was because of the mistake of losing these talented people. So only when the Emperor governed the state for the public, could he win the people's support to realize "a paradise" with wise and talented officials and a stable and peaceful people.

Official government by virtue

Among the ideas on the rule of virtue through administrative ethics, official government by virtue was considered an important part of bringing about this kind of rule and becoming its core content. It was thought that the rule of virtue without official government by virtue was nothing but an empty phrase. Therefore, Confucianism made a systematic reply to the question of why the rule of virtue had to emphasize official government by virtue, and why political officials had to rule the state by virtue, and learn how to do this and so on.

Confucianism's rule of virtue and official government by virtue was built on the basis of the idea of "for the people," and analyzes and plans comprehensively and systematically how to carry out the rule of virtue, referring to many factors including how the officials behave, the people, the state, private and public life, self-discipline and so on. It's main content includes the following points:

1. Words and deeds must be consistent. Confucius said, "It is shameful for a gentleman to speak more and do less. As for rulers, they must also keep their words and deeds consistent; if they boast or brag, it will be more difficult for them to undertake practical work." Truthfully speaking, Confucius' theory on the rectification of names referred to the issue of making concepts and entities conform to each other, and words and deeds consistent. It can be said that the Chinese federal society's politics of "rules, music, punishment and governance" started from this doctrine. The "doctrine of the rectification of names" is logical. Confucius said, "a gentleman must keep his words and deeds consistent." That is, as long as a concept conformed to a named object, it could be reasonable and logical; then it could be practical. Because a concept is a word used to reveal an object's nature, that is, the concept of a "name," while a "deed" is an extension of a "name," it should keep its connotation and extension thereof consistent. The doctrine of the rectification of names just represents the essential logical theories of Confucius' benevolent government, which also has some factors of naive materialism. These should be the required qualities and sentiments of a ruler.

2. Make others sound and understand the reasons. Confucius said that if one wants to make his own reason sound, he must make others sound first; if one wants to understand the reasons well, he must make others understand them well first. Rulers should not get their own fame and position by fair means or foul. They should not only have some knowledge to understand their reasons well, but also make others understand the same. If they suppressed others by fair means or foul to advance themselves and could not face up to basic fair competition, how could they talk about making others sound and understand their reasons?

In addition, Confucius seriously warned the rulers that even though a reigning Emperor had good abilities like the Duke of Zhou, if he became swelled with pride and meanness, his other characterisitcs would not bear watching. The connotations and extension of arrogance and meanness both contained an element of envying the good and able, which would make the Emperor become a loner who was separated from the people.

3. Be just in the face of material benefits and govern with honesty. Confucius emphasized insisting on fairness to solve personal matters. It was emphasized that officials must be fair-minded, they must set store by overall interests for everything, and object to dealing with personal business such as an importanat event. Officials should not secure

personal fame and wealth through improper methods; they should not try to establish a relationship with their superiors and address them with no official business; nor should they bring their superiors gifts through draining the lifeblood of the people to achieve their own ends. They should be scrupulous in separating public from private interests. In this way, virtuous officials will be stable and the corrupt ones will quit due to shame.

Confucius emphasized being just in the face of material benefits, which required that officials should consider wealth and fame attained by unjust means as floating clouds in the sky. Justice referred to the moral behavioral standard for the public and for individuals. Benefit referred to personal benefits or partial interests; so the relationship between justice and benefits is simply the relationship between the public and individuals. On this subject, Confucius had two ideas. First, justice and benefits were interlinked and self-contained. A wise man knew the benefits of benevolence. A wise and kind person should satisfy the interests of the general public first and then get the corresponding benefits for himself. Hence, Confucius didn't object to individuals obtaining legitimate interests, but did object to forgetting justice for profit and putting benefits before justice. Second, when one faces the conflict of justice and benefit, one should put the public interest in first place, with personal interests following behind; one must never go against social morality to seek personal benefits. It can be seen from the above two analyses that Confucius specifically emphasized the moral requirements of benevolence and the moral criterion of rules being the standard of accepting or rejecting justice. In other words, if rulers wanted to carry out the rule of virtue and benevolent government, they should put justice ahead of benefits in their concrete actions, and satisfy the interests and demands of the common people first. This kind of administrative behavior would be reasonable and logical so that rulers could gain the support of the people.

4. Wisdom, humanity and bravery are necessary. Confucius said that a benevolent person was not worried, because he was content with what he was and found no fault in self-analysis, and so he could be light-hearted. A wise person was not confused, because he knew the truth and understood causes and effects; a brave person did not feel fear, because he beat the enemy and resisted invasion, moving forward so that he would fear nothing. Humanity, wisdom and bravery, which were the moral qualities of kindness promoted by Confucius, could not be achieved easily. Confucius said, first accuse oneself, and second

encourage others. The three factors of humanity, wisdom and bravery would only have an internal relationship if one had wisdom. One would not be confused only if one had no worries, and then one could be brave. One should put others before oneself in terms of gain and loss, life and death, worries and woes, advantages and disadvantages. Otherwise, one would be influenced by the consideration of gain and loss.

Humanity, wisdom and bravery were the foundations of self-cultivation; regulating family; governing the country; and stabilizing the world. Humanity meant affection, wisdom meant knowledge and bravery meant spirit, and they were all inter-connected. We need to ask what was meant by "bravery." The main meaning of bravery was "a feeling of shame." Those who were always willing to learn would not be far away from wisdom; those who strived to achieve would not be far away from humanity; while those who always bore the word "humiliation" in mind would not be far away from bravery. In the moral system of Confucius, the feelings of shame and being far from shame were not only the start of virtue, but also the supreme embodiment of virtue; that is, ideology was not only a cognitive virtue, but also a virtue of behavior.

5. Cut down on expenditure to enrich the people, and work selflessly for the public interest. Confucianism's requirements of integrity for officials were not only laid down to refuse ill-gotten gains, but also to emphasize that officials must be free of pomp and ceremony, and administrate simply, saving on expenditure with no extravagance or waste, and making use of the people to work during quiet times. Confucius highly praised Dayu's great characteristic that he did not pay attention to material comforts and prevented excesses in the people wholeheartedly. He also stood for a strict principle of frugality in state administration and matters of etiquette. He thought that officials should be thrifty instead of extravagant, which conforms to the rules. While Menci thought that a thrifty person would not steal from others; that he would oppose the luxury and wasteful lifestyle of officials who only sought beautiful houses, horses, fine clothes, delicious food, and entertainment and so on; and that he would tell himself that if he became an official, he would not be like that. Confucianism also paid great attention to the thought that officials could not seek personal gain depending on their public rights; they could not be in business, and their wives and children also could not interfere in their official affairs or gain benefits from their rights, in order to avoid their basking in reflected glory.

6. Be devoted to duty and be professional and diligent for the government. Confucius put officials' devotement to their duty, the state and the people in an important position within the idea of administration of virtue. He thought that as an official of a place, one must bring benefits to the people in that place. Otherwise, one had not done one's duty. Confucius did well in this aspect. It was recorded in history that he received and paid out land tax perfectly when he worked as a granary official, and that his honesty prevailed throughout society after he became a criminal officer for only three months. Hence, his spirit of devotedness and diligence was evident.

7 Self-discipline and self-cultivation through virtue. Confucius said that rulers must set themselves as an example to others. As long as a ruler was self-disciplined, he could discipline others; as long as he set an example for others, he would make better achievements in regulating others.

Confucianism thought that to carry out the governing strategy of the rule of virtue, morality should be taken first, and put forth as an effort to cultivate a ruler's morality. Hence, they took the rule of virtue as political ethical principle in state administration, and also a principle which must be abided by on the part of a ruler, with a special emphasis on the moral cultivation of the ruler. Confucius clearly stated that a ruler who carried out the rule of virtue would thereby get the sincere support of the people, just as the constellation the "Plough" is surrounded by all the other stars. Moreover, one basic requirement for a ruler to be genuinely convincing is to be upright. This indicated that Confucianism's rule of virtue attached great importance to cultivating a ruler to be a gentleman.

Virtue is a principle with complementary penalties

Confucius' thoughts about the rule of virtue really didn't only refer to morality in essence. He developed King Wen of Zhou's thoughts on benevolent rule and prudent punishment, standing for the idea that virtue was a principle with complementary penalties. In other words, advocating the rule of virtue did not mean objecting to the social functions of deterrence and punishment through penalies. Confucius did not look down upon the effects of the rule of law. He objected to "the death penalty without education," but he supported carrying out the executions of educated people.

When people did not follow the rules and deserved to be punished, in order to keep the social order, it was necessary to make use of criminal

law. Although Confucius greatly advocated humanity, rules and morality, he also never abandoned penalties. *Historical Records, Duke of Zhou's Family* recorded that Confucius killed actors, which indicates that the practice of Confucianism had not abandoned penalties, and advocated that virtue was a principle with complementary penalties, to keep social order and develop a good society. Confucius said, "Leading the people by political decrees and restraining them by penalties will only make them beg to be free of punishment, but cannot make feel ashamed; while leading people by morality and restraining them with rules will make them ashamed and therefore acknowledge the government consciously." Penalties and political decrees have an exterior deterring force while morality and rules can impel the people to acknowledge the social structure, human relations and orders. Although Confucius advocated morality and rules, he also did not abandon penalties and political decrees. Therefore, he stood for rules first, followed by education, followed by execution. He thought that "to kill the people without education can be considered as tyranny." Similarly, Hsun Tzu definitely indicated the dialectical relationship between education and punishment, paying equal attention to both, with education first and punishment second: "to punish without education will make the penalty complicated and unable even to control evil; to educate without punishment will allow the evil to go free of punishment." However, the punishment advocated by Hsun Tzu is different from the execution advocated by the founder Confucius. Confucius just made penalies as a necessary supplement for the rule of virtue and rules, while Hsun Tzu used the penalty as a basic method to regulate society.

In terms of public psychology, it would be easier to accept the rule of virtue than severe laws; the rule of virtue plays an irreplaceable role in stabilizing the people, and in appeasing and mediating conflicts. Therefore, in order to unify the state, a ruler must not only carry out the rule of virtue to get the support of everyone, but he must also make use of a great rule of law to complement.

Section 4. Sun Tzu's thoughts on strategic management

Many principles in *The Art of War* can be grafted onto leadership management science. Although it discusses only military problems, they

share some common characteristics with social and market competition, such as competitive activities between two opponents, given targets, strategies used in competition, plans and management used, etc. So in competition, many competitive principles in *The Art of War* apply.

"The army sharing a common desire will win"

"The army sharing a common desire will win," is a winning principle in *The Art of War Attack by Stratagem*. The concept of both the higher and lower levels sharing a common desire can be found in *Comment of Eleven Schools on Sun Tzu*. Emperor Wu of Wei made the comment that the Emperor and his ministers shared a common desire. Zhang Yu made the comment that "hundreds of generals focus on one target and three armies work together." Mei Yaochen made the comment that the army should be of one mind. Based on consideration of all schools, we can define "both the higher and lower levels share a common desire" as being "human combination," which was an important element in defeating the enemy and gaining victory. The strategies of Generals Volume Human Combination said that, "the key to using military force lies in unity. With unity, an army will fight for victory without persuasion. If the generals and soldiers are suspicious of each other, soldiers are not convinced, advisers loyal to the sovereign are not employed and officials are dissatisfied in an army in such a bad condition, even with leaders as intelligent as Tang and Wu, the army cannot defeat a single person, let alone an army of many people." It meant that to use military force in a war, human unity was essential. If the army was of one heart, soldiers would fight together without any persuasion. But if the generals were suspicious of each other, soldiers would not submit obey them. If good advice could not be accepted, troops would complain and speak ill of each other. In such a case, even the brains of Emperor Tang of Shang or Emperor Wu of Zhou could not defeat a group of civilians, let alone an army. These words showed the position and effects of "both the higher and lower levels share a common desire," namely human unity, in war.

How to share a common desire in the higher and lower levels? Sun Tzu pointed out in *The Art of War Laying Plans* that "The Tao can make people be in line with the Emperor, so they can die with him and live with him without any fear of danger." That is to say, an Emperor with the Tao could keep people in line with his point of view. In such a case, in a time of war people would go through fire and water without any

fear for their Emperor. The Tao proposed by Sun Tzu here, was the most fundamental and important element to making people and their Emperor be of one heart.

The core idea of the people and their Emperor being of one heart was unity and cooperation. To attain "the people and their Emperor being of one heart," internecine struggles and small factions were the first things to fight against, because they were both activities taking personal interests first and collective interests second, which should be completely prohibited in any army or organization. Moreover, unjustifiable activities should be fought against to get the people and their Emperor being of one heart. All judgment should be made based on whether things were right or wrong, instead of whether personal emotions were close or distant. Otherwise the overall interests would be damaged.

In modern leadership management, the people and their Emperor being of one heart can be used for reference, which were described as the Tao in Sun Tzu's words. It referred to the policies, orders and legal system issued by the nation, which were popular with the people and complied with people's wills. The Tao in modern management operations refers to the ideas and strategies for the development of a company. The ideas for operations and strategies play a global, directive and decisive role in the development of a company, touching on the future and fate of the organization and its career. The leadership manager of a company, who is good at coming up with the right ideas for operations, policies and strategies for his company, is concerned with and reflects the fundamental interests of the employees in the best way. This fundamentally gains their motivation, support, and achieves the result of "manager and employees being of one heart," and finally gains victory.

"Conquer without a fight"

As a militarist, Sun Tzu did not like war. He advocated that it was best to conquer without a single fight in *The Art of War·Attack by Stratagem*.

Obviously, it was the most ideal state of war to conquer without a single fight. "Without a single fight" refers to bloody conflict, but not to war weariness, fear of war, or an inability to fight. It was to win a conflict after gaining the initiative in a war. It was to be powerful enough, in sharp contrast to the enemy's military power, to force the enemy to give up automatically, achieving the fundamental objective of saving strength, avoiding bloodletting and reducing social catastrophe. So the foundation of "without a single fight" is active preparation,

which calls for better ability and skills. The peaceful liberation of Beiping (Beijing) during the War of Liberation, directed by Mao Zedong, was a typical example of conquering without a single fight.

"Know yourself as well as the enemy"

Sun Tzu believed that if you knew yourself as well as your enemy, you would gain a lot of victories. He made this very clear in *The Art of War Attack by Stratagem,* which is an important strategic principle with much value.

Knowing oneself as well as the enemy was the premise and basis of making and practicing all strategies. If you knew yourself as well as your enemy, your victory would be certain; if you knew the weather and the lie of the land, your victories would never end. That is to say that your victory will be out of danger (namely you will not lose) when you know yourself and your enemy; and your victories will never end (namely you will always win) when you know the weather and the lie of the land (referring to the weather and the field of battle).

Sun Tzu held the position that we should believe in first hand materials instead of luck or God in both knowing ourselves and our enemy. "To know situations in advance, information cannot be gained from the divine, guessed going by similar experiences or checked with the sun, the moon or stars, but gained by people, who know the enemy." It meant that to know the enemy, we could not depend on feelings or luck to work it out subjectively, but to study a lot of basic and technical information. We should find out about the enemy ourselves, as well as the weather and the lie of the land to gain the result that "if you know yourself as well as your enemy, your victory will be certain; if you know the weather and the lie of the land, your victories will never end."

In a word, "yourself" referred to subjective factors, while the "enemy" referred to the objective environment. Mao Zedong instructed that without investigation, we had no right to speak. We should collect and analyze all the subjective and objective factors influencing victory through survey and research, which was the premise and basis with which to gain victory.

Select the right man to exploit a situation

Sun Tzu said in *The Art of War, Energy* that one who was skilled at directing war always tried to turn any situation to his advantage rather

than to make excessive demands on his subordinates. Hence he was able to select the right men and exploit a situation. In a broad sense, situation, "Shi," meant one's own advantages. One overcomes a rival's weakness with his own advantages on his terrain and with his tactics, that is, overcome his weakness by using his advantages. All generals skilled at directing war shall put their dominant ideas into relying on, utilizing, grasping and creating a favorable situation for winning other than demanding too much from their subordinates. Thus they can start from developments and changes to the overall situation and select proper talented people to undertake important tasks to seize the initiative and gain final victory.

The "situation" mentioned by Sun Tzu meant the military situation faced by two parties or multiple parties resulting from one party initiating a military challenge or attacking another party. "Exploit a situation" brought up by Sun Tzu means accumulating advantageous situations by fully making use of developments and changes in a situation to achieve the strategic goal of defeating the enemy. To reach a strong situation, on one hand, one should master any changes in a situation, and correctly judge and make complex predictions about it with wise insight and strong resolution; on the other hand, it meant making an overall correct judgment other than "too high or too low" on the gathering of various forces.

Therefore, as for utilizing and understanding a situation, selecting the right men and exploiting a situation, were the key elements determining success or failure, for they not only reflected the ways of thinking that man was disposed towards and that could create any situation, but they also reflected the fact that only being fully respected and in a position for allowing the full play of the abilities and talents at different levels would produce the most energy. Excellent leaders could rely on situations, guarantee the implementation of strategic intentions and solidly gain victory by properly using advantages of the talent in the people around him.

During the actual selection of employees, leaders cannot be in accordance with both the moral qualities in their talent as well as in the "blind zone." The stronger a person's talent is and the more outstanding his strong points are, the more and more obvious do his shortcomings become. When choosing a candidate, the leader tends to see and hear the more noticeable shortcomings, thus getting a negative idea about his latent. But all wise leaders are skilled at observing and focusing on the strong points of others and selecting the right person to exploit a situation, so they can seize every opportunity to make great achievements.

"Be skillful and careful in war"

Sun Tzu thought one should treat war carefully and make considerable and realistic battle plans, for "the art of war is of vital importance to the state. It is a matter of life and death, and a road either to safety or to ruin." (*The Art of War · Laying Plans*). Hence one should not start a war out of anger, and but make many calculations leading to victory and few calculations leading to defeat. So one must play for safety. While being careful in war does not mean being fearful of war, all factors affecting the war should be thoroughly researched, and battle plans must be drawn up with an emphasis on moving forward, thus winning a victory. First gain victory and then start a war which is sure to succeed. This was the Sun Tzu's idea of careful war.

Being careful in war expressed Sun Tzu's scientific attitude towards the issues of war and the noble character of a person responsible for the state. Compared with other aspects of war, *The Art of War* seems a little conservative. Later, when ideas arose such as "cutting off all means of retreat" and "fighting to win or die," strictly speaking they were not scientific attitudes to war, which are methods used in unavoidable situations. Although there were numerous classic examples in history, most of them took sacrifice as their price. Mao Zedong said when all militarists of all ages were directing wars they had to first ensure they would not be killed by their enemies, and then to plan how to wipe them out. And he said the highest principle in tactics was saving yourself and destroying the enemy. This kind of idea, and the Sun Tzu's scientific attitude of being careful in war happen to have the same view.

The first stage of a successful campaign was to create the right conditions before a war. The best fighters of old first put themselves beyond the possibility of defeat, and then waited for an opportunity of defeating the enemy. This meant the people skilled at directing war must first assure they would not be defeated by the enemy and then wait for an opportunity to defeat them.

The second stage was guarding against defeat and the opportunity of defeating the enemy. "To secure ourselves against defeat lies in our own hands, but the opportunity of defeating the enemy is provided by the enemy himself. Hence the saying: one may know how to conquer without being able to do it." The initiative of not being defeated by the enemy lay in one's own hands. So the most skilled fighters must be able to defend themselves from the enemy and at the same time be able to create an opportunity of defeating them. So victory could be predicted but not forced. That is to say, the opportunity of not being defeated by

enemy was created by oneself; the conditions or chance of defeating enemy lay with them. The most skilled fighters could not only create conditions of not being defeated by enemy but could also force the enemy to be defeated at their hands. So victory could be predicted but not be realized solely through one's own subjective efforts.

The third stage was a proper time for attack and defense. Security against defeat implied defensive tactics; the ability to defeat the enemy meant taking the offensive. Standing on the defensive indicated insufficient strength; attacking, a superabundance of strength. Only a full-scale attack could ensure defeating the enemy. Defense resulted from insufficient strength, while the reason for attack was sufficient strength.

The fourth stage was the conclusion: the two methods of gaining victory by careful warfare were strength and planning. Sun Tzu thought the prediction of victory could not exceed the understanding of ordinary people. Everyone applauded victory in war, which was not the best thing to do. Just as lifting something light did not mean being strong, seeing the sun and moon did not mean sharp eyes, and hearing thunder did not mean sharp ears, the fighters skilled at war in ancient times were those who defeated enemies who were easy defeat. So not through showing great wisdom, or knowledge of martial arts, or bravely killing the enemy, but through the correct direction of war, did they gain victory. Their correct directions were based on the adopted tactics of victory, by which they directed a war as if fighting against a failed enemy. So the fighters skilled at war could stand undefeated and not miss any opportunity to defeat their enemy. So the victorious troops could always create conditions for victory and then fight against the enemy, while the defeated troops always fought straightaway against their enemy and attempted to gain a lucky victory. Fighters skilled at directing a war had to modify military regulations and adhere to them, thus understanding the power of the decision to be victorious.

"Self-preservation and complete victory"

As a military strategist, Sun Tzu took not fighting as the first strategic principle. When war was inevitable, Sun Tzu insisted on not acting on impulse without due consideration and becoming "outlaws of the marshes," but starting out confidently and well-prepared for war in order to gain a "complete victory."

Sun Tzu said that the general who was skilled at defense hid in the most secrete recesses of the earth; he who was skilled at attack raced

down from the topmost heights of heaven. Thus on one hand he had the ability to protect himself; on the other hand, he gained a victory that was complete (*The Art of War· Tactical Dispositions*). A soldier skilled at defense could hide where nobody would find him; a soldier skilled at attack seemed to come out of the sky and caught the enemy off guard. So one had to both keep the soldiers safe and seize victory.

The Art of War, from the point of view of the principle of self-preservation and complete victory, also conducted a comparison between the status and strength of all the aspects of the two parties, which was thought to be one of the conditions determining success or failure in a war. If the two parties obeyed this principle, the following possibilities would occur: first, the stronger party would defeat the other without a fight; second, the weaker party would avoid fighting all the time, so there would be no outcome due to the long time spent fighting; third, if the two parties were equal in strength, there would still be no outcome. The first situation was ideal, but it was not expected by the weaker party. The second situation was not anticipated by the stronger party, while in the third situation there was no need to fight, as it did not solve any of the problems. Reviewing the history of war, we find that any lengthy standoff would be resolved eventually, and examples of the weak overcoming the strong can be found everywhere. Why? Because the "situations" and "conditions" of all the aspects of the two parties are constantly changing. This may be a result of internal reasons, such as or the disintegration of one party due to scheming.

The reasons for Sun Tzu being a great military strategist was not only due to his not waging war and his carefulness, but also his being skilled at fighting based on this carefulness in war situations. Did this principle of "self-preservation and complete victory" mean blind defense? Or did it mean the pursuit of stability at all costs resulting in the loss of an opportunity to fight? Or did it even mean not actively seeking or creating an opportunity to fight? Of course not. While establishing the principle of "self-preservation and complete victory," *The Art of War* also proposed methods and techniques for being positive, taking the initiative, and seizing victory, which we will discuss later in detail.

Avoid the strong and attack the weak points

Avoiding the strong and attacking the weak points (*The Art of War· Weak Points and Strong*) was always emphasized by Sun Tzu. After discussing the relationship between the weak points, the strong points,

and the strength within the weak points in *The Art of War*, Sun Tzu concluded that the most important method of seizing victory was to avoid confronting the strong points of the enemy, and to attack the weak points. In fact, the weak points and strong points were an overall description of situations and conditions, and avoiding strong and attacking weak points were major tactics adopted to gain certain victory after comparing the two aspects and making plans. This principle was implemented mainly to ensure the principle of self-preservation and complete victory.

As for how to utilize the morale of the soldiers, Sun Tzu said that a whole army may be robbed of its spirit. A commander-in-chief may be robbed of his presence of mind. A soldier's spirit was keenest in the morning; by noon it had begun to flag; and in the evening, his mind was bent only on returning to camp. A clever general, therefore, avoided an army when its spirit was keen, but attacked it when it was sluggish and inclined to return to camp. This was the art of studying moods; to remain disciplined and calm while waiting for the appearance of confusion and panic among the enemy. This was the art of maintaining self-control. To be near the goal while the enemy was still far from it; to wait at ease while the enemy was struggling; to be well-fed while the enemy was starving: this was the art of gathering one's strength. To refrain from intercepting an enemy whose banners were in perfect order and to refrain from attacking an army drawn up in calm and confident way: this was the art of studying circumstances (*The Art of War, Manouvering*). This meant that one could rob the spirit of a whole army, let them lose their morale, and shake the determination of the enemy's generals as they lost their will to fight. So in the morning the enemy's spirit was keenest. This would begin to flag by noon due to tiredness, while in the evening their spirit would decline still further due to their desire to return to camp. A skilled fighter would avoid an enemy's keen spirit and attack him when his morale was ebbing. This was the principle of correctly utilizing the morale of the soldiers. Fight against a disordered enemy with disciplined troops; deal with an enemy of low morale with calm troops; and fight against hungry soldiers with full soldiers. These methods meant the general understood and utilized his own high morale to fight against an enemy in a bad situation.

The essential goal of avoiding strong the strong points and attacking the weak points was to gain a strategic initiative; to win a victory through fighting; to occupy strategically important areas; to defeat the strength of the enemy; to bruise the morale of the enemy; to rouse the will to fight in one's soldiers; and to strive for a situation favorable for fighting.

On the problem of changing or not changing, Sun Tzu said that military tactics were like water; for water in its natural course runs from high places to low ones. So in war, the correct way was to avoid what was strong and to strike at what was weak. Water shapes its course according to the nature of the ground over which it flows; the soldier worked out his victory in relation to the foe that he was facing. Therefore, just as water retains no constant shape, so in warfare there were no constant conditions. A soldier who could modify his tactics in relation to his opponent and thereby succeed in winning, may be called a "heaven-sent captain." The four elements (water, fire, metal, earth) are not always equally predominant just as the four seasons make way for each other in turn. There are short days and long ones; the moon has its periods of waning and waxing (*The Art of War, Weak Points and Strong*). This meant that the key to gaining victory was to avoid those enemies with strong garrisons and a lot of power, to attack their weakest link, and then to adopt a strategy to gain victory according to the enemy's situation.

The premise of avoiding strong points and attacking weak ones was to know yourself as well as the enemy. First learn about yourself as well as the enemy, and concentrate your superior forces to take advantage of the local conditions in order to attack the enemy's most weakly defended places. In this way the enemy would perish and we would survive, which is the principle of avoiding strong points and attacking weak ones.

"Secure victory unshaken"

Sun Tzu's principle of securing victory while remaining unshaken has been a major technique for gaining victory by countless soldiers, politicians and entrepreneurs at all times and all over the world.

Sun Tzu said in *The Art of War, Energy,* to ensure that your whole army could withstand the brunt of the enemy's attack and remain unshaken: this would be affected by manouvers directly and indirectly. In every kind of war, a direct method could be used for joining a battle, but indirect methods would be needed in order to secure victory. The two quotations generally meant that the sang-froid of soldiers under attack depended on changes in tactics. In war one should defend using direct methods and secure victory by indirect ones.

Regarding direct and indirect methods, they were discussed in detail by Sun Tzu in *The Art of War, Energy.* In every kind of war, a direct method could be used for joining battle, but indirect methods would be needed in order to secure victory. Indirect tactics efficiently applied, were

as inexhaustible as heaven and Earth themselves, as unceasing as the flow of rivers and streams. Like the sun and moon they came to an end, but then began anew. Like the four seasons, they went away only to return once more. There are not more than five musical notes, yet the combinations of these five give rise to more melodies than could ever be heard. There are not more than five primary colors (blue, yellow, red, white and black), yet in combination they produce more shades than could ever been seen. There are not more than five cardinal tastes (sour, acid, salt, sweet and bitter), yet their combinations yield more flavors than could ever be tasted. In battle, there are not more than two methods of attack – the direct and the indirect; yet these two in combination give rise to an endless series of manouvers. Directness and indirectness lead on to each other in turn. It is like moving in a circle – you never come to an end. Who can exhaust the possibilities of their various combinations?" This emphasizes conducting a defense by direct methods and securing victory by indirect ones.

Directness and indirectness are a unity of opposites which are in opposition to each other, contain each other, and depend on each other for their existence and mutual transformation. The concepts of direct and indirect are relative, for being quiet can be direct, and action can be indirect. However, when being indirect becomes a constant law, it will become direct, and correspondingly being quiet will become indirect. As for this dialectical thought, Li Shimin, the Emperor of Tang Dynasty, said in *Questions and Replies between Tang Taizong and Li Weigong*: skilled fighters must strive to be neither direct nor indirect in war in order to be unpredictable to the enemy. Directness would gain victory, but so would indirectness. That is to say one should not completely and rigidly adhere to one theory or rule in war, but should adjust methods according to local conditions and continuously come up with new tactics, which was known as "just as water retains no constant shape, so in warfare there are no constant conditions. A soldier who can modify his tactics in relation to his opponent and thereby succeed in winning, may be called a heaven-sent captain."

Sun Tzu thought all fighting methods originated from changes between the relationship of directness and indirectness. The utilization of this kind of change would evolve into inexhaustible modes and methods of fighting. The fighters skilled at taking advantage of this would make their tactics and methods as infinite as heaven and as unceasing as rivers.

How can we explain directness and directness? There have been so many explanations by uncountable soldiers and strategists in history. Generally speaking, there are six kinds of explanation: first, general rules

are direct, while specific rules are indirect; second, fighting on both flanks is direct, while attacking from the rear is indirect; third, defending your front is direct, while avoiding attack is indirect; four, a overt attack is direct, while a covert one is indirect; fifth, actual combat is direct, while a bluff is indirect; six, a general formation is direct, while supplementary formations are indirect. All in all, they can be concluded into one sentence, which is "constant rule is direct while variable rule is indirect."

The key to the relationship between directness and indirectness lies in indirectness. Translated into leadership management, one must continuously introduce innovations and keep the attention of the workers through being dynamic. This indirectness and dynamism must conform to state laws, national conditions and principles of the truth, the good and the beautiful.

"Rapid victory other than delaying"

Gaining a rapid victory is an art, which usually applies the psychology needed for carrying out a swift counter attack, which increases an individual's will to fight and makes a group more concentrated in order to reach the status of being invincible and all-conquering. "In war let your main objective be victory, not lengthy campaigns," meant that one must direct the soldiers to gain victory rapidly instead of using delaying tactics.

On the method of fighting, *The Art of War* asserted gaining a rapid victory by attacking and stressed that, "In war let your main objective be victory, not lengthy campaigns," and, "There is no instance of a country having benefited from prolonged warfare." *The Art of War, Waging War*. To reach the goal of rapid victory by attacking, Sun Tzu maintained the point of view of full and detailed preparation and, "seek battle after victory has been won" *The Art of War, Tactical Dispositions*; "concentrate your energy and conserve your strength *The Art of War, The Nine Situations*; "concentrate all available strength, keep a close eye on the enemy and get reinforcements" *The Art of War, The Army on the March*; and, "besiege the enemy in a place where you can attack him." *The Art of War, The Nine Situations*. All these demanded full preparation and concentration of forces.

The Art of War demanded surprise attacks, which meant, "attack him where he is unprepared, appear where you are not expected" *The Art of War, Laying Plans*; "avoid strong points and attack weak ones," and,

"you will be able to advance and be absolutely unstoppable, if you aim for the enemy's weak points." *The Art of War, The Weak Points and Strong*. All this reflected the idea of a surprise attack and also of flexible fighting by avoiding strong points and attacking weak ones in order to fight and win battles by quick decisions. The saying goes that, "speed is the essence of war and takes advantage of the enemy's un-readiness." This paid much importance to creating a situation which was favorable for attack. The forward charge of the soldiers was like the rush of a torrent which would even roll stones along in its course, and therefore a good fighter would be terrible in his charge and prompt in his decisions *The Art of War, Energy*, which meant the situation created must be like a torrent in order to wash away the irresistible forces of the enemy.

Sun Tzu's idea of rapid victory was from the point of view of attack. Waging a war, and invading another country to fight on enemy territory, would consume huge portions of the state budget. So Sun Tzu proposed the idea of "stupidity in haste." Although we have heard of stupidity in haste in war, cleverness has never been associated with long delays. There has been no instance of a country having benefited from prolonged warfare *The Art of War, Waging War*. In actual war, we have usually heard of it being difficult to gain victory due to a shortage of clever ideas on the part of the generals, never heard of it being clever and skilled to engage in a long, drawn-out fight. There has never been a long-lasting war which was of benefit to the state. So not realizing the harm of waging war would not result in understanding the advantages of waging war. Sun Tzu also said in *The Art of War, The Nine Situations*, speed was the essence of war: take advantage of the enemy's disquiet, make your way via unexpected routes and attack unguarded spots. The principle of fighting is mainly the speed of attack by catching the enemy off guard and attacking his unguarded spots from unexpected routes.

The idea of "stupidity in haste" proposed by Sun Tzu was meant just for this kind rapid victory, even though a stupid plan which could bring victory should be adopted. The best method for waging war was to look for a swift victory and to give up the idea of a long-lasting campaign.

The principle of swift victory was one of the most important foundations for guaranteeing the implemention of the principle of "self-preservation and complete victory." The situation of war was constantly changing; a long-term strategy could not handle and control these changes, as there was a risk of harm from out-of-date information, invalid calculations and events out of your control. If there was an alternative, a military strategist must not get bogged down in a protracted war. Even if when changing tactics from fighting against a strong enemy,

to being in a situation where the enemy is weak through long-term operations, we must believe that "speed is also important in war," and fight and win battle on the basis of quick decisions. So Sun Tzu emphasized the results of war; did not advocate a protracted war, but a rapid victory, which was from the point of view of supporting the principle of self-preservation and complete victory.

In the Chinese Revolutionary War and the Anti-Japanese War, although protracted war was proposed strategically with detailed battle plans, rapid victory was advocated, which was not dissimilar to the rapid victory proposed in *The Art of War*. A strategically protracted war and a tactically rapid victory are one dialectical unit.

When it comes to the dialectical relationship between protracted war and rapid victory, we have to mention the military ideas of Mao Zedong, the great commander of the Chinese people. He changed war into an art of control, and his military direction reflected the theory that man was an integral part of nature and had a broad and profound spirit. He explored all the secrets of the Law of the Chinese Revolutionary War, which was evident at every important turning point. He correctly understood the nature of war; he controlled and directed the war and seized victory. He unified a strategically protracted war and rapid victory very skillfully. His strategic defense could be called a strategically protracted and tactically rapid war. He miraculously solved the difficulties of defense and attack in the Chinese Revolutionary War, making them indispensable and crucial principles for active defense.

When summarizing his experience of the Chinese Revolutionary War, Mao Zedong said, "a strategically protracted war and rapid battles are two aspects of the same thing, and two principles of civil war which should be paid equal attention to." According to this principle, he proposed unique and correct opinions about interior line defense and exterior line attack: "change the strategic advantages of the enemy into our advantages during battle; make an enemy who is strong strategically weak in battle. At the same time, change our strategic weakness into strength in battle; this is the called an exterior attack in an interior fight." From the battle on Jinggang Mountain to the exterior attack in interior fight of "encircling and suppressing" in the central soviet area; and from an enemy attack during the Anti-Japanese War to a strategic attack during the Liberation War, Mao Zedong's theory became more mature and developed during actual battles, leading to the march to victory in the Chinese Revolutionary War.

Mao Zedong also put forward the strategic view of "annihilating the enemy first and then occupying his land." He mainly targeted annihilating the enemy's active forces with his tactics of rapid attack, instead of guarding or seizing cities or regions. He substituted the fighting initiative of the People's Liberation Army for parts of cities and regions and then defeated several million Kuomintang soldiers with a dominant advantage in fighting capability.

To win the war more easily, Mao Zedong presented his strategic argument of a combination of attack and negotiation, which actually meant waging a political military war which was Mao Zedong making peace and attacking at the same time. One who is skilled at fighting can make peace. Peace is attained by fighting and is guarded by victory, which is the foundation of dealing with the problem of war and peace by Mao Zedong. More importantly, Mao Zedong established his cornerstone of victory in the people's awakening and mobilization. With the people as his strong supporters, Mao Zedong was fearless and confident in both negotiation and attack.

With regard to decisive battles, Mao Zedong persisted in "conducting favorably decisive battles and avoiding unfavorably decisive battles." He objected to conducting strategic decisive battles without being well-prepared, but insisted on decisive battles under favorable conditions. Favorable conditions refer to rapidly annihilating the enemy by forming his own relative advantages. It is by persisting in this principle that he directed a magnificent epic of strategic decisive battles in China. The resolute seizing of opportunities; the strong will to fight; determining the correct direction; the formulation of scientific policy; and the clear division of stages are all rare in the history of war. All of these transformed the high tide of the Chinese Revolutionary War into a gorgeous sunrise before the founding of New China, and made up the most brilliant chapter in his military career.

8

Planning leadership strategy

The difference between strategic management theory and practical strategic leadership management is that strategic management theory guides practice by a corresponding mathematical model theory, while practical strategy is a process using strategic theory as its instruction and practice as the source of its practical experience, which will be raised from abstract generalization to a theoretical level, and then will guide the establishment of practical strategy and the implementation of leadership management.

Section 1. Mao Zedong and Deng Xiaoping: practical strategic thoughts

In order to learn from developed countries to bring about modernization in industry, agriculture, education, science and technology and national defense, as well as speeding up the development of productivity in consumer society in order to constantly meet the increasing consumption needs for materials, spiritual culture and information, developing countries must attach great importance to national practical strategic planning research. Businesses are the economic cells of national society and must be closely linked with the development of practical strategic business planning during the practice of national strategic planning processes. National practical strategic planning should be achieved through education, scientific research, business, agriculture and other industries. Businesses are the embodiment of implementing and carrying out national practical strategic planning. In the *Ten Major Relationships*, Chairman Mao Zedong said that there were two ways for us to develop heavy industry; one was to enlarge the development of agricultural and light industry; and the second one was to then decrease the development

of agricultural and light industry. In the long term, the former one could decrease and slow down the development of heavy industry, or at least its foundations would not be so stable and which would be proved not to be economical dozens of years later. The second one could promote and speed up the development of heavy industry, and also because it meets the needs of people's lives, it would make the foundations of its development more robust.

The opinion of Deng Xiaoping on how to develop industry was to establish the idea of taking agriculture as its foundations, as well as being useful for agriculture itself. Then introduce new technologies and new equipment. After that strengthen scientific research work in business. Then put right the management orders in business. After that pay special attention to product quality. Then recover and improve the rules and regulations. Finally, insist on the principle of distribution according to work.

On the topic of practical strategic planning and targets, Deng Xiaoping said that the targets for the last 20 years of this century have already been worked out, which is to double and redouble industrial and agricultural output values under the premise of continuously improving economic gains. Now we should pay close attention to improving long-term planning, which is the key for preparing for the last ten years during the first ten years. Preparation is a fight against time, which must be treated seriously. If we really want to build and construct, we have to carry out some key projects; these backbone projects are essential. No matter how difficult it is, it should be determined in case of a shortage of capital or materials, that we can even reduce local projects, especially general industrial projects. Compared with capitalism, socialism has the advantage that it can make sure that the entire nation is centralized to ensure the completion of key projects, although one shortcoming is that we are not good at market application, which limits the development of the economy. "In our entire economic development strategy, energy and trade are key, as is agriculture. The development of agriculture should depend on policy and science. The development and function of science and technology are inexhaustible".

Deng Xiaoping said that there is no fundamental contradiction between a socialist and market economy. We used to insist on a planned economy, but years of practice have proved that in a sense, a planned economy is bound by the development of the forces of production, while the combination of a planned and market economy makes it much easier to free the forces of production and accelerate economic development.

The overall tasks for practical strategic planning in China established by Deng Xiaoping are:

1. Strategic consumption objectives. These are on three levels of consumption: having adequate food and clothing, being well off, and common prosperity. The first step was to take the year 1980, when the per capita GNP was $250, as a starting point, and make it double during the 1980s to reach $500. The second step was to make it redouble by the end of the twentieth century, that is, the per capita GNP should have reached $1000. Realizing this kind of objective means we can transform into a well-off society, thus turning poor China into a wealthy China with a GNP of more than $1 trillion. Although the per capita rate is still very low, the overall power of the country will increase considerably. The third step is more important, which is to make it quadruple after the first 30 to 50 years of the twenty-first century, and reach a per capita GNP of about $4000. Through this step, China will reach the level of a moderately developed country. This is our ambition.

2. The keys to strategic consumption focus. The objective of the first step of Deng Xiaoping's consumption strategy was to solve the people's food and clothing problems, while the objective of the second step was to reach the level of being well-off, and finally to achieve common prosperity. In the whole deployment of consumption strategy, he puts the strategic objective of the second step, that is, being well-off, as the key. "When we really reach the level of being well-off, people's psychological outlook will be different." The so-called level of being well-off is not only an objective for standards of living, but also a comprehensive objective for consumer life. This is the first time Deng Xiaoping quantified the strategic objectives of consumption with a statistical index.

3. Consumption policy. Deng Xiaoping's consumption policy can be divided into three aspects: the first is the policy about the stable development of agriculture and he predicted that the objectives for food production would have generally been achieved by 2000.

Study on the practical strategic planning of China, taking the 11th Five-Year Plan as an example

The practical strategic planning of China is based on Five-Year Plans. A well-off Chinese economy and social development strategic planning is the national model for national development strategy.

There are specific development indicators in each chapter above, thus constituting a complete strategic development index system. These indicators will not be explained in detail due to the limited length of this work.

The national economic and social development planning mentioned above is standard strategic planning for national development. It has ten new features:

One is the guiding ideology. This combines the two kinds of strategic thinking, which are a scientific outlook on development and building a harmonious society. In order to further answer the questions of what kind of development we need, that is, the foundation and means of development, we further outlined the policy of the "Six Standpoints."

Two is the target system, which not only pays attention to economic indicators, but also highlights cultural, social, and environmental indexes. It specifically divides development indicators into two categories, that is, expectation and restriction for the first time.

Three are the strategic tasks of development, which turn the construction of a new socialist countryside into an independent chapter and rank it above all other strategic tasks.

Four is the industrial field, which clearly proposes that the main task for industrial development in the next five years is not an expansion of scale, but a structural upgrade, in order to accelerate the transformation of China's industry from being large to being strong.

Five is the tertiary industrial structure. This turns the service industry into an independent chapter and into a prominent position for the first time, which puts forward the idea that the development of this third industry in China is lagging behind while at the same time it is effecting structural optimization, increasing employment and improving its ability for comprehensive competition.

Six is regional development strategy. This further clarifies the positioning and policy orientation of the four types of functional areas, that is optimization development, key development, limited development and prohibited development.

Seven is the relationship between people and nature. There are two basic national policies on resource conservation and environmental protection, as well as setting out strategic tasks and specific measures for building a resource-conserving and environmently friendly society.

Eight is putting independent innovation and the education of high quality talented people into a prominent position and outlining some important tasks and policy measures for building an innovative country as well as implementing the strategy of reinvigorating China through human resource development.

Nine is both a development plan and a reform plan. This is described in not only two chapters to illustrate the tasks of deepening reforms and expanding openness respectively, but also the content of the reforms has been mentioned throughout all the other chapters, including the chapter about rural areas, the chapter about rejuvenating the nation through science and education, and the chapter about building a harmonious society, and so on.

Ten is the overall development of economic, political, cultural and social construction. These are dealt with as independent chapters, emphasizing the people-oriented aspects and solving the major issues related to the vital interests of the people.

The principal contradiction between the speed of social and economic development is that the superstructure does not adapt to the development of the economic base and production does not adapt to the development of social productivity consumption. The principal contradictory aspects are the superstructure and production relations; the reform of the superstructure and the relations of production are the guarantee and promotion of the development of the economic base and the promotion of the development of social productivity consumption. They constantly change and develop social productivity consumption, which is progress.

Section 2. Practical development strategy and leadership management

The concept of the practical strategy

Strategy refers to the overall policies established by a country or an organization in a certain historical period. The principles for establishing practical development strategy are to stick to the principle of seeking truth from facts; to give full play to the subjective understanding of active creative inspiration; and to create and develop new situations, including political, strategic, military, cultural and diplomatic strategy. Policy and tactics refer to the methods and means being taken in order to realize strategic tasks.

Practical strategy means to determine the long-term development objectives of a country or an organization and to outline the policy, strategy and methods for realizing long-term objectives. The objectives determined by strategy must coincide with the purpose and mission of

the country or organization. Strategy is a long-term and overall plan. Generally speaking, a complete development strategy of a country or an organization should include the following: the future direction of development and guiding ideology; the future objectives which need to be achieved; policies and strategies which should be adapted around strategic planning; realizing objectives within deadlines; risk prediction and contingency strategies; strategic resources which are needed to achieve the objectives; and creating the right environment to achieve their strategic objectives.

The guiding ideology of the practical strategy expresses the principles and main methods which the country or organization should abide by in order to develop specific development strategy. Strategic thinking provides guidance in methodology and deep thinking, so its content is conceptual, spiritual and general. Strategic guiding ideology is the starting point and the soul of strategy. It is also an important part of the culture of a country or an organization.

As for strategic measures, they should explicitly point out the direction of development and the targets of a country or organization. They should specify way to achieve those targets, as well as clearly defining and specifying the strategic principles which a country or organization should abide by.

Different departments should refine the strategy of a country or organization. They should also refine the overall strategies from the point of view of the departments' functions and develop specific strategic measures for each department which correspond to the overall national or organizational strategy, such as human resource business strategy, marketing strategy, product development strategy, and so on. Departmental strategy is the breaking down and practicing of national and organizational strategy. It is at the core of the implementation of strategy, and also a critical link with the realization of national and organizational strategy.

Specific tactics refer to the tactical measures of refining the strategy of a country, an organization, or a department. They give further details of a strategic plan at the level of daily operation, thus ensuring that departmental strategy is implemented using the best tactics in each link of the daily leadership management activities of a country or organization. Tactics such as the display of goods, pricing, customer data collection, and improvements in production technology all play a fundamental and basic role in realizing strategy.

The establishment of the foundation of strategic development and planning should adhere to the principle of seeking truth from facts and proceeding from reality based on the actual time and place. It should also

pay more attention to human resources, the talent and knowledge of employees, the technological conditions, politics, economics, the law, policies, the cultural environment, the integration of resources, and any advantages.

Everything has its own law; we should consistently explore the law in practical processes in order to learn, use and control it to improve and adjust strategic policy and tactics, as well as to promote the development of policy and strategy.

We should establish relevant short, medium and long-term strategies. Take one year as the planning period of a strategy, so as to specify, refine and standardize the procedures and ensure the implementation of the plan through the Six-Step logical thinking method and excellent formulae; this is the foundation for the implementation of a short-term plan. The time period for a medium-term plan is generally three to five years, which is established on the basis of the completion of short-term plans and of the conditions for advance planning and development. The time period of a long-term strategic plan is generally five to ten years, which is established on the basis of the short-term and medium-term plans and of the capacity for advance planning. Practical strategy should be implemented according to the conditions of preparation in steps and stages. It is different from theoretical strategy, which can only be used as a guide for practical strategy. Practical strategy should proceed according to reality; it should persist in seeking the truth from facts in everything and at every moment; adjust and improve strategy, policy and tactics; respect the rule that everything has its own law; constantly learn, use and control the law; adhere to the epistemology of understanding and inspiration, all of which are at the core of the development of strategic innovation.

The relationship between strategy and tactics reflects the relationship of dialectical unity between overall and partial, long-term and current interests. Strategic problems are about overall problems, the overall direction, the general line and general assignments of a country or organization. Tactical problems are connected to the means and countermeasures which should be applied to achieve strategic tasks. The purpose of strategy is to achieve overall victory within a certain time period, while the purpose of tactics is to obtain strategic success, and policy is the guarantee to realize strategic success. Tactics are a part of strategy; they should be subject to and adjust in accordance with strategy, as well as serve to achieving strategic targets. However, strategic tasks must be achieved by realizing each partial tactical task step by step. Strategy is relatively stable in the early stages and is basically unchanged before

achieving the main aim. Meanwhile, strategy has greater flexibility, and falls within the scope of strategic principles, so it may change along with changes in a difficult situation, with the balance of powers between two parties and with the environmental situation. From the point of view of size, distinguishing between strategy and tactics is relative, that is, they have a symbiotic relationship. A strategic task within a certain range can be a tactical task and vice versa.

Tactics are the means and methods to solve practical problems. What we should do and how we should do it comes under the guidance of strategy and makes up the specific content of tactics.

Principles for the establishment of practical strategy

In the process of establishing strategic targets, the basic principles below should be followed:

1. The critical principle. This principle requests that having determined its strategic targets, a business should highlight the critical problems related to the success or failure of its operations and overall situation. We must not regard secondary tactical targets as a company's main ones to prevent the abuse of resources and of trying to save a little but lose a lot.

2. The feasibility principle. It must be ensured that the established strategies can be achieved within deadlines. Therefore, we must fully analyze the degree to which a business can succeed with its resources and specific local conditions. We should not ignore reality and set objectives which are too high reflect our subjective desires, nor should we set objectives which are too low because of an unwillingness to keep forging ahead.

3. The quantitative principle. In order to make the strategic target of a business clear, it is necessary to set a quantitative target with measurable indexes, and it is even better if they are comparable.

4. The consistency principle, also called the balance principle. This requires that first all the objectives in the overall strategic objective should be mutually coordinated and supported, and should form a horizontal system. Second, the long-term strategic objectives and short-term tactics of head office must conform to the short-term objectives of the strategic operation units and functional departments. They should work together as one system rather than in contradiction to each other.

5. The incentive principle. The strategic targets of a business should not only be feasible, but they should also take their advancement into

account. This so-called advancement requires that the target should only be achieved through hard work. Only realistic and advanced strategic targets have the effect of motivating and challenging people, as well as the ability to draw on their great potential.

6. The stability principle. Once they have been formulated and implemented it is necessary to maintain the strategic objectives of a business in relative stability without frequent changes which may cause a change in overall strategy. Of course, if the business environment changes, then the strategic targets are adjusted accordingly; all the short-term tactical targets of the business units and functional departments should also be adjusted correspondingly.

The basis and factors for the formulation of the practical strategy, elements and standards for the evaluation of feasibility

Strategy formulation and implementation is a very complicated process. Scientific analysis must be carried out in making strategic decisions; its core is to study the internal and external environments; to analyze information; to take risks and be competitive in all aspects; to predict the future trend of change; and then to determine the development targets that can be achieved in the future. Then, based on this and combined with the actual situation, a process of strategic planning matching the external environment should be carried out. Therefore, strategy formulation is an outside-in process with the starting point being the analysis of the external environment. So the environment and development trends at home and abroad must be carefully analyzed in making strategic decisions and must recognize any external environmental changes. Serious scientific quantitative analysis must be carried out on any change in macro conditions, industry, competitive conditions and consumer demand. Serious analysis should also be carried out on international favorable and unfavorable situations, and more intensive classification analysis should be carried out on domestic, political, economic, scientific, cultural and other aspects of a developing situation. This is the only way to make strategies in accordance with development. We will take the formulation of national economic development strategy and business development strategy as examples to conduct an analysis:

The basis for formulating national economic development strategy depends on three conditions. A country must look at situations at home and abroad and then carry out a scientific analysis.

1. Basic national conditions. Formulating economic development strategy must start from the point of view of various basic conditions in a country which are closely related to the economy and society in order to set strategic targets and the selection of development methods conforming to the objective and actual conditions. Specific aspects of national conditions include:

Natural resources, mainly including land and water resources, biological and mineral resources, geographical location and climate conditions.

Population conditions include quantity, quality, structure, employment, and other aspects. A person is both a producer and consumer. This duality of human value should be sufficiently considered in formulating specific development strategies. The present situation of the population, the development of the national economy and society, and other aspects should be considered comprehensively in decision-making.

Economic conditions mainly include the level of production development; the industrial structure and infrastructure; the income and level of consumption of the citizens; science and technology education, and so on. These are important indicators of the economic strength of a country and also the foundation of formulating economic development strategy.

Economic and social structures mainly include the social and economic make up, the management system, the political system, and other conditions. Some of these factors specify the condition and direction of economic development; some influence the motives behind the force and methods of economic development; and some have the function of conditioning an so on. Therefore, appropriate comprehensive consideration should be made in studying and establishing economic development strategy.

The level of the development of science and technology has an impact on all aspects of the economy and tend to constantly increase. Therefore the potential impact of the development of science and technology in the future should also be fully considered in making social economic development strategy, and then evaluated and adjusted in other areas accordingly.

2. Objective law. The formulation of economic development strategy must comply with the requirements of objective and economic law, which are social economic phenomena with an inherent, essential and inevitable influence on it progress. Therefore, in order to formulate economic development strategy, we should be good at learning and

summarizing practical experience, as well as finding out the laws of economic development from economic practice and making scientific decisions.

3. The international environment. The international political and economic situation and conditions have a significant impact on domestic economic development. In the current world, the two aspects of strengthening production internationalization and international economic relationships are closely related. The international environment includes international trade relations, international financial capital transfer, technology transfer and commodity trade, the international labor market, the international economic structure and so on.

Characteristics of practical strategies

1. Develop strategic plans and schemes; stick to seeking the truth from facts; proceed from reality; keep a foothold on objective reality; put an emphasis on human resources and talent, knowledge, and technical conditions, as well as on political, economic, legal, policy, humanitarian and cultural environments; integrate resources; and highlight advantages and specializations in practice as the basis of the development of strategy.

2. Everything follows its own law, and insists on research into the process of practicing, understanding, controlling and following laws, on adjusting strategic policies and tactics for their perfection, and promoting the development of strategies, policies and tactics.

Practical strategies are divided into short-term, medium-term, and long-term. Short-term strategy lasts for a year and should be specific according to standardized and normalized procedures to ensure the fulfilment of plans with the six-step procedure and the power of logical thinking. It is the foundation to putting long-term strategy into practice. Medium-term strategies generally last for three to five years; they are based on short-term strategies and are suitable for advanced preparation of planning and development. Long-term strategies usually last for five to ten years based on short-term, and according to medium-term strategies, and have step-by-step and phase-by-phase practical strategies ahead of the preparation of planning conditions. They are different from theoretical strategies which can only work as a guideline for practical strategies. As for practical strategies, everything proceeds from reality and insists on seeking the truth from facts all the time. Adjust, perfect and modify strategies, policies, and tactics; respect, constantly understand,

control and execute laws; and persist in the epistemology of comprehension and inspiration. This is the soul of strategic innovation and development.

The elements of practical strategies consist of the following:

1. Actual basic elements, which insist on seeking the truth from facts, the time and place, actual basic political and economic conditions, capital, knowledge, technology, the humanitarian and legal environment, and human resources and talents.

2. Bring subjective initiative into full play; match ambition to objective laws; create a superior environment; highlight policies and strategies; and find and attract talented people and use their knowledge of technology.

3. Bring subjective initiative into full play and train your workforce.

4. There are six elements of integration: integrate internal and external resources of talented people; integrate knowledge and technology resources; integrate internal and external assets and capital resources; integrate internal and external social resources and create a stable business environment; integrate internal and external intelligence resources; and integrate internal and external scientific research resources as well as promoting scientific research development. Integration is the foundation of strategic business development with these six items as guidelines.

5. The element of copying and cloning means of development.

6. Organize leaders to combine humane management with ruthless management, and insist on the six-step logical working method and the use of power according to the three formulae.

The implementation of periodic assessment of strategies is necessary. Developing principles of practical strategies involves feasibility, operability, controllability, and the possibility of fulfilling the strategic objectives. The periodic assessment of strategies is not evaluated on the basis of the six elements, but on their results. Summarize successful experience to fulfill practical strategies and failures to assess and avoid them respectively. Prevent and solve existing problems to find out if the six elements of practical strategies are realistic and perfect, in order to improve or modify them for better guidance of the innovative development of practical strategies.

Make adjustments according to the elements of practical strategies; respect their foundations; bring subjective initiative into full play and check if the last five elements of the practical strategies are being fully put into practice.

Supervise and monitor the process of practical strategies. An organization's functions and responsibilities should be readily available.

Insist on proceeding from the point of view of reality, seek the truth from facts, and perfect, modify and adjust practical strategies in a timely manner. Generally an inspection of the overall status of practical strategies takes half a year in order to make it objective, and then to make modifications and adjustments.

The foundation of business is to develop strategies. Business strategies are overall strategies made to adapt to environmental changes and to realize long-term development. Just as military, economic, social development, and business strategies are the guidelines for every action, the general principles of each work for businesses and for the fundamental guarantee of their sustainable, rapid and healthy development. Leadership management must put an emphasis on business strategies related to their development. Good strategies for business development are the basis and preconditions for competing in the market.

Good strategies are conducive to enhancing a company's ability, cohesion, and improved market competitiveness. For leadership management, a lack of overall strategy results in the absence of guidance for daily decision-making and of methods of coordinating different teams. Furthermore, different departments follow different performance evaluation standards and are unable to define key matters in their work.

For a business, a scientific grounding is needed to develop scientific and correct strategies. Generally, it includes the following aspects:

1. Scientific analysis of the external environment. For a business, its external environment is usually undergoing dramatic changes and these changes will have a significant impact on its operations. At the same time, it gains insight into the influences brought about by these changes. Analyze major and minor influences caused by industrial changes, and their direct and indirect impact on business. Then make a systematic analysis on these influences in order to gain insight and to take corresponding countermeasures. Analyze the chances for and threats to business. Strive to forge a stable business environment.

2. Scientific analysis of internal resources. Before formulating strategic planning, an analysis must be made of the internal resources of businesses, including the systematic analysis and assessment of human resources, materials, financial resources, scientific research and production resources, network resources, invisible resources (corporate culture, personnel awareness and so on). It is also required to spare no efforts in

integrating social resources in order to lay the foundations for the development and carrying out of strategies.

Next comes an analysis of the capabilities of a business. Carry out a systematic analysis of productivity and marketing power, profitability, finances and income, the development of power, operating power and so on. Make it clear where the competitive advantages of the business lies, define and strive to construct a core competitiveness, and evaluate the current capability status of the business.

3. Definition of the enterprise vision, mission and values. Strategic planning defines the existing significance and future vision of a business. What does the enterprise exist and develop for? Actually, these basic questions are the very meaning of a business' existence. The value of this existence can only be realized when its meaning has been defined.

Planning defines the future vision and mission of a business. Its mission is the location in the commercial environment chosen by the business itself and is directly related to the setting of objectives for strategic planning.

The above discussions show that good strategies are conducive to businesses integrating their own resources, which can maximize the interests of resource allocation, enhance advantages and avoid disadvantages, and give play to comparable advantages. The development of good strategies can improve the profitability and economic assets of a business. Practice proves that under strategic management a business can achieve better operation results than those without strategic management.

The development of good strategies is helpful for enterprises in implementing full-scale modern management. Promoting strategic management is an important symbol to differentiate between traditional static management and modern dynamic management. In the process of developing and implementing business strategies, a business can combine leadership management ideas, organization, methods and means into an organic whole in an up-to-date way in order to improve the level of modernization of the overall leadership management of a business.

In short, only by developing good strategies, can businesses develop in the long term. Strategic vision is a must for their development and expansion. Focus on long-term development instead of being limited to the current situation. Leadership management strategies require leaders to schedule what should be done today or tomorrow, how it should be done, and to what extent. The future direction and means of development of businesses should also be considered. The chairman of Intel, Andy Grove always said, "Unprepared businesses go under during a crisis,

excellent businesses negotiate a crisis successfully, but only great enterprises can find opportunities in crisis." Only businesses with strategic thinking and planning can make progress. Therefore, strategy is a key factor for enterprises to achieve success or suffer failure.

The value of practical strategies

For countries and organizations, practical strategy is indispensable. Practical strategy has the following important values for the healthy development of a country or an organization:

1. Practical strategies can clarify the future direction of development. One of the most important values of practical strategy is to clarify the future direction of development of a country or organization. Leadership management activities lose their way without a clear direction. Only with a clear direction can we know what "the right thing" is; and only by adhering to doing "the right thing," can we avoid wasting valuable and limited resources.

2. Practical strategy can give us specific objectives to strive for. It can be defined as the objectives which should be achieved in the future for a country or organization. A clear and achievable objective is an important tool to strengthen confidence, boost morale and stimulate the enthusiasm of all the members of a country or organization. Great and achievable objectives are a catalyst for promoting development.

3. Practical strategy can determine the methods of achieving objectives. Practical strategy not only shows us a direction and objective, but also the right way of achieving that objective. The correct method includes policy, strategy, train of thought, measures, and a guarantee of achieving national and organizational objectives swiftly and and efficiently. As a way of thinking, practical strategy can greatly broaden our vision, and improve our abilities in taking overall responsibility for the future of a country or organization.

4. Practical strategy can make the constituent parts of a country or organization more coordinated. It can make all the functioning parts and people carry out their work with close attention to strategic objectives. All of their work must serve for the accomplishment of the objectives of the practical strategies. Therefore, these strategies must make everybody understand that the country or organization is a complete system, and in order to achieve their objectives in a better and faster way, every section and member must earnestly carry out their duties, and closely cooperate with other sections and members.

5. Practical strategy can help the leadership and management of countries and organizations to make better business decisions. It not only clearly defines the direction of business development and the business framework, but it also defines the core business such as long-term tasks and short-term objectives of a country or organization. Therefore it reduces much of the difficulty of making business decisions at the leadership and management level. Practical strategy makes everyone understand that only business decisions in favour of the objectives of practical strategy are decisions with real value and which can be achieved. All business decisions unrelated to achieving the strategic objective of the practical development of a country or organization, and especially for the development of new business, are decisions which should be avoided and turned down.

6. Practical strategy can help a country and organizations to better integrate resources and consolidate powerful inner strength. Since practical strategy has clearly defined the direction of long-term development, clarified the business structure, set the long-term objectives of the country or organization in order to allow them to prospectively organize and configure their limited resources according to practical strategic demands, resources should be used in the most needed and appropriate places, which leads to the achivement of better results with the same number of resources. This greatly aids the strengthening of a country and of the improvement of an organization's overall competitive ability.

7. Practical strategy can help countries and organizations to avoid management risks more effectively. A complete practical strategy predicts management risks which may occur in the future development of a country or organization and proposes pre-arranged planning on how to guard against these risks. Thus risk and crisis management can be implemented, as well as preparation in business, public relations, use of capital, the economic situation and other aspects, which changes their position from being passive to being active. Practical strategy reminds a country or organization to pay sufficient attention to all kinds of possible crises.

8. Practical strategy can make a country and organization beat the competition in a more effective way. Due to the integrity and forward-looking of practical strategy and also due to its formulation can the present situation at home and abroad, and the competition between competitors be taken into consideration. This should be followed by establishing competitive and practical strategic measures against

competitors through strategic planning, so that it facilitates the country or organization to gain competitive advantages in the market.

In short, the practical strategy for the development of a country or organization is not just a dream or a mere scrap of paper, but it is a complete and scientific practical strategy plan which has an inestimably significant impact on improving leadership management and business performance and on promoting business performance. The value of practical strategy for a country or organization is like the value of the mind and wisdom for a person, without which the human body can never create anything of economic or social value.

Practical strategy includes many specific strategies. In general, they are planning, organizational, competitive, target-driven, incentive, control, human resources, cultural, public relations and practical strategies. These will be discussed respectively in the section below.

Section 3. Planning practical strategy with specific cases

The so-called strategic planning is the development and implementation of an organization's long-term targets. It is a formal and ceremonious process. It is divided into three stages. The first stage is to determine the target, that is, the targets that the enterprise should achieve in responding to various changes during future development. The second stage is to develop the plans once the target has been identified. We should consider what kinds of means, measures and methods we should use to achieve this target. Finally, all documentation should be prepared for assessment, examination and approval, and constant modifications are needed if it fails to meet approval. This is known as strategic planning.

If businesses want to survive and develop in the increasingly fierce competition of the market, they must have a long-term point of view; take business strategy as the core content of their leadership and management; and implement strategic management, all of which is of great significance for them. Without a strategy, or if the strategy is not clear enough, the operations of the corporation have no specific guidance, and it is difficult to form specific policies to meet market demand, or to gain a competitive advantage and achieve targets. Without a strategy, there is lack of a holistic policy and policy principles to shape the operation of the different departments into a unified team The company's leaders will be unable to keep the decentralized decision-making and

actions of different departments together to form a joint force, which means the company's efforts are likely to cancel each other out.

Leadership management and practical strategic planning

The leaders' understanding of the political and economic situation is directly related to the direction of the strategic planning. In 1979, Lu Guanqiu read a leading article in *People's Daily* named *Transportation is the Key for the Development of National Economy* and realized that China would vigorously develop its automotive industry. He decided to cut out all his other projects and to specialize in universal joints. A universal joint is a connector for an automobile's drive shaft and actuating shaft, shaped like a cross, with a length from nearly a foot down to one inch; the cross-section at the four ends should be as flat as a mirror and a new one must be replaced even if is worn down by just one-sixth of a hair. Lu Guanqiu dreamed of making cars, but his career started from the most basic parts in their construction.

Leadership and management are related to the effectiveness of strategic planning. The effectiveness of strategic planning includes the two aspects. One is the correctness of the strategy, which should lead to well-matched organizational resources and environment. The other is whether the strategy is appropriate for an organization's management processes, that is, whether or not it matches with its activities.

In 1979, Lu Guanqiu adjusted his strategy and focused on the specialized production of automobile universal joints. In 1980, for economic reasons, he delivered 0.43 million Yuan of universal joints which were not up to standard to scrap yards, and his factory obtained the highest score in the industry of 99.4 in universal coupling factory inspections over the whole country, and was listed as one of the top three fixed-point specialized universal joint production factories. The annual average growth of the value of universal joints rose by over 40 per cent from 1980 to 1989, and in 1988 Lu Guanqiu bought all the stock rights of the universal coupling factory from the government of Ningwei Town for 15 million Yuan. In 1990 he proposed the strategic approach of "large group, small accounting system, functioning capital and the international market." He opened up the markets in 18 countries and regions, such as Japan, Italy, France, Australia and Hong Kong with the universal joint products of his Qianchao Brand, and with annual foreign trade earning more than $2,290,000. With good business acumen and

foundations laid its early years, Wanxiang expanded further with cross-border mergers and acquisitions and into more financial areas; a huge business empire was emerging. In 1994, Wanxiang America was set up in the United States, which was an important move by Lu Guanqiu to integrate overseas resources. Wanxiang America Corporation was primarily responsible for selling Chinese products in the United States and for integrating the two sets of resources at home and abroad through the trade of equity, interest concessions and equipment on the market. In August 1997, the universal joints produced by the Wanxiang Group officially opened the door to the world-leading auto industry giant General Motors Corporation and became one of their products. On 28 August 2001, he purchased the NASDAQ listed company UAL. Now Lu Guanqiu has 26 overseas businesses within his own business empire.

Looking back at Lu Guanqiu's entrepreneurial track record, it is not difficult to work out that his success profited from an accurate understanding of current conditions and so he developed targeted business development strategies, as well as the practical operations of this strategy. This is made a fleeting opportunity become a development opportunity for Wanxiang.

The construction of a case analysis in practical strategy planning

One of the most important functions of corporate leaders is strategic planning. The starting point of strategic planning is usually SWOT analysis. SWOT analysis, that is, Superiority Weakness Opportunity Threats analysis is a competitive situation analysis method and is one of the most basic methods for analyzing a market. It can conduct a deep and rounded analysis and gain a competitive advantage through the evaluation of the strengths (Strengths), weaknesses (Weaknesses), opportunities (Opportunities) and threats (Threats) of a business before establishing a development strategy.

The analysis of strengths and weaknesses mainly focuses on the comparison between a company's own strengths with those of its competitors, while analysis of the opportunities and threats focuses on the changes in the external environment and their possible impact on the business. During the analysis, we should collect the internal factors (that is, strengths and weaknesses) together and then use an external power to assess these factors.

1. Strengths and Weaknesses Analysis (SW). The so-called competitive strengths refer to the ability of a business to overtake its competitors, and this ability contributes to the attainment of the main target of the business, which is profit. Competitive strengths can be any advantage which makes a business or its products different from those of its competitors from the point of view of consumers; it can be the width of the product line, product size, quality, reliability, suitability, style and image, as well as the timeliness, attitude and enthusiasm of its services. Although competitive strengths actually refer to an enterprise having a strong advantage compared to its competitors, it is more significant to figure out the specific strength of a business. This is the only way to enhance its strong points and avoid its weak ones.

Because a business is a whole, with a wide range of sources of competitive strength, we must conduct a detailed comparison between the business and its competitors at every link of the entire chain during the Strengths and Weaknesses analysis. For example, whether the product is new, the manufacturing process is complex, the sales channel is smooth, as well as whether the price is competitive. If a particular aspect of the advantages of a business is the critical factor for it success among all the businesses of a particular industry, then the competitive strengths of the business are stronger. Let's take Haier as an example to indicate a SWOT analysis.

Strengths: research and development are one of the Haier's biggest strengths. For six consecutive years from 2002 to 2007, Haier achieved first prize in the National Centre for Technology; they declared 8795 patents, including 2261 invention patents; they accumulatively hosted and participated in 152 National Institutes of Standards and 9 International Standards. Haier is the only business from a developing country to be a member of the IEC – PACT ISO Future High-tech Committee; they have won 11 National Science and Technology Progress Awards; they have set up 13 National Programs including five National Science and Technology Support Programs; they have also set up a Natural Science Fund, being the first electrical appliance business to do so; they have set up six post-doctoral work placements; they developed the first digital TV decoder chip with independent property rights in China and the first batch of pilot or test units in China; they were among the first group of businesses with the posts of Taishan Scholars. In the field of innovation, the OEC Management Mode, and the Market Chain Management and Personnel-order Integrated Development Mode, which were explored and implemented by Haier, attracted the attention of the international management community. Haier's advantages also include:

the long-term influence of corporate culture; higher staff quality; good foundations after years of standardized management; taking information technology as their primary projects; conceptual change followed by a process of re-engineering, as the two complement each other. Starting from when Zhang Ruimin smashed the refrigerator, Haier began to change its way of thinking and finally achieved its current great success. Compared to foreign enterprises, Haier's information has the powerful advantage of a long history.

Weaknesses: Haier is very weak in the fields of communication and public relations skills. The PR weaknesses of Haier are partly due to its recruitment procedures, which only put an emphasis on knowledge of technology and ignore any individual ability. The internal and external speeds of the development of information are not coordinated. The speed of its internal information is better, but as for external information, and especially the electronic data interchange with some of its suppliers and distributors, this has met with difficulties, and so it is still difficult to complete any cost reduction of procurement and distribution.

2. Opportunities and Threats (OT).

With the rapid development of the economy, society, science and technology and other aspects, especially the acceleration of the integration and globalization of the world economy, the establishment of the global information network and the diversification of consumer demand, the environment that businesses created in the first place is more open and chaotic. This change has had a profound impact on almost all businesses. Because of this, environmental analysis is becoming an increasingly important function in business.

Environmental trends are divided into two categories: one represents the environment threats and the other one represents environmental opportunities. Environmental threats refer to the challenges formed by unfavourable trends in the environment, and without decisive strategic behaviour, a negative trend can weaken a company's competitive position. Environmental opportunities are an attractive area for corporations. A company can have a competitive advantage in this field.

The "Five Competitive Forces Model" of organizational environment proposed by Porter can be used to analyze the degrees of opportunity and threat to a business. It proposes that there are five forces which decide the size and extent of competition in an industry, and these five forces comprehensively affect its attractiveness; it is an effective tool used to analyze the types of competition in any given business' industry. The five forces in involved in this model include: the appearance of a new

competitor; the threat from a substitute industry; the bargaining power of the buyer; the bargaining power of the seller; and the competition between existing competitors. In general, when these dangers are all relatively high, an industry has few opportunities but a large number of threats, and companies in the industry can usually only attain an average level of economic performance. On the other hand, when these dangers are all relatively low, an industry has a large number of opportunities but few threats, and it is possible for organizations in that industry to attain a higher economic performance than average.

Opportunities: great achievements largely as a result of corporate culture, for example BE generated from NOT BE is Haier's cultural outlook; Everyone has talent, they race a horse rather than just looking to judge its worth. This is Haier's outlook in terms of talent; seek potential before profit is their strategic outlook; business is just like a ball on slope is their OEC management method; markets are everywhere and everyone has their market is their market chain; a brand is a sail and consumers are teachers is their brand marketing; consumers are the rich earth of business is their service outlook; go out, go in and go up is the concept behind their internationalization; the essence of management lies not in knowledge but in action is their management method; sincere forever is their image. In order to achieve significant development in the future, Haier must continue to develop on the basis of its corporate culture. At the same time they should focus on technological innovation to gain business information. Along with a growing international trend, Haier is faced with great opportunities and challenges. The opportunities for Haier's development lie in getting to know the current business world, in progressing with the times and in continuing to innovate. The future direction of Haier's development mainly relies on three changes. First, the transformation of their internal organizational structure; second, the transformation towards the international market. This does not refer to exports, but to establishing overseas factories and corporations. Third is the transformation from manufacturing to the service industry, thus achieving their aims on the front-end and providing services on the back-end. In this case, they should also seize the opportunity to meet challenges and create a world famous brand.

Threats: Haier still faces many threats, and along with the continuous emergence of household electrical appliance businesses and the improvements in technology, Haier must constantly improve their level of scientific and technological innovation, thereby increasing their own advantage. In addition, they should develop towards working in many

different industries to improve their competitive edge. Other businesses in the same industry have also accelerated the pace of dealing with information, and this is the threat now faced by Haier. Competitors are threatening Haier, but the first one to dare to eat crab may be a hero, but is not necessarily successful. Haier's external information is virtually at a standstill, but once the conditions for information are ripe from a technical point of view, nobody will be slower than anybody else, so inevitably there is the suspicion that Haier's competitors are along for a free ride.

SWOT analysis provides a powerful tool for businesses to conduct a comprehensive analysis of the immediate situation, as well as to establish strategic planning accordingly. In the increasingly fierce competitive market environment businesses should recognize their own strengths and weaknesses, and identify both opportunities and threats, as well as being good at taking opportunities from threats.

Section 4. Organizational practical strategies and cases

Many leaders have this confused idea: why did a perfect program not achieve the desired results when actually carried out? Why do businesses adopting similar strategies obtain very different results? In early 2003, two American management experts Larry Bossidy and Ram Charan proposed in their book, *Execution: Knowledge on How to Complete the Task*, that failure in business is often not due to using the wrong strategy, but because good strategy cannot be accurately carried out, so incompetent execution is the real cause of business failure. Executive power is not enough for a business that wants to reach its expected performance; there is another vital link somewhere between strategy and execution. This is organizational practical strategy, with the formula of Strategy – Organization – Execution – Results.

Organizational practical strategy and leadership management

In leadership management science, organizational practical strategy refers to the planning and decision-making of an organization about the overall, long-term, planned objectives. In other words the planning and

decision-making of an organization are there in order to adapt to future changes in the environment, production and management, as well as sustained and stable development. During the decision-making process, the top senior leadership manager is the compass for the formulation of organizational practical strategy, and the radius of the vision of other leaders will decide the range of their organizational practical strategy.

1. Organizational strategies are marked with the personal stamp of leaders to some degree. As a strategic force on the bridge of a plan's execution, the leadership management's capacity is an important link in organizational practical strategies. A leadership manager's abilities, manners and methods of handling business handling are important factors of organizational practical strategy and are directly related to the direction of development and the overall fate of the organization. Just like Donexie and Xidu who have different personalities, Taohua Island and Baituo Mountain naturally have different styles.

Wu Bingxin, the Chairman of the Sanzhu Group and the famous private business Shandong, is quite cautious about the concept of family business. He established a family rule that the president of the Sanzhu Group should be elected by the community and only their own children and grandchildren can choose who fills the position of Chairman, but not that of the administrative CEO. So, after a period of rest from the business, professional manager Zhang Qiang held the position of President of the Sanzhu Group, followed by his successor Zhang Hongliang. The current president of Sanzhu Pharmaceutical Group is Li Xianfa, and the president of the Ecological Beauty Group is Xiao Ruihai, and so on. Sanzhu started corporate restructuring from 1999, including industry restructuring, organizational restructuring, and allocation and incentive mechanism restructuring. One of the most important aspects is to appoint a large number of professional managers who are responsible to both the Board and the staff, as well as being under the supervision of the Board of Supervisors. As chairman of Sanzhu Group, it is down to the careful business decisions of Wu Bingxin for any further development.

2. Successful organizational practical strategies never lack a wise leadership manager. A business is like a person with the top leadership manager as its brain. A lot of health problems are actually produced by the incorrect concepts or ideas of this brain. Only when the brain finds that health is the most important thing does it accept this idea and from then on continually takes action so the business can finally have a healthy body and efficiently complete its work. So, leadership management is vital to the success or failure of a business' organizational practical

strategy and the selection of an appropriate leadership manager is one of its most important elements. The abilities of a leadership manager should adapt to strategic requirements. So, from the point of view of organizational practice strategy, what kind of leadership manager does the organization need?

The choice of leadership manager should adapt to the specific requirements of organizational practical strategies. The leadership manager needs to have the right qualifications matched with the organizational practical strategies; he should be capable of making independent judgments and have effective control over certain key factors in specific strategic areas; and he should make up the backbone of the implementation of a strategy. In addition, he/she should also have a strong sense of responsibility and business acumen, not only in this capacity, but he should also be capable of forming a corresponding leadership management style and continue to innovate. Furthermore, leadership manager is not the role of being "Mr. Nice Guy" because sometimes tolerance does not bring the results you want. Both incentives and penalties should be used when necessary. The policy of a combination of both hard and soft management should be applied. This is the regulation of people's behaviour by laws and rules, and mobilizing their creativity and initiative through considerate management. Anyone who can only demonstrate one of these two elements cannot become a successful manager.

The current rapid changes in market competition require leadership managers to judge and react in a short period of time. For instance, Liu Chuanzhi of Lenovo regained the position of Chairman of the Board of Directors as required by the large-scale restructuring of his company's organizational structure in a short period of time when it was in danger. Because this adjustment had implications for a lot of relationships within the company, a prestigious leader was needed. It was clear that in all three characteristics needed for the ability to oversee organizational reform, that is, capability, motivational skill, and the ability to unite the ideas of the staff, Yang Yuanqing was no match for Liu Chuanzhi.

3. The implementation of organizational practical strategy needs to continue to motivate leadership managers. When we talked about incentives, a lot of people will think about how leaders motivate subordinates, but how to motivate the leaders is something rarely mentioned. It does not mean that the senior leaders do not need incentives; on the contrary, the number of executives and senior government officials shows us that senior leaders actually need more incentives.

In recent years, there has been more and more organized corruption from leaders. One of the most important reasons for this is the lack of incentives and supervision of senior leadership managers. Extreme differences between the salary of various individuals may lead to mental imbalances which in turn lead to the loss of supervision over senior managers and organizational management, and so it is not surprising to see the bribery of leadership managers. In addition, there has been a failure to combine the implementation of organizational practical strategic achievements with the individual incentives, supervision, rewards and punishments of senior leadership managers, which can lead to their lack of motivation for organizational development. The chase after personal interests is much more intensive in a market economy environment, so anyone, even senior leadership managers, can lack motivation for the implementation of organizational practical strategy if there are no incentives or a combined supervision, rewards and punishments system. Strategy itself has long-term risks, which makes it more difficult to link strategic results with personal performance. These leadership managers are generally more experienced and have a higher social status both spiritually and materially, thus the incentives for them are more complex and challenging than those for general employees. Successful implementation has to bring benefits for the entire organization, otherwise the entire organization will suffer. In any new situation, companies must constantly explore new incentives; motivate and implement a reward system for the management of strategic organizational leadership; effectively combine the organizational practical strategic results with the personal achievements of leaders; and strengthen the punishment system in an appropriate and timely manner.

The effect of leadership management on the accomplishment of organizational effectiveness

An organization is made up of people according to a certain structure and using a certain amount of material, physical and mental resources with the purpose of accomplishing specified targets. Qinchi and Qingpi are both liquor production companies, but why did the first one only last for a short time while the second one has kept growing for so many years? What is the reason? How to effectively improve the performance of the organization? From the point of view of leadership managers, we think this should be explained mainly from the following aspects:

1. Fully trust and authorize subordinates. Centralization and decentralization are seemingly contradictory terms, but this is not true. You must dare to carry out decentralization if you have dared to go through centralization. Authorization is a commonly used leadership method of Chinese leadership, because appropriate decentralization will free them from attending to numerous affairs every day. Centralize the crucial power, decentralize the less important power and mobilize subordinates through power is a smart and wise move on the part of a leadership manager.

2. Effective communication will improve the efficiency of an organization. Communication brings understanding; understanding brings cooperation; and without good communication, we are unable to understand each other's intentions and it becomes impossible to have effective cooperation. In the above case, if Gengzhu had not effectively communicated with Mo Zi, he would have been unable to understand that Mo Zi's goal was to educate and guide him. It is likely that he would have thought the teacher intended to make things difficult and thus he would have felt anger towards him, which may have led to disastrous consequences.

In leadership management, leaders should actively communicate with subordinates to avoid misunderstanding. Communication is a two-way process, so if only one party is pro-active and the other only responds negatively, then the communication is not going to be successful. As leadership managers, they should keep abreast of actively communicating with subordinates. As for subordinates, they should also actively communicate with their leaders and make their actual ideas clear. Only interactive communication can eliminate misunderstanding and bring mutual understanding, trust, unity and cooperation, thus improving the efficiency of the whole operation.

3. Formulate strict rules and regulations and set a good example. No rules means no standards. Regulations are a reflection of a modern organization, the basis of everything, and the foundation for efficient operations. Lenovo developed from a small business to today's leading business in Zhongguancun in just ten years; this achievement was not obtained by chance, but mainly depended on two basic factors. The first was the strategic awareness of Lenovo's leader, Liu Chuanzhi. The second was the powerful organizational capacity of Lenovo. Lenovo's powerful organizational skills are mainly embodied by its rigid system, which is capable of overcoming any original defects in the entrepreneurial team and ensures the implementation of their organizational system. The first aspect of Lenovo's culture is called the "institutional culture," that is,

the Spartan phalanx culture. There are two main features in this so-called Spartan phalanx culture: emphasizing collective power and the rigidity of the system. When this culture was established, all of Lenovo's staff from their top leader Liu Chengzhi, to every low level employee vowed to abide by and implement it. Take being late for a meeting as an example: Lenovo specify that it is not allowed to be late for meetings. If a participant is late by five minutes or more, he is not allowed to attend the meeting; if he is late by less than five minutes, he has to stand outside for the amount of time he is late by before coming inside. One day, Liu Chuanzhi was late by about three to four minutes, so he just stayed outside as specified in the rules before entering the conference room. Just imagine, if even the top senior leader of the company can lead by example, how can other employee not comply with the system?

4. Pay attention to the cultivation of team spirit and create a learning organization. In his book *On Consumption*, Wu Bingxin, president of the Sanzhu Group mentioned that the key to achieving corporate targets lies in leadership managers. But what does it mean to be a good leader? *On Consumption* gave us some recommendations, including that the most important thing is to study hard to improve your own level, and to adapt to new situations, or you will be finished. In addition, it also mentioned that leaders should arrange for employees to study.

The Bright Dairy Milk Company in Shanghai has a long history of 90 years, and the demand for its milk has always exceeded supply under the planned economic system. It established nine dairy plants in Shanghai and specified their range of responsibilities. But after the 1990s, on one hand the demand from consumers for milk showed sudden and huge growth, and on the other hand, under pressure from international giants such as Danone and the emerging new brand Ely, reform was the only chance of survival for Bright Dairy. For them, the only constant thing was constant change.

"All-powerful and enduring companies in a market economy must be of the learning type." said the former president and general manager of Bright Dairy, Wang Jiafen. In a rapidly changing competitive environment, the foundation for the survival of a business is the ability to learn, but this ability is never enough, even you have a Ph.D. and have done post-doctoral research. In order to achieve profitable growth during its rapid development, Bright Dairy had to comprehensively upgrade the leadership management methods, their organizational ability and their ability to think systematically. Never think that you have learned enough. A learning attitude is essential in the rapid development of a business.

Bright Dairy has become committed to building a learning team, whose objective is to become the leader of China's dairy industry.

Section 5. Practical strategies for competition

During the 2010 Mobile Phone Industry Development Conference held on 22 December 2010, Chang Jiayue, senior manager of the technology department at China Mobile, said that the App Store has become the strategic focus of competition within the mobile Internet field. Chang Jiayue said that China's three major operators have started to deploy a 3G Network and will implement a 4G Network in three to five years. The advancement of mobile technology is an irresistible trend, and mobile phone manufacturers and operators have launched a mobile application store called the App Store.

The strategic significance of core competitiveness

Competition among businesses is actually the competition of core competencies. The core competitiveness of a business determines its survival. It is formed through actual competition, which is therefore the foundation of competitiveness. Therefore, in order to win in the face of fierce market competition, it is necessary to have a correct understanding of the competitiveness of your business, and especially its core competitiveness.

The purpose of the existence of a business is to make a profit and as competition is unavoidable for achieving this profit, why are some companies short-lived, why do some fail after a longer time, while why do some others experience setbacks but still keep growing? The reason lies in the support of core competitiveness. Out of the twelve prestigious companies selected as the first batch of constituent stock by the Dow Jones Industrial Average index in 1896, only General Electric has remained until today. Another example is that many large enterprises including Giant Group, Feilong Group, Asia Group, Qinchi Group, all of which once had glorious successes, have disappeared now. No one would suspect that they once had strong core competitiveness. Their decline was only caused by the loss of their core competencies. So how to maintain core competitiveness is an important issue faced by the leaders of every business.

The cultivation of core competencies

Science and technology are primary productive forces. The Core competitiveness of an enterprise in the traditional sense is generally understood as a scientific and technological innovation. However, with the growing complexity of competition in the market, core competitiveness is no longer limited to technology, but has been extended to all the various aspects of the value chain. As indicated in an advertising campaign, core competitiveness means, "I have something they do not have and mine is better than theirs."

1. Technology. When Kai-fu Lee from Microsoft switched to Google, Microsoft was very upset and ultimately resolved the issue by the law. Why was Microsoft so worried about the resignation of an executive officer? One of the key reasons was that Kai-fu Lee knew a lot about the development ideas and directions of Microsoft's new technology and he was in a position to make Google more familiar with these, which could then cause significant losses to Microsoft. Technology will always be able to hit the most sensitive nerves of a business.

2. Achieving excellence through customer service. The customer is always right. This is something that has been said for many years, but what about its real implications? Most of the time, chasing of short-term profit leads to an ignorance of consumer demands and ultimately to a short life span of a business.

The predecessor of Haidilao was a small stall on the Sichuan Road. Ten years ago, an off-duty worker called Zhang Yong set up four tables in his hometown of Jianyang and began to sell hotpot in his spare time. He knew nothing about the catering industry, as he said, "Both the location and food are not the best, but we have to provide a better service in order to survive; respond rapidly and smile apologetically if customers are not satisfied. It turned out that everyone said that my food was not good but they still liked to come and eat." The experience left the Haidilao better off. Zhang Yong found that the concept of "customer first" which has been advocated for many years was not given much attention in the food service industry, which lessened its value. This allowed him to determine the goal of Haidilao, that is, achieving excellence through customer service.

Making service Haidilao's hallmark needs the joint effort of all their staff. In Haidilao, you often see members of staff holding plates and running, and clearing and laying tables extremely quickly. Shoes are polished, nails are manicured, hair bands are washed, and so on. Many innovations seemingly not worth mentioning have made customers willing to wait. As the one of the regular customers of Haidilao, Y compared her

first visit to Haidilao as Liu's grandmother's first visit to the Grand View Garden. Generally speaking, waiting for a meal is an extremely boring process, but Haidilao behaves in a diametrically opposite way. Y said when she was in the waiting area enthusiastic service personnel immediately brought her fried prawn crackers, fruit, milk, lemons, mint water and other beverages. In addition, they also reminded her that she could play chess and enjoy free Internet surfing. But what really surprised her was that they even provided a free manicure service. "Any time we need them, we can easily find them nearby." Y said at every part of the whole process, from parking, waiting, ordering, going to the restroom to paying and leaving, you always have some kind of service. "When you are eating, the waiter helps to put your mobile phone into a small plastic bag to protect it against water; he provides a rubber band or small hairpin for women with long hair; and he provides customers with a cloth for cleaning their glasses." Y said she has already got four or five of these cloths from Haidilao. "It's hard to imagine," she said "how could they come up with these little details? If you ask me about why I love to come here, I should say it's the service details, which let guests feel at home." Regular customers like Y make up a large proportion of the Haidilao's customers. They all have their own familiar waiters who are familiar with their names and can even remember someone's birthday or wedding anniversary.

On websites such as the Hankow Thames and FanTong.COM, Haidilao has consistently been on the list of "Best Service" in many cities. Apparently, what attracts customers is not just the food, because there are many more restaurants with delicious foods. This Chinese private catering enterprise with a per capita consumption of sixty or seventy Yuan is widely praised for its meticulous service – it has even caused multinational giants to visit and learn with a humble attitude. In 2006, 200 regional managers from Yum China visited Haidilao with the aim of visiting and learning to promote their level of management. In fact, if Pizza Hut, KFC and Yum are already management models in the industry, why is Haidilao worth twice as much food and drink and has corporate giants learning from them?

Perhaps we can see the advantages of Haidilao from a simple example. There are two main standards for Haidilao to assess their store managers or regional managers. These are customer satisfaction and employee satisfaction, and not turnover and profit which are deemed as the highest index by a lot of companies. As said by the deputy general manager of Haidilao, Yuan Huaqiang, exceeding customer expectations has won fame for Haidilao. "Comfort for its employees who in turn make customers feel happy is the way of survival for Haidilao."

3. Team spirit. The world today is a world of cooperation and a single individual is unable to complete a large project. Therefore, every employee should have team spirit, blend into the team, be proud of being part of the team and cooperate with other members while doing their own work.

The tiger is the king of the beasts, but there is a saying said that a tiger fears a pack of wolves. This does not mean that a wolf is more ferocious and braver than a tiger, but refers to the fact that wolves are animals with a very strong team spirit and when they encounter a threatening enemy, they take up their positions and fight the enemy through close cooperation, so even as the king of the beasts, the tiger, can do nothing about them. We should also learn and develop the wolf's spirit in our work.

When talking about why he employs demobilized soldiers, Niu Hubing, General Manager of the Laozhuancun Food and Entertainment Company said that, "I am a retired soldier and I believe that people who have ever been soldiers generally have a very strong team spirit, and are hard-working. This is the main reason why I am willing to hire them." A highly competitive enterprise should not only have perfect individuals, but also a perfect team. If a business does not have team spirit, then it is not unified; a good team spirit is the core competitive force in business. How to encourage team spirit in members of staff?

The first factor is sincerity. Faith is the basis of trust. If you open your heart and abandon thoughts of racing against each other at work, then the development of the entire unit will form a positive cycle; lies can only work temporarily and in the end earn you the long-term distrust of your colleagues.

The second factor is mutual trust. Mutual trust is a basic human morality and also the basic principle of teamwork. We can only understand each other when dealing with problems and contradictions under the premise of mutual trust. Team members must cultivate and adhere to the good habits of honesty and sincere cooperation.

The third factor is cooperation. Team members each have their own advantages and disadvantages; some show their strengths while others may reveal their weaknesses when meeting difficulties, and it is difficult to form a strong unit if we cannot achieve a cooperation of knowledge, character and experience.

The fouth factor is brand. Brand effect can enhance consumer awareness of products and increase their desire to buy them. Brand is the summarization of the quality, characteristics, properties, and application level of products, which in turn represent the style, spirit and reputation of a company. When consumers think of a brand, these aspects will

quickly come to mind. Therefore, in this way the brand represents the market of the company; and brand effect is the most effective way to set up the company's image.

The "Wolf Culture" concept of Septwolves is an excellent expression of the masculinity and team spirit of men. Septwolves vividly interprets its own unique male ethnic culture, which is reflected by the enterprising spirit and successful image of modern males in a complex social environment and by the strong competitive pressure exerted by the image of lonely, aggressive individual characteristics and the team-working spirit of wolves.

The target population of Metersbonwe is fashionable, energetic people aged between 18 to 25 years old. They advocate the brand image, the personality and willingness to accept new things expressed by young people, that is, a willingness to be seen in an unusual way and a desire to be outstanding.

Quality is the life source of branding and its competitive strength. The quality of a brand does not come from a Golden Award or Silver Award presented by the authorities, nor from being a global brand such as JNJ. It is made by customers with their "monetary vote." The excellent quality of a brand is the inexhaustible ability to win customer loyalty.

5. Innovation. This is an inexhaustible motivation for national development. Innovation is not only the innovation of science and technology but also of new thinking, service and even management methods. In short, everything fitting into a gap in the market can be explored and which brings profit for the business can be called an innovation. The Baodan Bag of Haidilao is a plastic bag to protect customer's mobile phones from water, and it is called this because the idea was proposed by an employee called Bao Dan. Therefore it is an innovation.

On 25 November 2010, the awards ceremony at the Huicong Textile Network and Huicong Clothing Network was held in the Diaoyutai Country Guest House in Beijing. After five months of national polls, the list of the Top Ten Men of the Hour was finally decided on. Lawrence Xu won first prize in this competition as well as being a Top Ten Designer in the clothing industry. Lawrence Xu graduated from the Clothing Design Department in the Central Academy of Art, and then studied in Paris, becoming the favorite pupil of France's famous dress designer, the artist Francis Delokranfrancis Delokran. Born into a family of architects, Lawrence has always had a great interest in Chinese traditional culture since childhood and he received a good education. His costume design laid particular emphasis on westernized draping cutting combined with

design elements from Chinese traditional culture, forming a unique Chinese style. He became known as the top classic dress designer of China who promoted Chinese elements of style to the world. Some typical designs include: the Dragon Dress of Fan Bingbing which won the Top 10 Dresses in Cannes 2010; the Peacock Dress of Zhang Jingchu which amazed Berlin and the whole world; the gorgeous Brocade Dress of Zhou Yun at the Venice Film Festival; and the Meihuasannong Dress of Yan Ni at the Berlin Film Festival.

Core competitiveness cannot be formed in a short duration of time; it is a lengthy process. During this process, businesses need to lay a solid foundation, follow the rhythms of the market, stand firmly and fight steadily according to their own actual situation and thereby eventually obtain success.

Section 6. Target market practical strategy

Market segmentation provides a common opportunity for enterprises to enter the market in a more effective way. However, this does not mean that all markets need to be entered, so how to choose a target market is a significant problem in many companies.

Target market selection and positioning

Marketing expert Kotler once said that the core of modern strategic marketing can be defined as STP marketing: Segmentation, Targeting and Positioning. After the market has been divided into segments, companies can enter into one or more of these segmentations of the established market. Target market selection is to estimate the degree of attractiveness of each market segment and to choose to enter one or more of them. This is the selection of target markets. It has the following three steps:

Step 1 is segmentation. Divide the entire market into different purchasing groups which need different products and different marketing mixes. Companies divide the market into segments in various ways in order to demonstrate the profile of the sub-markets thus formed and evaluate their attractiveness.

Step 2 is determination of target markets. Evaluate and select one or several sub-markets as the target market.

Step 3 is market positioning. Propose a systematical competitive position for the products and specific marketing blend.

All markets contain numerous buyers who have different requirements in one or several aspects. Purchasers have significant differences in many aspects, such as differences in desires and needs, geographical differences, differences in purchasing habits and so on. Each one of these variables can be divided into a market. Thus, so-called market segmentation actually means companies dividing the whole market into several segmentation markets (or sub-markets) requiring different products and marketing blends according to segmentation variables; any sub-market is a group of buyers with similar desires and needs and can be selected as a target market by a business.

Target market selection strategy

For any business, the purpose of market segmentation is to implement targeted marketing. They can find some ideal market opportunities through market segmenting, such as potential demand and unmet demand, which prepares the right conditions for market selection targeted marketing. So, what kind of market segments can become a company's target market? In fact, this is a question about target selection. There are five strategies for target market selection of:

1. Undifferentiated market strategy. After market segmentation and through weighing up gains and losses, a company may only pay attention to the universality of the market without considering the characteristics of any sub-market and may decide to promote a single product, and use a wide range of sales channels and unified advertising content to strive to meet the demands of customers as much as possible and attract more buyers. This strategy generally only applies to a market with a short supply or little competition. Coca-Cola in its early stages applied this strategy.

The advantages of this strategy is that the variety, specification and style of products are simple, which is conducive to standardization and mass production, as well as improving work efficiency, reducing production costs as well as expenses for storage, transportation and promotion. Management methods are also relatively simple. But this approach is no longer applicable for most businesses. Only some companies such as those supplying tap water, and power plants are still adopting this strategy. Goods with a very narrow market niche can also adopt this strategy.

2. Differentiated market strategy. Enterprises deciding to service several sub-markets at the same time design different products and carry out corresponding changes in the distribution, promotion and pricing. Thanks to this wider range, various different specifications and greater flexibility of products introduced to the market by a business, this strategy can greatly enhance the share of its products on the market. If their products are dominant in several sub-markets, it will increase consumer trust in the company. At present, more and more companies have are adopting this differentiated market strategy.

Procter & Gamble have adopted a differentiated market strategy. They did not just simply paste several trademarks onto products, but researched the differences between different brands of similar products, including aspects of their function, packaging, publicity etc., in order to form a distinct personality for each brand. If each brand has its own space for development markets do not overlap. Different customers require different combinations of interests: some think that washing and rinsing ability is the most important factor; some think that fabric softening ability is the most important thing; while others may want a fragrant detergent which is gentle and sweet smelling. So P & G designed nine different brands according to the nine sub-markets of detergents. If you divide into multiple markets according to function, price, packaging and other aspects with a multi-brand of the same product to meet the different needs of all kinds of customers at different levels, you cultivate the preference of consumers for your company brand and improve their loyalty.

Of course, this strategy also has its weaknesses. Mainly due to the increasing number of varieties of products, the advertising, sales channels and marketing methods have to be diversified, and it becomes necessary to raise the costs of production and marketing, which can affect the economic efficiency of a business to a certain extent.

3. Centralized target market strategy. This strategy is to select one or several specialized market segmentations as a marketing target, and carry out an aggressive marketing campaign against a certain market segment using the centralized strength of a company to secure a dominant position in the market. In general, SMEs with limited strengths often use a centralized marketing strategy.

4. Selective specialized market strategy. This means that leaders have decided to enter into several unrelated sub-markets. All these sub-markets have the potential of offering attractive market opportunities and are suitable for a company's objectives and resources. Although

these markets have no strong internal relations, they may become selling products both now and in future sales, that is, they are favourable to a company. This multi-market selection strategy has great advantages. It can spread the risk of a business, because even if risks are encountered in a particular market or in several markets, other markets can still sell products for the company and generate revenue.

Lu Guanqiu created a national brand in segments – the Wanxiang Group, but they do not only produce universal joints, they have also invested in education: they established the Hangzhou Wanxiang Vocational and Technical College. They would also like to enter the new energy market. During the two sessions held in March 2010, as the representative of the National People's Congress, Lu Guanqiu submitted *Recommendations on Vigorously Developing Photovoltaic Applications* and *Recommendations on Establishing National Standards for New Energy Vehicles*. He said that, "The investment in and the development of wind power generation, gas power generation and solar power generation have all improved. Wind power generation has been integrated into the national grid; natural gas power generation has been listed in Hong Kong and solar photovoltaic products are developing rapidly in the US market." Last year, he signed an agreement with the New Generation Energy Company of United Country to jointly build a 40 megawatt solar energy farm, which will be the largest in the US Midwest.

5. Product specialization strategy. Product specialization means that a company only provides a certain kind of product to various customer groups. This situation is typical in the field of special products such as microscope production, satellite manufacturing and so on.

6. Market specialization strategy. Market specialization means that a company only provides its various kinds of products to a certain customer group. An example of this is a company with a main market of all kinds of kitchen utensils, which develops and produces all kinds of kitchen equipment and which provides kitchen equipment for factories, offices, schools and other units. The advantage of such specialized production is that an image of a highly professional service can be established in the market.

Factors determining the target market

Through market segmentation, businesses will ultimately determine one or several target markets. In determining the target market, a variety of factors should be considered. It should not be an emotional decision,

because the suitability of a target market is directly related to the product sales of the company, as well as its market share and economic efficiency. Therefore, the following questions should be considered in determining what kind of target market strategy should be adopted:

1. A company's resources. These mainly include manpower, material and financial resources, information, and other aspects. This is the basis for both a company's production and the chosen target market. With adequate resources, a company has the ability to take the overall market as its target and then it can consider adopting a differentiated marketing strategy. If resources are insufficient to target the overall market, a company can consider adopting a more concentrated marketing strategy.

Chongqing Satellite TV created the First Red Channel on provincial satellite TV. From 3 January 2011, when watching Chongqing satellite TV, the audience was unable to find familiar TV shows. In the morning of 30 December 2010, Chongqing Radio and Television Group released the news that the programs broadcast on Chongqing Satellite TV would have a major adjustment at the beginning of the New Year and would strive to create the First Red Channel on provincial satellite TV. The biggest change was that it would no longer broadcast TV shows during the evening prime-time period, but self-produced Red Culture programs instead.

Advocating "red thoughts" and "cracking down on criminal forces" as the theme of local governments, Chongqing was elected as China's happiest city. In addition, the modern history of Chongqing was closely related to the Red Revolution and Red rock culture had already developed popular support. Chongqing opened its Red Channel to make full use of their resources of red culture, aiming at market segments corresponding to travel programs, drama, documentaries and other current professional channels, and reflected the diversity of all TV shows. It carried out differentiation marketing; while all the other TV channels were playing the same TV show, it was much more than simply a good way to solve a stalemate.

2. Homogeneity of products. These have fewer differences, such as food, salt and so on. Therefore a company can use an undifferentiated market strategy. If there are more varieties in product design, such as clothing, etc., they are more suitable for a differentiated market or a concentrated marketing strategy.

There are three large search service providers in China at present: Baidu, Yahoo and Google, which occupy 80 per cent of the market share

of the whole Internet search market and have become the top three choices for customers looking for research service providers. Although all three major search engines offer search services with similar technical levels, they have different target users and use groups. Baidu mainly targets young users, most of whom are young students and usually search for entertainment content; most of the Yahoo users are over 35s and who have the highest commercial flow; Google has an important influence on scholars, young white-collar workers and technical staff.

3. Homogeneity of a market. The so-called market homogeneity refers to the fact that most customers have the same preference for a certain kind of product, and the purchase amount each time is approximately the same. This indicates that the market is homogenous or similar. In this case, a company can use an undifferentiated marketing strategy.

4. Life cycle of a product. Every product has a certain life cycle; newly introduced products are usually well received by the market, so it is more suitable to adopt undifferentiated or concentrated marketing. When products have been around for a long time, this should be turned into differentiated marketing, and attention should be paid to developing new markets.

5. Target market strategy of competitors. Companies in the market should always pay attention to the trends of rivals and adopt effective marketing measures accordingly; this is the only way for you to remain invincible. When your rivals are actively taking over market segments, namely they have carried out differentiated marketing, your business should no longer compete with undifferentiated marketing, but should use the more effective market segmentation to look for new market opportunities and carry out differentiated marketing or concentrated marketing.

A new concept of marketing

Consumption is the final performance factor for the productivity of consumer society. It realizes the value of products through the sales process and their consumption. Throughout human history there has been a developing process of scientific research and production consumption driven by living and social consumption, which constantly create new consumer demands and then in turn transform these demands into an effect on consumption. The increasingly growing material and cultural consumption demands allow the economy to move forwards according to the circular spiral law.

Table 8.1 Comparison of three market systems

Item	Marketing	Mega-marketing	Large market system service
Goal of marketing	To meet consumers' demand.	To meet consumers' needs or create new consumption needs, change habitual ways of how consumption enters the market.	To meet various target consumers' demands or create new comsumption needs, change habitual service of consumption, meet the requirements of consumer materials, spiritual and information needs, and realize the market value.
Relevant parties involved	Consumer, distributor, supplier, marketing company, bank.	Besides ordinary participants, legislators, government agencies, trade union organizations, reform groups, and the general public are also included.	Besides ordinary participants, groups such as legislators, government agencies, trade union organizations and reform groups, etc. are included.
Marketing methods	Marketing research, product issuing, pricing, distribution planning, and promotion.	Besides ordinary methods, power and public relations are also used.	Besides ordinary methods, the main ones in marketing planning modes and planning creative marketing modes also use power and public relations.
Inductive pattern	Positive inducements and seller's inducement.	Positive inducements (including official and unofficial) and negative inducements (threat).	Positive inducements (including official and unofficial consumer experience) and negative inducements (threat).
Time	Short	Longer	Much longer
Investment cost	Low	Higher	Much higher
Participants	Marketing personnel.	Marketing personnel, senior personnel, attorneys, and the personnel of public relations and public affairs.	Marketing personnel, and senior personnel, attorneys, and personnel of public relations, public affairs, and after-sales service.

Section 7. Motivate practical strategy and a case study

Leadership management is the process of fully mobilizing people's initiative. It can only achieve its potential when this happens. Therefore, all ancient and modern leadership management activities work hard to boost people's initiative. The ancient Chinese used to motivate people by means of position, money and reputation, and feudal rulers considered them as the most effective methods to boost people's initiative for thousands of years. Rulers used power, wealth and so-called reputation to win over officials. From the perspective of modern leadership management, the most effective method to improve people's initiative is to use a certain theory to guide leadership management behaviour. This theory is called motivation theory.

The effect of motivation on leadership management

The scientific incentive system can promote the efficiency of leadership management, and the two are mutually reinforcing and complementary.

1. Attracting and retaining the most talented people to become leaders. Leaders with vision will attract talent and save human resources for the development of business through various preferential policies, generous benefits and fast-track promotion.

2. Developing the potential of employees; promote them to give full play to their talents and wisdom to improve their performance. With effective incentives, employees are to a certain extent satisfied both materially and spiritually, which will inspire their enthusiasm for work and improve their work performance. Japanese leaders always pay special attention to guiding employees to learn new knowledge, to study new technology and to master new skills, which encourages their employees to develop intelligence. From their point of view, the most important aspect of talented people is still intelligence. Thus leaders should motivate employees to continue to learn and accept a variety of training on a regular basis, so that their overall quality is continually enhanced.

3. Creating a healthy and competitive environment. The scientific incentive system includes a competitive spirit, and its use creates a healthy competitive environment, which then forms healthy competitive processes. In a competitive environment, the members of an organization

are under environmental pressure, which is converted into an incentive to make employees work hard.

Leadership management mainly focuses on how to lead and manage people, so it is an important task for it to inspire the correct motivation in people, to mobilize their enthusiasm and initiative, and to give full play to the positive results of human intelligence. It is difficult for leaders not to understand the motivation to maximize the enthusiasm of their employees. Leaders must devote themselves to studying what kind of methods can stimulate employees, attract their attention, and develop their potential in order to ensure the completion of the company's targets; motivation theory should become a compulsory method for leadership management personnel.

The approaches of motivation

How can leaders improve motivation? What are the specific approaches? Most people generally think of a raise or a bonus when talking about reward, but motivation means meeting the staff's demands, so the methods of motivation should be varied since the demands of staff are diverse. Leaders should bear this in mind and pay attention to a combination of a variety of different methods of motivation.

1. Target motivation. An appropriately set target makes people see the possibility of its realization, thus stimulating people's motives and increasing their enthusiasm. The target is an "incentive," an external force that can meet the needs of the people. This can be either a tangible object, such as remuneration for their work, or something intangible, such as academic standards. Both of these can act as people's motives.

Generally speaking, the higher the value of an objective is, the more inspiring it can be. An objective with both a high value and a possibility of being realized both lead to stronger incentive. In order to make the objective more interesting, corresponding staged objectives should also be set in addition to overall objectives. The overall objective will indicate the direction of work, while it is much easier to turn staged objectives into target behavior and mobilize people's enthusiasm. So these staged objectives should have a certain degree of difficulty and challenge.

Learning from foreign advanced business management methods, Zhang Ruimin proposed the "OEC management mode" with Haier's characteristics, that is, the Haier method. OEC stands for Overall, Every, Control and Clear. This means daily work should be completed and some kind of improvement should be achieved every day. OEC

Management is made up of three basic frameworks. These are the target system, the daily clearing and control system and the methods for effective motivation system. These three systems form a complete management process. First, set objectives using the target system; then ensure the completion of targeted work through the daily clearing system; and finally combine the results of the daily clearing system with the motivation system to inspire the whole company to strive for one objective. The target system divides business objectives into levels, which quantify everything which should be done every day by every individual, so that everyone is responsible and everything is under control. Everyone is clear about the work which should be done every day; all work is clearly divided; and even every piece of glass and every section is labeled with the name of the person responsible.

2. Feedback motivation. Ongoing information about each staged objective should be collected during their accomplishment. This includes the conditions of the work in progress; achievements and difficulties encountered; the updating and improvement of equipment; the source of raw materials and so on. All this information should be collated and made public, such as announcing the progress of the work; an evaluation of factory indicators; data about the political situation; technical, cultural and other forms of statistics assessment; how much profit there is so far; and ranking data of any competitors. This data catches the attention of employees and makes them understand current favourable conditions, ways to overcome difficulties, as well as the future progress of the work. This builds their confidence and sense of accomplishment, thereby improving their motivation to work. Japanese companies always put an emphasis on cost, so they make cost information and profit statistics available during the process of production to catch the attention of the staff and train them to establish a greater consciousness of cost. This measure achieves remarkable results and objectively adjusts all aspects of the employees' specific behaviour. Japanese companies avoid unnecessary losses because their staff tries everything possible to prevent waste in human resources, finance, materials, time and information.

3. Strengthening motivation. This includes the incentive of positive strengthening which is to recognize and reward the progress and achievements of employees. Negative strengthening is to criticize and punish the incorrect behavior of employees.

There are many approaches to positive strengthening, mainly including material and spiritual rewards, as well as a combination of them both. Material rewards can meet people's material needs and spiritual rewards

can meet people's psychological needs. Negative strengthening also has many approaches, such as criticism, inspection, sanctions, fines and the application of administrative and legal means to impose sanctions. But any punishment should be reasonable and combined with ideological education, while reward and punishment should be done at the right time. The true purpose of punishment is to punish the one who makes a mistake and sets a negative example for the majority of employees. Take the Battle of Jieting for example. Zhu Geliang killed Ma Su who lost Jieting, an important position for both Su and Wei, and put the whole of Su in danger; although Ma Su was a person very much appreciated by the Prime Minister Zhu Geliang, he had to execute him in order to appease the officials and people. Although this beheading seems incredible today, it tells us that everyone is equal according to the rules, and anyone who breaks the rules must be punished no matter who you are or what your position is.

4. Competitive motivation. Competition is a contest about human values and is the most enervating kind of motivation. Allowing competition among employees plays an important role in stimulating human motivation. Competition makes people active; it can enhance the effect of human intelligence and can give full play to people's talents. Numerous facts show that competition can increase the accuracy of perception and feelings, concentration, memory, quick thinking and and it can maximize people's potential. The introduction of appropriate competition makes employees feel the presence of a gap. This is a competition crisis and an understanding that a lack of progress means losing their jobs. After introducing competition, employees are no longer lazy but work hard, and their work efficiency increases.

Nowadays many companies implement the competitive selection system for leadership, which helps to improve their sense of responsibility and work efficiency. Competition is individual behaviour within a company, which embodies the principle that capable personnel will lead those less capable. The implementation of competitive incentives can fully mobilize the enthusiasm and creativity of leaders and employees, as well as significantly improve the overall labour productivity.

5. Leadership behavior motivation. The American manager McCormack once told a story in his book *The Know-how of Marketing*. One of his friends who had been appointed as General Manager of the General Motors Chevrolet Auto Factory went to Dallas to attend a business meeting. When he arrived at the hotel, he found that the personnel of the company had sent a basket of fruit to his room. He looked at them and said jokingly, "Hey! Why didn't you bring some bananas?" Since then,

the whole of General Motors has known that Di Luolun likes bananas, although he explained that he was just joking, and now there are always bananas in his car, charter flight, hotel, or even on a conference table. This story indicates the great effect the behavior of leaders can have.

Leadership behavior motivation means that leaders, starting with themselves, set an example for the other members of an organization when motivating them. Setting an example for an organization's members and motivating them by their own behavior is actually required during the fulfilment of their duties and the expansion of their influence. Organization members often take a good leader as a spiritual guide. He becomes the pride and role model of the organization, and this is one the most important kinds of spiritual motivation for the organization's members.

6. Job enrichment motivation. In the companies of Western developed countries, job enrichment has become an important part of management work. Job enrichment is a unique management term, which means to increase people's work motivation and to meet their needs at a high level through the improvement of job description and changing a job's content, thus achieving more motivation and fulfilling employees' potential.

Job enrichment has many approaches, such as extending personal achievements; introducing a variety of game activities; adding more responsible and challenging activities; and providing promotion or the opportunity to grow. Job enrichment is an incentive for employees as follows: it increases opportunities for having more responsibility, self-judgment and self-control, and at the same time it increases their self-esteem. It makes employees improve their feeling of strength and their sense of fun through doing difficult but more interesting work in order to improve their mood.

7. Employee participative motivation. Along with the recovery of employees' subjective consciousness, their sense of participation becomes stronger. Managers can adapt to their employees' ways of thinking, which allows them to participate in decision-making and the management of the organization. More and more companies in Western countries are adopting this method. It has been proved that participation really can motivate employees.

Allowing employees to participate in decision-making and management can inspire their sense of ownership and generate the idea that their fates are linked to their company. Businesses and other organizations gain sufficient inherent power when employees have this sense of ownership. There are many approaches to allow employees to participate in

decision-making and management, such as regular all-staff meetings to discuss the decisions for some major internal event; to motivate employees to contribute ideas and provide reasonable suggestions; to make some problems public and ask the staff to discuss possible solutions; and to choose employee representatives to attend regular director and management meetings to work out some decisions together. In short, the implementation of a participation approach does not only stimulate enthusiasm, but also it also meets the self-fulfilling requirements of employees.

A career target of reaching middle-management in a company gives people a greater sense of accomplishment, thus producing a stronger desire than basic level employees for entering a company's decision-making level. Senior managers can hand decision-making powers exclusively belonging to high-level management down to the middle-level. On one hand this can meet the psychological needs of the middle-level and enhance their sense of participation, making them feel a kind of satisfaction and sense of self-improvement. On the other hand, the company can process tasks in a more decentralized way without increasing costs, which not only can improve the efficiency of high-level management but also allows some research and test work for promoting middle-level managers in the future. In addition, transferring decision-making power to a lower level is conducive to the democratic management of a company which wins the support of more staff.

When purchasing Starbucks in 1987, Howard Shultz had only 11 stores. Now, it has 800 stores and 15,000 employees, and holds a monopoly within the coffee industry. Howard Shultz has always been well aware that the success of a company depends on the quality of customer service. Only well-trained, motivated and responsible staff can offer high quality services which can only be achieved through their participation. To do this, he introduced the equity motivation plan. At Starbucks, all employees are partners. In 1991, the company began to implement priority rights for stock purchase and implemented a stock purchase plan in 1995. In addition, all staff in the company enjoy health insurance, career counselling, paid vacations and other benefits. This equity motivation plan allows employees to stand in the same position as their leaders, and to become real company partners.

Starbucks attaches importance to creating an open and participation-oriented management style and to corporate culture. It ensures that employees at all levels can understand the content and significance of each proposal, decision, training and communication, thus generating

strong interest and active participation. The company also constantly adjusts the degree of employee participation according to changes in the industry and the company. They have designed a variety of communication channels for this purpose. There are various internal meetings allowing employees to voice their opinions and exchange ideas. Open forums are regularly held every quarter, in which they announce the performance of the previous quarter, new products, new shops and other recent trends to the employees via video-link. Here managers answer questions proposed by the employees on site just like a shareholders general meeting. This forum allows managers and employees to fully exchange their views and to turn them into the driving force of the growth of the company.

Employee participation gains this force from the staff, so the company does not only attract a lot of talented people but, also maintains a very low staff turnover rate in this industry in the United States. The stock of the company has tripled since it went public for the first time in early 1992.

8. The Sanzhu Group in China turns the three driving forces into policy and motivates the enthusiasm of its employees across the board. The three driving forces are the material driving force, the spiritual driving force and the information driving force, which are the most decisive forces for the development of a company. These three driving forces are not abstract and unmeasurable, and not only are they indispensable, but required for effective business development. Having mastered the law of these three driving forces, the leadership management of a company is more effective, and its cohesion is stronger and bigger, and so it can keep progressing and hold an invincible position in the face of fierce market competition.

Ruthlessness and humanity should be combined in management. There should be no favored person, and everyone must strictly play his/her role as a link and a part of the system. Any aspect of the business with a problem should be changed immediately. This requires that the management should be ruthless without considering any relationships. So everyone is equal in the view of the law and company rules and regulations and and so they must strictly abide by disciplinary procedure, which is known as ruthless management.

Although management has to be ruthless, each one of us is a human being with human feelings when we are outside work. In life we should care for each other like brothers and sisters. So, in addition to strict requirements, the top leadership should also advise and care for subordinates just like parents.

The ruthless management of a company requires institutionalization, which means that a system of responsibility of caring for lower level employees by the chairman and general manager should be established. In other words they should offer their congratulations on their birthdays, marriage, birth of a child, promotion and other situations; they should visit employees who are injured or ill in hospital and help employees with special difficulties; the expenses for these activities should be standardized and included in the system. This helps make members of staff feel a warmth like that of a family and helps improve the unifying cohesion of their company. Humanity and ruthlessness should be combined in order to promote unity and bring the biggest team strengths of the organization into full play.

Ruthless does not mean heartless, but the conditions of work make it necessary. Care cannot take the place of work or of management. These two aspects form a unity of opposites.

In short, motivation can be achieved in many ways and by many methods. In the encouragement of motivation, special attention should be paid to understanding its direction and it should be made to have a clear purpose. Incentive measures should be carried out in a timely manner, because recent effects show that a recent stimulus has the biggest influence. At the same time, special attention must be paid to all-around communication no matter what kind of incentives are applied, in order to make sure that all employees understand the approach, method, target and other aspects of the motivation. With appropriate, capable, timely application, motivation greatly increases the enthusiasm of all employees. It improves work and production efficiency, thus ensuring that business targets are met.

Section 8. The practical strategy of control

Wang Tong, the great scholar from the Sui Dynasty, wrote in his work *Wenzhongzi-Zhougong* that if you can understand the dynamic aspect of different things and do not become stuck in the mud, there is no unfavorable outcome for what you have done. But if you treat things with only a rigid understanding, a one-sided view, a dogmatic approach and an extreme attitude, all truth just turns to dust. In fact we are talking about the problem of control. With reasonable use of a strategy of control, leadership and management produce good results. Otherwise, the effect is counterproductive. So what is a reasonable scientific use of

control strategies? And what is the relationship between management and control strategies?

The function of leadership is to guide followers to make positive efforts for achieving organizational targets through the influence of the leadership managers. This means that the function of leadership influences the establishment of the organization control system and the quality of its work. In turn it also benefits the leadership and the efficiency of the leadership managers. In general, the corrective measures of any work may be involved in various aspects of the management. Leadership management activities that do not meet requirements should be put back on track.

The target of an organization determines its direction of development, and further decides the overall planning. However, due to the impact of changes in the internal and external environment of the organization, the completion of this plan is not easy. When achieving their targets, organizations are likely to deviate from their established track due to various factors. When this happens they need to use an important management function. This is "control."

The importance of control functions

During the process of implementing a strategy, reality always deviates from the ideal. No matter how carefully a strategy is made, people generally encounter situations inconsistent with the plan during its implementation for a number of reasons. This shows the necessity of control. The importance of strategic control is mainly determined by the following factors:

1. The dispersal of management rights.

Once a business has reached a certain scale, it becomes impossible for business leaders to directly organize and command the activities of all their employees face to face. Because of limitations in time and energy, the senior leadership has to delegate a part of their rights to the middle-level managers. In turn, some of their power is decentralized down to the grassroots of the organization. In any enterprise management responsibilities are dispersed among various management departments and levels. The higher the degree of decentralization, the more necessary the control system becomes to provide information and feedback on work performance to the managers who are given these responsibilities in order to guarantee they are being used correctly, and to make sure business activities meet the requirements of the overall plans and

corporate goals. Without control, and without the corresponding control system established for that purpose, leaders are not able to check the work of their subordinates. Even if there is a situation such as the irresponsible abuse of responsibilities, or activities that do not meet a plan's requirements and so on, leaders would not be able to notice this, let alone be able to take timely corrective action.

2. Differences in work ability. Even if a company has made a comprehensive plan, and the operating environment is relatively stable over a certain period of time, the control of business activities is still necessary. This totally depends on the differences of the cognitive and working ability of different managers and workers. The implementation of a perfect plan requires every department to comply with the plan strictly. While the members of the organization are working at different times and in different places, they may have different kinds of understanding of the plan according to their cognitive ability. Even if every employee can fully understand the requirements of the plan, the results of their work may also be inconsistent as to its quality and quantity because of their work ability. Any link in the chain which has this kind of deviation from the plan has an impact on the entire company. Therefore it is crucial to maintain some kind of control over its members of staff.

3. Changes in the environment. If leaders are facing a completely static environment in which various factors affecting the business never change, for example, the chain of supply and demand, the industrial infrastructure, the technical level and so on, they are able to run the company the same way day after day. Workers can also do their job using the same technology and methods. Therefore not only control over the work, but also the management planning functions become completely superfluous. In fact, this kind of static environment does not exist. Everything outside companies is changing all the time. These changes inevitably require a company to make some changes to the original plan, even down to their business content.

The role and status of control in business leadership management

1. The effect of control. Stephen Robbins has described control as follows, "While we can develop plans, adjust the structure of an organization effectively, and mobilize the enthusiasm of staff, we still

cannot guarantee that the plan is carried out as it was and that management achieves their target." The fundamental reason is control, which is the last aspect of managerial function. This is because an ideal situation is unlikely to become reality for business leadership and administration. No matter how well a plan is made, there are always some deviations with the plan to a lesser or greater extent due to a variety of reasons.

The effect of control functions are as follows:

i. Complex activities in any organization can be coordinated by control. Because of the developing trends of modern organizations' scale and complexity, it is an essential foundation for numerous departments and staff when they are coordinated to carry out to a comprehensive plan. Control ensures the implementation of plans.

ii. Control can avoid and reduce the administrative mistakes of leaders. Uncertainty about the circumstances of an organization and the complexity of its activities lead to unavoidable administrative mistakes. Inspection and supervision of the whole administrative process by control can detect problems in a timely manner, and thus take corrective measures as well as avoiding and reducing mistakes when working; it guarantees the implementation and completion of plans.

iii. Control can effectively reduce the uncertainty of environmental influence on an organization's activities. The environment faced by modern organizations has characteristics which are complex and changeable. A perfect plan also has difficulty in taking unexpected situations into consideration. Therefore, in order to guarantee an organization's targets and plans, it must have effective control over reducing all kinds of environmental influences on its activities.

2. The role of control. The control function belongs to management, and has close contact with the planning, organizing, leading and innovating functions, so the status of control in business leaders' management are as follows:

i. Control is a necessity and a basic tool for planning, organizing, leading and innovating. It is adapted as a basic tool for the development of planning, organizing, leading, and innovation. All these functions are more organized than the effects ensuing from no function of control.

ii. Control with regard to planning, organizing, leading and innovation is fundamental. The planning function provides a basis by which to set standards; the organizing function provides the foundation for control; the leading function is strongly reflected by the implemention of control; and the innovation function provides support and frameworks for

further plans, the organization and leadership. Without the above functions, the control function would no longer exist.

iii. Control is an important function throughout the whole process of leadership management. Modern organizations are large-scale, have a large numbers of members of staff and a wide variety of work. In order to make all the systems within organizations well coordinated, leaders must rely on control measures to supervise the entire process.

Section 9. Human resources practical strategy

Against the backdrop of modern economic systems, science and technology developing and improving rapidly, especially when modern transportation and communication tools are changing with each passing day, the boundaries between countries and regions has become blurred; national and regional trade has become increasingly frequent; the globalization of business and multi-national levels of management are gradually becoming deeper and wider, all of which is followed by the intensification of worldwide competition. Under the above premise, competitive success or failure depends on talent to a large extent. Business competition is actually a talent competition, and talent is the most valuable resouce of a company. A company's business decision-makers should put human resource management at the top of business strategy and develop talent from this point of view in order to develop the business to a first class position.

The strategic position of business human resources

The development and utilization of business human resources are different from traditional personnel management. It requires leadership management to set up an overall strategy for its development and utilization, rather than expedient and short-term actions. They should consider it as the most important strategic task and consistently pay special attention to it.

Leaders should realize that effectiveness in human resources has a great influence on a company's development. Inefficient human resources management can lead to a company suffering a high turnover in the

recruitment of staff and large numbers of layoffs, which results in high recruitment costs, redundancy pay, training costs, and even worse, staff morale becomes low. In addition, an unreasonable pay scale is unable to attract, retain and motivate any outstanding staff.

Ancient and modern Chinese and foreign thought on human resources management

People are a company's only real resource. Management has to develop sufficient human resources in order to complete their work. Human resources are the most important part of a company, so we should implement this idea in business leadership management practice, transforming from putting an emphasis on material management to human resources and treating people as a kind of the special resource who can make the organization survive and develop in the face of fierce competition, as well as always being full of vitality and energy. According to actual business practice, leaders should refer to and make innovations from the experiences of ancient, modern, Chinese and foreign human resources management.

1. Ancient Chinese thought. The ancient Chinese people had uniquely sophisticated thoughts on the selection of people. This gives us a helpful reference when exploring ancient and original thought on human resources and its effect on modern human resources development and management.

The rationale of personnel selection is critical to the success or failure of the business. All the outstanding politicians and strategists in Chinese history had a talent for recruitment. This was mainly embodied in the standards and methods of selection, attractive terms and conditions, and so on.

A standard for selecting personnel has always been a fundamental problem in personnel management. Many ancient scholars strongly emphasized both ability and political integrity. For example, Guan Zhong concluded that the monarch must review three aspects when choosing talented people, "the first one is that their morality is suitable for the salary, the second one is that their contribution is also suitable for the salary and the third one is that their ability is suitable for the position." These three questions are important, because placing a moral man in a lowly position is a waste of talent. Putting a person with low moral character in a high position is also a mistake. If people who

contribute nothing are rewarded, then people who do contribute do not feel any incentive; if people with no talent are placed in a high position, then talented people are buried.

Sima Guang confirmed that, "Talent is the basis of morality and morality is beyond talent," which explained the relationship between talent and virtue. He also analyzed the ability and political integrity of different people and reached the conclusion that people with both talent and virtue were saints and those lacking both of them were fools; people with virtue beyond talent were gentlemen and those with talent but without virtue were selfish. Since ancient times, most traitors and unsuccessful people were those with talent but without virtue. The standard of selecting personnel with both abilities led to a transition in Chinese history, and today it still has a very important significance.

A man with both talent and virtue is often a man with thought and character. We should not stick to one pattern with this kind of person in management. Mo-tse indicated that it was hard to perform a good bow which could go further; it was hard to ride a good horse which would take you a long distance; it was hard to manage a talented person who could make the monarch feel respected. Confucius also proposed that a gentleman was not an instrument, which referred to the fact that we could not use talented people as instruments and we should treat them with respect for their personality and recognize their autonomy.

Now a lot of companies pay more attention to talent than virtue in recruitment. Businesses always look for employees with a high level of education, a high degree of talent and have less incentive to evaluate their virtue. This can be harmful for the development of a business.

2. The idea of employment in ancient times. Many ancient thinkers and politicians regarded able and virtuous personnel as key to the issues and fundamentals of politics. As Mo-tse pointed out, "Virtuous people are the basis of politics." Tang Taizong said that virtuous people were important for politics. Si Maguang said that employment was the basis of politics. Zhu Yuanzhang from the Ming Dynasty made it more specific, he said that a building was constructed through all the efforts of the workers and management and that a whole country should rely on talented people. He regarded the management of a country as the same as the construction of a building. Construction is a project of vital and lasting importance which relies on a number of skilled craftsmen. Management of a country is a long-term program which should rely on a great deal of talent.

Virtue mainly refers to people's ideological level and moral qualities. Talent mainly refers to the ability of solving problems and completing

the task. Xunzi proposed that a man without ability should not be an officer and that, "The position of officer should be matched with ability. It is a general principle that we should appoint a position and distribute tasks according to people's actual ability. Only in this we can we encourage people to actively strive for their contribution."

Better employment means using advantages. Sima Guang concluded that the rise or fall of a dynasty depended on the management by talented people throughout the whole process of the rise and fall of Chinese dynasties in general. It is thus clear that getting to know people is the most basic premise of reasonable employment.

At present, it is difficult for companies to get to know people and to carry out effective management. Now, many companies tend to introduce highly educated and talented people without knowing that some of them are only suitable for carrying out research or development. Of course, some can be in management. In order to make full use of talented people, managers should give them appropriate posts according to their unique characteristics.

In conclusion, ancient people's thoughts on selecting people with both virtue and talent has been a guide to modern human resources development and management.

3. Experience and references of human resources management in the United States. The US has formed a comparative and complete human resources administration system. This is worth looking at.

i. The people-oriented management concept in the US. This is mainly embodied in the following two points: the first is to pay attention to changing a company's objectives into its staff's actions. Once a company's strategic target has been set, the company employs appropriate staff according to their training needs in order to make the employees explicitly match the company's objectives and consciously work for them. The second is to pay attention to researching and exploring human emotions which affect employees, and to mobilizing the enthusiasm of the staff.

Although human resources management in Chinese companies in recent years has also strongly advocated a humanistic-oriented change in management and a lot of effort has been made, generally speaking, this has not consisted of anything specific and administrative management is still the main means of human resources management and development. Assessment deduction, docking salaries, formulaic conversations and other methods lack personality and quantification, let alone pay attention to employees' psychological and mental pressures and feelings, which are the main reasons why employees cannot agree with the core values of a

company. Therefore, in order to solve integration problems between a company and its employees, we should study and explore the profound reasons affecting employees' enthusiasm for work, and make a company's human resources development and management embody humanistic-oriented features at every level and link.

ii. A new employment model. Companies in the US usually pay more attention to practical usage at different levels of human resources and its actual effect. They have tried out many employment methods including long-term workers, contracted and temporary workers, part-time workers, lease workers and so on according to the needs of the company. These different methods of employment ensure that the employer can choose different human resources at different periods of development.

China has abundant human resources, but most of them are manual laborers and there is still a relative lack of human resources with good knowledge and comprehensive quality, 80 per cent of whom work in scientific research colleges and universities. Only 20 per cent of high quality human resources work in business. In order to make better use of our advantages, we should vigorously advocate and encourage human resource leasing, human resource outsourcing or introduce a contract-based employment system, in order to maximize the effects of high-level talent. We should encourage cooperation between scientific research colleges and business in order to combine research and production. Finally we should use an intermediary company as a carrier to establish a talent pool which sends talented people to do demanding jobs, and constantly adjusts the deficiency between the high-level human resources surplus and the general human resources surplus, thus improving the utilization rate of talented people and alleviating the contradiction of a high-level human resources shortage.

3. The relevance for China of the human resources management model of Japan.

i. As for the employment of human resources, the Japanese use a long-term employment system. Japan's life-time employment system has a series of advantages. The workers are more concerned about their company's long-term interests. This system is also helpful for a company in carrying out long-term training for its employees. It is beneficial for the development of corporate culture, it reduces unnecessary staff turnover, and increases their allegiance to their company. This all contributes to the implementation of production and marketing strategies.

But this employment policy also has drawbacks, because it makes employees lose their awareness of the crisis of unemployment, which in

turn decreases their enthusiasm for work and labour productivity. This then leads it to having a serious impact on the company's profits. At present Chinese companies tend to combine the experiences of the United States and Japan, which not only creates a sense of belonging to a company, but also reduces the turnover of talented members of staff.

ii. A business should encourage internal promotion rather than the external introduction of human resources. The employment system of Japanese business is relatively closed. Internal training is the main way of meeting a company's human resources demands. All staff with high quality skills are able to do all kinds of work after training. So a fundamental quality is more important than specific skills in hiring employees. Training should not be just about learning the technical aspects known as the hard skills, but also a company's internal management system, the coordinated relationship known as "soft knowledge" and "soft skills." Based on training, companies should give priority to existing personnel for internal promotion, because they know better the current situation of a company, which is beneficial to long-term training, as well as avoiding the loss of talented people. It also contributes to enhancing the enthusiasm of the staff and to establishing a talent-based hierarchy. It is helpful in increasing employment stability, as well as the formation and accumulation of specialized human resources.

The development of China's labor market is still not perfect and it is difficult for a business to employ enough talented people in a short space of time. Therefore the external employment of talented people is being adopted as a means of developing business. In the long run, businesses should learn from the Japanese, mainly focusing on internal training in order to promote talented members of staff. Because a company's personnel know it better than anyone, building on the basis of an original skill, it can offer lifelong training, establish an internal pool of different talent, and promote internally. In this way, a company can mobilize its staff, develop their potential and enhance their loyalty; meanwhile, it can save on the expense of training recruits introduced from outside.

iii. As for human resources development, it is necessary to increase investment in staff training. In a Japanese company, employees generally start to attach importance to getting training opportunities for individual improvement and development, thus highlighting their importance. But at present the staff training system in Chinese companies still has serious problems; they do not pay enough attention to staff training and investment is seriously inadequate. Therefore, leaders should train a

group of professional management personnel for human resources management first, and then improve and strengthen the training system.

iv. In human resources management, a company should use institutionalized and emotive methods. The basis of Japanese business human resources management is relationships, which has an emotional feel. They pay special attention to their system's flexible arrangement; the organizational structure has an implied position doctrine and focuses on controlling a company through people. On one hand, there is strict discipline; while on the other hand, it has invisible constraints and control which affect the behaviour of the employees imperceptibly, and which thus make them consciously keep on track with regard to the targets and requirements of their company.

The basic human resources management system of Chinese business is far from perfect; there is no defined specification for recruitment, promotion or dismissal and most of the decisions are made without due consideration, which results in the instability of the team and they may lack a sense of belonging and security. Therefore, companies must establish a perfect talent management system. At the same time emotive measures should be properly used, that is, learn management methods from Japanese business to care about the staff's living and working environment, and meet personal development expectations and spiritual needs.

v. As for human resources incentives, material guarantees should be combined with spiritual motivation. Japanese companies pay more attention to internal motivation than external motivation. They adopt a lifelong employment system and do not easily dismiss workers. As for the relationships between leadership and employees, as well as among the workers, they strive to create a friendly, harmonious and happy atmosphere besides their cooperation with work. Employees have a full sense of belonging. The advantage of these measures is that it can give full play to the enthusiasm and dedication of the staff; one disadvantage is that low morality may affect the motivation of the employees.

The key of the incentive principle is to master the scale of rewards. Chinese companies should establish a mode of operation which combines the employees and their company together; learn from the methods of human resources management in Japan; build a democratic system for employees to participate in management decisions in a comprehensive, multi-channeled way; coordinate relationships between personnel of higher and lower levels; as well as processing and maintaining the link between staff benefits and production development. Through the

comprehensive effect of both material and spiritual motivation, we can make the staff share the same destiny as their company.

4. The principle of human resources and recruitment in the Sanzhu Company in China. Being people-oriented and giving full play to their talented workers are the main principles of recruitment in the Sanzhu Group, which are represented by the following aspects: the first is to respect and care for people. The second is to pay attention to realizing the self-value of each employee and the self-development of individuals during the development of the company. The third is to employ qualified and talented people, determine their positions according to their capabilities and never miss out on any qualified and talented person because of any personal reason. Anyone with talent should be promoted and on the contrary, anyone without talent should be demoted. The fourth is to pay attention to the learning and education of talented people and highlight the improvement of their qualities. The fifth is to select, educate and use talent in the right way, for example, if he is a tiger, the he is suitable for protecting the status quo; if he is a dragon, then he is suitable for swimming in a river; and if he is a monkey, then he is suitable for grasping a jujube tree. If we can use the strengths of the right people, everyone is talented. However if we use the strengths of the wrong people, their capabilities cannot be displayed even by people with real talent.

Section 10. Practical strategies of human resources

An old saying goes that, "those who gather talented people will flourish, and those who do not will perish." "Talented people make a country prosperous and they make their occupation frourish." Zeng Zi always said, "people who regard talented people as teachers can claim a throne, as friends will dominate, and people who favor yes-men will perish." Yan-tse in Qi Country pointed out, "there are three reasons that trap a country into becoming unstable: officers do not know about talented people; those who know about them do not employ them; those who employ them do not assign any important missions." There were many deeds about the prudent selection of leaders and talented people, which were praised far and wide in Chinese history. Tang of Shang conquered a lot of territory for the sake of employing of Yin Yi. King Wen of Zhou laid down foundations thanks to his respect for Jiang Shang. Liu Bang seized political power with the aid of Zhang Liang, Xiao He and Han Xin.

Liu Bei visited Zhu Geliang in his cottage three times to beg him with all of heart heart to take up an important post and then in return for his success he would have his share of one third of the world. Emperor Tang Taizong established his kingdom and created the "Zhenguan Reign Period" owing to his strength to get the best out of people. All of these can be regarded as the best cases of "thriving due to the employment of talented people."

As for leadership management in modern business, it can be summarized with one sentence: the main task of leaders is how to lead subordinates to fulfil a company's mission, that is, one is to make decisions, and the other is to choose talented people. The implementation of leaders' decisions still needs the assistance of "choosing talented people." Therefore, as leadership managers, it is essential to spot talented people and use them in reasonable way and carefully study how to manage them. Leaders should also possess qualities such as enthusiasm, insight, and boldness to use talented people and methods to gather them. In the era of a knowledge economy, talented people are becoming more and more important for business development.

People are the most important resources for enterprises

In increasingly fierce commercial competition, it is more valuable to equip enterprises with more excellent, loyal, active and innovative human resources for the construction of practical strategic advantages in business competition. After all, competition among businesses is a competition between talented people. They are a company's think tank. A company cannot become of first class rank without first-class talent and it is also hardly possible to be successful in competition.

Huawei put great emphasis on the recruitment of talented people early in on in its existence with fewer than 200 direct production personnel while there were 500 research and development personnel. At present, Huawei has more than 22000 personnel, of whom 85 per cent graduated from specialized colleges and national universities with Bachelor's degrees. In terms of structure, research and development, personnel make up over 40 per cent of the company, marketing personnel make up 35 per cent, production personnel make up 10 per cent and administrative personnel make up 12 per cent. In terms of age, the average age of the staff is only 27 with a fairly narrow age span and a structure with evenly spread age groups. In terms of age structure, Huawei focuses its efforts

on research and development and marketing, as the competitiveness of these two aspects has the biggest share and most direct representation of business competition.

Human resources strategy

1. Offer more opportunities to talented people; do not leave out enemies when choosing talent, and the same goes for relatives. "Do not leave out enemies when choosing talented staff" is no doubt an example of hell on earth. Leaders who employ talented people have to "be asked thousands of times" in their hearts before eliminating mental barriers. British Prime Minister Gordon Brown spoke of interpreting the overriding logic of modern power. It should be in favour of the public, without doubting their loyalty when employing them. With a thriving economy, power can be stabilized. On 3 October 2008, Brown partially reshuffled the Cabinet in order to deal with the economic crisis, which involved a major personnel arrangement: the EU Trade Commissioner Peter Mandelson resigned from the Blair Government twice due to scandal and now he was returning to the Cabinet as the Minister of Trade and Industry, and the Queen also granted him a life peerage. Although both Mandelson and Brown were members of the Labour Party, and they had seemed to be in agreement, but actually they had been at loggerheads for a long time and despised each other. The former was always favoured and valued by Blair. During power struggles inside the Labour Party, Mandelson was firmly loyal to Blair and often quarreled with Brown. As for Brown, it mattered little whether such a decision meant the healing of their relationship, and what the public focused on was his tolerance and quality in giving priority to the overall situation and in choosing a talented person despite their enmities.

2. Give full scope to talented people, make the best use of their talents, and match personnel with suitable posts. To give full scope to talented people means creating conditions for everyone to bring their specialties and abilities into full play in their job. If a person is capable, talented and equal to being the director of a department, he should be appointed this position. If leaders dare not assign him such a task due to his young age or lack of experience, this is to neglect his talent. Therefore, companies, when choosing talented people, must strive to: assign them to suitable posts, place the right person in the required post, give them full scope, and generally make the best of them.

One way for a business to make the best of talented workers is to create a large stage for them to give full play to their capabilities. Such a

stage gets rid of many restraints but there is a lot of pressure involoved. There are various posts in every company, and each post should be arranged with the corresponding personnel to undertake relevant tasks. Such a post should be on one hand within the candidate's capabilities and on the other hand full of challenges. Besides, the pressure from such a post should be moderate, as too much pressure renders personnel powerless, while less pressure cannot effectively inspire their creativity and dynamism.

Thunis insisted on the principle of "right time, right person, and right post" in the employment of talented people, which means allocating the right people to the right posts at the right time. Companies vary in their rate of progress, so talented members of staff should also follow any changes to meet the requirements of their company, those who fall behind should be dismissed, while those who are highly capable should be promoted. No one can be spared from the changes of posts in a company.

3. Do not employ a person you have doubts about, and do not doubt a person you have employed. Konosuke Matsushita of Japan said that when you employ a person you should have faith in him; if not, do not employ him. The person you want to employ should be investigated, and if he/she fails the investigation, or you have suspicions about any aspects, then this person by no means should be employed. If the investigation shows that all aspects of the person are satisfactory, then employ him/her without deliberation. Once the person takes up the post, he should be granted some power to carry out work with confidence and given full play to his talents. The key point of this problem is whether he can be granted the appropriate amount of power. If personnel are encouraged to be bold in their work but do not have any power, they still cannot free themselves from set frameworks. Companies can supervise and inspect their work, but can intervene with regard to the limits of their power and functions.

In addition, a person winning the belief of his leaders becomes highly responsible, and usually spares no efforts to carry out everything he is ordered. On the contrary, if his leaders have no faith in him and order him around arbitrarilly, he may feel that he is just following an order and success or failure has nothing to do with his capability. As a result, he may be unwilling to contribute much to the assigned task. Therefore, the faith in this person should predominate and his sincerity should be represented in that I would rather be disappointed with him than hold doubts about him, and thus you are rewarded with loyal service from your personnel.

The company Hewlett and Packard have always advocated the "people-oriented" principle. In the early 1940s they were determined to create a company which was "personnel first" instead of just "employing and dismissing personnel." This principle never changed, and after some revision, it can be expressed as "Hewlett Packard should be a company where all personnel enjoy freedom and have the right to choose the way they think is most suitable for their range of responsibilities in order to accomplish overall objectives, rather than a being a strict and militarized organization." For dealing with problems, apart from basic guiding principles, all details are left for managers at lower levels level who are given more room to bring their talents into full play and to make decisions based on their own actual situations. Hewlettt Packard was also one of the first companies to adopt a staggered work system and to allow research and development personnel to work at home. The office of their CEO has never had a door, and any personnel are allowed to bypass their line manager to report problems. Hewlett Packard is also tolerant towards those who leave their posts and then return, like a senior vice CEO who left three times and then returned three times. In order that "all personnel enjoy freedom," they allow a full expression of freedom in concepts, systems, details and actions.

One Saturday, when Hewlett was visiting a workshop he found the gate of the experimental warehouse area was locked. So he immediately took some pliers from the repair room and prized it open. When the personnel came to work on Monday morning, he found a note left by him, reading: "Please keep the door unlocked, thanks for your cooperation. Bill." Hewlett advocated that the experimental warehouse should be open to engineers for them to use the equipment at will but also to take it home for private use. The experimental warehouse was where electronic and mechanical parts were stored, and Hewlett Packard believed that whether engineers used those parts for work-related projects or not, they could learn something, find problems and get inspiration whether they were using the equipment at home or in the workplace. Only with full freedom can employees' creativity be spurred on to the greatest extent. Therefore they implemented the policy of "open experimental warehouse," and engineers were free to use all equipment with no limitations.

4. Give full play to one's advantages regardless of slight flaws. No one is perfect, and everyone makes mistakes. Everyone is endowed with both advantages and disadvantages, and with both strengths and weakness. Employing a person means making the best of his advantages instead of

his failings. The Sanzhu Group follows the employment principle of "talent and virtue work hand in hand." If you are equipped with the ability equal to a post and without any serious problems, if you love the Party, love the Nation and love the People, you will surely be employed regardless of some slight flaws.

There is an extaordinary paragraph of about human resources employment in the masterpiece *Effective Executive* written by Peter Drucker, a famous American executive. An effective executive is able to make the best of a person. He knows that a person cannot be judged on the basis of weaknesses. In order to realize objectives, a person's advantages should be brought into full play – including the advantages of his colleagues and his higher authorities. A person's advantages are truly where opportunities lie. Bringing advantages into full play should be the unique purpose of an organization. We should be aware that everyone is born with some flaws which cannot be changed. But we can manage to keep these weaknesses under control. The mission of leaders is to utilize everyone's strengths as the construction material of everyday performance. Effective executives focus on opportunities instead of problems when employing a person. The so-called organization is a tool used to bring the advantages of a person into play and neutralize his flaws thus rendering them harmless. Effective executives never ask, "can I get along with him?" but, "what can he contribute?" Neither do they ask, "what are the things that he is unable to do?" but, "what is he capable of?"

The historian from the Han Dynasty, Si-ma Qian, always said, "if you choose faults to cover up goodness, there would be no one in court suitable for use; if everyone is assigned with a post according to his capabilities, no one would be abandoned," which means if we focus on a person's flaws regardless of his advantages, there would be no talented people in the world. If everyone is assigned with a proper mission based on these capabilities, everyone would find his place. These words tell us that when employing a person, we should focus on his strengths, be tolerant instead of mean, and should not get caught up in details.

Thus we can see that employing a person is to make the best of his advantages of some aspects rather than all of them. Of course, making use of one's advantages but avoiding being overcritical to one's shortcomings concerns the more general rule about tolerance of one's shortcomings and mistakes. Modern entrepreneurs should cultivate themselves to be tolerant and open-minded, and only in this way can they be successful.

5. Choose someone more capable than you. The tombstone of Andrew Carnegie, the Steel King of America, is inscribed with these words, "Here lies a man who knew how to enlist the service of better men than himself." This shows the way to success and the way Carnegie employed people.

If personnel perform better than you in some aspects, as a leader you are guaranteed to be favoured with success. If all the personnel you employ are less capable than you, your company will no have future. Therefore, a true entrepreneur is usually fairly open-minded in the employment of personnel, and he appreciates those better than himself in one or more ways if he is bold enough to employ such people. But there are also some business leaders who are rather narrow-minded and afraid that people who are more capable than them are a potential threat for them. Such leaders will never bring vigor and hope to business, and sooner or later, the company will fall apart under his leadership. Nowadays such cases are rather common.

For a leader, his brilliance is expressed in how he employs personnel, while the most brilliant deed is expressed as employing those who are more capable than himself. Since ancient times, all those who were bold enough to employ more capable people have all had thriving achievements in their careers. The three senior generals under the leadership of Han Gaozu were all more capable than him, and he always said in public that, "in terms of resourcefulness and trickery, I am inferior to Zhang Liang; in the administration of the country's affairs, I am not so good as Xiao He; and as for skill in bearing arms and winning battles, I am not equal to Han Xin. But I have won the support of these three extraordinarily talented people, which have dominated all the factors contributing to my rule over the whole world." On the contrary, Xiang Yu was intolerant, and neither did he know how to employ talented people. Also he was barely tolerant towards Fan Zeng, resulting in his disastrous defeat.

An old saying goes, "Gentlemen are not born different from others, they are just good at making the best of everything." In other words powerful people are not born to be different from others in this way, they are just better at using external powers. A person cannot be equal to all tasks even with the most extraordinary of talents. However, generally people overestimate their own talents and refuse to admit that others are better than them. Instead, if an entrepreneur is able to recognize that his subordinates in practice are more capable than him, it indicates that he is sure to succeed. If he takes bold actions in employing them, this prospect can be converted into reality.

Section 11. Strategies and some examples of cultural practice

In the modern world everything from science and technology to social economies is all being developed towards diversification. Spirit and matter influence each other, and culture and economics blend into each other. Culture cannot survive independently from the economy and the economy cannot develop in isolation without culture. They impact on and interact with each other. Therefore, any company cannot ignore the importance of building corporate culture both in terms of adopting historical trends and of self-efficiency.

The core of a business is product and service, while its essence should be a powerful cultural influence. If we compare a person to a business, then its corporate culture would be his motto or belief. A person needs belief to support him, as an enterprise needs culture.

The significance of corporate culture

Corporate culture is the way individuals behave in the specific atmosphere of a company. It serves for the survival and development of business, and therefore the characteristics of a company's operations can also find expression in corporate culture. The significance of this is detailed as follows:

1. The need for the company itself. Corporate culture is an essential element of the very concept of a company. This especially goes for businesses in the process of transforming from human-governing to law-governing. A healthy corporate culture is able to impair or even replace any excessive personal impacts on business in order to create conditions for the smooth development of business.

2. The need for the implementation of a management system. No management system is perfect. Whether the results caused by all kinds of loopholes in the system are serious or not totally depends on the loyalty of the personnel in a company.

3. The need for competitive talent. The identification of common values creates a stable feeling of belonging and affection among personnel, in order to attract and retain talented people.

4. The need for market competition. A good and healthy corporate culture can improve efficiency, decrease costs, promote brands, and increase the value of products, so as to strengthen the competitiveness of a business. Brand value is also included as a factor influencing product

pricing apart from tangible values such as common production costs; the image of a company and personnel resulting from corporate culture are also factors influencing brand value.

5. The core of corporate culture is values represented as behavior. That is, a company's cohesion, the loyalty of its personnel, a sense of responsibility, a sense of pride, mental attitude, and a professional code of conduct all through a change of culture cause a change of behavior.

How does the famous Chinese private company, the Sanzhu Group, create its own corporate culture?

1. The self-sufficiency revolution of the Sanzhu Group's corporate culture. The revolutionary nature of Sanzhu culture is mainly represented by the fact that they added the fine traditions of the Party with modern business management systems. They have combined today's challenging objectives and tasks of the Party with the developing targets of the company, so as to realize the continuation and development of revolutionary culture.

2. The traditional characteristics of the corporate culture of Sanzhu. Most of the corporate culture of the Sanzhu Group has been inherited from traditional Chinese culture. The company is located in Shandong Province, and both the chairman of board and CEO are from Shandong. In the home town of Confucius and Mencius, Sanzhu's CEO is always researching traditional Chinese culture, thus learning from this traditional culture many aspects put to use when constructing his own corporate culture.

i. Put an emphasis on thoughts about human relations. Our company believes that an emphasis on thoughts about human relations in traditional Chinese culture is conducive to the construction of business management based on people. In traditional Chinese culture, human relations are dominated by a patriarchal clan system where ethics are rather prominent. Ancient leaders attached great importance to the concept of the unity of human beings and nature and the effects of popular sentiment. Leaders knew all along that the most important method of making the country peaceful and stable was to know about people's living conditions and to understand popular sentiment. Those who cater to this can rule the world and those who do not lose the world. People can support the ruling powers but they can also overthrow them. Time is not as important as the terrain, but the terrain is not as

important as unity with the people. A just cause enjoys abundant support, while an unjust cause recieves little. When support disappears into nothing, even a leader's relatives leave him, but when support is abundant enough, everyone is obedient. All this shows that thoughts about human relations in traditional Chinese culture attach great importance to the people's roles, while such views about emphasizing a person's role is identical to people-oriented management in the building of corporate culture.

ii. Put an emphasis on moral education. Our company believes that ideas about moral education in traditional Chinese culture are helpful for the establishment of corporate values and also the establishment of business and personnel ethics. The company thinks, in this modern economy and society, ethics are needed to a greater extent, as this commodity itself means more and wider relations in people's social and economic lives. Since ethics are a code of conduct in handling all kinds of social relations, they are naturally needed more. If this point is neglected, officers become corrupt, merchants are without credit and law enforcers behave illegally. For any company, if there are no ethics to cause restraint, anything can happen. So the company actively guides its personnel to promote excellent ideas on the ethics of traditional Chinese culture, such as conscience, credit, and "do not do to others what you do not want others to do to you."

3. Put an emphasis on the concept of etiquette. Our company believes that the etiquette of traditional Chinese culture is helpful for the establishment of all kinds of etiquette in corporate culture. The company specifies a complete set of necessary codes of etiquette and behavior. In training new employees, etiquette is an important part. It is required that all personnel should follow corresponding codes in speech and behaviour, sitting and walking, and in their manner of dealing with people. In each group activity, all employees recite the *Colleague Record of Sanzhu* together. There are also some rules and systems for leaders about respecting and caring for personnel. The company specifies that all official employees should be sent birthday cakes on their birthdays; when an employee is to get married, he/she receives a wedding gift; for couples who live apart, they enjoy a holiday for visiting once a year, and the round-trip train fares are reimbursed. Besides this, they are also offered 150 Yuan each month as a subsidy; for unmarried personnel, they also have a visiting holiday once a year with round-trip fares reimbursed. For a company with thousands of personnel, this is a huge expenditure, but the company believes that the purpose of making profits for a business is to foster people's well-being, and this

well-being should be considered a priority, which is an unshakable principle.

4. Put an emphasis on loyalty, filial piety, benevolence and righteousness. Our company believes that thoughts of loyalty, filial piety, benevolence and righteousness in traditional Chinese culture are helpful to the establishment of the philosophy of corporate culture.

Sanzhu interprets the benevolence in Confucianism as benevolent management, justice and humanity. Benevolence is the core of Confucianism and governing using benevolence was regarded by Confucius as the best way of ruling, which the Sanzhu Group believes it is worth learning from and that a company should be governed by a "combination of benevolence and law." The CEO proposed to manage the company in both a humane and ruthless ways. To be ruthless means that everything should be done according to the laws and company regulations, and that, "All people are equal and even leaders should be punished just like their personnel if they break any law." To be humane means managing humanely. All employees are brothers and sisters, and everyone should care about each other, love each other, and help each other as relatives. Nowadays, the company's personnel are from more than twenty provinces, and all of them are gathered together for a common objective, which can be called "Fate," a thing that everyone should cherish.

Our company interprets righteousness in traditional culture as integrity. The righteousness of the Sanzhu Group is expressed in the following aspects. First, only by putting an equal emphasis on economic and social benefits, can the company be favourable to the country, the nation, and society, which is a great deed in terms of revitalizing the national economy. Second, the aim of our company originates from society, it serves society, rewards society, it actively strives to be model tax-payer, and positively supports public welfare, which is a great deed in terms of business. Sanzhu contributes more than ten million Yuan to social and public welfare programs each year. Third, put an emphasis on good faith, and comply with commercial ethics. When dealing with customers, middlemen, suppliers of raw materials, credit and honesty should be kept in mind. They say that the respectful will be respected forever, and if there is even only a drop of grace, we ought to serve it with a spring flood. That is why our company enjoys a high reputation in society.

5. Modernity is promoted in the corporate culture of the Sanzhu Group. This is represented in the abstract learning of the "essence" of Western culture. The essence of Western culture can be summarized by

two points. These are "science" and "democracy." Starting from these two points, our company analyzed and learned about some favourable experiences in Western business management, including the management methods and systems of some successful multinational companies. With these experiences combined with the national conditions of China, our company developed a set of China-characterized modern enterprise systems, such as hierarchy-based salary payment; the management level governing a company; internal trade in large quantities, focusing on distribution first and production second; international operations and marketing and so on.

6. The core value of Sanzhu's corporate culture is contribution. To strive for and contribute to the nation and the people is the supreme sentiment of a Chinese person. Contribution is the valued goal of all Sanzhu's employees, who regard contribution as a kind of mission and responsibility. Therefore, they defined the aim of our company as "To originate from society, serve society and reward society." In 1996 and 1997, the Sanzhu Group paid a huge amount of tax of up to 1.5 billion Yuan, and also contributed more than two million Yuan to all types of social and public welfare programs.

Sanzhu's personnel motto is that we all work together to face up to challenges. We should stand at the highest point of the tide and be ready to rush towards the opposite bank. We will experience both agony and happiness. These simple words cannot be compared to those brave words, which are buried in ancient philosophies and great courage. We all work together to face up to challenges, which demonstrates that all Sanzhu personnel are united as one and continuously face up to a new era and a new century in the market economy. Standing at high tide and getting ready to rush towards the opposite bank indicates that Sanzhu personnel are confident enough to stand at the cutting-edge of technology, that they constantly occupy its heights and charge towards the opposite bank of success. The opposite bank represents the fact that our company will ascend into the top 500 worldwide industrial companies and into the top 20 of international pharmaceutical companies in the early twenty-first century, and will finally build Sanzhu into a global empire on which the sun never sets. "We will experience both agony and happiness" refers to the fact that, in the process of charging towards the opposite bank of success, the road will not be flat but strewn with thorns and filled with frustrations, failures, setbacks and pain. But the value of the Sanzhu personnel will be fully displayed on such a large stage. All their agony and happiness are part of the cause of making constant contributions to the nation and the people.

Section 12. The practical strategy of public relations

Public relations is a kind of science whereby an organization establishes a good relationship with its own personnel and with people outside the organization for a particular purpose. It is a conscious leadership management activity. The establishment of good public relations in an organization is implemented and achieved by relying on the planning of good public relations activities.

Basic requirements of public relation activities in enterprises

Compared with general social activities, public relation activities are characterized by an extensive field, strong comprehensiveness, more subjects and a wider range. The property of public relation activities demands the employees engaged in public relation work to follow the following requirements.

1. Authentic, objective, fair and comprehensive. These are the qualities at the heart of public relation activities. All information provided by public relations staff should be traceable, and the time, place, characters, events, reasons, results, advantages and disadvantages of products and so on should be objective and authentic, and relevant evaluation should also be fair and comprehensive. Some public relations staff win the popularity of the public by only providing good information but hiding bad information, describing a part of the situation instead of the overall one, by bragging and making "one-time deals" in order to improve the reputation of their own company, or by playing games when a crisis occurs, all of which shows a lack of consideration to public relations.

On 5 February 1986, the compressed air in the liquid plutonium tanks of the British nuclear fuel company, Sellafield Nuclear Plant, was impacted by a huge amount of pressure and suffered a leakage of plutonium vapour. The plant was put on amber alert, and about 300 non-essential staff were evacuated from the hazardous area with only 40 left to handle the leakage. This accident happened between 10.45am and 11:45am. The media soon reported on this accident, as it was obvious from the personnel leaving the plant and the state of amber alert that the plant was in trouble. The news of this accident soon spread like wildfire. A BBC TV reporter called the plant, but the information office was not yet ready to announce the news, and just responded with the promise

that the factory would make a statement. But this statement was delayed to 4.00 pm, keeping all the journalists waiting and worrying. The announcement by the British fuel company about the leak showed up the embarrassment of a company in crisis. On one hand they said that they would keep the public well informed of the true situation and on other hand squeezed out the news bit by bit like toothpaste from a tube, which only created more panic.

The company failed to assign enough public relations personnel to cope with calls of enquiry. Uncertainty bred more fear in people and the government also felt at a loss. The Information Office of the British fuel company stopped work according to their regular hours. When people needing information called the company at night, what they always heard was the recorded message, "Please leave your phone number and our public relations personnel will call you back during regular working hours" from the central exchange. Finally, the company had to collect the relevant information, for which they also paid a high price. They spent two million pounds on advertising campaigns and inviting the public to visit the exhibition centre at Sellafield.

2. Being good at capturing the opportune moment. The opportune moment in public relations often occurs without warning. Where there is lack of people's attention, public relation activities can bring surprising effects. Therefore, public relations staff should be good at capturing the opportune moment for the "potential audience," or good at spotting this potential audience, depending on which image of the organization can be established. Japanese scholars think that neither the known audience nor the behavioral audience is the subject of public relations activities, while the real subject should be the potential audience. When the potential audience develops into a known or behavioral audience, the opportune moment has disappeared.

3. Being responsible for the public. The public is the "God" of social organizations. Therefore, public relations staff should be responsible for this God. For example, both the advantages and disadvantages of products should be known to the public; sometimes, the public relations staff offers advice to the public, analyzes the pros and cons, never conceals facts or gives false information, or cheats the public, which damages the image of the organization, leading to a loss of belief in this company from the public and furthermore, any future public relations activities will be more difficult and troublesome.

As for public relations strategies, companies need rehabilitation rather than violently "cramming" the information into people's heads. Instead, enterprises should actively undertake social responsibilities and improve

the reputation of products through public welfare programs and emotional appeals. Public service activities offered to the society by companies mainly include the following:

The Johnson and Johnson Company in America is a business paying great attention to their fine reputation, which is the true factor that has created the everlasting survival of this company. Since stepping into China in 1992, the sales volumes and profits of Johnson and Johnson have been growing fast. Over the past ten years, Johnson and Johnson has been focused on the construction and investment of public welfare establishments, and especially after 2000, the advertising investment of Johnson and Johnson was greatly reduced while the investment in public relations and public welfare establishments became more and more. For example, programs have included sending healthcare to campuses, looking after children, the exploration of local communities, parents' health, safe schools and so on. The constant investment of brand and public relations not only created a stable sales increase rate for Johnson and Johnson in 2005, but also helped them establish a good company image and win public praise as "Children's Safeguard" and "Reliable Family Doctor."

4. Being equipped with a strategically thinking mind. Public relations work is significant strategically and with the nature of a changing public it is not acceptable to be anxious to achieve quick success and get instant benefits from this work. Public relations staff should understand the direction of development of the organization and of various social problems they are confronted with from a macroscopic point of view. Develop long-term or strategic short-term measures through serious analysis; take effective steps and measures; and coordinate the relationship between the organization and the public with multiple aspects, in order to easily achieve the targets of the organization.

The basic tasks of a public relations department in business

There are five basic tasks for public relations departments to undertake, that is, establish and maintain public contact networks; be ready to hear all kinds of opinions from the public; select appropriate methods and channels to communicate information; educate all staff to engage in public relations work; provide advice for the management's decision-making process. According to the requirements of these five tasks, the public relations department should make a good a job of communication

and contact, establish communication channels, and fulfil their own objectives in the process of communication.

A community is a geographical region where social organizations are located. Any given region features its own unique culture, including unique lifestyle and behavior patterns, creating a feeling of belonging for people. In communities, there are generally residents and also adjacent units and groups. To communicate with these communities and establish good relationships is of great importance for a business or an organization. If a business or organization fails to get along well with other communities and is not happy with its own community governing bodies or residents, it will run into a lot of trouble.

Enterprises and organizations communicate with the community mainly through public relations activities, which include:

1. Keep in contact with local governments and leaders at every level, and hold community meetings when necessary. Invite local government officers, leaders of social groups, resident representatives and leaders of associate organizations to discuss the grand plan of revitalizing community construction and strengthening their emotional ties for a closer relationship.

2. Remain open and offer chances for people to visit. Invite the community's people from all walks of life, including comsumers and consumer representatives to visit the company regularly. In this way they can understand the inside view of the company. Interpret company policies and actions to eliminate any misunderstanding within the community.

3. Support community work, including health care, sanitation, education and public order, and if possible, sponsor appropriately.

4. Participate in community activities, including those organized by the government, such as spiritual civilization activities, crime reduction activities, and also including non-governmental activities, such as festivals, rallies, entertainment with folk music and so on, in order to demonstrate that the company belongs to the community.

5. Cope with crises in a timely manner, such as major industrial accidents, major production failures, natural disasters, sudden business crises, credit crises within the company, disputes between company workers and local residents and so on. When any of these do occur the company should contact community leaders quickly in order to solve the problems together.

On 9 July 2007, USEPA declared that the key material of DuPont "Teflon" might cause cancer or have an effect on reproduction. This

crisis was responded to with strong reactions and the sales volume of DuPont non-stick pans declined sharply. Some stores stopped selling DuPont non-stick pans and the authorities began to step in. On 15 July, DuPont China company demanded that their head office appoint technical experts to answer all the technical questions from the relevant authorities, customers, consumers and media. On that same day, Ren Yafen, Deputy General Manager of DuPont (China) company, and Wang Wenli, Technical Manager of DuPont (China) Fluorine Application Products Division visited Sina Guest Chat Room. On 18 July, some activities on the part of the "Free Afternoon Tea of Teflon Club" were carried out in Shanghai. The representative of DuPont China, Xu Jun, agreed to do an interview with journalists. On 19 July, the Manager of the Public Service Department of DuPont China Group, Beijing Branch, was interviewed on the telephone and he said the reports about DuPont non-stick pans were not true. On 20 July in the afternoon, DuPont China held a press conference in Beijing. The CEO of DuPont China, Char Brown, met journalists at the news conference, and three technical experts responsible for "Fluorine products" in their head office also came to Beijing with relevant technical materials to answer the questions of journalists and consumers. Then, the CEO of American DuPont, Hurley, accepted to do an interview with the *People's Daily* and announced that, "We are putting the reputation of the whole DuPont Company at risk over our guarantee of the absolute safety of DuPont non-stick pans." On 13 October, the National Quality Inspection Administration checked the Teflon, and the results proved its non-toxicity. On 14 October, reports about the non-toxicity of Teflon were disseminated from different directions but with one unifying theme: DuPont Teflon was non-toxic and never had been.

Crisis public relations has always been the Achille's heel of Chinese business. Companies destroyed by major crises can be found everywhere, such as Nanjing Guan Sheng Yuan and Shandong Qinchi. The DuPont "Teflon Case" can be regarded as a clear textbook case about crisis public relations, which showed the resourcefulness, good quality, orderly management and step-by-step progress of DuPont when confronted with this crisis. The DuPont Teflon crisis offers up the following advice to even the smallest of Chinese companies: crisis public relations with news media must take the initiative; they must be active, consistent, timely, sincere, and authoritative. DuPont was very sincere when handling this crisis and even sent for experts from their American head office to meet Chinese journalists to prove their expertise.

Communication with internal personnel: personnel are the "internal public" of public relations. The reason for communicating with them is to enhance mutual understanding and support between the personnel, the organization, and the leaders. It is also necessary between the personnel themselves to create a united, harmonious and friendly internal environment where everybody supports and helps each other.

Communicating with internal personnel includes the following information: leaders' decisions and their outcomes; the company's current operating status; information about competitors; information about new technology, new equipment, and new products; the company's profit status; the company's hierarchy; salary, rewards and welfare; the organization's operations and financial status; information about the external environment; and the overall mood and morale of all members of staff.

Since the first resignations of Foxconn personnel between 23 January 2010 and 5 November 2010, fourteen further such cases have happened. This attracted great attention from all sectors of society and even the whole world. These resignations reflected the lack of communication with Foxconn's personnel.

Communicating with consumers. For any profit-making business, or not for profit economic organization engaged in offering a service, their relationship with consumers is extremely important. The consumer is the "God" of business, and once it loses its consumers, the consequences can be beyond imagination. Under the current conditions of a continually developing consumer society, the practice of attempting to forcefully promote your own products through administrative means or a dictatorship has become impossible for any business or organization. Only when good relations have been established with consumers can products be sold via the best channels.

Therefore, one important aspect of public relations is to communicate with consumers; to win their trust; to establish a good commodity-currency exchange rate and to build a good company image through your own work and efforts. For this, public relations staff should first encourage their own personnel to provide a high-quality service for consumers; to introduce new products, technology and processes; to deal with all kinds of complaints; to communicate the consumers' opinions and suggestions to their leaders and relevant departments in a timely manner; and to urge them to act promptly. Public relations staff should also make friendly contact with consumers through various channels, keep them well-informed, and make them proud of using their company's products.

In 2000, Nongfu Spring emerged in Lake Qiandao, and at that time it was totally unknown. Against the background of Wahaha, Robust and other water purifying companies dominating the water market, how could a rising star face up to this industrial competition and beat their competitors at their own game?

In late April 2004, Nongfu Spring broadcasted an advertisement called the "daffodil growth comparison test." Two groups of daffodils were grown respectively in Nongfu purified spring water and Nongfu natural spring water – both of which looked identical. But after one week, the roots of the daffodils in natural water had grown by 3cm while those in purified water only by 1cm. "Boys and girls, now it is clear what kind of water we should drink!" said a teacher. At the same time, subtitles appeared, reading: "Yangshengtang has declared to produce only natural water and to stop the production of purified water."

Challenged by Nongfu Spring, hundreds of purified water manufacturers, including Wahaha, declared war on Nongfu Spring. But Nongfu Spring won total victory in this water war and went in one leap from being an emerging company to being one of the top three major brands. Its success depended on its insistence that it always regarded the interests of consumers as a precondition, and that it stood in their shoes. They promoted the truth of the concept of scientifically healthy water. Of course, during this water war, which Nongfu Spring provoked, they also had a narrow escape, where they survived a vicious attack and slander from their competitors. Therefore, extraordinary success should be supported by extraordinary courage.

Communicating with the press. The press is another important aspect of building a company image. This includes newspapers, magazines, broadcasting stations, TV stations etc. The press is the means of communication with the most extensive coverage and far-reaching influence. Journalists are therefore honored as "uncrowned kings." Almost all large and medium-sized company's in Western countries regarded communication with the press as a crucial part of public relations.

A public relations department should strengthen their relationship with the press and treat them as loyal friends. As long as there are important activities or serious problems in an organization, the PR department should keep the press informed or invite them to take part. The PR department should also facilitate visits from journalists; tell them about aims and any related facts; answer their questions; and provide them with interviews or documents. Show respect to the press and never apply pressure on them to publish a specific news item or not. When a report is one-sided or false, the PR department should respond immediately and

clearly explain it with intelligence and foresight, instead of bringing the relationship into deadlock. For any mistakes on the part of individual journalists, the PR department should understand and forgive.

Besides, limited by the shortage of talented people in press agencies, it is impossible to do everything perfectly. Therefore, public relations staff should learn how to write news items and how to format them correctly before sending them to members of the press. If this is carried out correctly, it will play an important role in forging a company's image; and if not, they can at least work as a kind of communication and contact with the press.

It is illegal to advertise in the public media. A national ban on advertising in newspapers terminated the public media dominance of prescription medicine and at the same time forced many pharmaceutical companies into an impasse of "embarrassing silence." A news event is a good channel for promoting prescription medicine. How to bring company news up to the level of industrial and social news in order to drive the promotion of brands and products is a requirement for pharmaceutical companies in current public relations.

The Bright Future Pharmaceutical Laboratories Ltd. in Hong Kong is a genuine public relations master of news events. As its Amoxycillin and Aoguang are both prescription medicines not allowed to be advertised in the public media, the company planned an elaborate news event. In August 2005, an express delivery making suggestions to the National Ministry of Health about popularizing pulmonary function tests and listing them as routine examinations was sent from Hong Kong. The company recommending this was Bright Future Pharmaceutical Laboratories Ltd. On the second day, "Chronic obstructive pulmonary disease becomes the fourth biggest killer. Bright Future Pharmaceutical Laboratories Ltd. recommends listing pulmonary function tests as a routine examination. This pharmaceutical company submits to The Ministry Of Health: a physical examination shall not 'prefer the liver to the lung and vice versa,'" and many other reports all showed up in the media. Nearly 300 print media reported this event. This brought Bright Future Pharmaceutical Laboratories Ltd and their products Amoxycillin and Aoguang into the view of public as a whole. At the same time, the first exposure of Bright Future Pharmaceutical Laboratories Ltd. as a brand attracted the attention of the industry and also won respect and praise from hospitals, retailers and consumers for their sincere support of patients' health and well-being.

9

Leadership management and consumer social productivity

Consumer social productivity is created by the three most important types of consumption, which include going to nature for consumption materials, creating new consumption demands and desires, and creating cultural material and spiritual information products driven by human instinctive consumption.

Consumer social productivity is the result of people's three fundamental consumption needs created in the whole of consumer society. During the course of their long lives and consumption, people have created production consumption, society consumption, and even scientific production consumption, endlessly creating and developing consumption processes and consumption social productivity for new demands, new materials, spiritual culture, information and living and social consumption products. The three major types of consumption are processes of both creation and development, continuously innovating, civilizing, creating and developing for inheriting, accumulating and developing culture, knowledge, technology and wisdom in consumer social productivity. The research formula: consumption – nature – scientific production – distribution – exchange – consumption is the entire process of consumer society and the spiral circular development of consumer social productivity.

Leadership management science is an important element in consumer social productivity, and the main contradiction for promoting the development of consumer social productivity, and which can liberate and develop it to the largest extent. So only by understanding universal and particular laws of leadership management science can you enhance the continuous development of consumer social productivity and the sustainable and sound development of social civilization and progress.

Human beings work to meet their own demands of survival and consumption. Since primitive society, the long production development

process from instinctive labor to the active and organized production activities of human thought and practice has simultaneously been a process of developing productivity and production relations driven by consumption, and a process of creating productivity and production relations through consumption. The combination of productivity and production relations results in production, which in turn creates products, their practical value and patterns of consumption to increase the level of consumption. The product can finally reflect the value of productivity and the labor productivity ratio in consumption exchange.

To develop productivity, consumption drives the development of consumer social productivity, which develops to meet consumption demands and continuously creates new material, spiritual and cultural information products to increase the demands of the three most important types of consumption. The Government regulates and controls economic development to guarantee the sustainable development of the economy and technology. These are the laws of the development of consumer social productivity.

Section 1. Consumption and nature

Nature supplies a large number of resources for human consumption and for their survival and heritage. However, human beings and nature do not co-exist in harmony. From the viewpoint of historical materialism and dialectical materialism, consumption and nature are in a unified but contradictory relationship, in which human consumption is the primary aspect while nature is merely there accidentally. People first created three elements of productivity: laborers, instruments of labor and objects of labor during their extraction of materials from nature. Nature is the most fundamental and primitive object of labor from which human beings demand and consume materials and from which the basis of all new objects of labor created by all development processes originate. Nature is vital to human beings' survival and consumption, on which all activities of developing consumer social productivity depend. This is an eternal law and truth.

Consumption, the activity created by human beings for consuming their fruits of labor, is the process of humans demanding consumption resources from nature and creating and producing consumption supplies. This process is a contradictory, dynamic process of the unity of opposites between human consumption and nature. People are the only individual

and social beings in nature, so their consumption cannot exist without it. To continuously meet their consumption demands, human beings have developed their thinking from a low to a high level during practical activities, thus creating various principles of thought and ways of thinking. To continuously meet people's consumption demands, they work day and night and constantly create and improve their instruments of labor. They give full play to their subjective initiative and demonstrate their creativity with their knowledge of, adaptation to, reform and use of nature. Creation is a process in which human beings demand living materials from nature and produce materials and goods for their own consumption. Both the demonstration and use of their subjective initiative and nature's own dynamism and variety of laws can influence the adaptive and harmonious relations between nature and human beings, which make up the contradictory elements of the unity of opposites.

Section 2. Labor consumption value and new labor classification

The theory of the value of labor is a cornerstone of Marxist theory and one of the most important basic theories in political economics. Abstract labor, direct labor creating value and labor being the source of value are the most fundamental ideas in this theory, which is a scientific proposition.

Deepen the theory of the value of labor, and provide a new definition for production labor

The author believes that productive labor in Marxism is not a fixed definition but a developing one. Any theory is a product of its time. The Physiocracy School once regarded agricultural production as the only labor that could create value, which was a serious limitation. This was followed by Adam Smith, who made two points concerning productive labor. He believed that it was labor itself that could add and bring surplus value. He also believed that labor which could create tangible (fixed), durable, reusable material products was productive labor. If labor could not create this kind of product, it was not productive labor. As for Smith's first point, Marx valued it highly, while for the second

one, Marx didn not agree and thought it was a misunderstanding because Smith did not consider the decisive significance of capitalist production relations.

Marx lived in industrial economic era, and so his research in *Das Kapital* focused on the material area of production. He thought that only labor in this area could be called productive labor and therefore create value, while labor in non-material productive areas was not productive and did not create value. This situation has changed in today's society, and the definition of socialist productive labor has changed and developed.

Marx's definition of productive labor includes two aspects: one is that only labor in the material productive area is productive; the other is that labor leads to production relations. Therefore all labor that produces surplus value in a capitalist society is productive. His assertion about productive labor definitely concerns capitalist society, while the situation has changed in today's socialist society.

The central position of physical labor has already been replaced by non-manual labor in science or management. Laborers' level of education and knowledge has improved greatly, and a developing trend of knowledge, mental and technical work has appeared. The working class has changed from a single social class of physical laborers to a combined social class of both physical and non-manual workers. In some Western developed countries, white-collar workers account for 70 to 80 per cent of the total workforce. Managers and entrepreneurs are also an important part of the labor force. Therefore they should be affirmed as an important element in creating surplus value.

In a socialist market-oriented economy, all useful labor that is done in creating commodities needed by society (including material and non-material productive areas) creates social wealth and forms social value, and so they all belong to productive labor. Any labor that can realize a surplus in value, creates products to satisfy people's material and cultural needs, and demonstrates that the level of consumer social productivity is productive labor without any regard to whether the labor is in the material producive area or not.

A new concept of labor consumption value and human labor

In mainstream economics, labor is divided into two categories – physical and mental labor. These two categories consist of simple and complex

labor, abstract and concrete labor. The author questions this perspective. Can all kinds of labor create value since labor is the source of value? The answer is no. On this theoretical assumption, this book adds the new concept of labor consumption value to human labor and makes a new kind of classification which divides human labor into seven categories.

Time, wisdom, energy, tools and labor are consumed during the labor process to create the target result or achievement. This is the process of producing value by labor consumption, and can also be called the labor consumption value.

1. Labor consumption which creates surplus value. This creates products with practical value, which includes material products and mental and cultural products, as well as general surplus value or additional surplus value.

2. Labor consumption which does not create surplus value. This produces goods with practical value but without a corresponding surplus value. This is a beneficial labor. Though it does not create surplus value, it can maintain the day-to-day functioning of a factory and employment of the workers.

3. Ineffective labor consumption. This produces waste products, goods of poor-quality, or products which have a practical value but are wasted because they are not consumed. This labor is not the same as the second kind, because ineffective labor cannot maintain the day-to-day functioning of a factory or employment of the workers and it will eventually lead to bankruptcy.

4. Harmful labor consumption. The products created by this kind of labor harm human health and affect the normal functioning of their social life. For example: fake medicines, drugs, unhealthy audio-visual products and hand-made weapons.

5. Living labor consumption. This is auxiliary and supplements labor to satisfy consumers' normal consumption during the consumption process. This labor does not create products but it is necessary for maintaining the consumption process, for example, shopping, cooking, repairing, cleaning, housing management, education and family health.

6. Social labor consumption. This refers to national management by civil servants, scientific education, public security and jurisdiction. The social value created is represented in the factors making up the wider meaning of productivity in consumer society.

7. Service labor consumption. This refers to service labor consumption which creates value and surplus value, such as financial business, tourism, entertainment, cosmetology and also service labor consumption which creates value without obtaining surplus value. The last one refers

to all the labor consumption of selfless charity and voluntary work. This labor is a valuable labor consumption, but charity and voluntary laborers have no surplus value.

This classification breaks up the simplification of the traditional classification of labor. It sets a more concrete premise for studying the new concept of labor and proposes a standard for judging and measuring labor value. When we evaluate a kind of labor, we should notice whether it produces surplus value, whether it benefits people's health, and whether it plays a positive role in people's social lives. This is the standard of labor value for a producer's reference.

Section 3. Consumption creates surplus value and develops consumer social productivity

The theory of surplus value discussed by Marx analyzes the formula of static design in order to help people understand this law clearly. At the same time, this designed production value can be consumed completely and still generate surplus value. His design is very scientific because he created the concept of surplus value based on the consumption of the overall production process, the advanced form of capital production and the amount of surplus value calculated according to the supply-demand relations of market commodities, as well as science, technology and the content of their knowledge. All these constantly change in the operation of a market economy and the quantity of surplus value is shown in the consumption process. Therefore, without consumption there would be no surplus value. But people cannot see or understand how surplus value is produced, what the relationship between surplus value and people is, and what the relationship among surplus value, workers and capitalism is. Marx discussed these using statistical analysis.

This discussion is also based on the statistical analysis of surplus value, the value of designed commodities, and commodities which are finally consumed in this process so that the surplus value is realized. That is, the understanding of and reference to capitalist production and its circulation law, which is implemented in the specific surplus product value, and the accumulation law of socialist surplus product value.

Classifying labor during the process of labor consumption, we can find that some labor consumption creates social wealth, practical value and surplus value, while some labor consumption only creates social

wealth and practical value other than surplus value. There is also some labor consumption which only destroys wealth created by previous labor consumption instead of creating practical value and surplus value of social wealth. In conclusion, not all labor consumption processes create surplus value.

Only by consumption can the practical value and certain surplus value of the products created by the labor consumption process be realized. The products not consumed will not realize their practical or surplus value. So how does the labor consumption process create surplus value? Consumption is the process where the practical value of products created by the labor consumption process is consumed through commodity exchange (excluding all personal use products). This realizes the products' production value, surplus value and the exchange process surplus realized in this exchange. Through the phenomenon of profit and loss, this process does not generate all surplus value. However, laws exist during the consumption process where consumption leads to scientific research on commodity exchange. Our task is to conduct research on the general and specific laws of consumption creating surplus value to help leaders to adapt to, master and utilize these laws and give full play to their subjective inspiration and initiative to create more surplus value.

The national superstructure is justly and fairly allocated, and thus social wealth can establish a harmonious society, enhance the sustainable development of consumption with social productivity, and promote the healthy development of social civilization.

The laws of capital commodity production and circulation creating surplus value consist of six parts: surplus value and the law of the value of surplus products in socialism; surplus value and the law of surplus value production; the law of commodity cost value and the change of value and exchange value; developing consumer social productivity and the law of surplus value; capital monopoly competition and the law of surplus value; and production in start-up financing and the law of surplus value.

Realizing the law of specific surplus value during commodity circulation has eight parts: trademark reputation and the law of surplus value; people's standard of living and the law of surplus value; regional adaptability of commodities and the law of surplus value; the level of purchasing power level and the law of surplus value; the turnover velocity of capital and the law of surplus value; service quality and the law of surplus value; hypermarkets (shopping malls and general merchandise stores) and the law of surplus value; convenient and timely supply (purchase) of commodities and the law of surplus value.

The accumulation of the law of surplus value in China and other socialist countries has nine parts: the specific accumulation law of surplus value in socialist countries; the accumulation law of surplus value produced by socialist instruments of labor and commodities; commodities organized and produced in accordance with contracts and the accumulation law of surplus value; the socialist law of value and inverse listed price of commodities; scientific technology and the accumulation law of surplus value; scientific management and the accumulation law of surplus value; comprehensive utilization and the accumulation law of surplus value; socialist distribution according to work and the accumulation law of surplus value; and the transfer of Sino-foreign joint ventures in technology and the accumulation law of surplus value.

Consumption creating surplus value is problematic in any society, not only in the past, but also today and in the future. The key lies in how the national superstructure allocates surplus value. Reasonable allocation leads to a harmonious and stable society, while unreasonable allocation leads to conflict in society and to war breaking out as the conflict deteriorates. So the national superstructure is responsible for solving conflict.

In a socialist society, absolute surplus product value is still produced by workers through surplus labor time. The value of a commodity is the content and basis of its exchange value (price). But this is not equal to the exchange value of a commodity. The surplus product value realized in the process of the exchange of practical value is the relative surplus product value, which is generated through the commodity's price fluctuating around a its value.

The realization of the relative surplus product value happens when commodities are exchanged. Various special conditions, characteristics and factors in price affect the value either way. For example, the situation of supply exceeding demand or demand exceeding supply, a favorable climate, geographical location or environment, and a difference in living standards. All these can make the price deviate from its value. Another situation is that one cannot see the relativity of a surplus product value from just its appearance, but it also realizes the surplus product value relatively. This includes the law of surplus product value in terms of service quality, and the law of surplus product value in terms of turnover of capital. The main feature it reflects is not that the price fluctuates around its value, but that surplus product value constantly changes with differences in the sales volume.

Another situation is the law of surplus product value of the hypermarket. Its exchange value (price) is seemingly low, as if it deviates from its value. This is not because supply exceeds demand, and in many people's opinions it seems to be fast turnover and more return with small profits. In fact, these are not small profits, but the law of fast turnover and more return with large profits.

Under the socialist system and during the commodity production process, the State Government stopped the practice of the "big pot" phenomenon, where people were treated equally regardless of their contribution, and regulated production better so that it could conform to the development level of productivity at a certain stage and build a direct relationship between surplus product values, which is realized by the business and benefits the workers. Therefore, productivity develops rapidly and the benefits can increase sharply.

Rural areas carry out general contracts in a system of economic responsibility as well as a coalition system of industry, agriculture and business. It thus makes the members become the real subject of production relationships and productivity. At the same time, it builds a direct relationship between the benefits of management production and the benefits of its members and gives full play to the potential of productivity to increase the surplus product value exponentially.

The law of surplus product value in socialist society has been mastered and applied by more and more people. It will surely manifest its dynamism and lead to capital accumulation as well as economic development in social construction. The speed of socialist construction in China will shock the world for sure.

To conclude, Marx' surplus value theory is still applicable in the development of a socialist market economy. What we should reconsider are just to whom the surplus value should belong, how the superstructure allots it, and how to utilize it to solve a series of social problems in order to promote material and spiritual civilization as well as human progress. However, the surplus value must be realized through a process including production, circulation and consumption before the surplus value comes to the consumer and is finally consumed by him. If a commodity cannot be consumed in the process of exchange, the wealth value and certain surplus value of the products are not realized. Instead, it leads to a reduction, a loss of interest or even the bankruptcy of a business. This law is not only a universal economic law and a great natural law, but also an eternal law. It is only a problem as to whether people have realized, handled and applied the law or not. The author has not mentioned "consumption" much during this discourse. It is only

necessary to indicate the law that the accumulation of surplus value can only be achieved through consumption at the same time; surplus value regulation is also an intrinsic law that consumption creates wealth, and a law that consumption creates surplus value and surplus products value.

If readers want to comprehensively understand how consumption creates laws of surplus value, please refer to the detailed discussion in Chapter 8 of *Consumption and Management: New Findings and Utilization*.

Section 4. Consumer social productivity is a sub-discipline of a consumer social economy

The theoretical framework for research on consumer social productivity:

Consumption – nature – scientific research and production – distribution – exchange – consumption

A. Consumption (at a primary level) and nature (at an advanced level) consumption work as the source of cyclic development.

B. Scientific production research is a kind of wisdom to innovate perpetual thinking and inspiration. The process of scientific research, production and consumption is to gain subsidiary resources from nature. Scientific research and articles generate new knowledge and technology and new consumer products. People receive incomes by distribution (including microcosmic distribution in corporations or families and macrocosmic distribution on a national level), and consumer products necessary for consumption through exchange of goods. This process of distribution and exchange serves to activate the initiative of the workforce in scientific research and production.

C. Consumption goods are generated by scientific research and production. They can only realize their production capacity after being consumed. That is to say the capability of consumer social productivity is achieved after consumer goods return to the hands of the consumer through the process of exchange.

D. Individual households are the unification of productive consumption and livelihood consumption in a society with underdeveloped commodities. The production process wherein individuals extract

consumption materials from nature is a simple and direct consumption process in which labor, instruments of labor and objects of labor are created.

E. The consumption process of commodity production and exchange where capital is governed by monetary finance is a process for socializing consumption and for the realization of consumer social productivity. The 16 elements of consumer social productivity are created during this process (Figure 9.1).

Consumer social productivity can be divided into broad and narrow kinds. In its broad sense it observes the development of the three most important types of consumption markets both vertically and horizontally from the macroscopic national level. It also researches the development of the three most important types of consumption and their relationship in the broader sense of consumer social productivity. Its development in this broader sense is promoted by policy, law and administration (including economic means).

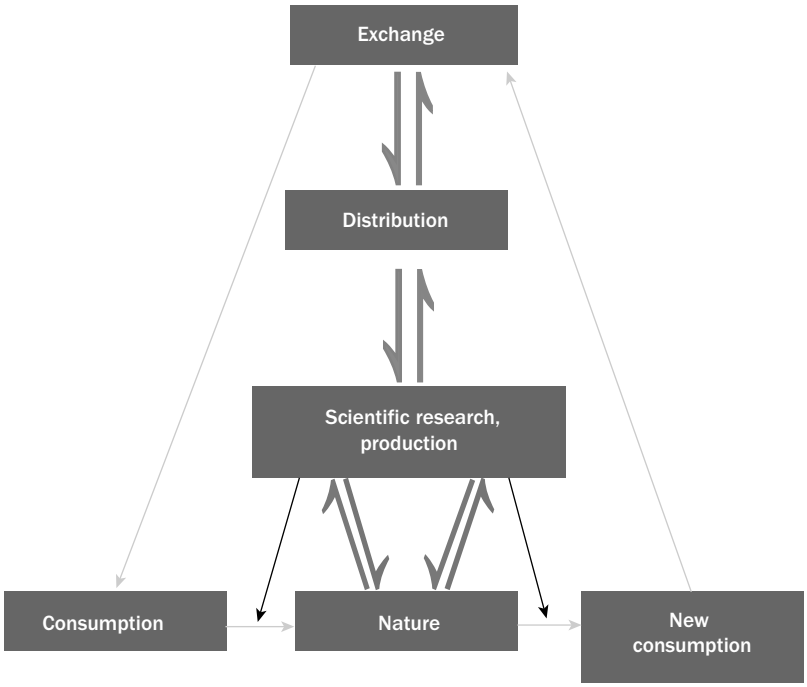


Figure 9.1 Development of the cycle diagram of consumer social productivity

Consumer social productivity in its narrow sense (for example, a business) must keep a close track of the trends in consumption and demand in the marketplace, focus on direct consumer demand and analyze changes in people's demands so that they can be satisfied by its outstanding service and production quantity (including that in the circulation period). This can be decided by the quantity of direct consumer demand (merchants serve as a bridge only). That is to say, to decide the scale of production from sales, or else, microscopic overproduction can appear.

Scientifically and continuously adjust the development of the three most important types of consumption with the law, economic policy and administrative means from a macroscopic point of view. Maintain a scientific and sustainable development of the economy, or a disbalance of economic development, or even an economic crisis, can occur.

There are 16 elements of consumer social productivity, including nine elements in the narrow sense, and seven elements in its broader sense. Research the power of the law of development of consumer social productivity in all its relations in the expression of its 16 elements to promote its rapid and continuous development, which then leads to the continuous development of human social civilization This is the target of researching consumer social productivity.

A consumer social economy, from the macroscopic point of view of human consumption, studies the consumption process where human beings obtain consumption materials from nature and create goods for both spiritual and material consumption. In other words, it is the sum of a production capacity, which is the combination of consumer social productivity and production relationships. (It is a process of consumption). And it is studied systematically and entirely in both its broad and narrow sense.

The research of productivity must be combined with production relationships, for the connection between them and productive forces is the unity of opposites. In fact, the manifestation of productive forces takes place in the manufacturing process that connects productive forces and production relations in which consumer goods (commodities) are produced and consumed after their sale to the consumer. In that way, the practical value of commodities (products) is manufactured and consumed as commodities. In the process of product exchange and consumption, merchants serve as a bridge connecting the manufacturer and the consumer. They have the great power of consumer market development, especially in the historical period when channels for commodity exchange

were underdeveloped and their great role in promoting consumer social productivity was irreplaceable. They promoted the high speed development of consumer social productivity and the socialization of production. If the products (commodities) are not consumed, consumer social productivity cannot be reflected. Consumer social productivity is reflected during its consumption in a consumer society, so it is defined as consumer social productivity.

Productivity cannot exist without a relationship to production. A relationship to production cannot exist without productivity. Productivity and a relationship to production cannot exist without production; production cannot exist without consumption. Karl Marx said that the process of production was that of consumption. Consumption creates production, which in turn creates consumer goods (commodity), consumption types and consumer standards. This is a law which no society can violate. It makes no sense to only research productivity and its relationship to production with any concept other than the practice of consumption, the practice of social production and the complex production process, for a summarized and abstract theory cannot guide practice. Although theory can direct practice, it must be summarized with detailed, perceptual and experiential knowledge (not experientialism) by abstraction and conclusions. This kind of theory is the rational knowledge of epistemology, and only when it is reused in practice can it be a true and valuable theory.

To sum up, we should study consumer social production and its relationship to production and how consumption creates productivity and the process of production. Finally it realizes the manifestation of a level of productivity by studying the relationships involving total consumption; total production of a society; total production relationships; consumption and nature and by studying the details of the systematic process of commodity consumption, production and exchange.

Consumption is the destination and motive of production. The combination of productive forces and their relationships to production realizes the production process, also called the consumption process. Production creates products (commodities) and the means of production, and it also decides the consumption standard. When products are consumed in the process of exchange (or when an item produced is for self-consumption, not as a commodity), consumer social productivity is thus embodied and finally a productivity standard becomes apparent.

Production is a process whereby consumer social productivity, productive forces and production relations become material labor and

that material labor is transferred into the value of a newly created product. Therefore, the production process is also that of consumption. Consumption is the motive and destination of both production and productivity, and is both the starting and end points. Production during the whole process from the starting point to the end point of consumption is both a consumption process and a process where consumption creates the combination of productive forces and production relations. Moreover, it is also a part of the process of the creation of productive forces and production relations and the creation of production by consumption.

People are never satisfied with their current level of consumption and therefore a new desire to consume is continuously emerging, with the appearance of new types of cognition, discovery, comprehension, inspiration and judgment. These new types of cognition also serve to motivate scientific research and production in the creation of new productive forces. New scientific technology and instruments of production are physical productive forces. As they act on the homologous new objects of labor, then new means of production come into play. The new means of production in turn determine the labor force, model and formation instead of the nature of production relations in the productive process. The labor force, including white collar workers, is not only the most active productive force, but also the dominator of the physical productive force. The physical productive force is expressed by the dominance of the labor force. Meanwhile it is realized through the combination of production relations and productive forces. The combined process of production relations and productive forces is one in which the production relations accommodate the productive forces (involving the use and advancement of tools and technological processes). The proficient level of the labor force that is required to meet new science and technology, and the initiative and creativity of the labor force and their efficiency are reflected in the production, exchange and consumption of goods. If the production relations fit the development of the productive forces, then production grows, along with the economy and consumer standards. Otherwise, the growth of productive forces is thwarted, and the same is true for the development of consumption and the economy.

Adam Smith mentioned in the first chapter, "Division of Labor," of his book *The Wealth of Nations* that the maximum improvement of labor productivity and the most used skills, proficiency and judgment by labor processes and application everywhere seem to be the result of division. Karl Marx also emphasized that productivity is social productivity and production relations are social production relations. Why is this? The

growth of productivity in history has been periodic. In primitive society, slave society, feudal society and a historical period when the production and exchange of commodities were underdeveloped, the majority of production consisted of items for self-consumption, and only surplus products were exchanged in the form of bartering or money transactions. In that way, money as a commodity was created, but the production and exchange of products at that time were not enough to constitute socialized production.

In the later period of feudal society, the initial commercialized production and exchange of capital was created along with the economic development of the feudal social system. In the sixteenth century, the development of labor division and the implementation of productivity, along with the industrial revolution spurred by the invention and use of the steam engine led to a fast growth in productivity and gave rise to the capitalist revolution against the feudalists. There appeared the production and exchange of goods at a high level of productivity. The countries and areas with developed economies entered a capitalist society and the commercialized production and exchange of capital. Scientific research, the production and consumption of commodities, as well as the exchange of goods and their final consumption on the part of consumers determined the amount of physical labor, which was the combination of productive forces and production relations. Therefore, value was shifted onto the newly produced goods. In other words, it was a process where consumption created production and production created commodities. Meanwhile, this process displayed the creation of consumption styles and standards and was a manifestation of social productivity.

As for an agricultural economy in a slave or primitive society where the farmers make their own products, the process consists of farmers producing their own crops, milling the flour left after the payment of rent and taxes and using that flour for self-consumption. Though there was social cooperation, this process was so simple that basic socialized productivity and socialized production relationships had formed.

When society developed into the era of commercialized production of capital and exchange of goods, productivity and production relationships essentially changed. In commercialized production and exchange of capital, the owner of the capital keeps track of consumers with the purpose of profits in mind. They trace the consumption of direct consumers to decide the aim of production and they invest capital to buy land for building factories, sophisticated tools, the services of a labor force and directors, as well as other ancillary materials (Every means of

production is also created by socialized productivity and is one stage of consumer social productivity). Then they turn out products in a planned and organized way before the goods are sold to customers or transferred to a middleman who sells the goods directly to his customers. Only at that point does consumer social productivity achieve its real value.

It can be concluded from an analysis of the above process that a social aspect of productive forces and capital accumulation are all formed during the process of consumption. Objects such as manual labor, bricks, cement and steel used on the land and in factories are produced by society. The production of steel is the same production process as others from mining to transport to steel works. The tools used in these production processes and extracting raw materials are also made of steel. The process of producing a bag of flour in a technologically modern flour processing factory is also an example of the process of consumer social productivity. So productivity is consumer social productivity, and production relationships are consumer social production relationships. None of them exist in isolation.

Since productivity represents social productivity and production relationships represents consumer social productivity, productive forces and production relationships come to the customers and are consumed in the process of production, sale and exchange of goods. Only at that point does the total value of productivity become apparent. That is to say, the whole process of productivity constitutes the elements of consumer social productivity. Without these kinds of elements, there would be no consumer social productivity.

As for the realization of consumer social productivity, it is a social and economic process full of contradictions involving people's consumption acting against society; individual consumption against the distribution of social wealth; one individual's social relationships against another; and also the circulation and exchange process against direct consumers. All these contradictions can find their expression within the various production elements. The principle contradiction and aspect of these conflicts is consumption. It is during the process of consumption that people create all of the above and promote their own spiral and peripheral development.

The relationship between productive forces and the production relationships is a unity of the opposites. The development of productive forces is the result of the constant inner motion of the conflict of productive elements and production relationships. The productive forces decide the production relationships, and the latter in turn acts on and influences the former, facilitating or hindering their rate of development.

To study the relationships between consumption, consumer social productivity and consumer social production relationships, the main point is to study the law of how consumption influences productive forces and production relationships from the standpoint of consumption, its relationships and the economy. It belongs to a consumer social economy, and is also called the theory of consumer social productivity, the sub-discipline of the former.

To research the conflict between productivity and production relations is to promote the development of productivity, the economy and social civilization. So we cannot research it only from theoretical concepts but rather from the point of view of the whole process of the consumption social production system. That is, the relationships between every element in consumer social productivity, those between the processes of the elements of consumer social productivity and consumer social production, and those between the realization of consumer social productivity and consumption in order to guide practice by means of theory. The practice of consumption is continuously guiding consumption theory and it is the source of consumption theory. So theory originates from practice and also serves practice. In *An Outline of Feuerbach*, Karl Marx pointed out that all the previous materialism, including that of Feuerbach, had many defects in that it understood matter, reality and perceptual objects only from an objective or purely visual standpoint, rather than considering them to be activities and practice from a subjective standpoint. So theorists should test theoretical conclusions through practice, that is, whether theory goes back to practice and guides it in order to to identify the correctness of their theory.

Section 5. Classification of consumer social productivity

Consumer social productivity can be understood in both its broad and narrow meanings.

The broader meanings of consumer social productivity and its expressive elements

In the broader sense, this means the sum total of the processes whereby people extract consumption materials from nature, and create more

complex consumption materials (including material, spiritual, cultural and information). These constitute the express sum total of consumer social productivity.

1. The national superstructure and government represents an economic foundation, total advanced social productivity, total social production relationhips and social ideology.

2. Policy, distribution, regulation and control.

3. Education and scientific research (primarily basic scientific research).

4. Total social resources allocation.

5. The improvement of quality supervision over all consumption goods in society.

6. The policy regulation of international commodity exchange.

7. The sum of the three most important types of consumption, wealth distribution and macroscopic regulation (distribution of total social wealth is not only to consumers).

The essentials of consumption social productivity in its narrower meaning

In its narrower sense, consumer social productivity means the express sum of people's consumption that creates scientific research and production; production that creates consumption products (commodities); means of consumption, as well as consumer standards. In summary, it is the total sum of a corporation's manifestations in consumer social productivity.

1. The leading force which represents investors in a corporation. It represents productivity, production relationships, resources allocation, distribution policies and so on within a business.

2. Scientific technology and knowledge (productive elements that can be transformed into productivity and that exist in the form of substantial technology and knowledge).

3. The labor force (including non-manual and physical labor, and labor which combines physical and mental aspects).

4. The instruments of labor (the physical apparatus used by the labor force for the purpose of labor).

5. The objects of labor (raw materials and materials constantly processed and reprocessed).

6. The quality of products (the quality standard for products which have reached the stage of technological and social systems and their control).

7. Business management.
8. The elements of exchange.
9. Consumption by customers (consumption is constantly expressed throughout the whole process of productivity).

The above nine elements of consumer social productivity in its narrower sense are combined with consumer social production relationships. The elements of the combination of consumer social productivity in the broader sense and consumer social production relationships find their main expression in the aggregate social capital represented by superstructure; the entire systematic process of social production, which is a combination of the total productive force and production relationships; and in society's resource allocation, as well as in the distribution of social wealth. It displays society's entire productivity standard, labor efficiency and efficiency of capital management as well as the living standards of the whole of society. In conclusion, consumer social productivity is composed of seven elements in its broader sense and nine elements in its narrower sense.

Consumer social productivity develops in such a dynamic way that mankind creates new desires which drive production. Consumption influences scientific research and production which develop in an upward spiral and cyclic trend.

Consumer social productivity is also successive and accumulative. Its creation started in primitive society when human beings, driven by the instinct to live, extracted materials from nature. After this, due to the failure to satisfy consumption needs, tools were produced. The stages through which tools developed were the following: the age of hand tools (including the Stone Age, Bronze Age and Iron Age), the steam engine age, the electrical age and the present electronic information age. Consumer social productivity is successive. The tools, knowledge and technology of production are created through the consumption of physical labor during the process of production. They all contain the potential for physical productivity, which is created by the labor force (including white collar workers). People's consumption means to employ physical productivity in an organized and planned way, to extract raw materials from nature using advanced methods and measures, and to produce consumption goods (including material, spiritual and cultural products). During this process, the labor force (including the white collar workers) dominates the physical productivity and becomes the most dynamic productive force in the employment of physical productivity (with labor time and the final product materializing during production).

The leader (he also belongs to the labor force but is the mixture of complex non-manual labor and a certain amount of physical labor) is involved with production relationships during the whole process of production and operation (This is also a process of consumption).

To study consumer social productivity and consumer social production relationships, a clear understanding of their elements in their broader and narrower meanings is necessary. A further step starts from expressing these productive elements and doing systematic and unified research to facilitate the development of the productive forces.

Section 6. Analysis of the seven factors of social productivity consumption in its broader meaning

In its broader meaning, the seven elements of consumer social productivity have played their unique and irreplaceable roles in its upward spiral development. So it is essential to analyze these elements one by one and realize their important value in order to have the correct macroscopic understanding of the general trend of economic and social development in human society.

Economic foundation and superstructure

A country's superstructure reacts to the economic foundation, to society's total productivity and production relationships. When the superstructure suits a society's economic foundation, the total productivity and production relationships, as well as the aggregate productive force, develop rapidly. Otherwise, the development of the social economy is hindered or severely affected.

In a more advanced period of primitive society, when its systems fail to accommodate to change, the outbreak of feudal revolution is inevitable. Likewise, in a more developed period of feudal society when its systems fail to fit with commercialized production and exchange of capital, the outbreak of a capitalist democratic revolution is certain if the feudal system does not make relevant adjustments.

China's feudal system had a long history of thousands of years and there were numerous dynastic changes during its development. These changes were brought about because the superstructure at that time was

too obscure and corrupt to represent the country's total productivity, total production relationships and general living standards with even survival needs unsatisfied.

The bourgeois-democratic revolution led by Sun Yat Sen toppled the superstructure of the feudal system which had ruled China for nearly 300 years and built a democratic republic. After his death, Chiang Kai-Shek seized control of State power and betrayed the aspirations of the democratic revolution, which as a result thwarted the development of consumer social productivity and consumption production relationships. The Proletariat Party CCP, guided by the Marxism and Leninism and influenced by the proletariat revolution in the Soviet Union, took on this historic responsibility and led the Chinese people to carry out a bourgeois-democratic revolution.

The CCP, led by Chairman Mao, defeated Japanese imperialism, overthrew the Chiang dynasty and built a new democratic republic through innumerable trials and hardships and at the cost of much blood and many lives. As a result, the productive forces were greatly liberated with a better understanding between the superstructure and its economic foundation, and between production relationships and the development of productivity.

Every society conforms to the dynamic and developing law of the unity of opposites and its systems. During the development of this law, there coexist the transformation of quantitative change into partial qualitative change and then into total qualitative change and the law of affirmation and negation. The unity of opposites is promoted by the above law and transformations.

The construction of any new social system is the result of quantitative change into qualitative change of the old social system, and the affirmation of the newly born social system and negation of the old. But the new social systems are either transformed from the former society, or are built by revolution. For example, the feudal society lasted for two thousand years and so its productive forces and production relationships, as well as the superstructure and economic foundation, which formed the social and moral ideology, still remained powerful. Furthermore, a newly built social system generally does not have a well-developed superstructure. And during the development of the economic foundation and production relationships in this new system, it is constantly faced with the unity of opposites and is in the developing process of quantitative change, qualitative change, affirmation and negation. So it is a requirement for the new superstructure of a nation to make new laws,

regulations, policies and economic and administrative measures according to the specific conditions at the time. Then the superstructure can accommodate the economic foundation better in order to make the production relationships fit the productive forces and to guarantee a continuous increase in people's consumption. That is to say, all the above are warranted by laws, regulations, administrative measures, policies and strategies.

It takes a long time for a new social system to become more mature. This process follows the law of the unity of opposites. Part of this law consists of the law of constant quantitative change into partial qualitative change and then into total qualitative change. At the same time, the new social system is pushed forward in its development by the laws of affirmation and negation. Meanwhile, new social elements are created and then developed according to their own laws. The new social system requires constant adjustment in policies, strategies, regulations and administrative and economic measures in order to regulate economic development and social improvement.

In conclusion, social systems, policy laws, policies and strategies of the superstructure are the main express elements of consumer social productivity.

Policy, wealth distribution and control

The national superstructure and government represent, decide, control and promote the development of a nation's total production relations, their total economic foundation and total productivity. They represent the fundamental consumer rights and benefits of all citizens; they decide the total social income, total consumption and re-distribution policies of all citizens including the superstructure itself; they continuously promote development to meet the increasing and improving demands of the national standard of living and consumption; they decide the relative fairness of consumer wealth and rights on a national level to maintain social harmony and stability. There are also general and specific laws in this policy of income distribution.

There are three important types of consumption, with living consumption at the center. Social consumption strengthens national defense consumption. Scientific production consumption follows living consumption and social consumption in order to in turn reproduce these two major types of consumption in a more advanced form and guarantee they are consumed. This is a fundamental and natural general law

driving the economy in circular and upward spiral. For example, if the country goes to war, this law broadens and speeds up social consumption. National defense consumption, war consumption and all those supporting war are there to guarantee national safety and the fundamental benefits of all citizens. These are specific laws. To lead and manage the country, the national superstructure and government researches the general and specific laws during the development of the three most important types of consumption in order to understand them, adapt to them, utilize them, to give play to the subjective initiative of inspiration, to ensure balance and control and to assist the continuous development of the economy and guarantee social harmony and stability.

How do the national superstructure and government represent the benefits of a civil state? How to deal with conflict between the superstructure and economic foundations? How to deal with the conflict between consumer social production relationships in their broader sense and consumer social productivity in its broad sense? How to continuously liberate and develop productivity?

Besides national legislation protection, administrative, economic and financial means, national policies and social wealth distribution are used to adjust the continuous increase in people's livelihood and improvement of their standard of living, and to adjudicate the severely unfair conflict between consumers caused by too much of a gap in wealth. These policies include income distribution during the state's consumption and creation of consumer products, and the transferring, paying and re-distribution policies of social wealth.

The policies of the civil state during consumption and creation of consumption products are as follows:

1. The policy of Chinese rural land cultivation and a contracting system has solved the conflict between production relations and productivity; it has enhanced the peasants' enthusiasm for growing food; and it has greatly increased the food production margin in China.

2. A protective policy on the price of food has increased peasants' income and has motivated the initiative of peasants for growing food.

3. A control policy on the price of agricultural machinery, pesticide and chemical fertilizer has increased peasants' income.

4. Supportive policies on agricultural water conservation, roads and communications have improved peasants' material, spiritual and cultural standard of living.

5. In China, there is a literary record of agricultural taxation generation by generation over five thousand years. However, our country has

exempted the peasants from agricultural tax by policy and law since 2004. Therefore, the peasants have gained a steady income and their production initiative has been greatly motivated.

6. A policy of minimum wage and income in business made by our country has increased factory production costs and protected the increase of the value of labor.

7. Policies on individual income tax and business income tax have adjusted wealth distribution.

8. Policies on national wealth redistribution, aid for the alleviation of poverty, disaster relief and living allowances have properly guaranteed the consumption demand arising from people's minimum standard of living.

9. Laws and policies which protect the labor force's enthusiasm for more work by an increase in wages, and which guarantee labor income according to distribution and production factors, social service labor and migration, and the dynamic processes of financial institutions.

Generally speaking, besides legal, administrative and financial means, the national superstructure and government regulate and distribute social wealth means of by various policies. These distribution policies guarantee the relative fairness of national income for consumption; they motivate the workers' production and initiative; they constantly promote the development of consumer social productivity; they improve the ever increasing consumption demands of living consumption on a national level; and they improve the harmony and progress of social civilization.

Education and scientific research

Factors in educational and scientific research consumption are the foundations of productivity in the whole of social consumer society, and they are the foundations of the development of scientific knowledge and technology. They are also the fundamental basis and conditions needed for the transformation of manual workers into white collar workers, and the foundations of a new developing social productivity consumption.

Nowadays, high-tech is developing with each passing day, and the tools of labor are becoming intelligent. If the educational and research development foundations of a country are undeveloped, it means that society productivity consumption is also undeveloped. If a country's education and research develop rapidly, and attempt to popularize universal education focusing on knowledge and technology; to encourage

everyone to be industrious, diligent in thought, creative, and daring to succeed; and to popularize natural science education from entry-level teaching materials, then the country will be able to build a team of white collar workers who are able to wield both the pen and the sword, namely a group of laborers with knowledge and technology. If a country's cultivation of its population reaches a global level and is continually developing, the rate of development of consumption productivity in promoting the economy can be amazing. And since the factors of education and research development are necessarily incorporated in this, the increasingly higher consumption level and progress of social civilization can also develop rapidly.

For example, one easily ignored yet important factor in the US developing from a tiny ant to a giant elephant was the groups of scientists who emigrated there to avoid the chaos caused by war. The first part of Germany's rehabilitation after the Second World War was rebuilding on the basis of education, and Japan developed from virtual ruins. The relatively high cultural and technological qualities of its population and the complete protection, assistance, and support from the US enabled it to develop into the second largest economy in the world in quite a short period. Immediately after the establishment of new China, the government first of all focused on education; it built schools for free; it organized crash courses to eliminate illiteracy; and it set up universities, colleges, and research institutes, which increased the level of learning of the whole population, and was a fundamental guarantee for the rapid development of the economy.

To sum up, education and scientific research are the foundations and basis of developing social productivity consumption. In modern society, scientific knowledge is developing with each passing day, which forces us to improve education and keep up with the pace of the modern world. To improve the national level of education of the workforce through knowledge, technology, a sense of national responsibility, and scientific research is the first and most fundamental element of developing social productivity consumption.

The allocation of total social resources

Resources are the basic elements for developing social productivity consumption. They become apparent during the processes of people's three most important types of consumption in the form of their distribution.

Resources consist of natural, labor, intelligence, assets, education, scientific research, technological knowledge, information, and electricity resources. By using the power of the State, we can organize a systematic distribution of these resources and allocate them through macroscopic control in order to maximize their potential use, achieve the best efficiency, and best exert the capability of social productivity consumption.

1. Natural resources are the target elements of social productivity consumption. In any country, natural resources are all exclusively controlled by the central power of the state. Natural resources include land, all kinds of underground mining, water, ocean, forest, above ground mining, aerial resources and so on. All these are the natural resources of the three most important types of consumption, upon which the future of mankind depends for its existence. The development of the resources must be carried out in a planned and systematic manner; it must be the most efficient way of increasing their use ratio for the three most important types of consumption and it must exert its efficiency and benefits throughout this process. Laws and regulations should be passed to protect resources and protect them from destruction or a decrease in their use ratio. Therefore, in the spirit of being responsible for our future, all countries should employ the legal protection of natural resources.

2. Labor resources (including non-manual important labor, and labor combining physical and mental power) are an important element of social productivity consumption. Labor resources' representation of this is realized through organization. The laborers in a society are represented in the form of distribution and they are the resources of social productivity consumption. The state bears great responsibility for the protection, use, and development of labor productivity resources. It offers protection through the means of the constitution, laws, regulations, policies, and administration, and provides the intellectual development and promotion of education. The state carries out the most efficient macroscopic control distribution of labor resources in a systematic and general manner, thereby ensuring the maximum utilization of the laborers' initiative.

3. Intelligence resources refer to the representation of knowledge in scientific and technology-minded talented workers cultivated by scientific research. They also refer to valuable intellectual property, patent technology, famous brands, knowledgeable people and so on. Intelligence resources belong to the overall resources shared by society. At the same time they are monopolized by each country within certain historical

periods and geographical areas. The use and distribution of resources should be made under the macroscopic control of the state. This distribution means that within permitted boundaries, the state employs talented people via research institutes and private businesses, and purchases all new knowledge and technological tools to give full play to the capability of social productivity consumption.

4. Total social assets and resources refer to a society's general capital in circulation and fixed assets which reflect the process of social productivity consumption. They exclude the assets owned by the state or citizens but are not used to create social productivity consumption, such as private residences, furniture, utensils, and articles of consumption and so on. They do include state-owned houses provided for the citizen's use (this type of accommodation is rent-free). The assets not reflecting the value of social productivity consumption are not included.

Assets resources consist of two parts, namely total capital in circulation and fixed assets.

i. Fixed assets. The main feature of fixed assets is that they can provide income and profits without going into circulation or changing their owner. They are mainly made up of the following items:

The first item is useful machine and production tools, which can facilitate and simplify labor. The second item is profitable buildings, which are a means of earning an income, not only for the people who rent them and pay for their lease, but also for people who own them and charge for their lease. The third item is assets expenditure which is used to improve soil conditions by cleaning, draining off water, building irrigation facilities or terraces, thus making the land arable and profitable. The fourth item is the expenditure used on community facilities and resources exploitation. The fifth item consists of the useful skills learned by the workers. The costs of education and internship fees, research expenditure and apprenticeship costs are all returned from these skills. The training costs for learning a skill and the expenses of students studying abroad are an investment in improving the population's overall level of education. The training costs of improving the staff's abilities and working skills are a company's investment in its staff. All these investment costs can be returned in the form of the social benefits and profits thereby generated.

ii. Circulating capital is first and foremost a kind of currency and a financial tool, through which currency and its institutions are able to exist, and money can be distributed into the process of the three most important types of consumption. Second, it is a kind of commodity,

namely all the capital it owns during the process of production, circulation or warehousing when it is on sale for profit; during the process of being displayed in shopping malls together with all their facilities, where it is on sale for profit; or during the process of being sold. Third, it makes up the consumption process and the capital occupied by all the survival and enjoyment types of articles of consumption of a family or an individual. Fourth, it makes up the materials used in production, and advanced capital such as workers' wages and all insurance costs. Fifth, it acts during the processes of the three most important types of consumption, the state's financial circulation, the circulating currency in citizens' hands, the deposit margins, and the currency saved in property are all mobile capital. Sixth, as working capital it must be ensured in a company's operations and in all public institutions and state apparatus, or else the cashflow is cut off, and the result is just like a blockage in blood flow which causes people to die. Seventh, during circulation, capital can drop out of actual circulation and is recycled, or it turns into non-circulating fixed assets, thus creating profits or becoming fixed assets that will serve as long-term consumption or as a type of enjoyment such as luxury villas, jewelry, calligraphy and paintings. Eighth, it is the capital in circulation. During its circulation, with the diversification of economic development and according to the increase of the total amount held by an economically developing society, and according to the loss of currency or its appreciation or depreciation, the state has to adjust the printing of new bank notes. All currency is controlled by its national distribution. It is an important element in developing consumer social production consumption in using the state's power to distribute and conduct macroscopic control over its total social assets.

The control and improvement in the quality of total social consumption goods

The quality of society's consumption goods indicates the ability of social productivity consumption, the degree of social production consumption, and the degree of the three most important types of consumption. The quality of society's total goods represents the credibility and reliability of a country. Since China's entry into the WTO, the circulation and exchange of commodities has become international, and more is demanded from the standards of product quality in order to keep in line with international practices. The number of exports and imports is one

of the factors that determine the development speed of overall national social productivity consumption. The total import and export of high-tech commodities marks national social productivity consumption with its content. So the quality management and control by the State of total social commodities is a major mission and responsibility for our people.

Quality standards are set by the State to improve the general quality of commodities. Investment in education, and scientific technology is adopted to work with businesses and improve their products' quality. These standards are meant to guarantee quality during the whole production process. They are beyond the needs of the citizens' and the country's interest, but they meet the demand for developing consumer society's overall productivity. The quality of commodities represents the level of a consumer society's productivity, thereby directly determining the speed of development of productivity.

Therefore, the state must set appropriate commodity quality standards. Whether a country can constantly increase its quality standard, carry out strict supervision, and ensure a company's commodity quality determines the development of that company. The comprehensive commodity quality of a country determines the development of national social productivity comsumption and even the destiny of the country as a whole.

Control on total exchange policy of international goods

The goods sold in international commodity markets are determined by the consumer needs of the three most important types of consumption. The consumption of international commodities is mainly realized through foreign trade.

Foreign trade is the engine of economic growth. As the bridge and bond linking domestic and foreign production and consumption, it plays a special intermediary role in social reproduction. It can optimize the combination of productive factors and the distribution of economic resources, increase their value, and act as the regulator and accelerator in social and economic development. It is an indispensable method of maintaining a steady, continual, coordinated, and rapid development of the national economy. It performs a special function that other economic departments cannot take on, which mainly represents the growth of social production, the promotion of capital accumulation, the stimulation of economic growth, the optimization of the industrial infrastructure, an

increase in financial revenue, the boosting of technological progress, an increase in labor productivity and employment, the ability to pay the balance of international trade, and the influence on the international division of labor. As for developing countries and regions, their strategic significance is more obvious. To narrow the gap with developed countries until they reach simultaneous levels of development through further extending foreign trade is one possible approach. If there is no rapid development of an open door policy to the outside world or to the export and import trade, nor a development of the great potential of foreign trade, there will be no corresponding achievements in the construction of today's socialist market economy.

After China's entry into the WTO, consumption competition among market consumers became rather fierce. China's commodities had to enter the international market, and at the same time foreign commodities were entering the domestic market. The mutual investment in international commodities constantly increases. The center of the globalization of commodities, as well as the increasing internalization of trade volume, are both to be found in the maximization of the nation's and the citizens' interests. However, in commodity production and exchange, each country formulates the policies which are favorable to its own development and protective policies, they each organize and implement these policies, and execute strict control over this implementation. For example, a country uses various policies and administration means to protect people's everyday necessities, such as food production allowance, reduction of or exemption from tax, an increase in or reduction of duty and so on. The policies and control systems in the process of exchanging products have the following purposes: to maximize the exchange capacity of commodities; to promote and satisfy the maximization of the three major types of consumption needs; to maximize the consumption of overall social production; to maximize the social employment rate; to promote the maximization of the development of social productivity consumption; to maximize the affluence of the country and its citizens; to strengthen overall national strength; and to protect national security and maintain social harmony. However, a country's policy of commodity exchange at home and abroad directly affects the interests of domestic and foreign consumers and the the desire and tendency to purchase consumer goods. If during the sales process of certain goods, the country's policy is not competitive, that is, the price and the quality of its products are also not competitive, and as a result, the country cannot realize the maximization of its market share and production capacity,

and social productivity consumption cannot develop. Therefore, the formulation of policies and the implementation of their supervision are indispensable factors in the development of social productivity consumption.

In order to ensure the steady, rapid, and healthy development of foreign trade, in order to realize the policy regulation of the general exchange of domestic and foreign commodities, the following issues deserve attention:

1. The basic principle of regulating the exchange policy of international commodities.

i. Stick to the direction of privattization and globalization to develop foreign trade. Seize the opportunity to enter the WTO; establish and improve an open and standard market system; perfect the system and rules that conform to international practices; make full use of the basic role of the market in managing resources; and based on domestic and foreign markets and resources, bring into play comparative advantages, and take part in economic globalization with a more positive attitude.

ii. Adhere to the combination of import and export. Use imports to stimulate exports; import more and export more. Take any opportunity for tariff decreases after entry into the WTO; import materials; strive to develop the process of trade; increase exports; import high-tech equipment; accelerate companies' technological transformation; promote industrial upgrading; and lay the foundations for enlarging the fields of export and optimizing the structure of export products.

iii. Adhere to the combination of policy initiatives and through the use of internal strength create new competitive advantages. Make great efforts to implement the strategies of "success through quality" and "revitalize trade through science and technology;" accelerate the expansion of the export product infrastructure; increase product competitiveness; continue to deepen reforms; accelerate and promote the strategic reorganization of state-owned property into foreign trade enterprises; strengthen even the strongest companies and assist small ones; and improve the companies' competitiveness.

iv. Adhere to the combination of commodity marketing and capital operation, and realize the transformation of operating principles in foreign trade. Capital operations are a strategic means of operational management which concern the long-term development of businesses. It is a strategic choice of the high-level development of foreign export companies in a new situation. According to the demands of the use of capital, all the tangible and intangible assets owned by a company are

manageable value capital, which can be effectively used in many ways and manners such as purchase, acquisition, reorganization, participation, transaction, transfer, and lease in order to maximize capital appreciation and profit increase. Foreign trade departments and companies should fully recognize that the correct use of capital has great significance for business development and they should take measures to accelerate this strategic transformation.

v. Adhere to a combination of management and service, and carry out a transformation of the means of management in foreign trade departments. It has been a more and more urgent issue to transform the government's modes of behavior in accordance with the WTO rules. According to the principle of being open and transparent, speed up the reforms of the systems of administrative approval; accelerate and improve a rapid and flexible market response mechanism; especially further improve operation monitoring and warning systems for legal affairs involving foreign interests; accelerate the development of intermediary services involving foreign interests such as accounting, law, notarization, auditing, evaluation, consulting, and exchange of talented workers; strengthen a standardized service; and create an open environment more in line with international practices.

2. The foothold and strategy to regulate export trade. Export trade should constantly deepen the reforms of foreign trade systems and promote the diversification of the main export organizations. Adapt to the demands of entry into the WTO; focus on the acceleration of giving the power to engage in foreign trade to eligible companies; increase the export proportion of foreign trade companies; deepen the reform of state-owned foreign trade companies; and strive to nurture a more modern and dynamic export central body.

Actively promote private businesses to go global. At present, there are more and more private businesses eligible to carry out export and import and their development has great potential. In order to further enlarge the scope of foreign trade, we must attach great importance to the export operations of private companies, encouraging more production and scientific initiatives to encourage these companies to enter the international market. The first things to do are to give eligible companies the power to engage in import and export trade as quickly as possible; to nurture and expand the foreign trade central body, and to generally promote more companies to the international market. The second aspect is based on the demand of the international market: adjust the product structure in a timely manner; adopt flexible means of trade; carry out multiple operations; and steadily develop one's own export business. Open up

new markets; establish further foreign marketing networks; export high-tech and brand new products.

With increasingly fierce competition in the international market, we must place diversification strategies in a more prominent position, adopt different methods to develop different markets, and further improve the international competitiveness of products.

i. Enter the Japanese, American, Korean, European, Hong Kong and Macao, and Southeast Asian markets. Japan, America, Korea, the European Union, Hong Kong and Macao, and Southeast Asia are all China's traditional export markets, holding an important role in the export trade of our country. We must take effective measures to develop these markets, such as establishing large-scale cross-border purchasing systems, and carrying out more effective marketing for key commodities.

ii. Actively and steadily tap into the Russian market. In recent years, Russia's economy has enjoyed relatively fast development, and China's exports to Russia have also maintained a high degree of increase. However, compared with the huge market demands in this region, products from our country still have great development potential. We should give full play to the advantages of strong ties between the two economies; carry out the strategy of "success through quality" in an earnest manner; and treat famous key companies and products as the main way of tapping into this market.

iii. Strive to tap into the markets in the Middle East, India, and West Africa. These markets have great potential and are very important growing export markets for our country. The Middle East is a big market whose annual trade volume surpasses 400 billion dollars. At present, we have a new opportunity to enter this market. In the choice of goods, we should focus on promoting high-tech and brand new products, light industrial products and textiles, building materials and interior decoration materials and so on. As for trade methods, we should tap into this market in a comprehensive manner by means of the trade of goods, and setting up factories, raw material processing, and contracting projects. In this way, we can make full use of the investment trade center established in this region, while conducting the business of warehousing, distribution, wholesaling and retailing, and at the same time organizing in a planned way companies to take part in the exhibitions held by the State Commerce Department and the expositions held locally in order to let the clients in the Middle East learn more about our companies and products. In the choice of country, Saudi Arabia, the United Arab Emirates, and Iran have relatively large market capacities. In addition, India is the

largest country in South Asia, and is also our biggest trade partner in this region. With the growth of India's economy and people's standard of living, the potential of India's market will gradually become apparent. Domestic appliances and light industrial products all have good prospects there, and at the same time we have relatively large potential for cooperation in the domain of the information industry. To tap into the Indian market we should place famous domestic appliances, computers, and the processing of mechanical products as the lead.

3. The foothold and strategy to regulate import trade. Import trade should be established through promoting the optimization and upgrading of the industrial infrastructure and products.

i. Focus on increasing the technological level of the industry, and increase the import of major technological equipment as well as key technological and building projects. Make full use of the advantage of lower tariffs after joining the WTO; prioritize technological progress in traditional industries such as textiles, silk, clothing, and light industry; introduce first-class equipment to the world; accelerate the improvement of product quality; and increase export competitiveness.

ii. Based on the demands of economic development, increase the import of materials, spare parts, and strategic resources. According to the requirements of accelerating the strategic restructuring of our country's economy, we should further increase the import of rare materials, important spare parts, rocks, minerals, and timber; we should continue to supply the resources needed for the processing of raw materials in industry; and we should also maintain this industry's sustainable development.

iii. Strengthen policy support, and build an environment for increasing imports. The import trade has many connections, takes great risks, uses huge amounts of capital, and involves many departments. Therefore, the relevant departments should strengthen their coordination and cooperation; help businesses solve any problems in this area; formulate corresponding and specific support policies; reduce red tape as much as possible; increase work efficiency; and generally create excellent conditions for businesses to increase imports.

The sum of the three most important types of consumption and macroscopic control

1. The annual sum total of the three most important types of consumption is represented by the annual sum total of social production consumption

ability (including the sum total of exports and imports). This should be divided into two parts. First, the annual sum total is the total of product consumption (including imported and exported products) produced by new high-tech productivity, which represents its overall capability. Second, the annual sum total is the total consumption of standard technological products, which represents the capability of ordinary social productivity consumption.

The annual sum total of the three most important types of consumption should include the product value of business, agriculture, livestock farming, forestry, fishing and other industries. Since they are the sum total of the representation of social productivity consumption, research should start from the study of how to develop the three major types of consumption in a scientific way, namely the scientific development of social productivity consumption.

Consumption developing the social infrastructure belongs to the category of social consumption. It is the most basic type of consumption for developing the three most important ones. The first is real estate consumption, which is a part of the overall consumption of most people. The second is people's public life consumption, such as consumption in shopping malls, hotels, restaurants, public places of entertainment, and hotels. The third is the property of the government at all levels, public organizations, public security services, national defense and so on, which belong to the category of pure social consumption.

The sum total of the three most important types of consumption is also the total of the process in which people seek raw materials and create consumer products. It shows the harmonious relationship between the three major types of consumption and nature. To carry out research on developing social productivity consumption, we must pay high attention to the scientific exploitation of natural resources, as well as the use ratio and efficiency of their investment, taking into account sustainable development for future generations and ensuring the harmonious development of man and nature.

2. Carry out development while regulating social productivity consumption. The sum total of the three most important types of consumption represents the sum total of the value of their productivity capability. Scientific research and production consumption determine life consumption and social consumption. If the proportion of production consumption is too large, it will surely lead to overproduction, to a certain degree of economic disproportion or even to economic crisis in extreme situations. If the demands of life consumption exceed supply, that means the capacity of production consumption is insufficient, and

so we should increase the capital invested in this area. If the demands of social consumption exceed supply, we should decrease the capital investment there. If the demands of production consumption in heavy industry exceed supply, we should decrease investment in production. When consuming natural resources, we should make up for nature's losses as much as possible. This is necessary for people's existence and sustainable development in the future. Carrying out research on the development of social productivity consumption with a scientific outlook will point us in the right direction.

Section 7. Analysis of the nine factors of social productivity consumption in its narrower meaning

The nine factors of social productivity consumption in its narrower meaning are closely related to the production, management, and sales of a company, and to consumption during scientific research and production, as well as to individual consumption. Analyzing and understanding the functions of these nine factors effectively boosts and strengthens business and promotes the development of social productivity consumption.

1. Business and its investors. The capital of a company is the basis of productivity in its narrower meaning, and is also a condition for the production and exchange of capital commodity. Capital is transformed into productivity through the material forces of production, laborer productivity, and the objects of labor. Without capital, the three cannot be transformed. The business leadership team is the representative (the president and general manager) of corporate investment and management. The position of president of a company is taken on by a corporate investor, or a person trusted and elected by investors. The president of state-owned or collectively-owned enterprises and companies are designated by a government official, and the president and general manager of public companies are elected by the shareholders.

A business leadership team is headed by a president or general manager representing the investors' interests, and at the same time he assumes social responsibility.

A business leadership team has the right to allocate and integrate corporate resources; the right to use capital; the right to promote or demote staff; and the right to make decisions about the investments and

corporate projects. As specified by the company's regulations, it has decision rights on the whole process of corporate production and operation; the right to use and integrate social resources; the right to formulate all rules and regulations for the company's internal management; the right to make decisions and distribute wages and bonuses within the company. However, the leadership is also made up of non-manual workers, who represent the corporate capital (the economic foundation). They also decide the value of corporate culture, and at the same time represent the company's production relationships, as well as its productivity. They have the dual identity of being related to and being the driving force of productivity. The corporation's destiny is determined by the business leadership team, and especially the president and the general manager. A competent corporate leader can help a small company to develop into a big one, turn a passive state into an active one, make the company flourish, multiply benefits, staff wages and bonuses, as well as its contribution to society. An incompetent corporate leader undermines a once flourishing company, reduces economic returns, makes the company lose money and is not able to pay the staff until it eventually collapses.

It is clear that the leadership of a company is extremely important. Through its rights and responsibilities, it integrates laborer productivity factors within the company, as well as a series of material productivity factors, and social and natural productivity factors in order to match overall production relations to the development of productivity in an all-round, systematic, and general manner. This ensures the long-term development of the company, and realizes the simultaneous development of the company's economic profits and social benefits. Once the company has developed, so it can social productivity consumption.

When analyzing the accommodation of the above forces and production relationships in a systematic and all-round manner, the business leadership team again represents both them, and corporate productivity. In the reflection of realizing productivity in its narrower meaning, it shows its own social attributes and the corporate leaders' dual attributes of representing capital. These dual attributes of business management and all its processes from start to finish are the processes of consumption. The business leadership team should be listed in the aspects of social productivity consumption in its narrower meaning.

2. Scientific and technological factors. The development of material productivity covers a long historical period. From the Stone Age, to the Copper and Iron Ages, productivity was basically represented by the scattered and small-sized means of production in mills. These conditions

were somewhere between being not socialized to semi-socialized. If we say the first industrial revolution was marked by the steam engine helping European capitalism to finally destroy the rule of feudal aristocracy and to establish capitalist means of production, the second industrial revolution was marked by the application of electricity, which led to a great improvement in labor productivity and further developments in capitalist economies.

The modern scientific and technological revolution started at the beginning of the twentieth century and was marked by the development and application of atomic energy, electronic computer technology and space technology by the middle of the century. This revolution had basic features which differentiated it from all previous ones. The electronic computer became the most useful tool in automated production and was also an important sign of management modernization.

It is a basic characteristic of modern scientific and technological revolutions that science becomes the precursor of production technology. Since the start of the age of civilization, the relationship between science, technology and production appeared at least as far back as the end of the nineteenth century or the beginning of the twentieth century. The main sequence it represents is conforming production technology to science. So over a long period, both science and technology were linked to means of production. Propelled by social demand, people constantly analyzed their experiences during production, and then improved techniques and invented new technology. In order to improve technology, research was carried out on related scientific theories. Moreover, to a large degree, science and technology had not previously been connected to each other. However, after the middle of the nineteenth century, this relationship radically changed. The relationship of science, technology and production was turned upside-down. Science now preceded production and technology. It was increasingly obvious that science was forward looking. The modern scientific and technological revolution was now guided by modern scientific theories. The breakthrough of a new theory often became the precursor of a technological innovation, while the emergence of new technology in turn radically changed the outlook of production, greatly increased the production efficiency and promoted the development of the social economy. From the 1950s to the beginning of 1970s was a period when the capitalist countries' economies were developing rapidly. From 1951 to 1970, the annual average growth rate of industrial production was 4.1 per cent for America, 14.1 per cent for Japan, 7.5 per cent for FRG, 3.0 per cent for Britain, and 5.9 per cent for France,

all of which surpassed expectations following the Second World War. Such growth has seldom been seen in the history of capitalism.

In the first half of the twentieth century, the revolutions in science and technology did more by way of promoting huge developments in social production. Compared with the overall characteristics of the nineteenth century when scientific, technological and industrial innovations came in succession or parallel with each other, the revolution in modern science and technology embodied the new feature of the interconnection and mutual promotion between these three aspects. The speed of development of scientific and technological theories has increased and the time period for these developments has shortened greatly. Before the nineteenth century, as for the period of applying new technology in practice, the steam engine took 100 years (1680–1780) and the steam locomotive 44 years (1790–1834) During the nineteenth century, the electric motor took 57 years (1829–1886), the wireless 35 years (1867–1902), the automobile 27 years (1868–1895), and the diesel engine 19 years (1878–1897). Since the 20th century, the speed of development has increased greatly, and the period of materialization shortened further, when the radar only took 15 years (1925–1940), the television 12 years (1922–1934), transistors five years (1948–1953), and atomic energy merely three years (1939–1942) from the discovery of nuclear fission to the construction of the first atomic reactor.

The change in the interrelations between science, technology and production has always been relative to the overall trend of the level of creativity since the twentieth century based on ever-increasing differentiation. Many subjects interconnect and combine, or even integrate to form a larger subject with a more extensive content, and include different fields, new boundaries, cross disciplines and so on. The relationship between disintegration and integration is dialectical unity: disintegration results in the emergence of new subjects, while integration bridges the gap between them. For example, the emergence of molecular biology and systemic science filled the gap between physics, biology and engineering. Disintegration and integration alternate in turn and promote each other, which makes the whole of science become a system in which the frontiers are extending and layers are multiplying, thereby generating the integration of all disciplines.

The integration of science, technology and production makes the relationship between science and technology very close and increasingly dependent on each other. On one hand, technological progress is growing day by day, and breakthroughs in scientific theories have become a prerequisite for this progress. For instance, nuclear engineering

technology benefits from major breakthroughs in physics; space technology grows steadily with the development of subjects such as aerodynamics. On the other hand, science itself is undergoing technological changes. As the range of scientific studies constantly grows and analyzes in still greater depth, discoveries related to the dynamics of matter not only rely on productive thinking and well-organized theory, but they also need scientific precision instruments, and experiments need specific functions that depend on the advance of modern technology. The higher the technological level and the more advanced the instruments and facilities equipping scientific research, the more favorable it is for science exploring untouched new areas. High technology is that which bases itself on the latest scientific theories and is characterized by high efficiency, intelligence, and commitment, fierce competition, high risk and high potential. Furthermore, high technology is also the fruitful combination of science, technology and production.

These changes illustrate the fact that science and technology has outpaced production and has become the number one productive and dominant force in all elements of production.

Along with all the developments in the means of production, technology and skills are also developing, which in turn pushes productivity forward. Already researched scientific knowledge and technology are the inheritance of a wisdom which has been developing and accumulating for the development of human evolution and progress. Nowadays, the technological revolution is influencing the course of human society and development with an unprecedented force. Technological competition between countries are becoming the cornerstone of economic, military and even overall national strength. Therefore, the assertion, "Science and technology are the primary productive forces," seems more and more correct.

However, science and technology are not equal to productivity directly. They must be transformed through certain conditions. Specifically speaking, there are six:

i. The primary condition for science and technology to transform into productivity is that scientific achievements must satisfy the needs of consumption. Moreover, the larger the demand is, the larger the need of its transformation into productivity, and the larger its value becomes. On the contrary, the lower the needs of consumption in the market is, the lower the need of its transformation into productivity, and the lower value is becomes.

ii. Brand new and high technology (which can be scaled into production) are available. Only discoveries in a laboratory which have undergone successful pilot tests can be transformed into productivity.

iii. In the development of new technical achievements, the conditions for both development and production should be satisfied, including funds (minimum funds), equipment and tools required for this development, as well as all the other supplementary conditions.

iv. Talented people who have the ability to develop and produce new technology must be available.

v. Only when people talented in marketing and sales service are available, can the new technical achievements be known and accepted by consumers and can thus be transformed into productivity.

vi. Advanced organizational processes of production management must be available for science and technology to be transformed into productivity and produce the proper results.

In conclusion, the six conditions must be available for high and new technology and achievement to be transformed into productivity. In addition, the six conditions are interconnected and synergistic, as they supplement each other and grow together. They are six aspects of the same thing. The transformation of science and technology into productivity in its true sense cannot be realized with any aspect lacking or neglected. Every step of progress in science, knowledge and technology marks the level of the evolution and progress of mankind. Human consumption creates social productivity consumption and promotes the development of social civilization (Figure 9.2 and Table 9.1).

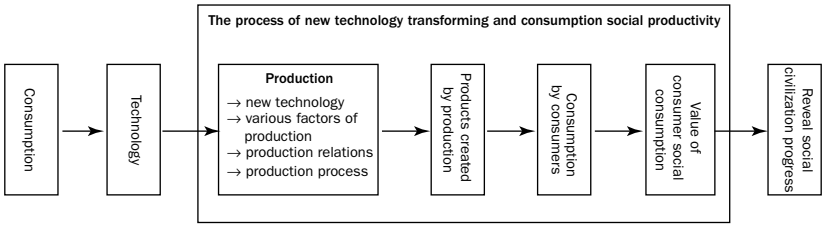


Figure 9.2 **Scientific technology has led to progress in social civilization**

Note: The development of the process of consumption by human beings constantly creates new technology, while new technology is constantly transformed into productivity. The production process, production relationships and productivity combine together and create production, products, consumption patterns and the level of consumption. The levels of the three most important types of consumption are reflected by the progress of civilization at any one time.

Table 9.1 **Scientific technology has led to progress in social civilization**

Technology of the age	Representative technology of the age	The technology of an age represents social civilization and progress
Stone Age	Representing technology in this primitive age of mankind	Mankind entered this primitive period with very early civilization.
Ceramics Age	Representing technical progress in this primitive age of mankind	Mankind entered the age of early civilization.
Bronze Age	Representing mankind having discovered mining and smelting technologies.	Mankind entered the age of bronze civilization.
Iron Age	Representing new technical progress achieved in mining and smelting.	Mankind entered the age of iron civilization.
The Age of the Steam Engine	Representing human technology having developed into a time of mechanical and industrial production.	Mankind entered the age of modern civilization.
Electric appliances, the telephone, the telegraph, diesel engines such as internal combustion engines, steel making technology, and atomic technology	Representing mankind having entered the age of modern agriculture, industry, national defense, and social life with modernized technologies.	Mankind entered the age of higher civilization and progress.
The Age of Electronic Information	High and new technology in this age of intelligent production, living and social consumption.	Mankind has entered the age of advanced civilization and progress.

Note: We can see the process of technology leading to progress in social civilization from the historical development of human consumption creating technology.
The representative technology of each age represents the degree of civilization of that time.

On the whole, it is the scientific and technological productive forces that make possible rapid development in human civilization and constant change in the pattern of consumption in scientific research and production, in people's lives and in the whole of society. These influence sustained development in science and technology, in the means of production combining productivity and the relationships of production, and in the three most important types of consumption.

3. Factors of labor. Types of labor include non-manual, manual, and a combination of both. These are the most common in production. They are the creators of productivity in technology and materials and they dominate the all the elements of productivity. With the rapid development of science and technology and the automation of mass production, especially when computers are used as tools on a production line in the mechanical manufacturing and production process, then labor is reduced, and the intensity of labor becomes increasingly lower as the technology and techniques of ordinary labor are simplified. Complicated and precise technology and techniques are replaced by machines, revealing that non-manual workers are taking on an increasing role in labor productivity.

Mass production during industrial modernization makes higher and higher requirements on the quality of labor and especially requires that the knowledge and skills of laborers must fulfill new demands in the productivity of materials. All too often, owing to progress of new technology and finer divisions of labor, then the work of ordinary laborers become increasingly simpler and the intensity of physical labor become increasingly lower.

Due to scientific research, production consumption and non-manual workers accounting for a larger proportion of the workforce, efficiency is becoming greater. Labor is becoming more complex, and production is making greater contributions to scientific progress. The rapid development of science and technology results from the combination of non-manual and manual workers.

One dynamic process among the various factors of productivity is that created by non-manual and manual work combined. This is the process whereby consumption creates production and its relationships, and is also the process whereby the material value of labor is transformed into the new labor achievements, that is, new products (commodities). The process whereby commodities bought by consumers through commodity market exchange is also realized by laborers.

Labor, one factor of productivity, has the property of social productivity. The social productivity of laborers presents itself through distribution.

During the stage of mass production on production lines and socialized factors of productivity, no laborer can be a factor of productivity without the overall organization. The productivity of laborers is organized. While consuming their labor, they create both productivity itself and the capacity to create productivity. By taking the initiative, laborers can create a huge value for their labor and its productivity. On the contrary, if laborers are too passive and uncooperative, the value of their labor and its productivity is different. However, the adoption of the policy of more pay for more work and rational distribution helps to transform a good attitude into materials. With more pay for more work, the value of the labor becomes apparent. In order to meet the desire to be respected and other needs, laborers work more actively and creatively. Therefore, laborers are the most active and creative aspect of productivity; they dominate all of its elements, and are subjects of consumption and of society.

i. New knowledge and technological tools. New technological tools determine the means of production and affect laborers as well. Laborers are required to excel in the knowledge and operation of new technology. Otherwise, they cannot meet their requirements and production cannot be conducted efficiently. To improve the production capability of laborers through vocational training is a primary task for businesses. The professional training of laborers is crucial in the realization of the productivity of consumer society in its narrower meaning.

ii. Establishing employee training organizations. Provide rational knowledge training, technological knowledge and skill training for employees, as well as training on strategies and tactics for senior personnel in technical and cadre schools.

iii. Training in the knowledge of new technology combines simulated field training. As an important method of improving the quality of laborers' work, training should be conducted strictly to meet the requirements of modern and automatic tools of production, as well as the requirements of the overall realization of production. Only after the laborers have met the requirements of the productivity required by a general consumer society, does their true ability become apparent.

iv. Training in corporate culture and ideas. Corporate culture and ideas are the soul of a company, which unifies the minds and behavior of the employees. They can identify with corporate culture and ideas and conform to them voluntarily and consciously, which guarantees the realization of the overall factors of productivity in their company.

v. Training in corporate rules, regulations and disciplines. The production and operation of the company must conform to national and corporate law. Also, rules, regulations, disciplines and other management provisions must be made by the company. Employees should be trained to abide by all the regulations after their employment there, otherwise management cannot continue and the productivity of laborers cannot be brought into full play.

vi. The value of laborer productivity. In this age of capital commodity production and exchange, the value of all commodities is reflected in the consumption of labor. So the value of labor consumption is the sum of the collective commodity value.

Laborers participate in commodity production, operation and exchange with their own comprehensive qualities and thereby gain their deserved labor value. Staff training is a necessary expense to achieve and improve the laborers' value. They, through comprehensive knowledge and skill training organized by their company, can improve their labor consumption value. The value of a laborer's comprehensive quality or special skills belongs to the social category. The degree of a laborer's value in one region or one nation is influenced by social productivity consumption in its broader meaning and is protected by the superstructure.

The ideal of being people-oriented here is to implement a socialist system with Chinese characteristics, under the direction of which, scientific productivity is developed to comprehensively improve the level of social productivity consumption, to promote a harmonious socialist system and establishment, to enhance the continuous development of the economy and science, and to improve people's material and cultural standards of living.

4. The element of labor tools. These are the means of production. The productivity of tools shows the transformation of science and technology into productivity. New technologies create productivity as demonstrated by the means of production. For instance, high-tech components of mobile phones and computers are new instruments of productivity shown by the new functions of mobile phones and computers during their assembly process.

In the Stone Age, the stones which could make tools were also tools themselves. During the Bronze Age, the smelting of bronze as a raw material made various tools and advanced productivity through improvement. Then in the Iron Age, the smelting of iron as a raw material made various tools through smelting and processing many times. The inventions, creations and progress in knowledge and technology in the Stone, Bronze and Iron Ages were all demonstrated by

the transformation of knowledge and technology into tools. Their productivity revealed the production process of manufacturing. The use of objects of labor by a laborer through tools was a production process whereby labor consumption values and materialized labor consumption values were transferred into a new consumer product and also reflected the process of productivity at this stage in its narrower meaning.

The Stone, Bronze and Iron Ages were long periods in human history, with decentralized means of production and underdeveloped commodity exchange. The social productivity level, though inherited and developed in every era, made slow progress. Though the production and exchange of commodities appeared in the productivity of feudal society, it was extremely underdeveloped. For the whole of society, social productivity was determined by tools which basically belonged to the productivity of an individual peasant economy. The Englishman Watt invented the steam engine and so steam engine technology matured by constantly rechanging and improving, as were spinning, weaving, dyeing, mining, smelting, transportation and shipping, and so on. Due to the revolutionary advancement of tools, intensive commodity production and exchange of capital was created. The mass production consumption of capital industry created intensively organized workforces and production relationships, and furthermore it created the bourgeoisie and proletariat. Commodity production and exchange of capital appeared with the improvement of tools in feudal society. As the production relationships of feudal society did not suit commodity production and exchange of capital the Bourgeois Revolution happened, overthrowing feudal society and establishing a capitalist one.

Marx said that the productivity created by capitalism in 100 years was more than total productivity of all the past centuries. The industrial revolution caused by the steam engine was also called the First Industrial Revolution. The steam engine was extensively used in social production as a tool. However, because of its unwieldiness and inconvenience it seriously influenced the development of the three most important types of human consumption. The feeling of desire stemming from these three types of consumption also influenced the development of scientific research and production consumption. In 1831, Oersted discovered the magnetic effect of electrical current and after many further discoveries and improvements Siemens from Germany invented the electric motor. In 1878, Edison invented the incandescent lightbulb and in 1892 Diesel invented the diesel engine which was widely used in mass production consumption in industry and the Second Industrial Revolution thus

started, which brought the productivity of social consumption to a new and higher stage. The constant development of three most important types of consumption influenced the development of scientific research and production consumption. Later integrated with the First and the Second Industrial Revolutions, 1642 was the year when the German philosopher and mathematician Pascal invented the first mechanical rotation computer, and electronic technology greatly developed due to the constant efforts of many scientists. During the twentieth century, computer technology and mobile technology as tools were widely used in industry, transportation, office modernization, people's lives and in many other fields. Since the 1940s, on the basis of the revolution in modern science and technology, namely the Third Industrial Revolution, atomic energy technology, electronic computer technology and space technology have been widely used. New technology has an important influence on tool and equipment creation and it enhances the productivity of technical tool competence to a very high level. It also helps civilization and the progress of the three most important types of consumption develop to new era of a modernized information technology economy.

5. Objects of labor (raw materials and continuously created, processed and re-processed materials). Objects of labor means the raw materials on which laborers use production tools. These are used on processed and reprocessed marerials (including main and subsidiary raw materials, electricity, water, and so on) in order to fulfill the producers' goals of production. Take steel and iron for example, the process goes from mining to iron-smelting and steel-iron, then to steel making and tool making. Another example is the production of agricultural products, from farming, harvesting and warehousing to processing flour and various foodstuffs.

Material products produced in the previous stage are objects of labor in the next stage of production. Owing to the development of science, high technology and its productivity, new objects of labor are constantly created. In the past, people simply looked for consumption material from nature. This has now this developed to a process where people extract raw materials and then create products that can meet the ever-increasing consumer demands. Materials that originally do not exist in nature and are synthetic are created as well (while the basic raw materials are in their original state occurring in nature). The new materials expand the scope of the objects of labor, for instance, the discovery of dyes in the chemical industry. Therefore, new synthetic materials are constantly

created, such as plastics, steel and artificial fiber. The enrichment and development of the objects of labor promote the development of scientific research, production, the productivity of consumer society and its consumption level, and so in this way all human consumption levels are greatly improved.

6. Factors of products. Product quality has a narrow definition and there are specific quality standards to evaluate it. It also has broader social attributes. The standards to evaluate product quality are complex and various. At different stages of the process of manufacturing the same product, different companies have different standards and requirements for product quality, which shows the value of productivity varies. For example, the differences in 90 per cent, 99 per cent and 100 per cent quality rates reflect the productivity of companies and directly influence their business, the intangible assets of their brand, and the equity and value efficiency of product.

Product quality, a factor of productivity, is influenced by management conditions and their level in the company, by the quality of the laborers, by the technological level of production tools and by the quality of the objects of labor. Moreover, all these factors influencing quality standard are constantly changing. The product quality standard of a company indicates the overall level of the productivity of its social consumption. Product quality represents the practical value of goods. If a company can reduce its costs and produce more suitable products that meet the needs of consumers, it can grow rapidly. On the other hand, if the products are not popular and cannot win over the market, the company can go bankrupt. Product quality is the life-blood of a company. In order to guarantee and improve product quality, it must adopt standardized, systematized and duty-assigned management concerning all employees, all procedures and the whole process. Overall management is the core and top priority of business management.

7. Factors of business leadership management. Modern business management has to conduct a systemic overall management of functional elements during the whole process of the consumption of the company's scientific research and production; to serve consumers through sales using high-tech brand new tools and working methods; to oversee corporate culture and management methods; to produce high-quality consumer products and achieve more with minimum consumption costs. The functional elements of business leadership management include: organization, decision-making, consumption objectives, target planning, resource allocation, regulations, discipline, allocation of decision-making, strategy, tactics, monitoring, and safety.

With the rapid development of science and technology, tools are constantly upgraded along with production methods and management models. More and more non-manual and technical laborers are needed, while the need for manual laborers is becoming less. Therefore, the requirements of administration and management becomes increasingly demanding and corporate culture is much more important than before. More advanced technical tools are needed by management. Hands on management should be adopted in its day-to-day functioning. At the same time, it is necessary to adopt a more laissez-faire management style for non-manual and technical workers by using scientific methods and corporate culture, so that the workers become more enthusiastic, which is one of the most important tasks in management.

The objectives of business management and the implemention of its functional factors are realized by the management of people. The aims are to decrease costs in scientific research, and in production and operations, to achieve a general management of distribution and consumption, and to have a positive effect through managing materials and technology by managing people.

The functional factors of business management include:

i. Organization. This is a very important factor in business management. Organization means power. When target plans are made and implemented, organization is of primary importance. In the organization process, all the resources of a business are organized and implemented according to the functional factors in aiming to meet its targets. The development process is a good test for an organization. If its structure is rigid, its discipline is tight, its requirements are demanding and its attitude is serious, then organization is guaranteed. Lenin once asked, what could make the power of ten people greater than that of one hundred people? The answer is organization, and organization is power.

ii. Decision-making. Decisions are made throughout the process of the setting up of a company and through stages of its development. The first decision is made on output and investment. Who will be the target consumers? A decision is made based on a survey of people's consumption in the market. Other decisions are made based on choice of raw and processed materials, tools of production, resource allocation, and plans for the short-term, medium-term and long-term. Production techniques and tools determine the means of production that in turn determine the management methods. According to the means of production, details of management, corporate culture, rules, regulations and discipline of within the company are all determined and improved in their

implementation. The success or failure of one company depends on the decision of business administrators. The decision-making in any company should be democratic and scientific, and it should be directly related to the perception and inspiration of business leaders. It is very important for them to study leadership philosophy, to hone their skills and to improve their comprehension.

iii. Target consumers. When businesses make investments, the first questions they should study include: who are the target consumers? How big are the potential benefits? What is the consumption status of consumers in the current markets? If the target consumers buy frequently then what is the size of the potential market? How competitive are the products in the market? What are the benefits? How about short-term, mid-term and long-term benefits? What about the efficiency rates of input and output? What kind of sales service can the consumers enjoy?

The selection of target consumers is a big problem that determines the consumption costs and quality of the products. Low-grade raw materials, poor production tools and unskilled laborers result in high consumption costs, poor products and poor operations, financial losses, or even the closure of the company.

iv. Target plans. Based on its operation targets, a business decides its objectives for the short-term, medium-term and long-term, which are then further divided into high, middle and low level. In this way, the fulfillment of the objectives can be guaranteed and complacency can be avoided.

During the process of management, a business focuses on objectives. Objectives provide direction, charisma, cohesion, motivation and organization. The scientific planning of objectives is an important factor in business management and provides motivation for the development and management of the company.

v. Resources allocation. Resources are the main items for businesses to manage and use, and are also important productivity factors. Resources include labor, capital, land, raw and auxiliary materials, tools, product sales, methods, time, information, the environment and so on.

In modern scientific research and industrial production, computers and robots have brought production systems to a high level of mechanization. The application of computers in business management leads to the fact that the workload of non-manual laborers is harder and more complex than that of a manual laborer. Compared to manual workers, management methods, and their complexity and difficulty for management staff have greatly increased. So scientific management must be implemented, and laissez-faire management matched with hands on management. That is, combining effective management with business

law, company rules and regulations, discipline and fair policies. Hands on management is much harder than laissez-faire management and requires a high degree of managing skill, which is also the most important issue in leadership management studies. In the end, it is necessary to motivate the laborers' initiative and active creativity to start working, always producing more and doubling their efficiency.

Funds used within a business consist of the following types:

- Funds consist of investment capital, and are the overall capital of business manufacturing and management, namely, they are the primary resource. Without capital investment, it is impossible to talk about production and management for a business (empty-handed operations are not an option).
- The management of circulating funds, which uses the best scientific methods to attain the fastest possible turnover.
- Cash flow management is the life blood of a business (including bank cash deposits). If the cash flow is interrupted, the business becomes paralyzed. The management of cash is an important task in business management, and it must be monitored at all times.
- Capital allocation contains privately owned capital, credit and debt, as well as capital tied up in property. That is, by using various ways to prepare enough capital in the process of business operations, ensure a steady supply, implement its scientific management, and adjust its use to make sure it can double its value.

Land resources are non-renewable resources, and they are the most valuable asset of all. As far as their management goes, try to use the land in a way which allows it to double its value. Scientific and reasonable use of land resources is an issue for the overall economy, and forms major national policy. Any form of action that wastes land resources should be restricted and brought under the regulation of the law.

Raw and auxiliary materials are objects of labor and also the main type of consumption during the production process. The quality of products depends on the quality of the raw materials. Reducing the cost of raw materials is an important part of reducing costs. This is an important procedure in order for a business to achieve a doubling of its revenue and it is a key target for businesses to implement low-cost strategic management. To implement quality assurance management of the entire company, the quality consumption management of raw materials must be strengthened.

In the modern production process of the assembly line, production methods are determined by tools, and in turn these determine management methods. New manufacturing techniques and the latest tools help convert technological know-how and skills into productivity. In business management, it is an important task to manage and select tools according to business objectives to create a doubling effect. During the production process, the equipment does not have to be the best or the most advanced but it should meet the needs of production to achieve good results.

Product management and transportation play an important role in the marketing process. Making full and scientific use of logistics is an important link in current capital management during business operations, as well as being an assurance of the sales process. Sales techniques for marketing leads to commodities reaching the hands of customers to realize the ultimate aim of consumption, which is the most crucial part in demonstrating final productivity. In the era of a buyer's market, the key to winning over the market is to meet the needs of consumers and adopt a model service approach, which is popular among customers.

If consumers do not accept the sales techniques, even if they are of high quality, products cannot sell well and the expected volume of sales cannot be realized, and so the productivity of social consumption cannot be represented and the business will face bankruptcy. It is consumers that create good or bad fortune and reflect the value of a business. The consumer is like a 'God of business' so companies should focus their attention on the market and on consumers. The consumer is the main driving force. Therefore, the key to business development is to improve services and satisfy consumers.

Time can be used by a business in the following ways:

- Time can be a valuable or non-valuable capital resource, and its value depends on you. It can be acquired and used casually by anybody, any business or organization.
- Time becomes a material resource when calculating the value of labor, labor efficiency and economic benefits. Therefore, whether you perform scientific time management depends on whether you value time as a resource.
- When you grasp the concept of time, you can grasp business opportunities. Opportunity knocks at the door only once. This is an old saying in China, which may not be scientific, but it indicates how precious and valuable time is. Another saying is that: "If you miss your chance, you will regret it forever." If businesses catch the right

time for selling seasonal products that are popular among consumers, they can make a fortune. If they miss the time for selling products, they will not make a profit even if the products and service are good.

- A mall was planned to be completed in twelve months, but it actually took ten months. As a result, the mall was able to open two months earlier and the benefits increased by more than 17 per cent. There are many examples of time efficiency. Time is a like a member of staff in business management, and there can be no management without a sense of time.

Information is opportunity, fortune, power and the basis of all decision-making. Information use and management are a crucial part of modern business. As the nerve center of business management, information use and management run through the whole process of production operations, marketing services, and the management of the entire business.

The environment is a condition of a business' survival. It includes the inner environment of a business, which determines the spiritual outlook of the staff as well as harmonious working conditions. The exterior environment determines the condition of a business' survival whose public relations goal is to create suitable conditions in which the business can survive. Without appropriate exterior conditions, a business would be incapable of creating the right conditions for survival, and should consider moving to a different environment more beneficial for its existence and development.

Due to unreliable domestic investment channels and an improved European investment environment, investment in Europe by domestic businessmen is hotting up. According to statistics, in the first half of 2012, direct foreign investment by Chinese merchants was 35.4 billion American dollars with a year-on-year growth of 48 per cent. The top five Chinese companies investing in Europe are Geely, Huawei, Lenovo, Sany Heavy Industry and Wolong Holdings. There is still opportunity in crisis, a fact which is clearly understood by Chinese private business. Such an opportunity is exists in Europe, which is under the cloud of the "E-bond Crisis." On 22 July 2012, people in charge of many private companies, including Liu Chuanzhi, the chairman of Lenovo, flew to Britain for the purpose, among others, of business research. He said that many Chinese companies have strong ambitions, and Britain, with its favorable business environment, its great support for business and its benefits in financial services, creation and technology, has therefore become one of the best partners and target destinations for Chinese companies seeking global expansion.

Mr. Sebastian Wood, the British Ambassador to China, said that during the Olympic Games, the British Business Association in London would be the base camp for British international business, for international companies to obtain British products and services and seek opportunities for trans-industrial cooperation through these business activities with British professionalism and skill.

The top five Chinese investors in Europe are the auto manufacturer Geely, the communications enterprise Huawei, the computer manufacturer Lenovo, the engineering machinery manufacturer Sany Heavy Industry and the electric and real estate developer Wolong Holding, all of which are private businesses.

A report by the consultation institute Rhodium showed that Chinese investment in Europe in 2008 was less than 800 million American dollars, while this number is set to become 500 billion in 2020, mostly through private investments. Since 2000, total Chinese investment in Europe has reached 21 billion dollars. Although SOEs have contributed 72 per cent of this figure, during the same period private businesses have completed two-thirds of all 573 transactions.

As a general business principle, statutes are set according to national company law in order to hold onto investors. The series of stipulations in a business' systems are its internal rules based on the law, which are obligatory and are made in order to guarantee the implemention of objective plans and orderly business operations. Yet, these above regulations are subject to national law, for example, the rules in management and their control of financial costs, funding, logistics, personnel, information and technology.

As a crucial part of controlling a business' behavior, discipline has its own specific required standards and can help a business to accomplish all its management goals. If you violate the rules, you will be punished. A serious attitude is needed to implement discipline. If procedures are not strict, then a business will be affected in a negative way. Within the company, each employee is equal before the rules and regulations and no one can escape from them.

Distribution policy is central to each part of business operations, which includes the allocation of equity and the distribution of bonuses among senior leaders, other leaders and administration staff, as well as among senior and low-ranking technical staff. That is, the distribution of salaries and bonuses among all non-manual and manual workers.

Distribution policy is closely related to the vital interests of each member of a company. It decides how much each employee receives,

depending on the level of purchasing and consumption, which are essential for employees' lives, their development and social harmony.

Distribution policy is also relevant to the superstructure. Therefore, on one hand it can be made by a business independently but within the overall national distribution policy. On the other hand, the State controls and regulates these policies through economic means such as tax law.

Studying and carrying out distribution policy is a top priority in business management, and its requirement criteria are fairness and impartiality, which has the effect of encouraging the staff's positivity and activity, so that they can try their best to do excellent work.

Business is one cell in society. Business operations are an integral part of the social distribution movement. They progress in a circular spiral law in which the economy is driven by the three most important types of consumption in society as a whole. That is to say they develop during the process of competition. The survival or decline of a business is a natural phenomenon and a result of competition.

To ensure competition and development, businesses need to research strategies to win over the market and this strategy decides their direction of development. For example, low cost strategy, personnel strategy, development strategy, new technology strategy, unconventional strategy (including blue ocean strategy), market competition and brand strategies. It is a process of development for a business to study, make policies and implement. It is also a process of routine administration and development control, as well as a process of balance: "highlight – balance, balance – highlight." During these processes, there is no balanced or parallel development, but there is an emphasis on particular systems or specific programs.

Tactics serve as strategic objectives. A strategic objective is a "target," while the tactics are the "arrows," both of which are opposed in a unity of contradiction. After determining the strategic objectives, tactics and policies must be made to guarantee their implementation and realization.

Manouvers represent certain rules and methods, which are a means of accomplishing strategies, and which determine a business' development by combining company policy. Policy is a standard for action, serving for the implementation of objectives. Manouvers are not positive and open, but serve for this implementation through lateral or other rules. Manouvers have a double nature; they are a function of management regulations and the strategic character of methods. The objective of manouvers is tactical, and a real person is their object. The implementation

of all strategies and manouvers is done by people, so that they have a distinctive and unified character.

For example, when businesses compete directly for consumers who like their products, weak businesses avoid big cities with fierce competition, but target medium-sized and small cities with relatively less competition. After becoming more competitive and gaining some achievements, lessons and experience, they can enlarge their development and turn to large cities, which is known as strategy. The task of strategy is to occupy the overall consumer market by way of first occupying it in medium-sized and small cities. This serves for implementing strategic targets.

Supervisory control means carrying out supervision and control during the process of implementing the entire management system.

The supervision and control of a business are similar to the function of the police, the courts and legal system of a country but differ from actual judicial functions. The supervision and control of a business has restricting factors, as well as factors to help it implement management functions in order to clarify its liability. Supervisory control is a guarantee of being able to implement management.

Without supervision and control, every part of management cannot operate and lose their proper functions. Therefore, supervisory control is obligatory, a guarantee, and an important strategy and function in business management. Leadership management functions in supervision and control make up a process that combines both centralization of leadership and a decentralized management structure, both professional personnel management and employee supervision. The aim is to ensure the development of the business according to the management functions.

Modern enterprise management is human-oriented, and safety is a vital factor in management. A sense of safety and its methods should be implemented throughout all the processes of a business from factory building to manufacturing to management and so on. Safety is an important index for a business to reach a high standard, as well as an important factor for the doubling of a company's revenue.

8. Commodity exchange consumption. Consumption during the process of exchange belongs to a combination of inner product values. While the process of commodity exchange is also that of consumption, a trader in the commodity exchange process is like a bridge between the manufacturers and direct consumers. Exchange can only then realize the final consumption, which appears regularly and develops according to

natural laws whereby it can control the development of the economy in the form of a circular upward spiral, which in turn arises from the free market as an economic regulation. The economic law of the free market plays a positive role in one aspect, and at the same time it plays a negative role in another. The state superstructure interferes with the economic law of free market adjustment (also called an invisible hand), which can guarantee that the economy develops in an orderly and sustained manner on the principle of moving from highlight – balance to balance – highlight. This directly relates to the level of state control.

9. Consumer consumption is the final part of commodity consumption, in which consumers realize the purpose of scientific research and manufacturing, and acquire the benefits of productivity in a consumer society. The consumers' needs are dynamic and limitless. Their consumption represents the overall performance of productivity, it reflects the overall process of consumption from beginning to end and is the ultimate realization of the value of productivity. Where there are human beings, there is consumption; consumption is everything to human beings.

Consumption reflects the performance of narrow productivity. It creates productivity and production relations and the combines both processes. Manufacturing makes products, the means and level of consumption. Products are consumed and only then can the value of productivity become apparent. Consumption is the beginning and end of productivity. In one word, without consumption, there is no social productivity consumption.

Consumption is the foundation of productivity and of products' competition and development. In the process of people's lives and product development, there is a natural economic law: products always develop in accordance with the requirements of consumption. Constantly raising the requirements of living and social consumption leads to the means of production and technology improving endlessly, and the production of labor materials is required to develop in this newer, higher and more effective direction to create even newer requirements and means of consumption. This is a basic natural law of economic development.

When following this law of developing the three most important types of consumption, economic competition creates all social wealth in all elements of society. Therefore, consumption demand becomes the driving force of product competition and development.

In conclusion, the social productivity consumption is composed of seven elements in its broader meaning and nine elements in its narrower

meaning. The research and development of productivity; the scientific development of the economy; the increasing development and improvement of people's living consumption; the increasing developing and improving needs and demands of social consumption; the consumption of scientific research and production; the improving needs and demands of science; the harmonious development between the three most important types of consumption and nature; the development of the import and export trade according to the sixteen demands listed above; and the meeting of consumer social consumption all lead to the more orderly progress and scientific development of the economy, and the establishment of a harmonious society.

10

National macroscopic leadership management innovation

The national superstructure and government leaders maintain the management of the nation and philosophical ideals, which represent the total national production relationships, total productivity and total economic foundation. Their ideological value represents the most fundamental consumption benefits of all citizens. Controlling all natural resources and allocation rights determines the formulation of national laws, regulations, policies, strategies, and tactics, and decide the primary, secondary and multi-distribution rights of national tax revenue and wealth. The State dominates the economy and macroscopically regulates the "six aims," "three means," and "twelve elements" with living consumption at the center. The market's financial and economic sustainable development rights are controlled and regulated by the highlight – balance and balance – highlight sequence. All the responsibilities of a wealthy nation and rich people, or of a weak nation and poor people lie in the superstructure and government which constitute the first element in the "six elements" of social productivity consumption in its broader meaning. It can play the role of either promoting or blocking economic development. Unsuitable leaders must give way to better leaders in order to enhance social progress and development.

All human activities make up the process of consuming and creating consumption. Human beings get consumption materials from the nature and they also create consumption materials ceaselessly in order to meet their consumption demands that continuously increase, develop and improve. During these processes, new social productivity consumption, new production relationships, and a combination of both are created continuously. Production comes into being from the combination of productivity and production relationships. So then production creates products demanded by consumption, and consumption patterns and levels.

The process of capital commodity production and exchange explores and improves the exploitation of consumption commodity channels and social commodity exchange. In the modern era, the process of capital commodity production and exchange throughout the whole of human society yields micro-production relationships, production relationships in corporate behavior, macro-production relationships; relationships between the economic base and the superstructure; and relationships between human consumption and nature. These relationships, when put into action, create a fundamentally contradictory and widely distributed structure of society. Multiple complex businesses are the cells of the social economic base, and non-productive organizations, such as social organizations, political parties, and religions, combine in the three most important types of consumption processes throughout the whole of society. However, there is no individual, family, social organization, party, religion or nation without the activities of the three most important types of consumption and there can be no politics without consumption. The process of the three most important types of consumption gives rise to the conflict between social productivity consumption and production relations; the conflict between the economic base and the superstructure; and the conflict between the three most important types of consumption and nature. The processes of these three conflicts create social conflict on a national or international level. The main cause of all of these conflicts in one country is the creation and distribution methods of social consumption wealth and the legal manner in which individuals and organizations attain this wealth, as well as the amount they gain. Can all of these be identified with people's value and can they be relatively fair or seriously unfair (bearing in mind absolute equality cannot exist forever)? The amount of people's survival and enjoyment consumption, which are linked to social consumption wealth, determine purchasing power, consumption awareness, consumption methods and behavior, and the methods and behavior of social activities.

From this we can conclude that all human activities are not separate from the three most important types of consumption. During their processes, the management of people's own consumption, their production consumption and their overall demands for consumption materials when participating in these three most important types of consumption, require people to do their utmost to create the best and most useful living consumption materials, social consumption materials and spiritual and cultural consumption materials with a scientific outlook on development, scientific management and minimal research funds, thus achieving a more equal distribution of total social consumption wealth. It is a complicated and important mission to resolve national internal conflict,

to establish a better solution to conflict, and to establish a happy, prosperous and harmonious society. This is the responsibility of the national superstructure, basic social economic corporations and families. Individuals and non-producing organizations, political parties, and religions need a scientific method of management to exert a positive effect thereby building a harmonious society. However, all these activities are involved in the process of the three most important types of consumption, so a scientific organization of management should be adopted. This can be classified into two areas: one is consumption and macro-management; the other is consumption and micro-management.

The macro-management of consumption is integrated with the three most important types of consumption at a national superstructure level. The micro-management of consumption is corporations' production consumption, sales service management and family household living consumption. The goal of the macro-management of consumption is to keep the three most important types of consumption in order; to maintain normal activities and normal scientific research; to keep developing to satisfy people's ever-increasing material and spiritual consumption needs; to guarantee national security and a stable and harmonious society; and to make contributions to the overall harmony of humanity and to the rapid and healthy development of consumption and national benefits.

The goal of micro-management of consumption is to ensure businesses produce more and better value commodities with the lowest possible production costs; to get more business and social profits through satisfying consumers' needs with high quality sales service; to maximize social productivity consumption and to undertake social responsibility. Besides, it allows businesses to properly resolve conflicts between productivity and production relationships; between national and business interests; between business and society; and between business production consumption and nature.

The management of household living consumption is the most fundamental consumption target for human life. The goal of this type of management is to provide limited consumption funds, which gain interest, and to properly arrange living consumption to improve the quality of living consumption. Because these consumption funds and people's ever increasing material, spiritual and cultural consumption needs are complicated and inconstant, it influences general social economic activities and has some significance on the micro-management of consumption.

First we must clarify the elements of national conception, of national leadership management and of comprehensive national strength in order to discuss macro-consumption and leadership management.

Section 1. National factors

Elements of territory: a country is a specific area with a border, including its land and sea territory and national airspace, which belongs to everybody who resides within this terrain. Territory is a consumption resource that all people rely on. Countries usually use their sovereign territory borders that were formed in the past or defined by treaty with neighboring countries.

Elements of people: people are the masters of their national territory. In other words, one or more nations who live on this land are the people of this land. People are the owners and dominators of this territory. The advantages of a country are the people's advantages. The power of a country is endowed by its people.

Elements of the national legal power structure: the government is a power institution representing the interests of the country and its people. The government looks after national security, ensures people's benefits and rights, exerts power fairly, and guarantees a stable and harmonious society. It controls people's everyday lives, production and social activities, and deals with people's internal conflicts. It remains friendly and fairly resolves conflicts between countries. It develops social productivity consumption, the national economy and international trade with other countries to satisfy people's ever increasing material, spiritual and cultural consumption needs.

Elements of the superstructure system: the superstructure is a social ideology established on certain economic foundations and it combines political and legal systems, organizations and facilities. The superstructure also includes a political and ideological framework.

The political superstructure is a political and legal system established on certain economic foundations, national institutions and political organizations such as the army, the police, law courts, prison, government departments, political parties, as well as social political organizations.

The ideological superstructure is social ideology based on an economic foundations including political ideology, law, morality, philosophy, and religion.

In essence the superstructure is a unification of ideological and political relationships among people.

Elements of the legal system: Western capitalist society is a democratic political system and Chinese socialistic society is a people's democratic political system. Both of them use laws to regulate civilian's behavior connected with living consumption, social consumption and scientific research and production consumption. The national constitution and a legal system that takes the constitution as its guide were established by the NPC in China and by national congresses in Western countries. The

national constitution and laws represent people's benefits, and their rights are protected and restricted by them.

Section 2. National systematic and integral management factors

National management law: the nature and the scale of national management determines the national management methodology.

Consisting of management elements, national management is a comprehensive system, that is, a wide variety of methods of management objects, purposes, methods, means, strategies, tactics, policies, laws and so on. It is also a systematic thinking method, in order to control the practical processes of the three most important types of consumption.

1. National political organizations of all levels. Through national political organizations, the country organizes and manages in an orderly, integral and organic way.
2. Sovereignty over land and water territory and national airspace is a legal consumption resource.
3. People's day-to-day living, production, democratic power, morality, security, the stability of all social practical activities and the defense of social harmony.
4. Tools, mechanisms, and facilities.
5. National superstructure leadership management, power systems and mechanisms.
6. The national economy, centered on living consumption, and macro-control of the laws of market economics (the natural economic law of consumption).
7. The constitution, laws, rules. They are a yardstick for people's behavior and its regulation.
8. Resource allocation.
9. Social wealth distribution.
10. Civil education and scientific research.
11. Consumption of social security.
12. Protection and construction of the human living environment.
13. National strategies, tactics, policies and decision-making.
14. Formulating and implementing national policies.

15. Constructing a harmonious society based on laws and social morality.
16. Supervising and monitoring.
17. International diplomacy.
18. Developing international trade.

Section 3. Comprehensive national power factors

Comprehensive national strength is the integrated organically combined powers of national resources, material power, spiritual power and information systems, and it is a method of evaluation among countries on an international level.

The general elements of comprehensive national strength include:

1. National resources.
2. Economic power.
3. Cohesion of the people's will.
4. The level of social productivity consumption.
5. Military power.
6. The level of social development and progress.
7. Diplomatic power.
8. The integrated organically combined ability for organization and control of the government system.

Among these eight elements, the integrated organically combined ability for organization and control of the government system is at the core, and no power can be brought into play without this kind of organization.

Section 4. Competence in market finance and economic laws

The most important responsibilities of national leadership management organizations are to accelerate sustainable economic development; to adjust wealth distribution among members of society through policies and leadership; to allow members of society to achieve their ambition of

being a strong nation and rich people; to adjust and ensure social harmony and security; to strengthen national defense construction to guarantee national security and national benefits which are consistent with civil benefits; and to make sure international relationships are harmonious and friendly. However, to develop the economy, and to guarantee sustainable economic development, the general and specific laws of financial and economic operations and development must be researched. This leads to giving full play to the intelligence, inspiration and instincts of macroscopic leaders to adjust financial and economic laws in a direction beneficial to the sustainable and healthy development of finances and the economy, and to promote the harmonious progress of social civilization.

Consumption and generation of financial and economic law

During the long living consumption process of human beings, financial and economic law has continued to create living and social consumption. It created currency, which is a specific commodity during the process of commodity exchange. During the process of promoting the development of commodity production and exchange, it also created the natural law of consumption, driving the development of the economy in a circular upward spiral. Meanwhile it created currency (including financial tools) and financial enterprises. Thus it now governs the general and specific laws during the process of consumption, commodity production, distribution, and exchange.

1. The economic law of natural consumption and free market control is created through the three most important types of consumption. In other words, the laws of natural economics are created through living consumption, social consumption and production consumption (which are called "consumption" in short). They are created during the spiral-shaped development process of the economy driven by the increasingly high material, spiritual, cultural and informational consumption needs of human beings.

2. In human society, it is consumption that creates the economic foundations of private ownership, the combination of social productivity consumption and production relationships, the country and the superstructure. The country and superstructure represent and act upon the economic foundations, productivity, production relationships, the total social production methodology, as well as the overall interests of

citizens. The economic foundations determine the objectives of production which in turn generate basic economic law. It has influences on natural markets, financial and economic law (natural means "free"). Free-market economic law, during the exchange process of commodities, has both positive and negative effects.

3. Law of the three most important types of consumption driving the economy in a circular upward spiral development and its diagram (See Fig. 10.1).

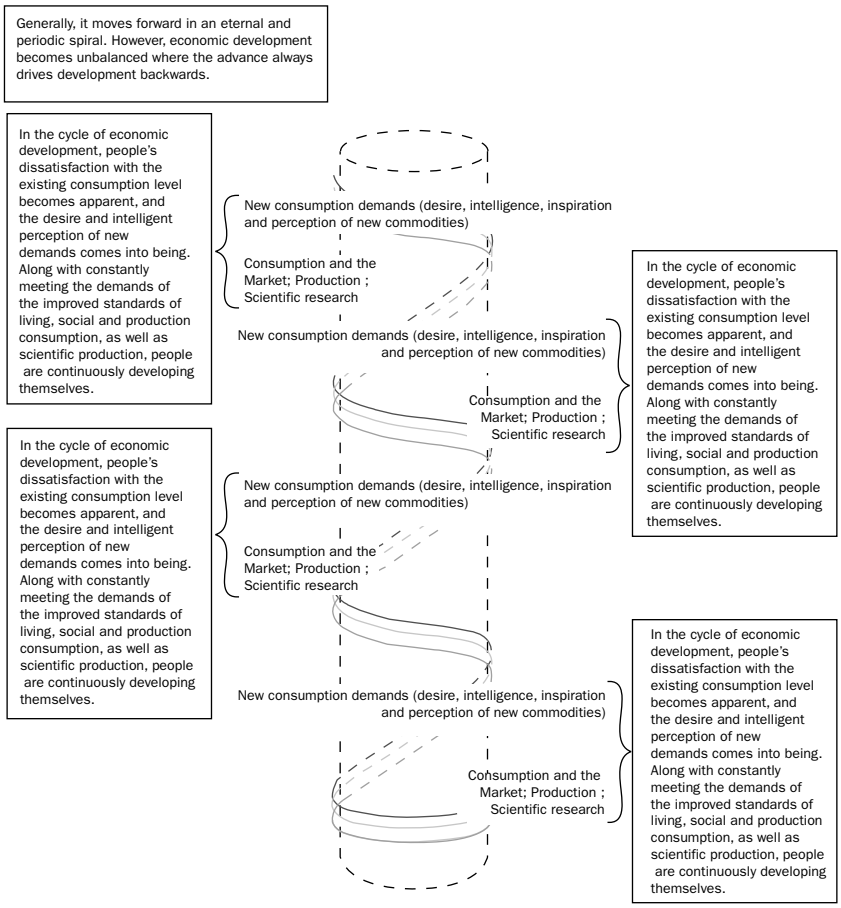


Figure 10.1 Law of three most important types of consumption driving the economy in a circular upward spiral development

When the exchange of objects has gradually developed into the exchange of currency representing commodity value in order to realize people's original subjective and instinctive consumption, the new consumption demands, desire, intelligence and inspiration gradually come into being, so scientific research and production continuously create commodities to meet the increasing consumption needs.

This endless development is realized based on the natural law of circular upward spiral development, which leads to various laws of economic development, as well as general, specific and adjustment laws. All these laws ensure the circular upward spiral development of the economy and allow it to develop from a low level to a higher one.

4. The analysis of the generational causes of economic law. The way human beings live, produce, distribute, exchange and consume, or in other words, gaining and possessing social wealth via different methods. From the development of this process, we will study the generational causes and development of economic law, and the way it acts upon the economy.

In the long history of human development, production consumption and new consumer products have been gradually created during the development process of living consumption. With the appearance of surplus products, private ownership emerged. Meanwhile, mutual exchange also emerged to meet people's various demands. Along with the development of production, and especially the three divisions of labor in social production, human beings were divided into different stages. In the primary stage, there was only bartering. With the socialization of production, bartering could not meet the demands of social production and different classes. So currency, a special commodity, was invented which dominated all other commodities, played an extremely energetic role, and brought everything in society under its control. Since producers were not capable of a high volume of exchange, people who were specialized in commodity trading known as merchants appeared.

Commodities show great vitality through currency, which promotes the widespread and rapid exchange of commodities as well as the expansion of trade from home to abroad.

Originally, the exchange of commodities was an economic activity aimed at meeting the needs of living consumption, production consumption and social consumption. However, the merchants' economic activity was aimed at gaining profits. Therefore, they spared no efforts in studying types of commodities needed at different times and at

different festivals by the upper and lower classes in every region, department and group, in order to invest maximum capital and energy in seeking profits. Therefore, merchants looked keenly for new markets in every corner. As a result, all production groups were controlled by those people in the merchant class.

When certain commodities exceed people's living, productive or social consumption demands, or in other words, when supply exceeds demand, commodities become overstocked, prices fall, production halts or falls back, and economic crises occur. When certain commodities cannot meet people's needs of living consumption, production consumption or social consumption, then supply falls short of demand. Therefore, it is a natural law of economic development in human society that living consumption, production consumption and social consumption drive the development of the economy.

When there were surplus products in clans and tribes in primitive society, there appeared private ownership and then classes. With the development of production, human beings have been developing from a lower stage to a higher one: slavery replaced primitive society; feudalism replaced slavery society; capitalism replaced feudal society; and socialism replaced capitalist society. However, the development of the social systems was very unbalanced. The super-structural government was able to realize great leaps forward in terms of development, but without any economic foundations. A super-structural government can enter into a new socialist system within a short period of time but the economic foundations of capitalism presents an insurmountable problem and it must undergo a process of development. Therefore, any new social system must vigorously promote economic development or they will be confronted with a crisis.

An economy with capitalist private ownership as its economic foundation should develop according to the interests and needs of capitalists. Working exclusively for profit is the nature of a capitalist. They have no sense of social responsibility. All the economic plans of a capitalist are aimed at seeking profits. However, there are unintentional positive effects, for profits can transform into productive capital and promote social and economic development.

Capitalists compete for profits, and the capital transfers arbitrarily between departments, which results in social production anarchy. In an anarchical market economy, when a certain commodity is short and the price rises, capitalists invest like a flood in producing this kind of commodity. Then those commodities originally in short supply become

commodities in excessive supply in a short time. The free market financial and economic laws can regulate the supply relationship and this is a great contribution. Meanwhile, it can also result in financial and economic crisis, which is the negative effect of (free) financial and economic laws.

5. Understanding the circular and upward spiral development law of consumption and the market. Consumption and the market follow the circular upward spiral development law of consumption and the market: – demand (perception of desire, intelligence, inspiration, perception of a new commodity) – scientific research – production – consumption and the market.

i. The first cycle of the circular and upward spiral development law starts from consumption and drives operations in the direction of scientific research, production consumption and consumption by market consumers.

The objects of science and technology research and experiments are consumers and the market. Before setting up a project, scientific research first place carry out a survey on the supply and demand of the three most important types of consumption and their respective three levels in the market.

On the basis of the capacity of the unit, select one kind of research project, new technology product or high-tech product that is proportional to the capacity of the unit. After the product has been successfully developed, conduct an analysis on its social and business benefits and then decide whether to go ahead with the project.

ii. Scientific research. After fully understanding the large quantity of information about market consumption, the unit should make an objective comparison and selection according to its labor, material and financial resources, and make the decision to set up a project; to organize scientific research staff to jointly solve the key problems; to strive to get new results within the shortest possible time; and to carry out pilot tests in time to fully prepare for all the technological experiments in large-scale production. What should be noted here is that the scientific research institutions of the production units or the professional scientific research units must set up market consumption information departments which are responsible for doing the preparation work for the scientific research. Good scientific research projects result from precise and valuable information. Otherwise, unimaginable waste or even crimes may occur.

iii. Production. The capital for production should not be invested unless the new scientific achievements have been demonstrated and unless the supply of the products indeed falls short of demand. The capital for reforming new technology should not be invested unless it has been demonstrated to meet market consumption needs. Arbitrary investment causes loss and waste for a business or even for the country, and could be regarded as a sort of crime.

The commodities being produced here should be new or high-tech products or both, namely, products with competitive potential in the market.

These commodities should have a certain social consumption quantity and strive for maximum market share.

Commodity quality should be in a leading position in the same category of commodities in terms of quality and satisfy the consumers with standards such as technological content, attractiveness and taste.

iv. Selling products on the market. Next the business should promptly organize labor, materials and financial resources to ensure that the new products are promoted on the market. Then it should research their experiences of serving consumers in order to expand market share and obtain consumer preferences to the furthest extent, striving for more social and enterprise benefits.

v. The first cycle ends; the second and third cycles move forward endlessly. If your unit does not work hard to exceed itself, others will exceed you, even if your company has leading science and technology or inventions. Therefore, you should dare to deny the lazy aspects of your character and confront new things so as to constantly create and develop.

During the process of collecting data on consumption, a business should constantly find out new problems, trends and results, promptly organizing information collection and striving towards better products.

Scientific research should closely follow the steps of the consumers in the market. The development of scientific research should constantly supply new and high-tech achievements for production. Scientific research is the main force behind the development and production of a business.

vi. The circular upward spiral development law circles around the consumer market. The first cycle starts from the investigation of the consumer market, and returns there for a second time. This return is not the end point; rather, it is a circular upward spiral development when it serves large numbers of consumers with new technology or high-tech

products and which promotes the economic development and progress of social materialistic and non-materialistic civilizations.

Market financial and economic law

The financial monetary system rules the whole process of capital commodity production, exchange and consumption. It is a must to study general and specific laws of the financial monetary system.

Consumption and demand are contradictory and unified. They are contradictory because the prices of the commodities which the consumers buy directly from the producers are generally lower than those they buy from the market. Sometimes this price gap may be big. The practical value of these commodities does not increase with an increase in the process of circulation. In contrast, its practical value may decease because of improper storage and resulting damage. However, on the other hand they are unified. First, the exchange of the commodities is realized in the market. The supply-demand relation of the commodities becomes apparent via the market. Second, the commodities can sometimes can be consumed without realizing their exchange value. As for commodities with identical practical value, this is common in societies and countries whose capital and commodity production is underdeveloped. Besides, the consumer market plays a service role for the consumers, which is realized by offering services to the consumers. A perfect consumer market guarantees the realization of the rights and interests of the consumers, and only can a developed consumer market satisfy the selective demands of the consumers. The consumer market can play a certain guidance role as it is active in increasing the consumption benefits and usefulness. This is the benefit function of the market. With the production and development of commodities, the industrial sector is better off, and commodities can be merchandised gradually or completely.

1. In cases where commodities do not go through circulation, that is, they are "self-consumed" not as commodities but in the category of self-producing-and-self-selling. The realization of the capital of a commoditiy arises in the exchange process, so self-producing-and-self-selling goods do not appear as commodities. However, their actual practical value does not disappear just because it does not participate in commodity exchange. The same consumption value still exists.

2. The exchange of commodities in the market can be realized through various channels such as wholesale markets, small markets or a direct exchange between manufacturers and consumers. Under the condition that they have the same practical value, their prices may be hugely different. Therefore, the faster the circulation speed of the commodities in the market, the lower their prices are, and the better it is for consumers.

3. The ways by which manufacturers gain larger social benefits and enterprise benefits. In order to let more commodities have direct contact with consumers; to decrease incremental pricing in the exchange process; to increase the production of commodities; and to gain larger social and business benefits, manufacturers confront the monopoly of various commodity traders by striving for the internalization of production and sales, by selling commodities directly to consumers or by reducing as far as possible the links in the circulation process, and by greatly enlarge the production and the market share of their commodities.

4. Commodity exchanges between manufacturers. In order to reduce costs, product manufacturers draw up contracts for commodity exchange with the manufacturers of raw materials needed in this production process. This plays a great role in speeding up circulation of capital, in reducing the cost of his commodities, and in increasing the competitive power of his commodities in market exchange.

5. The fluctuation of commodity prices. The prices of commodities purchased in the market by direct consumers are under the direct influence of the supply-demand relationship. When supply falls short of demand, the price goes up; when supply exceeds demand, the price goes down. The birth of the information market and information value will gradually reduce or relieve arbitrary market monopolies, competition crises and repetitive production, which will be beneficial for the macroscopic control of the country. Meanwhile, the rise of the information market and information value is a great step forward in the socialization of commodities.

Economic operations and laws of the consumption chain

1. Economic operations and the consumption chain. The consumption chain is a pattern which becomes apparent during the processes of the three most important types of consumption laws.

It is human instinct to make use of consumption materials. Consumption creates demand, and demand drives consumption, that is, demand reacts strongly to consumption. During the processes of economic activities, all researchers, producers as well as distributors, seek new kinds of demand and then research and produce new commodities accordingly, as well as the new forms of consumption in order to satisfy the new demand, and finally to pursue these new economic and social benefits and eventually maximize them. Consumption drives the development of scientific research and production, and the consumption and exchange of commodities as well. As a result, the consumption chain comes into being.

The consumption chain arises from the consumption system. Consumption is both the start and end points of the consumption chain. It is the upward spiral and dialectic development of affirmation and negation. It is a systemic and holistic consumption movement with a far-ranging structure.

Commodity exchange was originally an economic activity aiming to satisfy "living consumption demands, scientific research, production consumption demands, and social consumption demands of their counterpart." But the business operations of merchants were for the purpose of pursuing profits. Therefore, they spared no pains to find out when and what commodities were in demand according to the higher and lower classes in each area, department, country and group, in order to invest as much capital and energy as possible and finally to realize a profit. Actively developing the commodity exchange channel is the trigger for the interlinking development of the consumption chain, which propels the development of the economy.

Scientific research and production create consumables (or commodities), as production is consumption, and consumption is production. Human beings need consumption patterns. The evolutionary process of humans has been the dialectical and developing process of affirmation and negation, and the consumption chain triggering economic development has been an interlinking and developing process. It is also the process of affirmation and negation.

In conclusion, the consumption chain and its development during the processes of the three most important types of consumption have their own laws including the macro-consumption chain law and the micro-consumption chain law. The macro-consumption chain is reflected in the movement of the micro-consumption chain; and the micro-consumption chain is the embodiment of the macro-consumption chain.

Analyzing the motion of the macro-consumption chain from the macroscopic perspective, the three most important types of consumption drive the rapid development of circulation channels and commodity exchange in commodity consumption. For the purpose of chasing profits, merchants follow the demands of the three most important types of consumption to exchange commodities. The process of exchange has a double-edged effect: on one hand it greatly propels the development of the three most important types of consumption; on the other hand its negative effect is caused by the fact that scientific research and production consumption determines the forms and consumption levels of living consumption and social consumption. However, during the whole process of scientific research and production consumption while extracting natural resources, its arbitrary development can sometimes be found in demand exceeding supply or supply exceeding demand in the process of commodity market exchange. If the oversupply of production consumption gets serious, an economic crisis may occur.

The superstructure of a country controls the subjective initiative of the state machinery by administrative means, economic levering and legal means to strengthen their understanding of the regulatory laws of the free market and of economic development. This is in order to carry out a macroscopic plan to regulate the market economy in order to produce a positive effect and limit the negative effects of the natural laws of regulating economic development through the market. In this way, economic crises can be eased and prevented, and at the same time the imbalance of the macro-consumption chain can be avoided, and the formal operation of the consumption chain can be ensured artificially. This is the outcome of the state superstructure acting on market regulation laws.

The macro-consumption chain and the manifestation of economic operations

1. The emergence of the macro-consumption chain. The macro-consumption chain arose in the process of commodity production and exchange in the form of currency and financial means throughout different areas and countries. Especially after the First and Second Industrial Revolutions, with the rapid development of international trade, the three most important types of consumption from different

areas, nations and enterprises grew interdependently and proportionately, namely the macro-consumption chain came into being.

The First Industrial Revolution prompted trans-regional and international commodity production and exchange, and which led to the globalization of trade. This kind of international trade was very powerful, for it not only changed the degree of wealth accumulation, but even also changed the composition of social structures and knowledge. In a similar way, where international trade developed, and where the macro-consumption chain developed as a result, laws pertaining to the development of the macro-consumption chain formed. The Second Industrial Revolution created relationships among developed countries such as America, France, Germany and Britain, and so their consumption chains were connected more closely. These consumption chains assumed the inevitable responsibility of commodity production and exchange in international trade, and made their economic development more interdependent and interrelated, thus forming a relationship of potential loss for all sides at one instant.

2. The function of the macro-consumption chain. The macro-consumption chain is a natural law deriving from the objective commodity consumption trade and cannot be changed by human will. During the process of commodity exchange in macroscopic trade, it acts on the development of commodity exchange, and propels the natural law of the three most important types of consumption. Its negative effect goes like this: trans-regional and international trade are closely related, so an economic crisis occuring in a certain region or country (financial or economic) would lead to an economic crisis in other countries or regions within the whole chain, thus resulting in a truly international crisis.

3. Finances and economic crisis. The macro-consumption chain is a natural law deriving from macroscopic commodity economic trade. It drives the economy to move forward in a circular and upward spiral development by the natural laws of the three most important types of consumption. During the process of economic development, large-scale industrial business monopolies emerge, which carry out capital commodity production and commodity exchange with the purpose of always seeking profits, thus damaging the natural development law of the three most important types of consumption.

Commodity production and exchange are highly concentrated, and the market price of a commodity is monopolized as well. It is not regulated by the law that value fluctuates depending on the supply-demand

relationship, but by the artificial imbalance of supply and demand, which causes the consumption chain to go off balance, thus causing an inevitable economic crisis. This is a serious consequence due to the monopolies merely focusing on exploiting profits. The rise of monopoly capitalism does not mean doomsday; even in such circumstances, human society will go on developing rapidly. However, this does not mean the overall progress of society.

4. State regulation and the macro-consumption chain. In capitalist developed countries, during the process of commodity production and exchange of capital, the positive and negative effects of the natural law of the three most important types of consumption can be found everywhere, and the destructiveness of capital moving towards monopolies can also be found. The experience and lessons the US learned from the first economic crisis was to attain the positive effects of the natural law of the three most important types of consumption and to inhibit the negative effects at the same time. The State began to intervene in economic development and formulated various interventionist laws such as the anti-monopoly law: using this economic lever and other administrative means to intervene in economic development in order to promote economic recovery and sustainable development, and at the same time to propel the progress of the whole of American society. The various measures taken by the American government to intervene in its economy were also adopted by France, Germany and other European countries, which also promoted the stable and interdependent development of macro-consumption chains and social progress within these countries.

5. The coordinated and close operation of the consumption chain boosting the economy. In the early days of the foundation of the PRC, Mao Zedong indicated that heavy industry was the key to China's construction. We had to give priority to construction as a means of production. Of course, this was correct. However, we can never neglect the production of the means of livelihood, and especially grain for this reason. In February 1957, in the article *On Correctly Handling Contradictions among the People*, he pointed out that China was a large agricultural country and in order to develop our national economy, we must adopt the policy of simultaneously developing industry and agriculture. In 1962, Mao Zedong summarized the laws for the development of the national economy and put forward the ideas of developing the national economy based on agriculture. The main reason

behind the above-mentioned ideas was the basic policy of developing the national economy based on agriculture.

Now the question is how to appropriately regulate the proportion of investment in heavy industry, agriculture and light industry and to place more emphasis on the investment proportion in just agriculture and light industry. Now we have two ways of developing heavy industry: one is to develop agriculture and light industry on a smaller scale; the other is to develop agriculture and light industry on a larger scale. In the long-term, the former method will make heavy industry develop less and more slowly, or at least its foundations will not be very steady. Several decades later, the outcome will show that this way is not worthwhile. The latter method will make heavy industry develop more and more quickly and the foundations of its development will be steadier as it meets the needs of people's lives.

6. Coordinated operation of the macro-consumption chain and the concept of scientific development. Economic development has its own natural laws. Once people know the natural law of economic development, the state has its own measures leading towards economic development. The first is to conform to the natural development laws of the economy and bring its positive functions into play; the second is to conquer its negative effects by national power. This is because the superstructure of a country stands for the total economic foundation of the whole of society, gross productivity and gross production relationships, so it has the responsibility to do so. Therefore, the country is the only power able to coordinate the macro-consumption chain (namely the value chain) and ensure the coordinated and scientific development of closely interlinking the consumption chain. On the other hand, we should also know that when a country cannot scientifically intervene in the natural laws of economy, the consumption chain must be out of balance and an economic crisis must occur.

Under the guidance of Deng Xiaoping's *Theory*, Jiang Zemin's *Three Representatives* and Hu Jintao's *Scientific Outlook on Development*, the establishment of socialism with Chinese characteristics should conform to the natural laws of the development of the economy; adjust the market economy by macroscopic planning; overcome the bad side effects of natural law in order to maintain long-term and sustainable development of the economy; and constantly adjust the operation of the consumption chain during the economic development process for the sake of close interdependent and coordinated operations.

The micro-consumption chain and the manifestation of economic operations

The macro-consumption chain is the concentrated manifestation of the micro-consumption chain while the micro-consumption chain is the concrete manifestation of macro-consumption chain (consumption chains develop through interlinking). The consumption chain of economic movement operates in a far-reaching structural system, which unconsciously influences your living (including spiritual and cultural aspects) consumption, social consumption, as well as scientific research and production consumption. And it incessantly controls your consumption ideas and behavior.

1. The emergence of the micro-consumption chain. With the appearance of surplus consumption goods, barter came into being; for example, nomadic people exchanged cows, sheep and horses for porcelain, foodstuffs, silk, special commodities, and so on. During this primary product exchange period, although interdependent relation existed, it was a simple, territorial, linear and spontaneous exchange of relations and did not form socialized interlinking consumption relationships.

With the development of the Stone Age, Bronze Age and Iron Age, thanks to the development of smelting technology, industrial processes and productivity, human beings began a family and handicraft industry means of production phase. After precise labor division in different industries, in the process of exchanging surplus products at equal value with money (a special commodity), the appearance of individual consumption exchanges followed by consumption exchanges between different collectives or groups thus preliminarily formed a microcosmic socialized consumption chain which improved the development of commodity exchanges and a consumption economy. In the earlier period of commodity production and exchange, although micro-consumption chains had formed, an economic crisis would not appear due to the underdevelopment of production and exchange of commodities.

Along with the development of scientific and technological productivity, the exchange scope of commodity consumption expanded to trans-regional and international trade after society had entered the period of commodity production consumption of capital and commodity consumption exchange of capital. That was how macro-consumption chains formed and gradually developed.

2. The consumption and patterns of the manifestation of the micro-consumption chain:

i. The manifestation of individual production, consumption and household consumption driving consumption chains by interlinking. For instance, a farmer cultivates farmland of 30 acres, and he buys one tractor equipped with the functions of plowing, planting, harvesting, threshing, and so on. After making a profit in the first year he buys a house; in the second year he decorates his house and purchases a color TV, a refrigerator and a mobile phone; in the third year he purchases a low-grade car; in the fourth year he goes out traveling and sightseeing, which again drives consumption. It can be seen that he has made great contributions to the economic development of his whole society. It is easy to understand how micro-consumption chains form during the process of operations and its manifestation in the process of economic development.

ii. Individual consumption and how a consumption chain can boost consumption. Labor rewards: wages and bonuses through personal work are used for direct personal living consumption or purchasing appliances and other living consumption, which in turn boost overall consumption through operations of the consumption chain.

In the process of commodity production and exchange of capital, because of the extremely detailed division of labor in production and society, no matter what you think subjectively, all of your consumption behavior is in the process of making a contribution to social and economic development. This really embodies the social relations featuring "one in all, all in one" and "all for one, one for all."

iii. Supply and demand reflected by micro-consumption chains and the automatic regulation of production consumption. When purchasing consumer goods on the market, price fluctuations appear all the time. The price of certain commodities rises due to short supply, but some time or one cycle later, prices fall again. This is a common reflection of micro-consumption chains in the supply and demand relationship. Businessmen instantly seize on information and then purchase and transport this kind of commodity from where (this kind of commodity is cheap there) supply outdoes demand to where demand outdoes supply to gain higher profits. When the phenomenon of demand over supply or supply over demand in this area begins to ease, more and more merchants rush here, thus resulting in a reduced price of this kind of commodity.

Another example goes like this: increase in production consumption adjusts a temporary imbalance in the micro-consumption chain. For instance: if water melons are undersupplied in one city, peasants plant more to increase the output next year to meet the demand of the market, and thus the supply and demand relationship is automatically adjusted.

3. Consumption chains and new businesses. Consumption is the main reason for production competition. All production competes in production focusing on consumption. How to decide investment in production consumption depends on investigation and surveys as well as decision-making about the consumer market. Consumer market investigation and surveys are the preparation of a business for investment. Studying the current conditions of the supply and demand relationship is to find out how consumption chains operate in this field. If imbalanced consumption chains in this field result in demand outstripping supply, or other external elements make it very successful in development with a huge consumer market, investors quickly invest in the production consumption of this industry. This process is a feasibility analysis businesses undertake before going into production.

Another aspect is that during the process of producing common and regular consumables, promoting products' quality and reducing costs by new technology result in the outstanding development of consumption chains and affect the competitiveness of the market for consumers.

In another aspect, a marketing company chooses the market of a certain competent business and its products and goes ahead with excellent marketing techniques to establish that business immediately. Engaging in market competition for consumers drives the rapid development of the consumption chain.

In a word, consumption drives the continuous development of all consumption such as scientific research and production consumption, living consumption and social consumption. Demand over supply reflected by a consumption chain provides opportunities for newly-established businesses and business development as well as for increasing employment.

4. Consumption chains and business failure. Consumption is the reason for production competition. In the process of competition some businesses succeed and some fail. Failures also exist in the process of market competition, that is, either supply over demand; or no competition at all resulting from excessive costs; or not pleasing consumers due to lagging behind in technology; or poor marketing which cannot keep up with the consumption behavior of consumers, which is reflected in the operations of the consumption chain. In a word, a business that does not have a deep understanding of the operations of a consumption chain or cannot grasp its operating principles will definitely cause gigantic losses to that business or it will be eliminated by market competition and even go bankrupt.

5. Consumption chains of the means of consumption and their structure:

1. Structures of macro- and micro-consumption chains. The structure of a macro-consumption chain is a proportionally related structure among the the three most important types of consumption of the whole of society, that is, scientific research and production consumption must adapt to the demands of living consumption and social consumption. Macro-consumption chains demand that scientific research and production consumption must go ahead of social consumption and living consumption and keep within certain proportions. Because the material productivity of the level and quality of development for scientific research consumption decides the productivity level of development and the quality of living consumption, then the development of scientific research productivity should drive the consumption chain structure of living consumption and social consumption to ensure dependent and coordinated development. If imbalances exist among the living consumption chain, the social consumption chain and the scientific research development chain, that is, their consumption capacity cannot meet the requirements of production consumption, a surplus of production appears, thus resulting in serious economic crisis. But the boom of the living consumption chain and social consumption chain definitely drives the development of scientific and production consumption. Therefore, during the process of production consumption, raising laborers' incomes, improving people's capacity for living consumption, promoting consumption costs of scientific research, increasing the income of laborers carrying out social consumption and lowering the profits from production and operations should be guaranteed. This can ensure the development of new productivity and make living consumption and social consumption drive the development of production consumption, that is, to guarantee the close and coordinated development of the consumption chain of the three most important types of consumption.

ii. Micro-consumption methods and consumption chain structure. The structure of a microcosmic living consumption chain is decided by its consumption and purchasing capacity and its proportional law is "Engels' law."

The Engels' coefficient, a proportional number derived from Engel's Law, is an indicator showing the level of the standard of living. Its equation is the following:

Engels' coefficient = amount of food expenditure / amount of total expenditure

Besides food expenditure, expenditure on clothing, housing and daily necessities simultenously belong to the increasing family income or total expenditure. After the proportion has risen for some time, it starts to fall.

Individual income and living consumption methods, as well as consumption methods within the chain of overall consumption and the industrial structure determine the methods of macrocosmic living consumption. Individual and household living consumption methods and structure are dependent on the consumption capacity of the total income of the family and the individual. At the same time, it is restricted by consumption awareness. Families or citizens with the same consumption capacity may be different in consumption methods because of different consumption awareness.

Factors such as the social environment, culture, and customs also have a great influence on consumption methods and structure. Studying people's consumption methods and structure, raising people's awareness of new consumption, and then creating new consumption methods and structure are top priorities for scientific research and production consumption and its workers, as well as their important responsibilities in observing, analyzing, studying and driving the development of the natural laws of economics from the perspective of a micro-consumption chain.

A price change of one point in a micro-consumption chain affects the overall situation. This can happen in such a way that a change of one point can lead to a chain reaction in the market. For instance, an increase in food prices causes a chain reaction in industries, areas and people's living consumption related to food production.

If the rate of inflation is limited to about six or seven per cent this is beneficial to economic development, and will promote production consumption, increase the employment rate and drive the integrated development of the economy. But a big increase in price means a serious imbalance in the macro-economic chain, so in such circumstances, the government should immediately carry out various measures to prevent this imbalance.

Consumption meeting demand in the process of commodity production and commodity exchange of capital reflects the price and value chain of public commodities, as well as the consumption methods and the level of purchasing capacity of the common working clasess and ordinary laborers during the process of commodity exchange on the market. Differences in level economic development and living consumption

among various countries and regions leads to a difference in general consumption levels and values. But price differences between the costs of production and market prices of ordinary consumer goods are very small in the overall production process. What is reflected in the market is ordinary consumer goods taking 70–80 per cent of the market share, high-end living consumer goods taking about 20–30 per cent with 20 per cent margins, which can reach up to 30 per cent for everyday living consumer goods. The market share of high-end living consumer goods is 20–30 per cent and the profit margin reaches 70–80 per cent, thus making great contributions to driving high-speed economic development, high revenue, high accumulation of profit, high-level science and technology and high consumption. Although having a relatively low profit margin, everyday consumer goods have made great and fundamental contributions to social stability. These consumer goods, from the perspective of production consumption to direct public consumption, forms its own consumption chain law known as *Law 2/8*. It is also called the performance law of the everyday consumption chain, including the fact that luxury consumer goods drive the "five highs." We should study this law to guarantee the normal movement and development of the consumption chain allowing it to develop from a low level to a medium level then on to a high level, driving high-speed economic development.

The low standard of a living consumption chain belongs within the scope of the ordinary consumption chain, but what it reflects is the law of movement of the consumption chain at a lower standard of living consumption level. For instance, disadvantaged groups with very low incomes make up the law of movement of the consumption chain where food consumption takes up 60–70 per cent of their total income and other living consumption only takes up 30–40 per cent. The state should help disadvantaged groups to promote their consumption productivity level, improve their income and human rights, eliminate poverty and assist them to catch up with the standard of living of ordinary people in order to help drive domestic economic development.

Human beings have entered a new stage of historical civilization in which science and technology change with each passing day. Consumer goods produced by the consumption of high and new technology, production consumption is continuously promoting the improvement and rapid development of consumer economic society. The consumption of consumer goods produced by high-tech and high consumption chains drives high-speed economic development. High consumption creates high revenue and high accumulation, while high-speed development in

turn drives the development of more high and new technology. Advanced science and technology productivity creates the chain development law of high consumption chains.

At the same time high consumption chains are driving high-speed economic development, we should understand that the group at a high level of consumption only makes up 15–20 per cent of the total consumption group. If this high consumption by society and production becomes separated from 80 per cent of consumers in living consumption, an imbalance in the macro-consumption chain will occur, leading to economic crisis to a certain degree. So the state should focus on the development of low and disadvantaged consumption groups, and of public consumption groups, as well as finding a solution to the conflict between these groups and the group at the high end of consumption. Only in this way can we maintain the continuous and high-speed development of the economy.

The three most important types of consumption operations are both interdependent and closely connected, thus forming a macro-consumption chain, that is, they form relations in a chain of consumption consisting of the movement and processes of the unity of opposites.

It is living consumption and social consumption that drive the development of scientific research and production consumption, and production consumption decides the level and consumption mode of living consumption and social consumption. Social consumption also includes living consumption of communal facilities such as railways, highways, expressways, civil aviation, marine transportation and public garden facilities.

If the production consumption of living consumption is lower than the purchasing capacity of living consumption, the phenomenon of demand over supply occurs. If the production consumption of living consumption is higher than the purchasing capacity of living consumption (products which are necessary during circulation do not count), the phenomenon of supply over demand occurs. It is the inevitable phenomenon resulting from natural economic laws in the market. With the force of its power, the state should bring the positive effects of natural economic laws into play based on their respect for them, and intervene in their negative effects at the same time.

During the practical process of economic activity, the influence of the three most important types of consumption on driving economic development is extremely complex, but its law is unchanging. For instance, wages and bonuses change monthly and yearly; wages and

bonuses in the process of production consumption and operations increase continuously; prices change every day. The proportion of economic development varies endlessly. All the above-mentioned factors are changing according to certain laws. The goal of our research is to find out these laws.

China is a developing country with high-speed development. It has great consumption needs, which is the main power behind driving the long-term and continuous development of China's economy. The living and social consumption of the population of 1.3 billion in China provide the whole world with a huge consumer market, driving not only the high-speed economic development in China but also the economic development of the world. It is an objective law independent of people's will. China's economic development will definitely make a great contribution to the whole world.

Consumption is a fundamental driving force of economic development

1. A research formula on consumption: The research formula in *Consumption and Management – New Findings and Utilization*: consumer consumption – scientific research and production consumption – distribution consumption – exchange consumption – consumer consumption.

i. Consumer consumption creates scientific research and production. The process of scientific research and production is a process of consumption. Commodities as well as consumption patterns and levels are produced during production.

ii. Science and technology are the means which transfer productivity into consumer society during the production process; it is also a valuable wealth of new technical products which are consumed by direct consumers and which realizes consumer society productivity in the market exchange process.

iii. Distribution consumption is a policy decided by social systems and national laws. It is a method deciding how members of society acquire social wealth and how much they obtain. It decides the consumption power and level of the member of society in question. Distribution, including the distribution of production output, salaries and bonuses, and the sub-distribution of social wealth after national revenue can promote the consumption capacity of consumers, so consumption is the motive power for driving economic development.

iv. Exchange consumption. Consumption in the exchange process is one part of a product's value. The production exchange process is a process of consumption. The trader who takes part in the product exchange serves as a bridge between producer and consumer. Only through exchange can the final consumption of a commodity be realized. This is a rule that is developed by consumption and which leads the circular upward spiral development of the economy. Its performance in the market is reflected in the free (natural) market, financial and economic adjustment law. The free (natural) market, financial and economic adjustment law has a great active function as well as a serious negative function. The national superstructure should macroscopically control this law to ensure the continuous and orderly development of highlight – balance, balance – highlight regulation in the economy.

v. Consumer consumption. This is the destiny of production; a commodity is consumed by direct consumers so that the aims of scientific research and production, and the value and wealth of consumer society productivity are realized. The consumption needs of consumers are dynamic and limitless.

The conclusion is that consumption determines everything, that is, consumption decides scientific research and production; the consumption of consumers realizes the purpose of scientific research and production; if products are not consumed, there will be a suspension in production and the factory will close down.

2. Consumption creates demand. Human beings have the instinct of naturally using consumption materials, which they are impelled to do so by their metabolism. They have the low-level characteristics of memory, cognition, intelligence and inspiration, and the primary-level characteristic of group-dependence. During the long course of development and improvement of consumption, human beings have created intermediate and high-level characteristics of material, spiritual and cultural satisfaction and enjoyment, as well as intermediate and high-level social characteristics, and high-level characteristics of thought.

It is during the process of consumption that human beings generate new consumption needs, desires and perceptions, as well as intelligence and inspiration, that they produce new consumer goods and tools. Hence human beings move forward in a circular upward spiral development.

In the long history of human life, they have constantly improved their abilities to adapt to nature; they have found and generated new consumption demands. Desire, perception, intelligence, and inspiration have driven the unceasing development of scientific research and

production. Therefore, stone houses, brick houses and multi-storey houses were built gradually.

Throughout the whole process of people's material consumption and of their long observation, discovery and thought, they have generated new consumption demands. Demand, desire, perception, intelligence and inspiration have thus promoted the re-development of scientific research and production, and then new consumer commodities were produced. This process never ceases, developing onwards in its circular upward spiral.

3. Consumption promotes the three major divisions of labor:

i. The first social division of labor occurred at the end of primitive society; agricultural tribes were separated from hunter-gatherers and agriculture came into being.

The first major social division of labor promoted commodity exchange. Before that, due to different production conditions, some accidental exchanges occurred between clans and tribes and thereby they acquired necessary products. Ever since animal husbandry became independent from the production sector, production efficiency improved, surplus products were produced and frequent exchange occurred. Along with the development of agriculture and animal husbandry after the first major social division of labor, mankind could produce more than was necessary for sustaining the labor force, which made exploitation possible. More and more wealth was accumulated in the hands of patriarchal families. The gradually detached themselves from labor and became exploiters. Meanwhile, along with the development of production, more and more of the labor force was required and prisoners of war were no longer slaughtered but were turned into slaves. In this way, the slavery system grew in a scattered way. Therefore, the first major social division of labor resulted in the first major social disintegration. Society disintegrated into two classes: masters and slaves, and private ownership came into being at the same time. The first major social division of labor also caused a revolution in family relationships. Men began to dominate animal husbandry, matriarchal clans were on the wane, and patriarchal clans were gradually established and transferred into individual families.

ii. The second major social division of labor refers to the separation between handicrafts and agriculture as the handicraft industry came into being.

After the first major social division of labor, productivity further developed, and more abundant living consumer materials were produced. Along with the application of copperware, bronzeware and ironware,

large areas of farmland cultivation, forestry and land reclamation began to appear. The expansion of agriculture on a massive scale diversified the various types of business. Besides grain fields, gardening and various cash crops were cultivated and these cash crops were processed into oil and wine and so on. Along with the expansion of the scale of operations, and the diversification of activities, various manual operations, such as metal processing, textiles, ceramics, brewing, oil production, ship-building, metal work and casting grew and developed. Variety within the handicraft industry increased with increasingly complicated production technology. Individuals were more and more incapable of taking up diverse activities such as farming, animal husbandry and various handicrafts. Under these conditions, some people became separated from agriculture or animal husbandry and engaged in specialized work in the handicraft industry. More and more professional craftsmen appeared and finally they became entirely separate from agricultural activities, thus forming an independent production sector.

The second major social division of labor promoted the expansion of the scale of production and an improvement in production efficiency. The increase of surplus products further promoted the development of the slavery system and it was no longer a scattered phenomenon but had become an integral part of the social system. Slaves became the main labor force. Batches of slaves were driven to the fields or workshops to work. At that time, besides the difference between free men and slaves, the difference between rich people and poor people also appeared. Private ownership developed further.

iii. The third major social division of labor refers to when commerce became separated from agriculture and the handicraft industry, and thus commerce as an independent entity came into being. The third major social division of labor first appeared in the areas most active in commodity exchange.

The development of business and the appearance of businessmen further promoted the development of the commodity economy. However, although in slavery societies it had attained a certain level of development, it basically belonged to the natural economy, which was mainly decided by productivity levels at that time. Many slave-owners combined agriculture with the handicraft industry in order to produce more to satisfy their demand for luxury goods other than those which were for sale. The products were converted into commodities and the phenomenon that human beings were acting as commodity producers was still in a low position. Along with the development of industry and commerce, cities gradually appeared in slavery societies and urban versus rural conflict

emerged. The cities served as the center of business and commerce and also the center of slave rule. More and more wealth was accumulated in cities and slave-owners began to build palaces, mansions, magnificent temples, altars and carried out artistic and scientific research. Meanwhile, the conflict between non-manual and manual labor appeared.

From the above analysis, we can easily draw the conclusion that it is consumption which is the main power of subsistence, and which promotes the three major social divisions of labor. The three major divisions of labor laid the foundations for the basic pattern of future social division of labors and exerted great influence on social economic development. The emergence and development of commerce generated a comprehensive influence on the economic, political and cultural development of society.

4. Consumer demand and consumption. Consumption creates demand, and demand in turn promotes consumption, or rather, it reacts to consumption. This reaction is great in force. Needs and desires for consumption belong to the non-manual category; consumption is an actualization of reality. To realize demands and desires needs power and and the right conditions; only then can consumption be realized. The demands and desires of consumption act together to push consumption to be realized and to develop, and they are in conflict with the dialectic relations of opposites and unity. In all economic activities, scientific researchers, producers, and sellers of commodities are all trying their best to look for new demands for consumption; they research and produce the commodities in demand and new consumption patterns arise to meet this new demand for consumption, in order to pursue new economic and social profits and maximize them. All these economic development activities satisfy consumer demands and realize further consumption and profits. It is in this way that consumption creates economic and social profits.

5. Consumption and production are mutually promoted. The relationship between consumption and production are like fish and water. Demand for consumption promotes the constant development of scientific research and production which in turn constantly creates new commodities, more desires and new consumption patterns, so production determines the level and quality of the commodities and the level of advancement of social culture and civilization. The people the producers are pursuing all the way are the consumers. Pursuing the market is a way but not a purpose; the purpose consists of the direct consumers of commodities. The direct objects of competition between producers are the direct consumers, but not the traders. The direct objects of

competition between the traders who possess the commodities are also the direct consumers. On this point, the producers and traders are a pair of contradictions which are both opposite and unified. On one hand, they depend on each other, and on the other hand, they are in conflict due to different interests. However, their ultimate goals are the same.

The mutual promotion of consumption and production is mainly embodied in the following two aspects:

i. Consumption creates production. In turn, production (including the production of high-tech commodities and the reproduction of general commodities) creates consumer commodities, and new consumption patterns, levels and results.

ii. The whole process of production is the process of consuming commodities. This consumption process is also the process of creating new commodity value. It is also during this process that consumption creates production. No consumption, no production, and no motives for production. It is during the process of production that consumption creates new consumer commodities (products). (This point has been discussed in detail previously in "Relationships between consumption and demand.")

A commodity is consumed in the consumption process and transferred into wealth with practical value. If this commodity (product) cannot realize its proper practical value or whole value in the consumption process, it becomes a commodity with no practical value, namely, a waste product.

Wealth is realized in the commodity needs of the consumption process. The products (commodities) which have not realized the needs of consumption cannot increase wealth but will reduce the original wealth. Therefore, wealth is created during the process of the demand for commodity consumption.

6. Consumption promotes scientific research and production competition. Human beings' living consumption and social consumption determine scientific research and production consumption. This in turn creates consumer products, and creates consumption patterns and levels. The aim of scientific research and production consumption is to ultimately meet people's increasing material, spiritual, cultural and informational demands as well as the social needs of consumption. In the actual process of being consumed, the product created in the process of scientific research and production consumption has realized its practical value. This process of development is also one where consumption drives businesses to generate profits (social and business benefits).

From beginning to end, producers pursue the consumers of commodities. Commodity producers should spare no effort to give a satisfactory service to consumers. The producer who gains direct consumers will gain the market initiative. Direct consumers are the most authoritative evaluators and judges of a commodity, so producers and traders of the commodity should unconditionally accept their evaluation and suggestions, and constantly improve the quality of their commodities.

All the scientific researchers, producers and dealers of goods are deeply committed to finding new consumers, and doing research to produce commodities for the new needs and new forms of consumption to meet the needs of these new consumers in order to create new economic and social benefits, and maximize them. This economic development meets the needs of consumers in order to achieve new consumption and gain more profits. This is the way in which consumption has created economic and social benefits. This process of development is the one where consumption drives the development of production competition.

7. Consumption is the fundamental motivating force behind economic development. Consumption is the purpose of human production. As for reproduction, this must be conducted around consumption demands and guides which in turn determine production. Production and consumption are mutually dependent, restricted and supplementary. Consumption determines production and production creates consumer products; production is the only means and consumption is the ultimate purpose. The quantity, scale, grade and speed of consumption determines the quantity, scale, grade and speed of production. Whether consumption can be successfully realized determines whether the production cycle can be successfully completed. It can be said that products are accepted by consumers and their quantity determines the prosperity or decline of the producers.

If we consider investment as a kind of social consumption (exhaustion), then we can consider living consumption as the ultimate consumption. In this way, consumption can be classified into ultimate product consumption, investment consumption and export consumption. Intermediate product consumption and export consumption are basically conducted around ultimate product consumption.

Living consumption is the core of the three most important types of consumption, being their origin and power source. Social consumption is consumed for living consumption, that is, the purposes of social consumption are to ensure the people in a country live and work in peace

and contentment and to achieve social harmony and national security. Living consumption and social consumption drive the continuous innovation and development of scientific research and production consumption and they also drive the development of consumer society productivity. They provide guarantees and preconditions for living and social consumption. There will be no progress in the means of living and social consumption without the development of scientific research and production consumption. Their relationship is contradictory, unified and mutually supportive. Living consumption is a fundamental contradiction for the development of any country, social consumption is the guarantee of people's living consumption, and production consumption is the means of realizing the former and it continuously regulates the three most important types of consumption. So we say consumption is the basic motivating power for economic development.

Section 5. Economic law: macroscopically controlled market and financial laws

1. State intervention in market, financial and economic law.

i. Keynes's *General Theory of Employment, Interest and Currency*, and Roosevelt's New Deal. In October 1929 the first world economic crisis happened. The Wall Street Crash is probably the most severe disaster ever suffered by the financial world. Starting from the closure of the first bank, the crisis gradually spread across the whole of Europe. It was caused by the monopoly control of capital in a capitalist society. At that time, Keynes's *General Theory of Employment, Interest and Currency* put forward the proposition that the state should intervene in the economy and adopt proactive fiscal policies and legal means to regulate it. Based on this correct theory, Roosevelt proposed a "National New Deal" and promulgated a series of policies and laws and achieved success in the US. By drawing on this experience, some countries, including European countries, rapidly rectified the negative effects of a market economy (an invisible hand) and averted the disasters emerging during the development of capitalist society, enabling the economy to move towards sustainable development. Keynes's theoretical guidance of state intervention in the economy breathed new life and progress into capitalist society.

In July 1944, headed by the US and the UK, 44 countries convened a conference in Bretton Woods in the US. It was agreed to establish a

World Bank and International Monetary Fund and the world's currencies were pegged to the US dollar. On 27 December 1945 the signature content was introduced: double pegging, that is, the US dollar was pegged to gold, and the world's currencies were pegged to the US dollar.

In August 1971, American gold could no longer sustain the increasingly ubiquitous US dollar, the Nixon government was compelled to give up the "gold standard system" of the US dollar at the price of 35 dollars per one ounce of gold and implemented free floating exchange.

Since the US dollar was separated from gold and the world's currencies were separated from the US dollar, the financial market has entered the free market. Financial businesses – banks and free financial markets continuously created derivative products (which were also called new financial tools), which attained rapid development. Large scale capital businesses emerged, such as financial companies, insurance companies, security companies, investment companies and trust companies. All these companies manage one special product – currency, but their operation does not increase physical wealth for society.

Derivative products on the financial market promoted the production, exchange and development of industrial goods and also generated severe false bubbles – the economic index. The World Bank and International Monetary Fund have already detected the existence of this kind of severe crisis but have not established any supervisory organizations or safeguard measures.

At the end of 1987, Cook commissioned the Bank for International Settlements to create an international standard for appropriate bank capital, which acquired the official approval of twelve countries in December 1988. This is the famous *Basel Protocol* and it was formally implemented in 1990. Its purposes are to watch over the active effects of financial markets and tools and overcome their negative risks and crises.

It is obvious that under the existing financial system, it is no longer possible to fully depend on the markets to regulate the economy and the state will inevitably intervene in the economy, and regulate its direction of development, as well as its decision-making.

2. The intervention in the market of financial and economic law in Western countries.

i. The primary phase of the capitalist social system. When the economic foundations of capitalist society had just arisen from feudal society, its main role was commodity production and exchange of private capital (there was little state-owned capital). The primary stage of a private

capitalist economy was also the stage for the primitive accumulation of capital and for the bourgeoisie's ruthless exploitation of the proletariat.

ii. The phase of monopoly capitalism in capitalist society. This was the stage of commodity production and the exchange of monopoly capital. Commodity production and the exchange of private capital developed into commodity production and the exchange of monopoly capital. The nature of the capitalist social system had changed from economic foundations of private capital to economic foundations of monopoly capital.

The economic foundation of monopoly capitalism damaged free market financial economic laws and resulted in global economic crises, such as the global economic crisis which originated in the US in October 1929. This destroyed the laws of market financial economics, which resulted from the social economic foundation of monopolism developed from private capitalism.

iii. The growth phase of social capital as an economic foundation in capitalist society. In capitalist society, from the primary stage of the economic foundation of private capitalism, along with the fast accumulation of capital during the rapid development of social productivity consumption, this accumulation soon converted into social reproduction. In order to expand and raise capital for reproduction, capitalists appraise their fixed assets (including intangible assets) and transform a small or large part of them into the special commodity of capital for transactions in a specific capital market – the stock market. The price of stock always fluctuates with business' operating profits and is also affected by the supply and demand relationship. The conversion of business capital into a specific commodity rapidly increases its value. It is a double-edged sword: from a positive point of view it accelerates the development of social productivity consumption, as well as the national economy; while from a negative point of view, this kind of economic foundation monopolizes the pricing of market commodities, the market and the prices of raw materials, resulting in a monopoly in the economic industry. On one hand it benefits business with high profits. On the other hand, it seriously breaches the natural law of the three most important types of consumption, driving economic development and the free market adjustment law. In consequence, severe economic crises can arise.

Every coin has two sides. The superstructure of capitalist countries intervenes in the economy with national power, for instance, by establishing anti-monopoly laws and rules, and economic intervention by the administration. In this way the economic foundation is converted

from monopoly capital into social capital. For example, GM in America and Siemens in Germany are enterprises whose capital has become social capital. The economic foundation of capitalist society changes from private capital into monopoly capital and finally into social capital, which can also be called a social system based on social capitalism.

In the period when the economy in capitalist society is mainly based on social and national capital, a democratic political system (the separation of the three powers) is implemented and the state regulates the redistribution of social wealth by tax law in order to solve class conflict between the rich and the poor. This reflects a socialist nature in a capitalist regime and it is a great step forward in the development of capitalist society.

In economically developed capitalist countries such as Germany, it is their state-owned capital plus social capital that are the main economic foundation, while in America, France, Britain and Japan social capital is the main economic foundation of their economies.

Under a social system where the economy is mainly based on state-owned capital and social capital, the government scientifically intervenes in the law that the three most important types of consumption drive the development of the economy and then free market (natural) laws come into being. These can be referred to as the economic laws of "state intervention," that is, state intervention economic law intervene in free market financial and economic law during the processes of the three most important types of consumption, by which "the law of the macro-adjustment of market economics" is generated to monitor and control the world economy so that it develops continuously in a relatively good condition. If the law is violated, it will surely be punished.

iv. The phase of state intervention in the economic laws of free market adjustment in capitalist society. In the period when the economy in capitalist society developed into one mainly based on social and national capital, a democratic political system (the separation of the three powers) is implemented and the state regulates the redistribution of social wealth by tax law in order to solve class conflict between the rich and the poor. This reflects a socialist nature in a capitalist regime and is a great step forward in the development of capitalist society. It should be noted that the "invisible hand" of free economic adjustment has always played a significant role. Keynes's theory has important and realistic significance and has attained excellent results. However, he does not recognize the precondition necessary for the generation of free financial and economic law and its functions, that is, the essence of the positive and negative effects; nor does he realize that free market adjustment law is also a

"visible hand" which has both general and specific laws. He tried to solve the problem objectively and the measures adopted by him can only solve extremely urgent problems but cannot solve fundamental problems occurring during the ever-changing processes of the law. Therefore, financial and economic negative effects are inevitable; the occurrence cycle can be prolonged but it is also inevitable and problems are not solved fundamentally. For example, in 2007 a worldwide financial and economic crisis happened again.

3. Planned economic intervention and market financial and economic law in the former Soviet Union. In the former Soviet Union the economic foundations of agriculture and private capitalism were converted into national capital through revolution. During the period of economic recovery, Lenin carried out production and exchange on the basis of national capital. A planned economy was implemented in the former Soviet Union and the State-led economy comprehensively intervened in natural economic law and made great achievements in economic development. Meanwhile, it attached great importance to culture and education and it allocated a large sum of money from its limited financial expenditure to invest in education. During the economic construction led by Stalin, the economic base was completely nationalized. As for the production and exchange and the means of production, capital commodities were not exchanged inside the country, but transferred among internal businesses. Only consumer goods were exchanged and their prices were set by the government instead of according to the law of value. At that time the Soviet Union was short of funds for economic construction, so where did the money come from? The answer was people's savings. The price of industrial consumer goods were relatively higher while that of grain was lower, and workers' incomes were also low. As production was totally planned, farmers' motivation could not be made best use of for a long time.

At the beginning of the first five-year plan in the Soviet Union, priority was given to the development of heavy industry. Therefore light industry lagged behind for a long time leading to a shortage of consumer goods. Despite the high GNP, people's living consumption level was very low. In terms of Soviet law in a planned economy, the fundamental economic laws in socialist countries were as follows: "Socialist production should be increased and perfected with the help of high-technology, in order to meet the growing material and cultural demands of the whole social economy." This was the integration between the laws of a planned economy and the laws of a natural economy, that is, the government carried out plans to intervene in natural laws and free market financial

economic laws caused by the three most important types of consumption. Plans could not be guaranteed to be realized, partly because of State monopoly and intervention in natural economic law, and partly because of the complexity and diversity of development and an increase in demand on the three most important types of consumption, and especially on consumer goods. The Soviet Union's State-led economy was not centered on living consumption but on social consumption. Though the national economy kept developing at a high speed, the ratio of the three most important types of consumption became seriously imbalanced. This long-term imbalance reflected the economic foundations of national capital. As the superstructure failed to meet the needs of economic development, serious conflicts arose.

From a positive point of view, the Soviet Union achieved great success as a national power dominating economic development. In terms of an analysis on overall conflict, its success was favorable for the development of natural economic law of the three most important types of consumption. However, the problem lay in the fact that during the development of the three most important types of consumption driving natural economic law, the principal leaders in the Soviet Union had the opinion that subjective initiative was omnipotent, which seriously violated their natural law and badly damaged the positive effects of free market financial economic law. Thus conflicts could not be solved for a long time and a national political crisis was doomed to become a reality. Therefore, the overall disintegration of the Soviet Union was inevitable due to the fact that the superstructure was unchanging with regard to its economic foundations, as was production with regard to social productivity consumption for a long time. The superstructure and production relationships violated the basic economic law of socialism and violated the internal law of economic development which was applicable to various societies, and which led to serious economic crisis and ultimately the disintegration of the Soviet Union.

4. The economic law of market finance under the adjustment of a planned economy in China.

i. In the days when productivity was very low, the national economy lagged behind, and there was difficulty for the State budget to equally meet the minimum standard of living, or when the economy was blockaded by foreign economies, enforcing planned consumer market economic regulations could ensure the existence and development of the nation, and at the same time, financial and physical resources could be planned and centralized to put in place projects which were crucial for

promoting the improvement and development of the whole national economy, and for proportionally arranging the distribution policy and consumption proportion of the entire national budget.

(2) At the beginning of the establishment of the PRC, the population of China increased fast, but the level of production development could not meet the consumption needs of the increasing population. Under a planned economy, the government implemented a State monopoly on the purchase and sale of grain and supplied commodities according to the population, such as clothing and other necessities. At this stage, the country implemented the distribution principle of low income and more employment, thus guaranteeing a certain degree capital accumulation by the State. With the further development of the economy, the original planned equal distribution and consumption policies seriously hampered the development of productivity, so policies had to be adjusted. In 1984, *The Decision on the Economic System of Reform of the Central Committee of CPC* proposed that a socialist economy was a planned commodity economy on the basis of public ownership; and so the market-oriented reforms began. The implementation of this new policy dramatically promoted the development of Chinese productivity and an increase in people's standard of living and consumption capacity.

In conclusion, the three most important types of consumption drive economic development and create natural laws of economic development, and economic foundations determine the basic laws of an economy. Here the State interfered with three most important types of consumption, which in turn created free market adjustment laws by driving the economy in an upward spiral development, and thus the law of macro-controlled market finance and economy came into being.

The economic foundation of the State-owned capital of the Soviet Union belonged to the State-monopoly economic foundations, which was the overall planned economy. That is, the planned economy interfered with the free (natural) market economic adjustment laws of the development of the three most important types of consumption. The problems it could not solve were the complex preferences and needs of people's living consumption and the increasingly complicated varieties and needs of people's consumption. If these conditions had lasted for a long time, people's complaints and a political crisis became inevitable.

The economic foundations of Socialist China basically belonged to the economic foundation of national capital, and they also belonged to the natural economic law of State-monopoly interfering with the three most important types of consumption. But unlike the Soviet Union, China insisted on carrying on the laws of a developing economy, which made

a planned economy of primary importance and a market economy was merely supplementary at the beginning. These measures made certain use of the natural economic laws of the three most important types of consumption, and enabled the superstructure to adapt to the economic foundations, while production relationships adapted to the growth of productivity. But it was not absolutely perfect, so it became necessary to emancipate our thinking and to carry out reforms and the natural economic laws of the three most important types of consumption were interfered with by the State. Use macroscopic control (interference with) over the law of economic development to develop the economy. This is objective and is not subject to people's will.

A dominant national economy with living consumption as its center, financial and economic laws, and a system of macroscopically controlled market regulations

Early economic theory emphasized that market regulation and control were performed by an "invisible hand," which was proposed by Adam Smith (1723–1790), the eighteenth century English economist, in his book *Wealth of Nations*. The primary meaning is that all individuals only consider their own interests in their economic lives and they are driven by an invisible hand, that is, only by labor division and the effects of the market, can the purpose of national prosperity be achieved. Later on, this was understood in a way that the government should not interfere with national economic development, which should be selected and resources allocated by overall social demand. This kind of social demand was considered to be an invisible hand for regulating the market.

The successors of Adam Smith conducted precise analyses for the perfect competitive market mechanism in the form of equilibrium theory. In the conditions of perfect competition, the scale of production is small and all companies are managed by business owners. Independent producers do not influence a product's market price and consumers use currency as a kind of vote to decide the quantity and quality of products. Producers aspire for profit maximization and consumers for the best practical use. Prices freely reflect the changes in supply and demand and their function is to allocate scarce resources on one hand and distribute commodities and labor services on the other. Thanks to the invisible hand, entrepreneurs earn profits, workers obtain wages which are decided by competitive labor force supply, and landowners are paid rent.

Supply automatically creates demand and savings and maintains equilibrium with investment. Through free competition, the whole economic system reaches a state of general equilibrium. In dealing with international economic relationships, free and unrestrained principles are followed. Governments do not regulate foreign trade. The invisible hand reflects the economic reality of free competition at a primary stage of capitalism.

In normal conditions, a market maintains healthy operations in its internal mechanisms. The main basis for this is the rationality principle of economics in market activities, as well as rational selections. These selections gradually form the price, supply and demand, and competition mechanisms in a market economy. These mechanisms are just like an invisible hand governing the behavior of each individual to conscientiously follow the market law in their practice.

Market mechanisms are operated on the basis of the rationality principle of economics. Within the mechanisms of market economics, consumers make purchase decisions based on the principle of practical use and producers make marketing decisions on the principle of profit maximization. The market, between supply and demand and, guides resource allocation in the most effective way and according to the natural fluctuation of prices. The market is just like an invisible hand which drives producers and consumers to make their respective decisions according to the mutual interaction of price supply and demand and competitive mechanisms.

However, is what Smith said true? The invisible hand emphasizes the free regulation of economic development. However, in the first worldwide economic crisis, it was just this invisible hand that led private capitalist economies into capitalist monopoly and ultimately a destructive world economic crisis. In 2007 the sub-prime crisis happened in the US, which also resulted from the negative effects of this invisible hand. This phenomenon proved the severe historical limitations of Adam Smith's theory.

From Adam Smith's theory, to the economic theories of Marx and Keynes, to the new classical economic theory of Samuelson, the theoretical study of all these economists started from production research, and their research chain was: production – distribution – exchange – consumption. The research results showed that production decides everything. However, the direction of economic development following this kind of theory inevitably leads an economy into recession. Therefore, the construction of a macroscopically controlled system must be reinforced as it is with the management of consumer markets.

1. Macroscopic consumption and living consumption as macroscopic market regulations and management in a state-controlled economy. The formula chain adopted by the "General Theory of Consumption" when studying political economics is: consumption – scientific research – production – distribution – exchange – consumption. The research of gross social consumption starts from the origin of people's living consumption and involves studying the series of conflicting relationships and laws in overall scientific research, production, distribution of gross social wealth, consumption during commodity exchange, as well as the ultimate realization of the consumption process. The conclusion is that people's living consumption is the origin and source of power. A state-led economy centered on living consumption is the responsibility of the state superstructure.

i. The relationship between scientific research and production consumption, of living consumption, and that of people's social consumption. The scientific research and production consumption of people's living consumption are in first place out of the three most important types of consumption. They are also at their core, because eating, clothing, housing and traveling are the most basic types of people's consumption. During the development of the demands of people's living consumption, self-conflict is also generated, that is, the natural contradiction of demand exceeding supply and supply exceeding demand. Meanwhile, during this development process, the conflict between the development of social consumption (including people's public living consumption), the consumption of the superstructure itself, and the development of living consumption also emerges. The reason for this is that an improvement in the level of people's living consumption depends on the development of social productivity consumption. This development should give priority to the development of secondary industry, which is production consumption; this is the basis of the development of social productivity consumption. Only in this way can the production consumption of people's living and social consumption attain rapid development and can people's ever-increasing demands on living and social consumption be satisfied. This is the main conflict existing during the development process. The state should also implement living consumption-centered macroscopic control under a state-led economy for the market's financial and economic laws in order to give play to their advantages and avoid their negative effects.

In order to center on living consumption, import and export trade should be vigorously promoted so that different countries can exchange

necessary products and supplement one another's preferences and demands in order to jointly develop the level of their living consumption. Meanwhile, vigorously develop social consumption to ensure that people live and work in peace and contentment and continuously satisfy their ever-increasing material, spiritual, cultural, informational and civilization consumption demands. It is required that the superstructure should coordinate and solve the conflicts among the three most important types of consumption, develop social productivity consumption and promote overall financial and economic development including social civilization.

ii. Understand, guide, control and adjust production consumption and investment from a macroscopic point of view. The methods of macroscopic control and management include:

i. Taxation policy control.

ii. Use financial means to control production consumption and investment.

iii. Use administrative means to control production consumption and investment.

iv. Control of resource allocation.

v. Market management and control.

vi. Legal management and control, such as anti-monopoly laws.

It should be pointed out that macroscopic market control, which is centered on social consumption under a state-led economy, can also attain the purpose of promoting the rapid development of the economy. However, this inevitably leads to the occurrence of political, financial and economic crises and even war, which can endanger the security of other countries and their people as well as the interests of their own. For example, before the First World War in Germany, Japan and the Russian Empire, and before the Second World War in Germany and Japan, they just focused on social consumption under a State-led economy to adjust the development of finances and the economy. Although their economic development was rapid, it resulted in the First and Second World Wars breaking out.

This is the origin of the concept of focusing on living consumption and rapid economic development, which can continuously improve people's material, spiritual, cultural, civilized and informational consumption levels and cannot endanger the security of the country, as well as other countries and people.

2. The purposes, means and essential factors of national macroscopic control over the laws of the market, finances and economics. The three

most important types of people's consumption affect economic development in a circular and upward spiral pattern and it creates the laws of the markets, finance and economics regulated by nature, which is referred to as free market regulatory and economic law. It has great strength, and allows culture and civilization to develop and make continuous progress. But it has its own law of contradiction generating negative effects. Who is going to intervene with regulations and control? It is the state. The state intervenes by using its power in the laws of natural market regulation, which can be referred to as the "law of state intervention in the economy," resulting in the "law of macroscopic control over a market economy."

The national superstructure represents the economic foundations, the relationship between social productivity consumption and production relations, and it also represents the fundamental interests of all citizens. Therefore the government must regulate and control the development of a market economy in accordance with economic law.

So what are the purposes of state regulation? The author holds the view that there are six main purposes: first, price stability; second, full employment; third, developing social productivity consumption to enhance economic growth; fourth, the balance of international payments and development of the import and export trade; fifth, the constant improvement of people's living consumption level (material, spiritual and informational); six, the constant improvement of comprehensive national power.

The macroscopic control of a national economy, from a historical point of view, generally falls into three types of situations.

The first situation is classical economic control. Classical economics and new-classical economics hold the point of view that the market is the best way to regulate economic activities. Through this "invisible hand," the "Pareto optimality" of resource allocation can be achieved.

The second situation is the Keynesian law. In the 1930s, after the second world financial crisis, Keynesian economics stressed that government means and behavior were becoming an important way to regulate economic activities. Thus government intervention became a major policy in mainstream economics. From the start of the US government intervention in the economy, Western capitalist economically developed countries began to follow their example.

The third situation appeared in the 1970s, which was variations in the market conditions and economic activities, the influence of a series of economic crises, and especially the failure to control them. The US first

introduced a series of measures such as deregulation. Before the reforms and opening up in China, that is, when implementing the planned economy, macroscopic control was realized mainly by means of executive orders. Though some success was achieved, the negative effects were too huge, severely influencing the development of society productivity consumption.

After years of construction of the socialist market economy in China, the macroscopic control system is improving day-by-day. It is taking an initial shape, which mainly applies to economic and legal measures in terms of macroscopic control, supplemented by the necessary administrative methods. In the early 1990s the successful realization of a "soft landing" of China's national economy, as well as our victory over the difficulties and challenges of the Asian financial crisis in 1997, helped China accumulate valuable experience, and also helped its macroscopic control system become more mature.

The author believes that this macroscopic control system mainly consists of six purposes, three means and twenty factors. The three means are economic, legal and administrative. The economic means refer to the economic policies formulated by the government. The legal means refer to the economic regulations drawn up by the government. And the administrative means are the economic orders issued by the government.

The economic means: this entails the government carrying out macroscopic control on the national economy by way of the regulation of economic leverage on the basis of consciously depending on and applying the law of value. The economic lever is the tool of value, which macroscopically controls social economic activities, including price, tax, credit, wages and so on. By economic means, the financial policies mainly include adopting such means as budgeting, taxation, bonds and transfer payments to adjust the economic structure and social distribution. Financial policy mainly refers to the Central Bank. Supervisory departments reinforce the supervision of the financial industry by implementing currency policy and other such means as interest rates, exchange rates, discount rates, reserves held against deposits and public market business to regulate money supply, stabilize the currency value and promote economic growth. The overall objectives and requirements of the macroscopic control planned and promulgated by the State are the basis for constituting fiscal and currency policy. State planning for the short, medium and long-term is an important means for macroscopic control, which is comprehensive, predictable and strategic.

The legal means: By way of legal forces through economic legislation and justice, and applying economic law the government regulates the economic relations and economic activities to achieve the goal of macro-control. Under sophisticated market economic mechanisms, generally speaking, basic national policies are fixed by law first, then the long and medium-term development plans and specific policies are promulgated on the basis of law. The means of macro-control are mutually coordinated to jointly achieve the macro-control tasks and goals; wherein, legal means act as the basic mode of macro-control and other control means are carriers. Legal means adopt legal measures to fix and standardize the economic means and administrative means to ensure the legality of various means of macro-control.

The legal means of macro-control have safeguard and guidance functions which are not replacable by other means of control. Their specific aspects are as follows:

First is the legality of the forms of macroscopic control. That is, adopt legal measures to convert macroscopic economic decisions into realistic economic orders and put macroscopic control onto a legal track in order to provide legal guarantees for realizing macroscopic control and standardizing national macroscopic control behavior.

Second is the economic efficiency of macroscopic control. Since the legal means adopted by macroscopic control are aimed at a market economy then they should abide by the requirements of the law of value in that market economy to obtain internal rationality.

Third is the stability and directness of compulsory macroscopic control. The law is very effective; any company or individual should abide by the law or they will be punished. In addition, there are many regulatory stipulations which are fixed in the form of laws, and a relatively stable and serious law cannot be changed frequently.

During the operations of a market economy, legal means play more and more important roles in macroscopic control. This has become the main means of governments in performing economic management functions, and the law which has the property of macroscopic control has become the core of the system of the laws of economics.

One of the most important characteristics of the development of the world economy lies in the strategic nature of economic development being further improved. So countries place a lot of emphasis on macroscopic control in regulating national economic activities. Just as some economists have pointed out, the macroscopic control exercised by Western countries has changed from the previous, "Making up for

market deficiencies," to "Building the future of the country," which has greatly improved the status of laws and legal means for macroscopic control. In China, government investment and management systems are gradually giving way to a macroscopically controlled legal system. These laws are becoming the core of economic law in China. Other related means are also becoming of vital importance to us.

In China, along with the establishment of a socialist market economic system and further deepening of economic system reforms, the way that the State directly intervenes in the microscopic market through forcible means is gradually being converted into the method that the State adopts when dealing with macroscopic economic and legal means and activities. At present, China has drawn up: Budget Law, Individual Income Tax Law, Law on the Management of Tax Revenue Collection, Land Management Law, the Government Procurement Act, the People's Banking Act, Commercial Banking Law, Audit Law, Price Law, Foreign Trade Law, the Security Act, the Statistics Act, and so on. The promulgation of these laws and regulations provides legal guarantees for national macroscopic control and promotes the effective allocation of resources.

Administrative measures: these measures make use of compulsory orders, directions, regulations and other means by administrative departments to adjust economic activities to achieve the goal of macroscopic adjustment. These administrative measures possess such characteristics as being authoritative, free and fast.

Now we will analyze in detail some of the main factors of macroscopic control carried out by the State:

i. Fiscal policy. This falls into the following four aspects: tax policy, the profits of State-owned enterprises, other revenue, and government expenditure policies. The State influences the level of national output primarily by controlling tax revenue and expenditure, but the ways in which it works are different.

In China, a proactive fiscal policy has been in place for many years, achieving excellent results. The relevant departments have clearly shown that positive fiscal policy will gradually fade out in the next few years. The author thinks that it still has room for long-term development in China and other developing countries. The problem right now is that national savings are mainly centralized in the Central Bank, which is the main channel by which to transfer savings into investments. But in recent years, due to the high rate of non-performing loans and in order to guard against financial risks, it cannot increase the amount of its loans. Therefore, the pace of investment and financial system reform should be

accelerated, the channel of transferring savings to investment should be expanded, and the proportion of direct financing should also be increased to solve the problem that China's social investment is only increasing at a slow pace.

ii. Monetary and financial policies. These policies play an equally important role in macro-economic policy, belonging to the basic adjustment methods of the government. The implementation of monetary and financial policy is mainly achieved indirectly by the Central Bank's control of monetary supply. In China, the adjustment potential of official capital banks and main securities in financial companies is large. Financial companies should be dominated by official capital in any country, otherwise it would be irresponsible for the whole nation.

iii. Revenue policy. This mainly refers to the policy which is used to control the increase in wages and prices, including consultative and mandatory implementation. Revenue policy is the most controversial of all these measures. Some economists are critical of this policy, holding that revenue policy cannot settle substantial problems but can undermine the automatic regulation mechanisms of the market, and can even distort economic relations and do harm to the efficiency of the market. The scholars who support this policy believe that even though there are flaws in revenue policy, it can be used to satisfy temporary or momentary needs without paying a heavy price. Here, we should be clear about the basic point that the people's living consumption is the core of the three most important types of consumption. It is decided by a comprehensive awareness of income and consumption. To improve the capability of living consumption to achieve overall consumption is economic development's source of strength.

iv. Foreign trade policy. The application methods of this policy are different in countries of trade protectionism and countries of free of trade. The foreign policies applied by the countries that insist on the implementation of trade protectionism are mainly tariff barriers, exchange rates, foreign exchange controls and foreign trade controls. However, those that adhere to freedom of trade, to a varying degree apply these policies too, but mainly by the government's proper intervention in the foreign trade market, and even through joint intervention. The purpose of this is to maintain the balance between the import and export trade, and the stability of the foreign exchange market as well as the balance of payments.

Besides the factors discussed above, there are some other indispensable ones as follows:

1. The right to control and allocate land, sea and airspace resources
2. Deciding the flow direction of capital investment.
3. The reasonable use of labor resources and the formulation of allocation policies.
4. The rational use of national resources.
5. The collection of corporate profit tax.
6. Developing social productivity consumption vigorously.
7. Guaranteeing monetary supply.
8. Establishing laws and regulations on managing economic activities.
9. Reasonably conducting social wealth re-distribution.
10. Establishing a security system of various funds for workers.
11. Vigorously developing education and scientific research.
12. Greatly improving people's consumption power.
13. Formulating social welfare and security policies in a reasonable way.
14. Developing the import and export trade vigorously.
15. Formulating a reasonable labor employment policy.
16. Formulating reasonable population and fertility policies.

The correct application of different combinations of factors in accordance with actual economic operations can give better play to the adjustment role of financial and economic laws. The adjustment of financial and economic laws only by monetary and financial means has never succeeded. Only by applying these factors accurately can social productivity consumption be developed better, can people's living and social consumption be guaranteed, and can the people's ever increasing needs for consumption for their material and spiritual culture be satisfied. The natural law of the three most important types of consumption causing the economy to develop in a circular and upward spiral way is dynamic. National leadership management organizations should take national economics and living consumption as centers to macroscopically regulate and control the market. During the processes of financial and economic laws, twenty combinations of factors should be well utilized. They are also dynamic, and move forward in accordance with the movement of the law of highlight – balance, balance – highlight. These kinds of laws are not controlled by people's will. Only by way of good use of these twenty factors and obedience to these kinds of regulations and laws can economic development be controlled, and an economy be promoted and rapidly developed by giving play to the subjective instincts of intelligence and inspiration.

Section 6. National macroscopically controlled consumption, distribution, tax and economic law

Relationships between distribution, consumption and superstructure

There are many factors affecting the state of consumption, among which scientific research and production is the most powerful internal driving force. National redistribution policies – particularly tax – also significantly affect the state of consumption and determine its level and direction. The reasonableness of the distribution system and tax policy cannot even affect scientific research and production or determine whether social development is dynamic or not.

Distribution, consumption and the superstructure are interlinking, with their relationship being like fish and water. The superstructure determines gross revenue and expenditure and the overall distribution policy of the state. It also regulates the overall consumption level, while the distribution proportions and consumption level are determined according to the overall development level of productivity of the whole country and the overall national economic revenue and expenditure levels. All policies and strategies which are made to improve national welfare through debt, or to win popular support, are fundamentally harmful to the country and the people. Fair distribution policies and consumption proportions in turn promote the development of social productivity consumption, an increase in consumption level and the development of the whole national economic foundation, as well as further strengthening the superstructure. In *Correct Handling of the Contradiction among the People*, Chairman Mao Zedong stated that, "The socialist relationships of production, which adapt to the development of productivity, have been established. However, they are not perfect yet. These imperfect aspects are contradictory to the development of productivity. Besides the case of adaptation and conflict between production relationships and productivity, there also exist the adaptation and conflict between the superstructure and economic foundation." That is to say, socialist economic development should constantly solve the imperfect aspects of the superstructure and economic foundation, as well as those of production relationships to the development of productivity.

Thanks to the fast development of productivity and the increase in the strength of the national economic foundations, the proportion and

relative value of the country's overall distribution of social wealth are increasing.

1. The increase of direct distribution according to the work of citizens, that is, more payment for more work and a set quota.

2. The increase of the surplus value of individuals' social capital.

3. The improvement and increase of subsidies for low-income citizens to reach a certain level and standard of living in the process of social wealth re-distribution.

4. An increase in input to and the development of social undertakings.

5. An increase in input capital for the modernization of the entire state machinery.

An imbalanced distribution proportion of overall social wealth leads to an imbalanced development of industrial structures. Therefore, distribution and consumption may influence the development of the entire economy. We should, especially in the distribution and practical management of various social consumption items within the total social wealth, reduce and eliminate serious waste, and improve investment and labor efficiency, which are the main responsibilities of the government, or else it is a dereliction of its duty.

Conflict between consumers

At the primary stage of socialism, we have to practice commodity production and exchange of capital. The people at this stage are inevitably in the position of capital commodity production and in the relationship between overall production relationships and productivity. At the stage of commodity exchange and consumption, we have to carry out the distribution principle of more pay for more work and the principle that macroscopic regulation consistently redistributes social wealth. However, there are inevitable conflicts due to the differences between consumers and consumer groups. If it is not solved well, these conflicts may lead to war, thus becoming unstable elements of society.

1. A business should put an emphasis on regulation to ensure the interests of the lowest level consumers. This is the need for reproduction.

2. Carry out macroscopic regulations for redistribution between various areas to ensure the social public have the lowest possible consumption demands.

3. Carry out macroscopic regulations on the redistribution of the interests of the whole country to ensure the demands of the lowest consumers in society reduce the occurrence of various conflicts and achieve security, wealth and long-term stability for the country and its citizens.

4. Policies on the ways of obtaining and the redistributing social wealth by the government superstructure are the basis of resolving conflicts between consumers. It is also a major and complex undertaking that would liberate productivity, constantly adjust production relationships to adapt to this productivity, eliminate social consumption waste, corruption and crime, and promote the harmonious development of society. We should push forward in spite of difficulties to do something worthwhile for our country and people and for the sake of posterity.

Consumption and distribution

1. Economic relationships serve the consumption needs of the people. The superstructure, which represents the interests of people and the leaders of the mechanisms of state power, is devoted to serving the consumption of the people. Its purpose is to try its best to strive and struggle for an increase in human living consumption, for social undertakings and national defense and security. All the policies and strategies of the country, as well as all its distribution policies and methods, are based on the preconditions that they should be in accordance with the underlying social economic conditions, that they ensure productivity initiatives and national stability and security, and that they promote the comprehensive development of society. Distribution is an important element of the state government in developing production and making production relationships suitable for productivity development.

2. Social consumption depends on the superstructure and production relationships. The proportion and level of people's individual living consumption, as well as the consumption of social undertakings, defense and national infrastructure, depends on the superstructure and production relationships. The primary stage of socialism is still at the stage of capital commodity production and value exchange. During this stage, the basic principles are more pay for more work and a share of the surplus wealth of social capital, as well as the distribution of the means of production and repeated redistribution of overall social wealth.

3. Conduct repeated re-distribution of social wealth to narrow the gaps, with the premise of meeting the needs of a minimum level of social consumption and relatively continuous improvement. We adhere to the distribution principle of more pay for more work, and pay attention to the difference between complex labor value and simple labor value, as well as the difference and distribution between simple labor value and labor which is heavy, dirty and hard work. The differences in distribution can be big. Generally speaking, labor value can be divided into complex labor value and simple labor value, so the pay for these two types cannot be the same. Engels said, many kinds of labor contain techniques obtained through the consumption of more or less labor, time and money. Does this complex labor produce the same commodity value as simple labor, that is, the consumption of a pure and simple labor force? Apparently not. Therefore, complex labor should receive more pay. Otherwise, it is unfair. Unreasonable proportions of distribution may influence the development of productivity.

4. Reasonable distribution principles promote the reasonable development of consumption throughout the whole of society. This promotes the development of the whole of social productivity consumption, while unreasonable distribution principles hold back its development and react on the development of consumption. The slow development of consumption influences the development of social productivity consumption and the progress of social culture. Therefore, the relationship between consumption and distribution are like that between fish and water; they are twin sisters who depend on each other, promote each other and restrain each other. The relationship between consumption and distribution form a fundamental relationship in the entire political economy and it is a basic element of political economics.

Relationships between distribution, consumption and production

The consumption level of the individual depends on his labor value spent during the process of his social production and labor, which in turn determine the quantity and type of pay charged by him, and the quantity of capital surplus value in the process of his capital commodity production and exchange. This level is also often determined by the policy of the redistribution of national macroscopic interests.

1. Correct labor distribution principles and methods. These can directly promote the development of productivity and consumption. In

contrast, wrong distribution principles and methods restrict and influence the development of social productivity consumption and overall consumption. The slow development of consumption in turn influences the development of social productivity consumption. It is a three-way relationship, in which distribution is the main cause of conflict.

2. Reasonable distribution within businesses motivates the enthusiasm of the workforce. The reasonable distribution of the leaders of a factory such as managers or directors in relation to the researchers and workers can to a great extent mobilize the initiative of the staff. Human resources are the most active factor contributing to productivity. Only if their initiative has been mobilized can their talent be fully used and can they make best use of resources to reduce costs as far as possible. Meanwhile, they produce the best goods on the basis of certain abilities and strive to better satisfy consumer society's demands.

3. The faster development of social consumption will increase the development of scientific research production. The more pay laborers receive as a result of their work, the more and the faster the development of consumer society goes, as well a further boost to the development of scientific research and production.

4. Businesses are the main part of the foundations of the national economy. The economic benefits of a business are directly related to the income distribution of its staff and their consumer purchasing power. However, at certain times and in certain places business leaders determine the speed of development of their company's productivity, the entire consumption level of the company and the income of its staff and their consumer purchasing power. The economic benefits of businesses are therefore mainly determined by their business leaders separately from national policies.

Consumption and scientific research

Science and technology research is full of intelligence, inspiration, thinking creativity and wisdom. Invention and creation are the most direct pursuits of consumers. The consumer of commodities is the most important part of science and technology research, invention and creation, and he also promotes them to develop from a low to an advanced state.

1. The purpose of scientific experiments is to constantly create new consumption demands and desires. Any scientific experiments without consumption in consideration are purposeless and arbitrary, and are

hard to transform into social productivity consumption. What should be noted here is that purposeful and fundamental scientific experiments and applied research are unified.

2. To ensure the realization of the above-mentioned purposes, basic scientific research should be undertaken by national scientific research institutions, scientific research institutions in universities and competent science laboratories belonging to large business groups. Furthermore, once there is a breakthrough in basic scientific experiments, we should promptly turn to applied scientific experiments, in order to transform them into productivity as soon as possible to promote economic development and to avoid a split between basic scientific experiments and applied science and technological experiments.

3. Universities, scientific research institutions and competent production manufacturers should all establish information agencies to get all the possible information about the consumption market, as well as the research results and scientific trends in science and technology research institutions. These organizations should find and study the information in a timely manner, strive for new scientific research projects, and, standing at the highest starting point in the same industry, promptly organize labor and material resources to carry out experiments, in order to enlarge their share of the market as soon as possible.

4. Organize the integration of science, industry and trade as far as possible to realize the internalization of the domestic and international market in sales; occupy the market share on the largest scale and to the furthest extent; realize the greatest and fastest transformations from science and technology into productivity; and create maximum social and business profits. The success of the Sanzhu Group serves as a good example.

To develop high and new technology, the investment consumption for the modernization of laboratoies should be strengthened, and then the conditions for scientific research should be greatly improved to motivate the researchers' enthusiasm for creativity and experiments with a material, spiritual and informational motive. Meanwhile, their honorable sense of responsibility for scientific research is enhanced.

Consumption and taxation

Tax revenue is the main source of Chinese national income; an economic lever to regulate and adjust national economic development is the main

method of adjusting income and distribution as well as re-distribution; and the main economic lever to adjust consumption funds and rations and ensure the steady and balanced development of society.

1. Utilize different ratios of individual income tax to adjust and control individual consumption funds in society in order to reduce the high consumption disparity between members of society.

2. Utilize different tax rates to adjust and control total social consumption, for example, collecting purchase tax on top-grade non-production commodities and devices and as well as car purchase tax, banquet tax and the like are one of the main ways of adjusting consumption.

3. Raise the commodity tax rate of consumption and non-production necessities to increase the overall social wealth income to mediate in conflicts between consumers.

4. For the necessities of people's lives, living consumption urgently needs to be resolved. This goes for public social welfare, a low tax rate or tax cuts, or even tax-free income to decrease merchandise costs, to promote consumption and the economy, and to spur the development of the entire economy.

The relationship between consumption, taxation and scientific research

1. High-tech and new scientific achievements should remain free of any tax. At certain stages in their process, no tax at all, or a reduced amount of tax will spur the quickest transformation of scientific achievements into social productivity consumption. This process of transformation is the process of reorganization, acceptance and consumption of high-tech achievements in society.

2. Once new scientific achievements are transformed into social productivity consumption with its high added value, a good economic situation with high tech, high consumption, high tax, high accumulation and high speed comes into being in the process of market consumption. After this short-lived tax break period, the accumulation and formation of tax sources can be cultivated. Developing high and new technology is profitable; high consumption brings businesses a high accumulation rate and rapid development, which in turn further promotes the rapid development of high and new technology. Meanwhile a high tax rate spurs the rapid development of the national economy.

The relationships between tax rates, consumption and production

The tax rate is an important leverage for adjusting the relationship between consumption and production.

The development and overall structure of the national economy needs to be reasonable. When we carry out adjustments, tax revenue is also one of the most important methods besides bank credit control. To any unsupported industry or business, regulation tax is applied. When its expenses and cost values are higher than its prices, this business or enterprise goes bankrupt. New businesses that need assistance and development, or other competitive business can develop through the merger of the bankrupt companies, which promotes the development of the industrial infrastructure, as well as a reasonable development of the economy.

The relationship between consumption and devotion

Consumption and devotion are a unity of opposites. Consumption is the need for people's survival. They endlessly explore high and new technology in order to improve their productivity, to obtain better consumer goods, and to raise their own consumption level. With the development of material civilization, spiritual civilization has also developed and has made great progress. Thus the great spirit of devotion is produced; it exists for other people's happiness, for the development of national happiness, for the security of the country, and for the safety and happiness of all mankind. This kind of great devotional spirit reacts to the progress of the whole of society, it promotes the development of human material civilization as well as its spiritual and cultural civilization. At the same time, it promotes the development of productivity, social consumption and the progress of the entire social culture.

1. Self-willing devotion. The progress and development of human beings enable us to gain the ascendancy. A person lives not only for food, clothing, housing, transportation and security. This kind of contribution for others and the happiness of the whole of social consumption are always higher than the demands on society and material enjoyment. Because of this, millions of ambitious people's spirit of devotion also reacts on the progress of world science and technology and material

civilization. This promotes the progress of the entire social spirit and culture, and people's consumption level continues to develop from a preliminary to a higher phase.

2. In this historical period of exchanging commodities for money, people are either aware or unaware of being a producer and consumer of commodities. Alhough people do not realize that they are making contributions to society, in fact, because of their exchanges, their surplus products also make contributions to others.

3. The spirit of self-sacrifice. For common happiness and a safe life, people really need to develop the spirit of sacrificing themselves for the collective and for the country. An individual or small number of sacrifices are generally needed as the price for gaining most types of happiness and safety.

4. The spirit of devotion for other people's happiness despite one's own resilience. The progress of people and society inevitably creates a great spirit of devotion. There is endless enjoyment for other people's happiness; people should always think about how to care for other people and seldom about themselves. After being brought to a peak of development, this great spirit of devotion also educates people and enhances people's enthusiasm for constructing spiritual and moral civilization.

5. The great spirit of devotion of educators and scientists. Firstly, teachers and educators are the engineers of the human soul. Like gardeners they raise large numbers of talented people and devote themselves silently. Secondly, scientists are always working selflessly for the progress and development of people's material and spiritual consumption. It was the inventions of great scientists that impelled the quick development of social, material and spiritual civilization consumption levels.

6. If we say that the diligence and frugality of saving every penny for revolution is a kind of devotion, then from the viewpoint of the economy, consumption creates and is devoted to everything. First, general consumption, namely, the basic living consumption of consumers, can achieve the ultimate goal of production, and thus simple reproductive cycles are facilitated. If general consumption has the function of capital appreciation, it may develop simple social reproductions and use the money saved by diligence and thriftiness in futher reproduction of consumption, which in turn may increase expenses and expand reproduction. Therefore, thrifty consumption increases the needs of expenses and speeds up the development of the economy.

Second, high-end consumption may promote the rapid development of scientific research and production. With the development of scientific research and improvements in people's purchasing power, past enjoyment needs to continuously transform into primary needs. This kind of unceasing pursuit, namely, the unceasing improvement of consumption levels, stimulates scientific research and production, and thus it develops endlessly from one stage to another.

Third, consumption can accumulate capital for the country and for business. From the macroscopic perspective on society, through tax revenue the state may nationalize a part of the funds that the consumers provide for the producers through purchasing. This kind of unceasing accumulation of state-owned capital may improve social welfare and perfect the services of culture, education, health and other causes. All wealth in society is created by consumption.

By the same token, consumption is a kind of devotion to business, scientific research, production and society. The consumers' income is a kind of devotion to society. The consumers' earned income is not only consumption power, but is also a devotion to society through consumption. This kind of consumer devotion is an endless chain of economic development.

Here, we should explain that consumption is different from luxury and waste. Waste is a kind of criminality. Making the best use of things can only be the full use of social resources. It is not contrary to our traditional virtues of diligence and frugality. People of our time should inherit the glorious traditions of the Chinese nation, that is, diligence and frugality. The spirit of diligence and frugality still needs to be brought to a peak of development.

Adopt scientific and reasonable taxation policies

When studying China's economic development, we find that the major problem now is a lack of effective demand. To solve this problem, the central government has to adopt a proactive fiscal policy, integrate various economic means, make investments, guide and encourage consumption, use every conceivable means to explore international markets and ensure the sustained, rapid and healthy development of the national economy. Only in this way, can we promote investment and domestic and foreign consumption demand.

Some tax policies in China are unfavorable to the growth of total social demand. For example, the heavy burden of taxes and fees reduces the yield of investment. Various and abundant government charges greatly increase the burden on investors. In addition, the heavy burden of some kinds of taxes increases the burden of investors and consumers.

The rate of VAT and corporate income tax is too high, yet the personal income tax exemption rate is also too high. The preferential treatment given to key industries, and especially new high-tech industry encouraged by the State for development is not enough and this preferential approach is also rather simplistic. The tax levy on fixed asset investment is too wide and the tax rate is too high (up to 30 per cent), which is unfavorable to enthusiasm for private investment. In addition, the current preferential treatment is not enough in guiding investment orientation, optimizing the industrial infrastructure and stabilizing capital resources. Besides the above-mentioned burdens of taxes and fees, a more important reason for the lack of enthusiasm in private investment is the lack of stable capital resources and active industrial policy guidance by the government.

Therefore, the government should use more scientific and reasonable tax policies to promote the effective growth of aggregate demand.

1. Reduce tax burdens. Increase the threshold for small-scale taxpayers and reduce their tax rate accordingly. In consumption tax, reduce the rate of some tax items, such as cosmetics. In corporate income tax, strengthen the preferential treatment to new high-tech industries and basic industries like infrastructure and agriculture, and increase preferential approaches.

2. Reform preferential tax policies. Change the regional-based tax preference into an industry-based one with special attention given to underdeveloped areas. As far as investment is concerned, make full use of tax policies, guide state-owned and private capital (including foreign capital) to invest in much-needed industry, products, technology, and underdeveloped areas, and encourage companies to invest in technological modernization and structural updating, including investment in research and development, technological transformation and the introduction, use and innovation of equipment. Give utmost preferential treatment to these investments, regardless of it being domestic or foreign.

3. Clear extra burdens like various unreasonable fees, levy, fines and sponsorship. Put an end to the "triple chaos," and legally cut off the evil hands of power reaching out towards companies.

4. Enhance the consumption capacity of residents. Increase the income of medium and low-income residents and reduce their burdens by adjusting taxation and promoting distributive justice. Support agricultural industrialization and rural urbanization. Encourage the development of township businesses to increase the income of farmers and reduce their burdens. Encourage domestic and foreign investment in towns and villages. Give tax breaks to companies investing in agriculture (especially high-tech agriculture) and rural infrastructure. Cancel numerous charges in rural areas, levy utility construction tax, and reduce the tax burden all round.

5. Expand taxation support for new starters at work and the reemployment of laid-off and unemployed workers. Laid-off and unemployed workers who engage in community services should be exempt from personal income tax. The preferential policies on business tax, extra charges on education funds and city planning tax should be expanded to other industries, including not only community services, but also other industries and trades encouraged by the State, including not only the above-mentioned local taxes, but also national tax.

6. Improve personal income tax, begin to collect inheritance tax and gift tax, promote a fair distribution of income. It is proposed here that the threshold of personal income tax and the top marginal federal tax rate should be increased. The monitoring of tax sources should be strengthened.

7. Improve and perfect the import and export tax rebate policy. Apart from further raising the export tax rebate rate; improving the "exemption, offset and refund" policy; handling work related to export tax refunds in a timely manner and implementing the principle of "how much to be levied, how much to be refunded," we should also strongly support foreign economic cooperation, make full use of China's abundant labor resources and unused, surplus technology and equipment, and encourage labor services, overseas project contracting and foreign investment. Therefore, a systemic and preferential tax policy should be issued early to improve business tax policy in cooperation with foreign companies. As for companies which invest in foreign countries and at the same time lead in product and service exports, they should get as much preferential tax policy support as possible.

8. Tax policies to curb inflation. To curb inflation, start by controlling prices in the main areas of production. Because of a constant increase in costs under the current rate of inflation, industries and factors that are involved in the interests of the State and the people, such as food, oil,

coal, electricity, water, natural gas and liquefied gas, still have further expected price rises. Ineffective regulation and control leads to a runaway economy, severely reduces the residents' income, hurts consumption confidence and expectation and then inhibits consumption. As for price rises in the main areas of production (especially energy), price fixing cannot be a permanent solution. Study the reasons for the rise, then find a way of dealing with it, and then implement the solution.

9. China is a developing country with great potential for consumption demand, which is an important force of attraction for the sustainable development of its economy. At the same time, examine the effectiveness of social spending to reduce waste. Eliminating ineffective investment consumption is an important task in macroscopic leadership management and things that are extremely urgent should be solved first. Social consumption definitely promotes, guarantees and develops personal consumption.

Section 7. Macroscopic consumption, social consumption and wealth distribution management

To ensure a relatively equal distribution of general national wealth, the first thing is to develop and create wealth to ensure the deserved consumption wealth of the nation. The second is to ensure capital investment for national security and social stability consumption. The third is to ensure the development of social consumption wealth and capital investment for extra earning. The fourth is to ensure capital investment for the consumption of groups which are newly emerging forces which continuously recreate the life cycle of consumption wealth in order to ensure sustainable economic development and the consumption of those people who do not create consumption wealth themselves due to being elderly or disabled; the fifth is to ensure the consumption of the group of people who have lost the ability to create consumption wealth for their old age, or due to illness or injury; the sixth is to ensure a minimum level of consumption for the unemployed; and the final thing is to ensure a minimum level of consumption for lazy people and reformed criminals.

The distribution and redistribution policy of national consumption wealth is made by the nation on behalf of the fundamental interests of

all citizens and according to the State budget establishing a revenue and expenditure plan and implementing it. Being specific to management, the first thing is the management of national security consumption and judicial, social and public security consumption; the second is the management of distribution principles and policies; the third is to ascertain whether the fund for payments decided by fundamental policies has enough money; the fourth is to manage whether people on benefits have received their deserved living consumption materials (or capital) to the full; the fifth is to discuss the improvement, correction and coordination of policies according to information feedback, and to establish and perfect a complete system of programs. The management process also includes supervising and monitoring systems and so on.

Section 8. Macroscopic market regulations and control of the State-led economy of living consumption

The relationship between scientific research and production consumption

Scientific research and production consumption of people's living consumption is the primary one: food, clothing, shelter and transportation are the most basic types of consumption out of people's three most important types of consumption. During the development of people's needs for living consumption, its own conflicts come into being. This is the natural conflict between under-supply and over-supply. Meanwhile, a conflict between social development consumption (including people's public living consumption and social superstructure consumption) and the development of living consumption arises, because they cannot be separated from each other, so the production consumption of secondary industry should be raised to a primary position. This is the basis for the development of social productivity consumption. Only in this way, can we make the rapid development of people's living consumption and the production consumption of social consumption meet the ever-increasing people's needs. This is the existing conflict during its development. The nation should implement macroscopic control on market finances and the laws of economics whereby a dominant economy takes living consumption as its center in order to exert their advantages and avoid their disadvantages at the same time.

Establish research centers

Establish research centers in the national macroscopic market – three types of consumption to provide valuable and exact national and international comprehensive information for decision-making at a national level, including:

1. Categorized information of living consumption, information about scientific research and production investment in living consumption, and the proportional relationship between them.
2. The proportional relationship between high-grade living consumption for enjoyment and scientific research and production consumption as well as development forecasts.
3. Explain any research and development of new technology and other potential information.
4. Combine information between basic scientific research and production.
5. The situation with technology property in its technical protection phase, the expiration time and current market information.
6. The proportional relationship between scientific research and production consumption, and investment in basic social industry, scientific research and production consumption of social consumption and investment in living consumption.
7. The present situation of the overall proportional relationship between direct living consumption and residential income; the proportion between investment in basic social construction and in people's living consumption and social consumption.
8. The proportion between investment in basic social construction and in basic raw materials for scientific research and production, and the effect it has on driving living consumption.
9. The proportion of the import and export trade in the investment and production of the three domestic most important types of consumption.
10. The following categorized competition situation in the international market:
    i. The demand situation in developed countries' markets.
    ii. The demand situation in developing countries.
    iii. Hopes for a potential market.
    iv. Strategies to enter the international market.
11. The configurable competition situation in consumer resource markets.

12. The development situation and future potential of high technology.

13. The market forecasting of the proportional supply and demand relationships between living consumption and scientific research and production consumption.

14. The market forecasting of the proportional supply and demand relations between social consumption and scientific research and production consumption.

15. The balance forecast on the improvement of people's living consumption level and the consumption power of scientific research and production.

16. The forecasting of the influences on the improvement of people's living consumption level and on their social consumption.

17. The forecasting of living consumption influences on the excessive increase in national investment on scientific research and production consumption of social consumption and the influence of basic construction and production consumption on social consumption.

Guiding, controlling and adjusting investment in production consumption from a macroscopic perspective

Macroscopic control and management tools (please refer to Chapter Eight for details) include:

1. Control by tax policy.
2. Controlled investment in production consumption by financial means.
3. Controlled investment in production consumption by administrative means.
4. Control by means of resource distribution.
5. Market management and control.
6. Legal management and control, for example, anti-monopoly laws.

Section 9. The important range of national macroscopically controlled management

Macro consumption and financial management

During a time when money and finance dominate commodity production, exchange and consumption, the state dominates and controls financial

firms and market management, which is the bounden duty of the sovereign states who are responsible for people's living consumption rights and interests. During the process of joining together the three most important types of consumption in the world through a macroscopic consumption chain, it is of great importance for countries to combine together to manage the laws of world financial markets and economics. This can guard against the serious harm inflicted by financial and economic crises and it can promote a sound and rapid sustainable development of the world economy.

The State Central Bank

The State Central Bank must strengthen the leadership management of financial bodies in order for them to play their roles, but it must also take control of them and implement absolute control and leadership management over them.

1. The State implements an absolute controlling shareholding in the national leading bank.

2. The State implements a controlling shareholding in big security companies.

3. The State implements strict monitoring and strict management of operating businesses and of their market share, securities and warrants according to the law.

4. Monitor the operating conditions of all banks throughout the country and set a loan loss provisions standard for banking risks. When operating errors reach a transfinite standard, the rights of operation will be withheld and a designated bank with a good track record will take it over. Protect the depositors' interests from harm. Implement macroscopic management of the three most important types of consumption by controlling the operating rights of financial institutions.

i. Manage economic operations through the supply amount from the monetary market.

ii. Adjust the deposit amount from depositors through interest rates.

iii. Stimulate market consumption through monetary loans.

iv. Adjust the investments of various trades and industries through loans.

v. Provide a guidance service for the investment of funds in the hands of local people through banks.

vi. Strengthen the management of financial means, because the circulating amount of currency other than notes is directly related to the monetary issue amount.

Financial enterprises

Banks carry out operations by special means and they are businesses both operating and managing loans. The inside rule of a financial enterprise's operations is the "black box operation," which is a process of changing small and scattered golden eggs into big ones with a deposit as the core and the safety of the credit loan as the core profit.

1. The management hierarchy of banks:

- The head office is an impersonal entity, which is the general operating and managing unit.
- The provincial sub-branch is a branch of the main impersonal bank, which is responsible for the leadership management of bank lending and borrowing.
- Municipal and regional subsidiary banks take the responsibility for the detailed work of loans.
- Branches in counties and districts (working offices) take charge of the approval for the detailed work of loans and the leadership management of depositing companies' business.
- The savings agency is a specific unit for deposits and paymenst and is not in a position to issue loans.
- Besides its function in the national economy, the operating purpose of the bank itself is to make profit from operating currency.
- The main risk of a bank's operations is that the loan cannot be taken back once issued and it can then lead to indiscriminately issuing loans, and the subsequent loss and deficit of the whole banking operation.
- The purposes of bank management: to ensure the needs of its management role on a national level are met; to ensure operating profits; to avoid sustaining losses from undesirable loans; to avoid waste and legal violations in its operations; and to improve their working and operating efficiency.

2. The black box operation: If A represents registered capital, B represents deposits, C represents loans, D represents balance or surplus between debit and credit, and E represents loss, then the formula is:

i. A + B – C = D taking deposits with low interest, releasing loans with high interest to gain profits.

ii. A + B – C = E is called balance credit, which is a business loan in the form of a payment guarantee or a claim of capital. Banks release

loans with a credit balance (above the stock currency amount of its own) and take interest as profit with no-cost payment interest.

The purposes of improving the management of the financial industry business are the above-mentioned seven national macroscopically controlled effects. What is more the reason for this is the non-transparency of bank operations with deep black-box management. Therefore, countries need to strengthen controls to prevent crises, jeopardizing the interests of depositors and endangering social harmony and stability.

Consumption and stock market management

The stock market has a great impact on the financial markets, and stock market management is responsible for shareholders.

1. Listed corporations have to change their fixed and intangible capital, which are not actually assets or commodities for circulation, into capital commodities and push them towards market exchange. That is, to change the fixed and intangible assets of the enterprise into small-stake commodities to push them into a particular market to transact there as a commodity.

2. Normally, when a business' profit margins and profit amounts are posted on the market, the higher the profit margin, the higher the profit amount and the value of stocks rises accordingly. This is the manifestation of the market's re-evaluation of the company's stock if it expands within a certain time. The stock market value of a company declines or even plunges when a loss or low profit appears.

3. Business equity consists of the commodities of quantified business capital (including fixed, liquid and intangible capital) and the price in the transaction process is also affected by supply and demand.

4. Stock prices are also affected by supply and demand in the international trade industry, as well as by the impact of important events related to listed corporations.

5. Enterprise capital changes into tradable commodities through being listed on the stock market and then freely transacted on the stock market. There are both companies and individuals involved in the stock market trading business, all trading freely. During the stock market's operations, there are general shareholders who purchase shares for investment based on the promising results of a company for the purpose of thereby making a profit.

In summary, we can draw the following conclusions:

i. The stock market is a specific kind of financial market.

ii. The stock market is a working market for buying and selling capital. The value core of the ups and downs of stock prices represents companies' management efficiency. Normally, stock prices fluctuate with the profit of a company's operational efficiency as a core gauge, which can reflect the dynamic economic situation.

iii. Now that the stock market is a commodity market and is directly affected by business' profit ratios and amounts, the stocks of the capital commodities are also influenced by supply and demand.

iv. The ups and downs of the market price of capital stock are affected by supply and demand, but also by the influence of securities companies trading stocks, so the State should continue with the strict management of stock and commodity transactions.

v. The capital stock of private corporations listed on the market is a manifestation of their progress.

vi. It is also progress for state-owned capital enterprises listed on the stock market.

vii. The nation should carry on scientific management of the stock market, which is a specific kind of trading market.

The necessity for strengthening financial management

1. Prevent and reduce the impact of international financial crises on domestic economic development to ensure that the living consumption of domestic consumers is relatively stable.

2. Maintain the stability of the domestic monetary system to enhance the financial credibility of currency during the process of international trade.

3. Regulate supply and demand between domestic consumers and consumer commodities. Regulate the export trade according to domestic needs of consumption to ensure that the demand of domestic consumers is relatively balanced, which is beneficial to the stability of prices.

4. The balance of international payments. Increase foreign exchange reserves (including gold and silver) to promote economic development in China.

5. Via foreign exchange controls, foreign exchange flows systematically, which can increase the State's foreign exchange earnings and reserves.

6. The State has sufficient foreign exchange earnings to increase its procurement capacity in international trade, as well as commodity development resources and capacity in the international market.

7. Relatively adaptable financial control protects the capital investment security of the State and prevents losses by citizens from major fluctuations of stock and security values.

8. Through foreign exchange controls, reward exports and limit imports, as well as adjusting employment opportunities.

Social security consumption and management

The government manages state affairs according to the law. Legal boundaries are clearly defined to cover all kinds of actions on the part of the state, and beyond these boundaries everything is illegal or criminal. There is a strict limit between breaking the law and committing a crime. Breaking the law is not equal to committing a crime, but criminals do also break the law.

The management functions of all levels of public security systems, the courts, the military and other government institutions belong to the State machinery and superstructure, and all laws and regulations of that superstructure belong to the category of the Social Constitution. All their expenses belong to social consumption costs. How to achieve the best results in social security with a minimum of consumption is the purpose of management. During the process of management, comprehensive security management should be strengthened: first, the professional law enforcement agencies, grass-roots organizations of State power and the people need to be combined to implement "network security;" second, introduce legal education courses from primary school to university; third is the implementation of a comprehensive social security system with a combination of thriftiness and diligence to reduce the cost of social security.

Some countries are forced to become involved in a war. War is consumption. No matter what kind of war it is, it is a form of social consumption. The Futurologist Toffler once said, "Even wars in the future – in planning or imagination – will consume the tax we are paying today." War is undoubtedly an act of pure consumption, which consumes human resources, material resources and financial resources. Its final "product" is not a material product whose value has been realized but national security (including national wealth and power for some

countries). Military expenditure (including army expenditure and war expenditure) is deducted from State finance and directly enters the military consumption process (living, equipment and maintenance), most of which is used in the consumption of special products for the military, and does not enter the reproduction process as a productive investment. Karl Marx once said that in a direct economic sense, a country producing industrial military products is like investing part of their capital in water. It can be seen that war is not only a kind of direct consumption, but also one with huge costs.

Since class society and a combination of multiple nations appeared in human society, war has been divided into two types. One is the the war of domestic class struggle, that is, the revolutionary war between the classes who govern, exploit and suppress laborers represented by a corrupt superstructure, and the classes who are oppressed and exploited and who fight against the governing classes for their living consumption of survival. The other is the war between nations and between the just and the unjust – aggressive war. Its purpose is to plunder and occupy the consumer resource and wealth of other countries, while a just war is to protect their own consumer resources and wealth. No matter what kind of war it is, it will surely consume social wealth. On one hand, war consumes social wealth and destroys social stability, and causes huge damage and loss to human life and property, so this is the evil side. On the other hand, it is war that ends corruption and reactionary governing regimes and creates a new regime. The new regime is a superstructure which can better represent the social economic base, represent gross consumption society productivity and gross production relationships in society. It can liberate social productivity consumption and promote the development of the three most important types of consumption.

State security consumption and leadership management

The purposes of a state's security consumption are to protect the territorial integrity of the country and prevent splits, to protect the consumer resources on their territory from another country's invasion and occupation and to protect the national consumption wealth from another country's plunder. This is the supreme interest of all citizens. That is to say the national interest comes first. Therefore, it is not only

the country's affair, but also the citizens' responsibility to strengthen the construction of modernization of national defense and strengthen the military education and training of the nation.

The overall consumption of national defense construction and national security is national security consumption. The construction of the modernization of national defenses must be supported by advanced technology and strong economic power. If the nation's social productivity consumption falls behind with an underdeveloped economy, then a strong national defense force cannot be established and the state is at risk.

The management of a country's security investment consumption is to use limited national defense spending to improve fighting capacity to the largest extent, which is the purpose of a nation's security consumption, and which is extremely important. First, ensure the scientific nature of investment in national security consumption in order for it to be appropriate to its military era; second, take care of the advancement of the investment process; third, increase the effectiveness of the combat strength in the investment process. Improve the advancement and quality of weapons through reducing waste and frugal consumption because a soldier's life depends on the quality of his weapon.

At all times and all over the world, all countries attach much importance to their national defense infrastructure, advanced weapons and modernized fighting capacity. In the military, correct strategies and tactics, and command by experienced, capable, brave and knowledgeable generals are critical to the success of a war.

The state's consumption and management

The state's consumption has a close relationship with the organizational structuring of national management systems which are closely related to the national population. A relatively small country can implement a flat mode of management; and a country with a large population must carry out hierarchical management or a multi-level mode of management. In a country implementing flat management, the ratio of the total population to the management is quite low like the management in small and large companies. In small companies, generally a flat management mode is adopted, while in large companies generally a decentralized hierarchical mode of management is adopted, or the management is not put in a position which affects the development of social productivity consumption.

As for large countries with a large population, only a hierarchical or multi-level mode of management is adopted, which can ensure management work reaches the edges of the organization. While it has defects that are unscientific and not strict, imperfect laws, or a lack of seriousness in the legal system, it will lead to a lot of bureaucracy and corruption, and the management staff accounts for a large proportion of the total population.

This makes up a law: the larger the national population is, the more management levels there are; the more management staff there is the higher the rate of management staff to the total population; the higher the relative management consumption, the higher the management expenses taken on by citizens. More management staff in an organization causes more management difficulties, and bureaucracy and corruption appear more easily. The smaller the national population is, the fewer the management levels there are; the fewer the management staff there is the lower the rate of management staff to the total population; the lower the relative management consumption, the smaller the management difficulties, so it is not so easy to cause bureaucracy and corruption. Serious bureaucracy and corruption hinder the development of social productivity consumption instead of promoting it in the superstructure.

1. Reform national bureaucracy to cut down on its own consumption.

i. To reduce the country's financial support for the population and to reduce the nation's own consumption it is necessary to consolidate state power. Financial revenue is the total taxes created by national consumption, SOE profits and other income, some of which is used in the consumption of managers in the state government and most of which is for redistribution to adjust national standards of living, national security consumption, social security consumption and the other types of consumption mentioned above. Reducing national consumption is to reduce the citizens' economic burden undertaken for national managers, and it is to really care for and respect the citizens, and it also belongs to the category of liberating social productivity consumption, which can promote its development.

ii. The management organization of the state system at all levels was formed a long time ago, while the existing issues of class interest groups were a habitual dead zone to which people already turned a blind eye. So it is very hard and dangerous to conduct self-reform by downsizing. The key to the success of reform lies in the determination of the highest leaders, and their methods, strategies and tactics for conducting that reform.

2. Hypothetical model analysis of a nation's consumption management.

Hypothesis One: there are 50 million national financial expenses consumption staff that becomes 40 million after discounting retired people (the 10 million retired people cannot participate in national management). This figure can be cut down by one third through streamlining administration, merging offices and departments, and taking away officers in divisions which can be cut off without changing the overall national management system. After these steps, the staff has been reduced to 12 million.

Take the financial expenses consumption of the reduced 12 million staff in 2002 as a base number, we suppose that their annual comprehensive expenses every year is 50 thousand Yuan, so 50 thousand Yuan × 12 million staff = 600 billion Yuan. If public fund consumption is reduced by 40 per cent, that is 100 billion Yuan × 40 per cent = 40 billion. Thus 640 billion Yuan can be saved.

In a poverty-stricken area of 20 million people, we suppose if every person is subsidized 6000 Yuan every year, only 120 billion Yuan can help them break out from their low-income level. Education and scientific research consumption is increased by 120 billion Yuan; the input for adjusting an urban low-income group needs 120 billion Yuan; if we suppose 20 thousand Yuan for each person, the input for the expenses of streamlining the administration needs 240 billion Yuan, and 40 billion Yuan needs to be used in social medical insurance consumption.

Data analysis on the above: the first is that the consumption structure has changed without a reduction of total social consumption. The second is that the new social productivity consumption (direct productivity comes to 12 million people). Suppose every one of them creates 50 thousand Yuan every year, the total social wealth can increase by 600 billion Yuan.

Although financial expenses are reduced by one third, the working efficiency of national administrators and officers is improved by at least 30 per cent. In fact, after a staff reduction of one third, the improvement of working efficiency can possibly achieve 50 per cent, because the superfluous staff has decreased, and the in-service staff's working enthusiasm is motivated. After this reduction in bureaucracy, the development of social productivity consumption is further promoted. In real terms, it is possible to reduce one third of the staff and one third of the financial expense consumption.

Hypothesis Two: from now on the construction of national governmental buildings and mansions will not be invested in for five years. Suppose in past years, the annual total investment was 100 billion Yuan which is 500 billion Yuan over five years. 120 billion Yuan from this fund can be used in labor subsidies in poverty-stricken areas, 240 billion Yuan in social distribution adjustments, 80 billion Yuan in improving the salaries of national administrators, and 60 billion Yuan in education and scientific research. As a result, the total social consumption is not changed, while there is fundamental change in the consumption structure.

We found that the office building of the US national highest authority – the White House – has not changed in 200 years, and that of the Chinese national highest authority in 58 years. However, great changes have occurred in the office buildings in various provinces, cities and towns. The consumption investment in these buildings does not create new social productivity consumption; it just temporarily drives its development and creates a certain amount of wealth. But later it does not create any more wealth but purely belongs to the consumption of the nation itself.

The above is analysis is from a broad perspective. This kind of reform of streamlining administration can not only possibly reduce the financial expenses of national consumption itself, but it also certainly bring about a series of achievements in financial consumption.

Now, with the increasing updating of national management tools and the improvement of management functional elements and managers' quality, scientific management needs urgent improvement to make the superstructure act on the development of social productivity consumption and the rapid development of the economy. Actually this is a national hope and the responsibility and task of all national officers and civil servants. It is greatly significant to advocate all national officers and civil servants to discuss the national streamlining of administration and saving on the consumption of financial expenses, for their suggestions and ideas can tell you which departments can be merged, which departments can reduce their staff and which areas can be pushed out into society to become social operation enterprises. The staff reduction does not affect work, but improves working efficiency. In fact, every national manager owns a steelyard, because they consider the problem from the point of view of practice and then they re-think, so now instead of being wiser than their leaders, they can see more clearly. So it is both difficult and easy to strengthen national consumption management. With ever-increasing improvements from world scientific technology into social productivity consumption, at both the level of national scientific

management and the level of national officers, the responsibility and task of downsizing is a target which is pursued forever and anticipated by all the citizens of the world.

Consumption and employment

It is an important issue for society to solve the re-employment problem resulting from labor-saving advanced social productivity consumption. The following methods can be adopted: First, develop a tertiary industry and labor-intensive industries with high quality processing of commodities (with policy support); second, develop small and medium enterprises with tight profit margins; third, develop the urbanization of small cities and towns; agricultural products, commodity processing and modernization; and the service industry and modernization in order to re-employ the surplus agricultural labor force; fourth, develop production consumption in the processing industry of fruit growing, livestock breeding and aquaculture; fifth, encourage individual entrepreneurship; sixth, support production consumption in labor-intensive industries with high quality export processing; seventh, develop production consumption by exporting products and develop general living consumption and high-tech industrial consumption and so on; eighth, support and develop high quality training for the surplus labor force. The key is to adjust the development of companies and individual entrepreneurship based on finance, tax, administrative policies and services in order to increase the employment rate. At every level the government absolutely must not sacrifice market operators who depend on themselves to create low-level commodity trade. Especially important is to cut out corrupt government officials who behave badly regardless of party tenet and the people's support.

Education and scientific research consumption and management

Both national education and scientific research are the driving forces in improving their quality at an overall national level, and in improving comprehensive national social productivity consumption.

1. Strengthen the source management of education and research funding.
2. Curriculum design and guiding ideology at all levels of education.

i. The guiding ideology of education is to cultivate patriotic workers with knowledge and self-esteem. Civil servants should incessantly improve their practical experience and ability. Select talented people, train them and allow them to mature. We cannot just simply choose civil servants from the student population who have no practical experience.

ii. The ways and means of education. Strengthen patriotic education and social morality education from primary school. Strengthen physical training and geographical and general knowledge education.

Strengthen philosophy and natural science education from junior high school, but the guiding ideology should be carried out from start to finish during education and scientific research. Patriotic education and social morality education should be carried out from primary education all the way up to higher education.

If higher education is not combined with scientific research, it is a kind of fraud and a crime committed against the State and the people. There has to be close integration of scientific research and university education. Strictly avoid investing in projects concerned with image, while already-funded projects should be taken into the science laboratory.

The integration of higher education and scientific research; professors should encourage students to attend work experience in the business world. If professors of technology are not engaged in scientific research and still encourage students to conduct scientific research in the laboratory, his/her title of professor should be removed.

iii. Gradually reform the entrance examination method and here we may refer to the education methodology of developed Western countries, and especially the credit system for graduate exams adopted by the universities. This is core of educational reform.

iv. For education and scientific research consumption management, systematic and integrated scientific management should be implemented. First, look into saving money to prevent wasteful expenditure; second, ensure that education and scientific research are carried out to achieve program objectives; third, ensure the continuous improvement of the quality of the teachers; and define strict financial areas of expenditure.

As for the government of advanced education, ensure that universities are managed by a dean with relevant professional knowledge by both relaxing restrictions and strict management to guarantee that highly talented people and the results of scientific research are best utilized to boost the rapid development and progress of material productivity.

3. Education is a fundamental element of social productivity consumption in a country. Education and scientific research determine

the foundation for developing overall national strength. Study history to determine how the State has flourished and how people have become wealthy.

Mankind developed and evolved from prehistory into a primitive age, and then into an age of primitive civilization, which included seven phases. The defining characterisitic of the seventh phrase was the invention of written letters. Since the day mankind created letters (it was a phonemic alphabet in the West and pictographic characters in China), they were used to record human experience and knowledge in various aspects including the practice of extracting consumption materials from nature; discovering, inventing and creating consumption materials; and educating people themselves. Therefore, human revolution, civilization and progress came into being. In China 2000 years ago, Confucius became involved in education. He broke the monopoly of cultural education by feudal departments and became the first to create mass education. He created and summarized a set of systemic educational approaches and advocated the policy of "teaching students in accordance with their aptitude" and the learning attitude of "do not pretend to know what you do not know, and vice versa," which exerted a far-reaching influence in the development of the cause of Chinese education and set strong professional ethics for teachers. At that time he only cultivated and trained talented people for governing the State and leading, and not for the sake of knowledge itself.

In China, since Confucius set up his education system, education consumption has trained and cultured talented people for thousands of years, promoting the development of Chinese social productivity consumption and the progress of civilization and evolution of mankind. A disadvantage was that while knowledge and morality were widely achieved by education, there were not enough physically healthy laborers. This deficiency was reflected by our "eternal teacher" Confucius. As he recorded in *The Analects of Confucius*: "Fan Chi requested to be taught husbandry. The Master said, 'I am not good for that as an old farmer.' He requested also to be taught gardening, and was answered, 'I am not good for that as an old gardener.' Fan Chi went away and the Master said, "A small man, indeed, is Fan Chi! If a superior man loves propriety, people will not dare to be irreverent. If he loves righteousness, people will not dare not to submit to his example. If he loves faith, the people will not dare to be insincere. Now, when these things are all obtained, the people from all quarters will come to him, carrying their children on their backs – yet what need now does he have of a knowledge of husbandry?" He thought Fan Chi was not a great

person. This kind of idea became more and more common, for example, the saying, "Scholars are at the pinnacle of social ranking," had a terrible influence on our society.

Mao Zedong paid much attention to spreading education, to the laborers' right to receive an education, to the equality of men and women, and to turning them into knowledgeable laborers. In 1926, he proposed to set up peasant tutorial classes, to establish primary schools in rural areas, and to teach soldiers to read, write and learn cultural knowledge in the army. After the People's Republic of China was founded on 1 October 1949, he made an effort to eliminate illiteracy by setting up intensive literacy classes in the countryside. Free compulsory education in primary schools throughout the whole country was prescribed by national law. Middle schools and universities gradually started to provide education free of charge to train laborers with knowledge, morality and physical health, thereby greatly promoting the evolution, progress and development of the Chinese people.

In the West, Bismarck, the prime minister of Germany, began to educate knowledgeable people in the early nineteenth century. He thought that the future of a nation lay in the connection between education and science and technology. People went to school free of charge, and anyone who did not go to school was punished. Nationwide school attendance reached 97.5 per cent, improving the strength and overall quality of the nation. In the nineteenth century, 29 people were awarded with a Nobel Prize, and 202 patents were put on electrical inventions from 1851 to 1900. Education promoted national industrialization, putting Germany at the forefront of science and technology during the Second Industrial Revolution.

Since its foundation, the US has also paid a lot of attention to education. During the Second Industrial Revolution, the development of their science and technology ranked number one in the world. During the late nineteenth century and early twentieth century, the connection between education, science and technology, and their economy kept them ahead of the rest of the world.

In 1852, the US resorted to the threat of force to open up Japanese ports and to construct railways there. In 1876, for the first time, the Emperor of Japan ordered Seze to lead 100 officers to study in the US, Germany, France, Portugal and Spain. They started with this education and Japan went on to dominate the development of industry by learning from the West. Japan very quickly became a leading industrialized country. The conclusion can be drawn that education consumption is the motivating power behind people's development and evolution.

Consumption and import and export trade management

International trade is the concentrated combination of economics and politics, and also a concentrated expression of economic relations and political relations between one country and another or between multiple nations. What is commodity exchange in international trade? The answer is consumption. If there is no consumption demand, there is no trade. It is consumption that affects commodity exchange and the development of commodity channels.

Social security consumption and leadership management

1. Establishment and development of consumption security system in the world. Nowadays, only a few nations have established a social security system. Before 1 October 1949, there was no social security system at all in China. After the founding of the People's Republic of China, national social security systems such as retirement pensions for workers and free medical care set up gradually.

Most of the current generation of beneficiaries of Chinese social security were born around 1940, and whose baby boom was around 1963. The retirement age of their children is around 2023, which will be a second peak in Chinese social security. As for those born in 1963, their baby boom was around 1989. Likewise, a third peak in Chinese social security will be around 2050 for those born in 1989. A fourth retirement peak wil be around 2075.

2. Sources of social security funds and the leadership management of consumption payments.

1. The sources and directions of social security in the US: healthcare expenditure in the US reached 1.4 trillion USD in 2001, making up 14.1 per cent of the GDP. This was spent mainly on in-patient care (33 per cent), doctors' services (23 per cent), prescription medication (ten per cent) and nursing homes (seven per cent). The rest of the funds were spent on other personal health care services and expenses.

Since 1965, when Medicare for the elderly was set up, the government played a more and more important role in healthcare financing from the previous 25 per cent up to nearly 41 per cent in 1990 and it is still soaring. In 2001, the government provided 45 per cent of healthcare expenses in the US.

2. Sources of social security funds and the management of consumption payments in China.

i. Sources of social security funds: during these days of the Chinese planned economy, retirement funds for civil servants and all the members of staff in a corporation, medical care, and immunity funds all come from State revenue (including housing funds). Since the establishment of a market economy under the guidance of macroscopic control, tax (retirement tax, healthcare tax, housing fund tax and so on), grants and insurance have all been used in medical care. Part of personal social security is covered by social insurance. For wealthy villagers in the countryside, their group fiscal revenue covers all their personal social security. As for the third kind of fund (retirement, healthcare, and housing funds), part is covered by the local group, part by personal funds and part by their children and other sources of revenue. Public subsidies only cover part of it. At present, a cooperative medical service has been fully implemented in medical care in China's countryside. A kind of medical insurance is granted to every peasant on the part of the government.

ii. Consumption and the management of social security. In the countries with an underdeveloped education system, children begin to do whatever labor they are capable of at around the age of thirteen and thereby create consumption wealth. In most countries, especially in developed and some developing countries, children from the ages of ten to eighteen are in the consumption period of receiving an education. In these countries, people of the age of around 18 to 24 also belong to this consumer group by receiving an advanced education. Even in underdeveloped countries and regions, there is still a small group of people in the same age group receiving an advanced education. For manual workers who receive little education, the best working period is from the age of thirteen when they do whatever labor they are capable of up until the prime working age of 52, which is also the best working period to create social consumption wealth. On the other hand, the best working time for those who do mainly non-manual work with supplementary manual labor is increased by five years (five years to receive a higher education) to the age of 57, and usually this can be extended to the ages of 62–65. Generally speaking, after the age of 52, it is unsuitable for manual workers to do any heavy physical work. Light physical work can still be done from the ages of 57–62. It is stipulated in Chinese labor law that the retirement age is 60, while in the US it is 65.

3. The consumption status quo in China's social security system.

i. The relationship between population increase and the beneficiaries of social security (Tables 10.1, 10.2 and 10.3).

Table 10.1 The population index

Year	Population (one hundred million)	Average life expectancy
1940	4	35
1940 – 1950	(IV) 65	49
1963	7	50
1978 – 1980	7	70
2005	13	72

Table 10.2 Life expectancy in some countries and regions

Country or Region	Time (Year)	Life expectancy	Remarks
United States	1997	72	
Japan	1997	78 or above	
Australia	1997	78 or above	
Canada	1997	78	
France	1997	78 or above	
Spain	1997	78	
Singapore	1997	78	
Greece	1997	78	
Israel	1997	78	
Italia	1997	78	
China	1940	35	
China	1950	49	
China	1980	70	
China	2005	72	

Table 10.3 Peak times

Peak times of population birth	Peak times for rebirth	Peak times for retirement social security
1940 approximately	1963 approximately	2000 approximately
1963 approximately	1989 approximately	2023 approximately
1989 approximately	2015 approximately	2050 approximately
2015 approximately	2040 approximately	2075 approximately

ii. Status of social security after 2000 in China

All those born around 1940 reached their retirement and social security age around the year 2000, which was the first peak in social security in China since the establishment of the PRC. There is no doubt that the large population of "the old and aged" constitute a heavy burden on the family and society. This social pressure is increasing day by day. The main reason for it is that for quite a long time in the past, although there was a retirement system, social security funds were not deposited into special accounts in advance to gain interest in order to ensure their use in the future. More often than not, the social guarantee fund is collected from current production consumption and working expenses to serve as a guaranteed pension for the current group of retirees, who are increasing the financial pressure.

There is a public debate over how to prevent the emerging funding crisis from deteriorating in the most effective way and it cannot be settled in a short time. To solve the problem, two main solutions have been put forward: reform the current system or establish a totally new accumulation system based on private personal accounts. Both ways have gained substantial support. However, it has not yet been decided which one to choose, or even a compromise on either side.

4. The general law of the time rate for wealth creation and consumption. Since we know that the time for creating pure consumption wealth constitutes 40 per cent of a person's life-time, while the time not spent creating consumption wealth (including overall consumption) takes up 60 per cent, we should do as follows:

i. The State should adopt economic leverage, that is, tax collection to accumulate funds in order to ensure the consumption of those who are either too young or too old to create consumption wealth.

ii. When one is capable of creating wealth with a relatively high income, he/she should accumulate funds for their later years and the education of their children. Both the State and individuals should share responsibility for social security.

Section 10. Consumption and resource allocation management

The protection, management and exploitation of natural resources

A nation's domestic natural resources are non-renewable, so these rules should be followed:

1. The short-term exploitation of natural underground minerals is strictly prohibited.

2. Reduce the waste of resources and make comprehensive use of all resources as much as possible.

3. For the resources that can be renewed, exploit and compensate for them at the same rate.

4. Protect and foster resources.

5. As for the development of sea ports, and the protection and use of running water, exploitation and management should be carried out in consideration of the overall situation to avoid waste.

6. The principle of saving and giving full play to social productivity consumption should be followed in the exploitation of all other natural resources.

7. Research, develop and create new consumption resources.

The mutually beneficial configuration and developing management of domestic and foreign consumption resources should be worked towards. All human beings and nationalities of every country live in a certain place defined by legal boundaries, and they live by developing the three most important types of consumption for their survival. All countries should cooperate to reasonably develop consumption resources, to promote the development of social productivity consumption on the basis of mutual benefits; and to to meet citizens' ever-increasing material, spiritual and cultural consumption demands.

The configuration and management of intellectual resources

Intellectual resources mainly refer to the protection and management of intellectuals, scientific knowledge and technology (including intangible assets such as patents and brands). The social productivity consumption of intellectuals and advanced science and technology, which is the most important element in creating consumption social wealth as it leads to the progress of human civilization. The golden key to developing the three most important types of consumption is to develop education and scientific research, introduce intellectuals and technology to each other with proper care given to these talented people, and protect and manage them appropriately.

The configuration and management of capital resources consumption

As for the overall systematic configuration and management of capital resources consumption, the State should carry it out from the perspective of the rules of macroscopic consumption. Under the guidance of overall national systematic management, let all businesses, trades and industries develop the three most important types of consumption independently with all their strength instead of there being arbitrary exploitation and development in every field. Any nation should strengthen national leadership management and control of natural resources, other than overlooking the natural market economic law for allocation.

Section 11. Consumption and a developing cyclical economy

From the perspective of historical and dialectical materialism, the relationship between consumption and nature has been a pairing of conflicting but integrating contradiction. Within this contradiction, human consumption is the dominant factor, and nature is the secondary factor.

Consumption and nature

Consumption is the practice of people creating and consuming their labor achievements, or in other words, the process of people asking nature for consumption materials and then creating production consumption materials. All the processes related to this are the manifestations of the conflict between human consumption and nature, and also the process of the conflict between being contradictory and integrative. People are natural, individual and social, and human consumption cannot be separated from nature. People's thinking develops from a low-level to high-level during practice in order to continually meet the needs of human consumption, thus forming a variety of ideas and ways of thinking. In order to continually meet the needs of human consumption, people work day and night, and continually create new working tools. Human initiative is brought into full play during learning, adapting, transforming and utilizing nature,

thereby highlighting mankind's creativity and inventiveness. Creation is the process of demanding living materials, as well as the production consumption materials, from nature for people's own consumption. The implementation of human initiative and the laws of movement and change in nature in turn affect the development of the coordinated and harmonious relationship between nature and mankind when they are adapting to each other. This is the relationship of the contradictory but integrated contradiction movement.

People's initiative in consuming natural resources

People can learn, adapt to, transform and utilize nature through reform, invention and creation, but they cannot violate the laws of nature. Nature is objective, and does not change according to people's will, whereas the subjective initiative of human consumption can act on nature.

Human beings need fresh vegetables. In the north of China, the temperature in the winter is around ten to twenty degrees below zero, under which conditions vegetables cannnot survive. When people learned the conditions and laws for vegetable planting, they invented plastic houses in some regions of Shandong Province, Hebei Province and Henan Province. This new production method of planting vegetables now satisfies people's demands for vegetables in the winter in the north of China. This is a successful case of people recognizing, adapting to, transforming and utilizing the natural world and inventing new things with their subjective initiative in order to satisfy their consumption needs in the regions of Shandong, Hebei and Henan.

The development of a cyclical consumer economy

Natural resources are unlimited, yet they are limited from the perspective of consumption resources. With an increasing human population, people's consumption needs are rapidly increasing. Faced with limited resources, the conflict between supply and demand is becoming more and more serious. Therefore developing a cyclical consumer economy seems to be important.

Taking the road of developing a cyclical consumer economy and pushing forward cyclical consumption economic methods is an effective

way of solving the serious problems appearing in China's resources and environment and of achieving the scientific development of a consumer economy and society. In essence, a cyclical consumer economy is a kind of ecological methodology which leaves behind extensive large-scale consumption and production, the huge waste and low efficiency in a traditional linear economy, and transforms into an intensive means of production and consumption development with low exploitation, high utilization, low emissions, the use of the best resources, as well as their cyclical use, which is the environmentally friendly economic development method.

From the organization of resources flows the principal way to develop a cyclical consumer economy. This is mainly carried out on three levels: businesses with a small circulation, regions with a medium-sized circulation and society with a large circulation. From the technological level of resource utilization, a cyclical consumer economy is mainly achieved in three technical ways: high, efficient utilization; cyclical utilization of resources; and the treatment and recycling of waste.

Section 12. Consumption and population management

The development of the three most important types of consumption is always closely interrelated with population growth, living consumption needs and with meeting people's increasing material, spiritual and cultural needs. Without consumption rooted in the demand for consumption, there is no motivating force to the three most important types of consumption. However, excessive population growth sets back their development.

The historical development of human population

1. The slow development of population throughout history: people have a history of several thousand years. Up until 1950, the world population was not more than 2.486 billion, and the total output of grain was 689 million tons. This resulted from the extremely underdeveloped state of social productivity consumption and the exploitative system of a society with private ownership.

2. The rapid development of population: since the middle of the twentieth century, and especially after the Second World War, the three

most important types of consumption, as well as the world population, developed rapidly. The world population increased from 2.486 billion in 1950 to 5.8 billion in 1997. The population, in about 50 years, has surpassed the total population of several thousand years of human history. Grain output increased to 2.096 billion tons with a net increase of 1.407 billion tons compared to the output in 1950.

Growth and management of the world population

1. The US population growth:

i. The US Census Bureau has announced that the American population has reached 300 million. The US population is growing at a fast rate that is extraordinary for developed countries and holds the third place in world population after China and India.

ii. This growth owes much to immigrants. In recent years, the growth rate of the American population has been increasing. The main reason for this is the increase in the immigrant population as well as their offspring.

The US adopts a policy of attracting well-educated and high-quality talented people through immigration. This means that college students, who other countries, and especially developing countries, educate with much effort, turn out to be qualified and talented US citizens with no cost to the government. The international competitiveness of the US is thus increased.

2. Western Europe encourages childbirth. Among the Western European countries, Spain is one of the most typical cases where childbirth is encouraged. In recent years, the Spanish government has adopted a series of childbirth encouragement policies. If a married couple has a child, the government grants a subsidy of 300 Euros (about 3000 Yuan). The more children the couple has, the more subsidies they receive.

3. Japan is one of the few Eastern countries that encourage childbirth. Since 2006, the Japanese population has entered a period of negative growth, one year earlier than was expected. The reason why Japanese families do not want to have a child is that the cost of raising and educating a child are too high. These costs include human-capital investment in the child and the losses that the mother suffers in raising a child at the expense of sacrificing her career. Although the Japanese government has made efforts to promote childbirth, there have been no obvious effects.

4. Couples of child-bearing age are taxed for not giving birth in Russia. For historical and economic reasons, the Russian population has always grown slowly, with negative growth occurring in recent years. For many years, the Russian government has taken various measures to promote childbirth. Recently, some people in Russia have even put forward the idea that couples of child-bearing age who intentionally do not give birth should be fined through paying a special tax.

5. Indian population control. Influenced by religion and traditional customs, the phenomenon of early marriage, multiple births and even child marriage are very popular in India. Family planning is thus hard to implement, especially in remote areas and countries. In recent years, more and more people from all walks of life have realized that a sharp increase in population has seriously hindered economic development and social progress. The call for the government to take effective measures to restrict the population growth is growing louder and louder.

6. Chinese population control. According to its own national conditions, China treats family planning as a national policy. It turns out that employing this policy was correct. Research reports show that the large population which China could have brought into being from 1971 to 1998, but did not due to family planning, saved upbringing costs of 6.4 trillion yuan for families and 1 trillion yuan for the country.

To sum up, the rate of population growth is directly related to the development of social productivity consumption; to the three most important types of consumptions; to the wealth distribution policy of the social system; and to the awareness of family planning. Its relation with nature is a unity of opposites. This is the eternal law that people and nature should be coordinated with each other and develop in a harmonious way, or people will be punished by nature.

11

Consumption and leadership management innovation

Section 1. Consumption and the motivating power of social progress

Consumption creates demand, the processes of consumer society productivity, and production relationships, as well as the production and economic foundation and superstructure. These make human society constantly move towards civilization and progress.

The civilization and progress of human society is the consumption of new technology, and scientific and technological revolutionary progress. They also create new and advanced production tools. That being said, the level of social civilization progress marks the scientific and technological level of social productivity consumption.

The war of consumption is the root of all evils, yet it has a progressive side for the countries that created it. New countries' superstructures act on the three most important types of consumption, thus developing social economic foundations and liberating social productivity consumption. This makes social production relationships better adapted to the development of social productivity consumption so that any new country promotes its civilization and society.

The three stages of consumption and human self-development

Human consumption, self-growth and maturity belong to the first stage of consumption. The second stage starts by acquiring the ability to create consumption with labor. When people become old and can no longer work, they enter the pure consumption stage, or the third stage. In

China, the specific legal ages are as follows. Before the age of 18, the period of babyhood, childhood, and youth, is a period of pure consumption. During this period people are supported by their parents and family. This includes living and education consumption (compulsory on a national level) for nine years. Ordinary workers consist of females between the ages of 18 and 55 and males between the ages of 18 and 60. During the period of work they have to create consumer materials, and a surplus of value and wealth. After the age of 55 for a female and 60 for a male, individuals are old enough to enter the retirement period, which also involves pure consumption. However, throughout the age groups as a whole, there is a surplus of value and wealth. This is due to the differences in the development level of social productivity consumption; the level of poverty or wealth; the labor productivity of families; the overall economic situation; physical health; the regional environment; and the availability of education and so on. The actual ages of people's pure consumption and their ages of creating consumption wealth and surplus wealth vary greatly.

1. In areas of underdeveloped social productivity consumption, the people's common education is negatively correlated.

In families of poor social security due to a lack of labor, people usually begin physical work at approximately the age of thirteen. It is too early for them to create consumer materials to satisfy their own living consumption and that of their families. In areas of developed productivity and widespread and advanced education, the period of people's pure consumption is longer. This is true under the conditions of a better family economic situation and good social security. Starting with attending primary school, then junior high school, high school, university, then onto a master's degree and even a Phd by the minority, the pure consumption age can go up to 21–26 years old. During this period, their consumption is ensured by their family and the State.

2. Individuals enter a pure consumption period of old age. When an individual reaches old age, the age of pure consumption has a direct effect on his health, the family's economic status, his occupation and social security.

i. When a person loses their ability to work early because of illness or other reasons and his life continues, his pure consumption is also early. His time of creating consumption wealth and surplus is shortened, and hence, the pressure on people who do create consumption wealth and surplus wealth is raised. On such an occasion, they usually lose their ability to work and become poor due to illness or occupational injury.

ii. There is another case that is worth highlighting and this is when industrial and occupational reasons are involved. For example, in an industry with heavy physical work, due to aging and declining physical strength, people's time for creating consumption wealth is shortened, whereas their time of pure consumption is extended.

iii. Because of their low quality of labor, people are out of work and poor due to serious injury, deformity or labor market competition. In this case, their consumption of social security is increased.

iv. Due to good physical health and high quality of labor, at retirement age people may not lose the ability to create consumption wealth and surplus. Instead, they can continue to work.

For instance, in rural areas many people are still the main bread-winners at the age of 60, continuing to create consumption wealth. In urban areas, though retired, they still seek jobs for which they are qualified to continue to create consumption wealth. This age extension of creating consumption wealth lessens the pressure on the age periods of pure consumption. Time lost earlier or later is compensated for. Furthermore, it balances the situation of pure consumption and the creation of consumption wealth.

The relationship between consumption and population growth

The level of people's living consumption is directly related to the population, the quality of labor, people's production capacity, as well as the level of gross social productivity consumption. This influences the development of human education.

1. For example, in a rural context, a husband and wife of a family are in the age group of creating consumption and surplus wealth. Every year they generate a food income of 500 kg (equivalent to 800 Yuan), an income of 1000 Yuan by raising a pig, sheep or chickens (maximum 1800 Yuan). With this income, after deducting their own consumption, there is surplus wealth for meeting the living consumption demands of four people if their average living consumption is 450 Yuan. If they give birth to a child and support an old person who has lost the ability to create consumption wealth by labor, their family living consumption level will remain the same as the general social consumption level.

If the husband and wife give birth to two children, their living consumption level will fall below the general living consumption level

(1800 Yuan between five people=360 Yuan per person). If they give birth to three children, the level will be 1800 Yuan between six people=300 Yuan per person. If they support three children and two old people who have lost their ability to work, the level will be 1800 Yuan between seven people=257 Yuan per person.

The living consumption level for this five-person family falls below the poverty line. However, when the family increases to six, they will fall below the poverty line that cannot even ensure enough food and clothing.

2. The living consumption conditions of families relying on a salary income in an urban population: in urban areas, the living consumption levels of workers and staff depend on a salary income. Rural families definitely have a different living consumption level when compared to the urban population. The urban population has a higher level than the rural one. In the case of the rural population, apart from the vegetables not counted in the living consumption bills, the other daily living types of consumption are all lower than those in an urban area.

In urban areas, a family consisting of husband and wife with a monthly income of 1000 Yuan, or 500 Yuan each, belongs to a low living consumption level. If they raise a child, their average living consumption is 333 Yuan. If they support an old person, their average living consumption is 250 Yuan, which is measured as a standard of living of poor residents. If they give birth to another child, the living consumption level of 200 Yuan each makes them belong to the category of the extremely poor. This has a bad impact on the children's education. From the above we can conclude that people's level of living consumption affects first the education and then the evolution, progress and development of human beings themselves.

3. An analysis of Chinese land consumer resources, national income and per capita living consumption level. The pressure from over-population badly threatens people's standard of living, as well as the living conditions per capita on land consumer resources.

In 2002, Chinese GDP stood at 1.21 trillion dollars and the population was 1.28 billion, yielding a per capita GDP of 944 dollars. If the population had stopped at one billion, the per capita GDP would have risen to 1210 dollars. The per capita standard of living in China has fallen in terms of its gross amount. Because of its large population, the pressure of improving the level of living consumption will rise.

China's national population density is 137 people per square kilometer. The national population density of the United States is 31 people per square kilometer. This means that the US possession of natural land

resources is four times more than that of China. The US is the most developed country in the world. In 2002, its GDP was 9.2 trillion dollars, while its population was only 288 million yielding a per capita GDP of $31,896. If the population increased to 1.3 billion, the per capita GDP would fall from $31,896 to $7,070. Another example, in 2002 the GDP of Switzerland was $0.256 trillion with a population of seven million, which meant a per capita GDP of $36,626. If its population increased to 47 million, the same population as South Korea, its per capita GDP would fall from $36,626 to $5,600.

Analyzing this from a macro-economic perspective, population growth has a huge influence on the level of living consumption. From another perspective, the population has a bright future in spite of its huge influence on the level of people's living consumption. From the table below we can see that in Japan there are 352 people per square kilometer, which is two and a half times that of the figure for China. Japan's GDP is three times higher than China's, and its per capita GDP is 90 times higher than China. The Chinese per capita GDP level will develop and rise quickly. The key point is to develop education and high technology to improve the social productivity consumption. Only in this way will China be able to catch up with developed countries in terms of per capita GDP.

National distribution, conflict between consumers and social harmony

1. Reasons for consumption inequality. Ever since the generation of private ownership, and since mankind entered slave society, an inequality in living consumption has existed between people. The three most important types of consumption drove private ownership society to develop from slave society to feudal society and then to capitalist society. Though mankind has developed from a barbarous time to a civilized one, private ownership has not changed. Even though socialism has been established in some countries, including China, the social private ownership system has not been completely destroyed. Therefore, the consumption conflict between "you, him and me" still exists. Currently, we are still in the primary stage of socialist society, so commodity production and the exchange of capital must be allowed to exist. The whole of society is involuntarily caught up in the relationships between capital commodity production, production relations and social productivity consumption. At this stage society has to carry out the

principle of distribution according to more pay for more work; the principle of distribution according to production factors, and the principle of macroscopic control on the repeated redistribution of social wealth. However, due to the difference between consumers themselves and the differences between consumers and consumption group classes, conflict certainly exists between them.

Throughout the whole of human consumption, the problems of consumption inequality and unfairness, including serious inequality between people in the process of living consumption, reflect a difference of purchasing power. The difference of purchasing power depends on the social wealth acquired by people during the process of social labor. People gain social wealth in different ways and possess different amounts. This results in different consumption levels – and then serious unfairness and inequality. This is the reason for inequality in the social classes.

2. Serious consumption inequality and class struggle. During the development process of the three most important types of consumption, the social wealth created was possessed by a few slave holders, landlords and state superstructures that represented their interests. The superstructure of a country represents the gross social economy, gross social consumption, social productivity and gross social production relations. It represents the fundamental consumption benefits of a nation. The superstructure should redistribute state-owned social wealth among the people. This would protect the improvement of the level of people's living consumption and it would stimulate their enthusiasm to create the three most important types of consumption. If the superstructure of country carries out these tasks and does it properly, the morale of the wokers is high and the progress of the three most important types of consumption in society develops rapidly. If not, serious social consumption inequality can be caused. The people are the foundations of the superstructure of a country. A regime cannot be stable if its foundations are damaged or disturbed.

3. The way for the state superstructure to solve conflict between consumers is to build a harmonious society. It is the responsibility and very arduous task for a country to manage gross social wealth with its power. It is an arduous task to control and adjust the collection of social wealth from the rich and poor people by means of taxation; to administrate various economic levels; to solve the living consumption security of vulnerable groups through a second and third redistribution of the gross social wealth; and to support poor people to shake off poverty and become rich by means of policy and poverty alleviation. It

is not a problem that can be solved by a theoretical concept but a problem of social practice. It is a matter of practice from theory with theory directed by practice. This is an important process of social advancement and development with constant practice.

i. As a socialist country with Chinese characteristics, the way for China to adjust the conflict between consumers is to build a harmonious society.

Since the implementation of the policies of reform and the opening up in 1978, China has had one focus and two basic points. It has followed the theory, line and principle of allowing part of the people to become rich first and then drive the whole nation to become rich while adhering to a socialist market economy. Under the pressure of the State power pushing forward, the three most important types of consumption are in rapid development. Their development is driving the rapid development of the entire social economy and the development of social civilization progress. However, an imbalance in this development has also appeared; this is natural and inevitable during the process of development. It is totally different from the distribution policy of equalitarianism in a planned economy. The point is that the country of the Communist Party who represents the interests of the people has become aware of these problems and has been solving them reasonably and scientifically step by step.

- Tax policy. For the collection, management and distribution of gross social wealth, China has established comprehensive and systematic policies in design, development and implementation.
- A minimum wage guarantee for laborers. According to the provisions of laws and regulations, the country has continuously improved laborers' status during the process of production consumption and the labor process in the management and service industries. The system has been established in order to develop a minimum wage.
- Compulsory education consumption. For 1.3 billion Chinese people, a free education system has been implemented for primary and junior school. As for technical secondary school, high school, college and university, the cost of education consumption is guaranteed to be at a set rate at a national level, and grants for poverty-stricken students have been implemented.
- For national university research and education, as well as for major scientific research institutions, the country has increased its investment in the expenses of social consumption.

- For consumption destined for utilities and public welfare projects, the country has provided an allowance.
- For regions with a lower living consumption, the country has allocated special funds from the national finances to provide help for the alleviation and elimination of poverty. The country has also formulated relevant policies, such as the free training of labor skills and scientific support.
- For poor urban residents, the country has allocated funds to guarantee their minimum living consumption.
- Every year, the country allocates considerable relief funds for border areas, helping them shake off poverty and guaranteeing a certain level of living consumption.
- The country advocates charity, thus mobilizing social power to help poor and vulnerable groups.

The State resolves the conflict between social consumers and consumption by various tax policies and administrative means. Meanwhile, it provides cultural education for society, as well as advocating mutual respect and love to solve conflicts and to create social harmony.

ii. The US resolves conflicts between consumers through tax laws. The tax revenue administration system in the US can be specifically divided into federal tax, state tax and local tax. The three levels of taxes are levied according to the laws agreed by the state assembly. Counties and cities can levy tax according to the legislation of the assembly under the precondition of satisfying the State Constitution. Since taxation is closely related to everyone's interests, the laws related to taxation are usually strict. The legislation can only be passed with the agreement of the majority. Sometimes the decisions are made by a general vote.

Federal tax and social security tax are the main bodies of US taxation. It has few taxation categories but they have complex levels. Moreover, in terms of value added tax, the tax is included in the price of a purchase, demonstrating a clear-cut case of consumers paying the charge directly. In this way, individuals in the US always pay their tax directly. No wonder US citizens are proud of their contribution to their economy as tax-payers. The inheritance tax rate in the United States is 55 per cent, and it has to be paid before inheritance, or the inheritance will not be executed.

There are several aspects of US taxation that lead to a solution to conflicts between consumers. One important method is that the tax rate is gradually increased according to individual income. This has the result

of reducing the burden on low-income earners and of counteracting any rapid income increase of high-income earners. The most basic principle is that people with more income should pay more tax and that people with low income should first pay tax and then get a rebate. Individual income tax not only takes individual income into consideration, but also pays attention to other family members, especially the number of children.

iii. Japan resolves the conflict between consumers through tax laws. The taxation system and policy in Japan goes as follows: central tax and local tax are divided clearly and the legislative levying right is concentrated in the center. Based on the organizational structure of the Japanese government, the taxation system is divided into a central tax and local tax, wherein; local tax is divided into county tax and village tax. The taxation from the central government mainly consists of income tax, direct tax, corporation tax and consumption tax. These four taxes add up to about 70 per cent of central tax. The tax in counties mainly consists of the two tax categories of county tax and utility tax. These two taxes occupy 65 per cent of the total revenue. The main tax categories in village government are the villager's tax and the fixed assets tax. These two taxes account for 80 per cent of the tax revenue of a village. At present, within the total amount of Japanese fiscal revenue, the revenue actually controlled by the central government has gone from 60 per cent in the past to about 30 per cent, while the total revenue actually controlled by local governments has increased from 30 per cent to 60 per cent. With the expansion of Japanese local governments, taxation domination and usage has inclined towards them.

We have outlined above the situation in the US and Japan, which are capitalist countries with developed economies in today's world. The superstructures of these two countries make use of State power and tax laws to levy and redistribute social wealth to develop the national economy and social civilization. These help to resolve the serious unfairness, social imbalance, instability and conflict between citizens and consumers caused by income. Tax laws have played a very important role in adjusting social wealth redistribution. A fundamental change has taken place in the social situation due to capitalist democratic politics and purely private ownership in a society where capitalism appeared just 300 years ago:

- Capitalist society is constantly advancing and developing. The difference in capitalist society from slave and feudal society over the past several thousand years lies in the fact that political democratic systems have replaced former absolute monarchies. The democratic

regime is widely supervised by all the citizens, and to a certain extent, this supervision can influence the regime. This makes the state more representative of the diverse interests of the various classes and strata of society. Moreover, national laws can be constantly modified and perfected during the process of social development and progress. All this was impossible in the early periods of capitalist society.

- Many countries have been damaged by economic crises during the process of the development of capitalism. They have realized that the three most important types of consumption are natural rules by which to drive economic development (this is an unconscious realization). They adjust to this reality and they master it using state power in order to bring the positive effect of natural economic rules into play and overcome their negative effects at the same time. Microscopic adjustment or planning is carried out using laws, economics and administrative means to control the development of the market's financial and economic rules.
- The social differences between the rich and the poor are adjusted by the policies and the means of social wealth redistribution. These resolve conflict among consumers and between classes in order to guarantee social stability.
- A minimum wage income for every laborer per month is guaranteed and prescribed by law. This assures a minimum level of living consumption.
- The state guarantees a minimum level of living consumption for citizens by way of providing living consumption security in case of unemployment.
- The state develops public welfare services to guarantee an increase in the level of living consumption for citizens with lower incomes.
- The listing of private companies influences commodity production and the exchange consumption of social capital. For example, the Siemens Company in Germany has transferred private shares into the social capital. The family share of Siemens was negligible and went into social capitalization.

In a few words, all the policies and measures taken by countries to increase the level of living consumption for citizens with the lowest income are helpful in promoting social harmony and stability. Even though there are differences between the policies of various developed capitalist countries, they share a common ground. They aim to protect

the minimum level of living consumption for citizens with the lowest incomes in order to stabilize social order. The above-mentioned two countries share the same goal in this matter.

All of the above are advancements made during the development of capitalist society and are necessary to the generation and development of socialist aspects in a capitalist society.

Consumption creates scientific research; science and technology drive the progress of social civilization

The process of human consumption's creative productivity in consumer society and in promoting the progress of social civilization is shown in figure 11.1.

4. Mankind entered the great age of the steam engine. Since the eighteenth century, due to the invention of the steam engine, consumer society productivity has developed dramatically. It gave rise to the Industrial Revolution and led civilization and mankind's progress into the age of steam. The steam engine was a result of consumer material productivity, and its wide applications and development were used in all aspects of production consumption such as sailing, mining, transportation, smelting, tool manufacturing, spinning and weaving and so on. It was a great time for civilization that promoted the rapid development of mankind's three most important types of consumption.

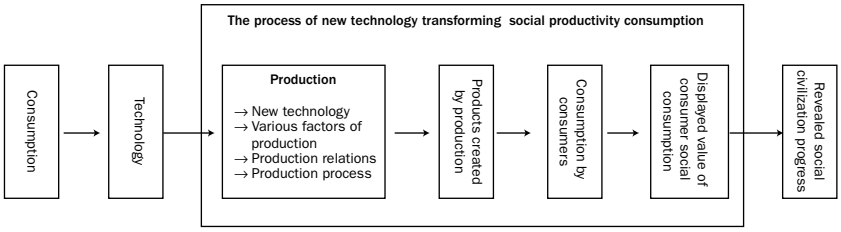


Figure 11.1 Scientific technology creates social civilization progress

Note: human consumption development constantly creates new technology. At the same time, new technology is constantly transformed into productivity. The production process, production relationships and productivity combine together to create production, products, consumption patterns and levels. The levels of the three most important types of consumption are reflected in civilization's progress at that time.

5. Human civilization entered the great age of electricity. Since the nineteenth century, electrical power has been widely used and has forcefully promoted the generation and development of a series of new industries such as electrodynamics, electro-metallurgy, electro-machining and telecommunications. The development of technological social productivity such as the invention of the internal combustion engine, the invention of the diesel engine, and fields in science and technology such as organic chemistry caused human civilization to enter the new age of electricity.

6. Human civilization entered the age in which molecular science, computer and information production developed towards intellectualized consumption. Since the 1940s, based on the modern scientific revolution, atomic energy, electronic computer technology and the space technology have developed rapidly. Human consumer society productivity developed into the greatest historical age. Our civilization has entered an age of unprecedented civilization and progress in human society. The computer and international and web-based information has intensified production and has led to development towards intellectualization.

Nowadays, throughout the world, a wave of the technological revolution is impacting the course of the development of human society in an unprecedented way. Technological competition between countries is becoming the core of the overall competition in economics, the military and even in national power. Therefore, the assertion "Science and technology are the primary productive force" seems more and more correct.

Productivity refers to the capacity of human beings for exploiting and conquering nature, and acquiring production materials from production consumption to scientific research consumption (the creation process of consciousness and wisdom). To put it more clearly: productivity consumption demands and desires = ([laborer + means of labor + subject of labor] × scientific technology × organizing process of production management). As will be readily seen, science and technology are the most important things among the elements of productivity. The level of productivity depends on the content and degree of application of science and technology. In all ages, the application of each scientific achievement has developed social productivity. Furthermore, it has changed the old production and living methods, and has created new production and living methods. I have created a new civilization and a new culture, and promoted political, economic, military and social activities in society to move towards a new pattern, that is, higher and higher forms.

The progress of the whole of society and even in every field of society is new knowledge created by consumption awareness, wisdom, and scientific and technology consumption. The knowledge that technology will bring about scientific revolution and the assertion "Science and technology are the primary productive force" are both wise. Productivity cannot make breakthroughs without new inventions in technology. Though people are the most dynamic factor in productivity, production conditions would be restricted and the speed of development will be limited without science and technology.

Evolution and progress in scientific research and scientific technology consumption

Scientific research, knowledge and technology are leading the process of human evolutionary development through wisdom and the inheritance of the accumulation of past developments.

However, science and technology are not equal to productivity. They must be transformed through certain conditions. Specifically speaking, there are six aspects:

1. The primary condition for science and technology to be transformed into productivity is that the scientific achievements must satisfy the needs of consumption. Moreover, the larger the demand, the larger the ability to be transformed into productivity, and the greater the transformation value. On the contrary, the lower the needs of consumption, the lower the ability to be transformed into productivity and the lower the transformation value.

2. Mature technology and high and new technology (technology that can be put into production) are available. Achievements in the laboratory without successful pilot tests cannot be transformed into productivity. It is important to achieve a successful transformation in a laboratory to be successful in a pilot test.

3. In the development of new technical achievements, the conditions for both development and production should be satisfied. These include funds (minimum funds), and the equipment and tools required in the development of technology as well as all the various other conditions.

4. Talented people who have the ability to develop and produce technology must be available.

5. Only when workers talented in market sales services are available can a new technical achievement become known, accepted by consumers and transformed into practical productivity.

6. An advanced organizational process of production management must be available for science and technology to be transformed into productivity and produce the proper effect.

In a nutshell, these six conditions must be available for high and new technology and technical achievements to be transformed into primary productivity. In addition, the six conditions are interdependent and synergistic; they supplement each other and grow together. They are six aspects of the same matter. The transformation of science and technology into productivity in its true sense cannot be realized with any aspect lacking or being neglected. Every piece of progress in science, knowledge and technology marks the level of evolution and the progress of mankind.

Section 2. State-owned capital and national business management

State-owned capital is a national economic lifeline and its major method of release is SOE. The leadership management of state-owned capital and SOE are important aspects of national macroscopically controlled leadership management. In this aspect, the management of State-owned capital and SOE by China plays a very typical role. So this chapter details discussions taking place in China as an example.

The investor in SOE is the nation which represents everybody and is responsible for managing and operating businesses. The president and chairman of SOE are both professional managers who are responsible for making corporate capital appreciate and develop. They are continuously creating and developing two kinds of benefit: company profits and social benefits.

In recent years, the State-owned economic sector in China has clearly improved. The achievements in terms of verifying and encouraging state-owned capital; the people in charge of SOE and SASAC at all levels; the improvement of SOE management structure and management control; and the prevention of loss and the leak of State-owned capital have been outstanding. When vertically comparing the SOE, the performance index has largely improved with a net capital yield that increased to more than

ten per cent in 2003 from less than two per cent in 1998. While horizontally comparing the SOE with other types of business, the performance indexes of the SOE at each stage are much lower than private and foreign-funded businesses. In 2008, due to the impact of the financial crisis, the net capital yield of the SOE fell to 11.71 per cent but that of private business continued to rise to 25.12 per cent.

With the gradual deepening of the reforms in the Chinese SOE, the development of leadership management of SOE has evolved into a new stage. Although due to some leaks existing in the objective system, un-scientific supervisory systems or loose supervision, State-owned capital is being lost and its benefits to the nation and the people are threatened. So strengthening the SOE management and supervision, and preventing State-owned capital loss have been urgent problems needing attention and solutions. In this aspect, it is necessary for China to learn from Western countries, and especially Germany, for experience.

Strengthening the State through industry in Germany

In the age of globalization, a nation's powerful manufacturing industry can continuously provide the motive power for national economic development. All countries should learn from the example of Germany.

The system implemented by the SOE in Germany is one of ownership by a three-tiered government: the central (Federal government), the provincial (State government) and the municipal (local government).

In Germany, private ownership is of primary importance, while the SOE, also called the public enterprise economy, also accounts for a certain proportion of the national economy. The State owns important stock rights and capital in a variety of businesses. State-owned or public companies occupy around 17 per cent of total fixed capital investment and 12 per cent of the total output value. In other individual economic sectors, they hold a large proportion, for example their share in utilities (water, electricity and gas) and the traffic department reaches 67 per cent. So the road taken by Germany is one of "strengthening the State through industry."

In the case of Germany, branded products such as Lycra, Siemens, Mercedes Benz, BMW, Daimler, Bayer, BASF, Volkswagen and so on are all household names. These famous brands have given Germany its own brand, "Made in Germany," which is byword for "quality and creativity."

While in Europe most countries' sovereign rating has gone down, in September 2011 Fitch Ratings, one of the three largest rating organizations, set Germany as AAA and maintained a promising future. This rating by Fitch affirmed Germany's long-term credit ability. Germany's GDP growth in 2010 was 3.5 per cent, with a strong employment market.

As a large-scale, diversified and high value economic entity, Germany's per capita GDP is number one. Its sovereign rating prospect is supported by effective macro-economic management, politics, and a good social system. Recently Germany has been the most thriving country in Europe.

1. The way of "strengthening the nation through industry." Since the establishment of the Reich in 1871, Germany was the birthplace of the Second Industrial Revolution and twice the source of world wars. This country has witnessed rapid social and economic growth followed by quick decline due to being defeated militarily. After every decline, Germany has been able to rise again and ascend through the list of developed countries.

Despite being confronted with the global financial crisis, Germany still takes the lead in realizing a powerful recovery quicker than other Western countries. This is the result of that strong and powerful industrial strength that has been a direct driving force for Germany on several occasions. Keynes, one of the most influential economists in the West, once said that the Reich was established not so much on blood and iron as on coal and iron.

Nowadays, following rapid industrial development, the "made in Germany" brand has become another name for "quality and credit" in the world market. Germany is established as a large nation exporting "double high" (high practical value and high-tech content) products. In the US *News Week,* a published article entitled *Factory of Numerous Factories* said that the reason for the "made in Germany" brand dominating the world was that the German people can shape common metal into shocking technological miracles.

2. Strengthening the nation through industry is the foundation of Germany's success. Germany, located in central Europe, does not enjoy a geographical or resource advantage. However, it can become the world's strongest country in about one hundred years. One of the "exclusive reasons" for that is that the road of strengthening the nation through industry is the main force and the backbone of SOE and of national business.

While starting the Industrial Revolution in the 1830s, Germany established the core status of industry in its national economy. Over one hundred years, whether preparing for war or during post-war reconstruction or dealing with global financial crises, industry has always been the mainstay for its national recovery. Even if in this age of running after a "myth" in the financial industry by Western countries such as the US and the UK, Germany still persists in the basics of building a nation.

The core idea of German industry is to manufacture products of high practical value and high-tech content. To implement this idea, Germany is continuously and dynamically adjusting its development of manufacturing industry.

From the end of the Second World War to the 1980s, the microelectronic technique, the integrated circuit technique and information technology in the US and Japan saw rapid development. They largely exceeded Germany, which was still satisfied with a traditional industrial production (such as machine tools, automobiles, cameras and so on). Germany realized that was lagging behind, learned about microelectronic techniques and quickly implemented strategies to catch up. From 1990 to 1994, the investment in information technology by the departments of technology, and post and telecommunications grew by 825 per cent on average. This effectively improved Germany's power in the information technology field.

Later, faced with challenges from cheap products from Eastern Europe and Asian countries, Germany again adjusted its development strategy. It improved production processes and attached importance to making use of various information technologies during manufacture to enhance the rate of resources utilization and to protect the environment.To this end, Germany invested 450 million Deutschmarks ($320 million American Dollars) to implement the five-year plan called "production 2000" whose core content was "clean manufacturing, guaranteed employment, improved competitiveness." The implementation of this plan greatly promoted the modernerization of German manufacturing industry.

Into the twenty-first century, with the threat of global warming, frequent extreme weather and natural disasters, German industry started to go down the road of green development by focusing on the area of new energy.

Germany's development reveals that in the age of economic globalization a powerful manufacturing industry can be a sustained driving force for national economic development. It is those countries that seem to threaten the economic growth of Germany and that own cheap labor

that are a driving force for the economic growth of Germany. The reason for this is that with rapid economic development, these countries need to purchase a large amount of German high-tech equipment for infrastructure construction and investment in building factories.

Even though other countries in the West are completing and developing financial innovation, Germany still puts an emphasis on improving product quality and high-tech level in manufacturing. This strategy of strengthening the nation through industry not only keeps a relatively high employment rate in Germany but also continuously improves Germany's scientific and technological ability for innovation. In addition, it strengthens Germany's industrial base for resisting the shock of financial crises.

Throughout the world, Germany is known as an "invisible champion," which indicates its power. In 1986 Germany was the largest export country in the world. Herman Simon was making a speech in HBS, when a member of the audience asked: "why is Germany the largest export country in the world? What industries contribute the most to it?" That time he could not answer the question. After returning to Germany he found the answer.

Germany attaches special importance to expanding the scale of medium-sized and small businesses in order to maintain social stability. To support this, the German government even adopts the policy of "limit large-scale but promote small businesses" to limit the competitive advantage of large-scale corporations in the country while encouraging the development of medium-sized and small businesses. This strategy helps Germany guarantee employment from its huge social middle class and effectively shorten the income gap. This provides a stable social environment for the economic development of Germany.

While providing full support to the domestic medium-sized and small businesses, Germany is actively pushing Volkswagen, BMW, Daimler, Siemens, Bayer, BASF and other large-scale companies to expand abroad. The successful operation of German international business not only advertises the competitiveness of German manufacturing but also broadcasts the efficient and precise national spirit of the German people to the world. This is the best advertisement for the image of a powerful country.

Like Germany, China is a country in the process of catching up and it is also a large export country. With the cost of its labor force now rising, the traditional production cost advantage of manufacturing in China has been gradually decreasing. It will be helpful for China to use the development methods and vocational education system of manufacturing

in Germany as a reference. This will facilitate in China the re-creation of a population advantage in terms of quantity, as well as further promoting its competitive advantages in manufacturing and achieving the transformation from being a large nation into a strong one.

3. Why do Chinese businesses choose Germany? Three advantages have been summarized through continuous communication between German trade and investment and Chinese businesses in Germany.

First, most Chinese businesses choose Germany mainly for market development, sales and service support; then they set up a European headquarters; and finally they set up a research and development center (about three per cent). For many Chinese businesses, the fact that Germany is the largest inland market in Europe encourages them to conduct sales and market development there. Entering the German market can ensure a rapid entrance into the crucial Eastern European market and the mature Western European market.

Second, Chinese businesses cannot be satisfied with producing cheap and low quality products. Thus, Germany has been their first choice, for there is a high starting point and standard in Germany. Chinese businesses can improve their product quality by having it made in Germany.

Third, Germany can provide a favorable investment environment for foreign investors. Advanced technology, an excellent, high quality and skilled workforce and first-class infrastructure are important factors for attracting Chinese investors. Chinese businesses are more and more interested in the research and development field. Germany owns perfect and mature reseach and development conditions, especially in light of the close cooperation between business, institutes and universities, as well as a close integration of theory and practice. These are valued by Chinese businesses.

Our study on Germany is not to praise it but to learn from its experience and absorb its essence. All experience coming from Germany leads to the invincible road of "strengthening the nation through industry," through the operation of State-owned capital and national enterprises. This should be learned by China.

Learn from international experience

Above we talked about the achievements of Germany in strengthening the nation through industry. Here we will analyze in detail the practice and experience of aspects such as organization structuring, supervisory mechanisms, incentive mechanisms, human resources and the quality of leaders of SOE management in Germany.

1. The German method. The German government boasts a unique method for State-owned capital management and operations. The SOE operating capital in Germany is independently operated by way of a company with national holdings of just a fraction to 100 per cent. The SOE in Germany can be classified into two categories. The first is to undertake production or render services (such as postal services and railways) to meet public demands, and to undertake the function of some policy on the part of the government (such as a technical cooperative association for providing external development and aid policies and services). The second is for national holdings or shares, without undertaking other special tasks, to take part in competition with private companies.

2. The Chinese business management method:

i. The staff make-up of a board of directors in a foreign country is diverse. It includes personnel appointed from government departments, representatives elected by staff (labor unions), and people possessing various professional knowledge and backgrounds. The chairman of the board of directors is generally the one with the widest experience and professional management skills, and as for the people in charge of a company (the CEO) more attention is paid to management skills, professionalism and other factors.

We can learn these specific characteristics in Germany, for currently the leaders in Chinese SOEs are top-down selected and so many of them are lacking in work experience on the front line, not strong in skills, and know little about actual business situations.

ii. Choosing and selecting a CEO for the market economy. It is a prerequisite for establishing a modern business to employ and improve a manager suitable for the national conditions. In Germany, it has become a kind of tradition in choosing the CEO of a company that he is selected from the market as much as possible. This plays an important role in business operations and development. The CEO is appointed by contract that includes detailed operation targets.

This should be the direction for selecting leaders by the Chinese SOE. At present many leaders in the Chinese SOE are administratively appointed, resulting in insufficient competition in the market and malpractice in many areas.

iii. Establishing restriction and incentive mechanisms in business operations is a way to improve efficiency in the SOE. Restriction and incentive mechanisms for SOE management largely improve SOE operations in many European countries including Germany and Italy.

Compared with private enterprises, although there are many flaws in the restriction and incentive mechanisms, these can be overcome. For example, reform in the management system can change the situation, in which every department acts on its own. Implementing effective social supervision by carrying out stock system reform, and especially staff holding shares can closely combine the staff's interests with their company's development. Improving the corporate legal management system can make operations policies more scientific. Establishing an effective incentive and restriction mechanism can gradually put business operations and management responsibilities into practice in order to improve overall operational efficiency.

In Europe, carrying out an assessment and improving the incentive and restriction mechanisms have been important means to improve the SOE operations and management efficiency. Some of the adopted index systems are very simple. For example, the CEO assessment index by the SOE board of directors in Italy consists of three aspects and in internal business the BSC assessment system led by business development strategy is mostly adopted. This assessment system is still under development and improvement in Europe.

In SOE reform in China, the State-owned capital management contains two functions: the State-owned capital operations management and the State-owned capital supervision management. The positioning of these specially sets up supervision and management organizations and the functions of their contributors make them difficult to distinguish. In practice, the supervision management function has been gradually reduced by its operations management function. This has caused many chaotic phenomena to appear in the SOEs. For instance, business profits are arbitrarily distributed, some executives are recklessly corrupt and the income gap between staff in internal enterprises and SOEs is large (*Reform Internal Reference*, December 2011).

iv. SOE management policy and transparency of operations. In Europe, the realization methods of the corporate legal system are wide and various. The board of directors of a SOE in Germany is usually at executive level, above which there are departments in charge and a board of supervisors who exercise decision-making. However, there are organizations like the Federal Real Estate Bureau that performs both the right of decision-making and execution powers. There are strong management and policy consultation organizations existing within to match it. In other countries in Europe such as Italy, the shareholder representatives, board of directors and executive level in a SOE are a

complete unit. Nonetheless, sometimes there are exceptions in personnel appointment and dismissal to solve practical problems. For example, for those companies with a crisis in operations, officers in the Department of Economy and Finance in Italy believe that few personnel on the board of directors can be flexible in making decisions and solving a crisis. Whether in Germany or other countries, what a supervision department emphasizes more is the scientific nature of the policy and the transparency of the operations in SOE management. This is the primary purpose of establishing a modern enterprise system. The purpose of improving the corporate legal management structure is also to make the operations and management policies in an company scientific and transparent. But the methods adopted in the corporate legal management structure are not limited to one kind.

With the popularization of online information in China in recent years, the channels for people to gain information have become smoother and more transparent. In consequence, the government is starting to conduct government affairs more openly such as micro-blogs and other online communication methods with citizens. This makes governmental affairs more transparent. The SOE management should promote policy transparency as a long-term plan. Thus, the information flow inside a company, among the departments and staff, can also be smooth and transparent. Simultaneously, this transparency should also be realized outside the company to actively accept supervision from all parts of society.

v. The importance of legislation management of state-owned capital. In Germany all SOEs and other forms of ownership enterprises abide by specified operations within the remit of Corporation Law. With the development of a market economy, after many modifications and adjustments, German Corporation Law has matured. It has been completed in style, detail and specifications, it is full of corporation classifications and detailed in operations and regulations. Assisted by a perfect judicial system, the original complex market of business operations has become simplified and standard. For China to move into new markets, it is unthinkable not to have good laws as a basis for guaranteeing equal competition.

2. The Canadian method. Canada has a wide experience in SOE management, so we are including some discussion about it here.

The SOEs in Canada are classified into complete SOEs and shareholding SOEs. There are also two kinds of management methods. One is indirect management that the Canadian government has authorized by Congress; it manages a SOE with the government holding all or most shares in the

enterprise. Its management method provides the enterprise with only a developmental outline; it only oversees these more major matters, and creates conditions for improving the environment in the SOE by appointing a board of directors. The key in the relationship between the government and the SOE is that the operational plan, the business plan and the total salary are decided by the ministry. The board of directors makes the decisions on major operational activities, the government examines its operations plans and relevant ministers ask for instructions on particular major issues.

The other is selling or transferring operations from enterprises with bad management. By stimulating economic development, optimizing resource allocation, improving the economic environment, encouraging private investment and reducing government expenditure and financial deficits, the Canadian government adopts the policy of SOE privatization.

In Canadian SOE privatization two kinds of methods were adopted including national shareholdings, or the sale or transferral of operations of those SOEs in bad management to help them turn losses into gains. These are aimed at stimulating competition and promoting business profit capacity.

3. Chinese SOE reform from the Canadian method:

i. Systematic management. From the aspect of micromanagement with SOE public welfare, monopoly SOEs, and SOEs in competitive fields formulate different development strategies and policies. Firstly, the major existing fields and industries in public welfare, financial enterprises and monopoly SOEs must be defined. Business leadership management should be strengthened by the State; autocratic rule, the seeking of personal gains, and managing a business like an independent kingdom must be overcome and eliminated. Furthermore, it should be emphasized that in an SOE the socialization of the rights to shares (including staff sharing) and entering the market for competition should be implemented in stages, periods and batches. In systemic management, two concepts must be defined: the first is the problem of private companies in monopoly industries. It should be as a trial at first, then in practice and lastly it can be popularized. When foreign companies enter a monopoly industry, they should be equal to private companies. The second is that the operational situation of SOEs in competitive fields must be analyzed in detail and then a detailed schedule should be formulated for setting out according to different situations. Resting on one's laurels when part of the SOEs can make profits in competitive fields is not allowed, or they

can follow the same old disastrous road of SOE bailout if the economic situation changes for the worse.

ii. Encourage private capital and promote fair competition in the market. Currently, among the 95 types of industry in the Chinese national economy, the State-owned economy is involved in 94 industries, in which there are 396 national economic industrial categories. 380 categories are nationalized with a scope reaching 96 per cent in everything from wholesale to retail to catering services. There are still 20 thousand SOEs, which is the second largest field with SOEs privately distributed and accounting for 17.8 per cent. However, in some utility services and important industrial fields, the SOEs block industry transparency by various means, and so it is difficult for private capital to enter. Because the SOEs occupy so many resources by paying little or even no salary, including land, minerals, loans, and special powers of operations, they should undergo a business and operations assessment that leads to social benefits and business profits to create more wealth and contribute more to society.

Current problems of SOEs in business management

1. A lack of a scientific and improved democratic supervisory mechanisms. Influenced by traditional planning economics and democracy, the supervisory mechanisms and rules are insufficient in Chinese SOE management. The democratic management methods and departments in the SOE do not play their necessary roles. The congress of workers and staff exists in name only and major and important problems related to staff's vital interests are not dealt with.

2. The management quality and level of leaders do not conform to the requirements of current development. At present, there are many problems with the quality of Chinese SOE managers except for a few excellent business leadership managers. Most of them are needed to improve the quality of their leadership managers and the management methods. The system needs to reform low-level leadership management politics; poor quality of business; weak leadership management; a decision-making capacity that causes irresolute decisions to be made; loose management; low entrepreneurial spirit and being afraid of undertaking responsibilities. There are also some SOE managers who do not know how to adapt to the development of the market economy, or

how to use modern management means and methods, how to operate capital, and they know very little about foreign markets, improving marketing management and are indifferent to laws and regulations on business operations. This is even if they have no choice and are faced with fierce market competition. In style some managers are not democratic, but authoritative, and make aimless decisions which can lead to major losses. In addition, there is disunity between leaders and severe internal friction, and so they cannot pull together. This seriously blocks reform and business development. Leaders are the core power for enterprise development, the chief representatives of business and social productivity consumption and production relationships. The representatives of business economic foundations play a critical role in business survival and development. So the condition and quality of the SOE management team determine the ups and downs of the whole operation. Therefore, the key to SOE development is to improve the quality of the leadership and management team.

3. Unsuitable organizational structuring. In SOE management and organization there are too many levels which are too fine in division and their functions overlap. From headquarters to every branch and subsidiary of the SOE, senior managers have many posts with different natures and levels. This is unfavorable for improving management efficiency, reducing management expenses, and improving the level of management and information technology.

4. The chaotic management of human resources. Now, in a SOE, an unsuitable human resources structure, its unscientific allocation, its disproportionate team structure, redundant managers, and insufficient front line operators are common problems. It is common to have staff with a single skill while the talented workers engaged in operations management, research and development and skilled operations are insufficient. Talent within a company cannot be deployed as needed, and thus the adaptability of overall resources is so weak that personal skill cannot be fully used. So in recent years the brain drain in the SOEs has been severe. The entire staff and its knowledge are all aging.

5. Lack of a scientific assessment mechanism. Due to a lack of scientific assessment mechanisms, the SOE has to make efforts to stimulate staff enthusiasm, transform the "three motives" into policy incentives, and strengthen this combination with an enthusiastic but ruthless management that are involved in this kind of operation. At present human interests and subjective needs are ignored, which seriously affects the staff,

especially the motivation of excellent and talented workers. This leads to a serious brain drain and a waste due to not giving a full play to talent. There is no income distribution mechanism linked to assessment so that the negative tendency in income distribution is still serious, and therefore people's subjective instincts are neglected.

Chinese practice and experience

According to the above analysis, the current situation in Chinese SOE reform and its long-term targets must have a focus on system reform in order to clearly understand the problems, to implement SOE reform and to transfer government functions. We must face the problems existing within the SOE; continue to deepen its reform; put the "scientific outlook on development" into practice; improve its modern business systems and enhance the transformation of SOE operations and management ideas. We must also increase vigilance against risks, market adaptation and sustainable ability, and improve the aims of management methods in order to promote the improvement of the level of SOE management and comprehensive business development.

In a socialist nation with Chinese characteristics SOE operation leadership management is a key issue. It has gained impressive achievements and wide experience during the time of 30 years of a planned economy. Due to many leaders' lack of experience (who were chosen by the State), we encountered huge losses during business operations and management. During the 30 years of reform and opening up, the SOE had to undergo a switch from a planned economy to a market economy. At the same time, leaders possessed insufficient understanding on the laws of market economics and generally lacked experience.

While actively exploring, studying, researching and working, the State and business leaders have gained the valuable experience of success. However, due to a poor understanding of the laws of market economics during the operations and development of State-owned capital in a market economy, the problem for the board of directors of how the State organizes and exercises investors' rights according to laws of market economics has not been resolved. For example, members of the board of directors, the chairman and the general manager should be selected, recruited, recommended, and appointed by contract. How to select the other members of the board of directors? Are the status, power, responsibility and benefits of members of an SOE the same as those in listed and private companies? We need to consider other factors, such as

the supervision of the chairman and president, and the relationship between the company's employees and leaders at every level. To whom should the chairman and president report their annual working plan?

All the above problems have not been solved and are not only in SOEs. The main problem is investment in firms by the Chinese central and local governments, which are not clear about how to achieve detailed standardization; sequencing and systemic management during business management from the point of view of legislation, organization, policy and supervision. As for the problems of delegating power to lower levels by the government for further development, this is not the same as a government not leading people. The answer is not to manage too tightly, and not to delegate power too much. There should be autonomous rights, the creative use of work rights, and the banning of legal and disciplinary violations is not allowed.

To establish laws, rules and regulations for SOE leadership management

1. The central government and local governments can establish a management committee in the companies invested by them. The director of the management committee is monitored by a deputy from every level of the management team of the government, and the vice-prime minister, vice-governor, deputy mayor, and deputy county chief have full responsibility. From central to local locations, the SOE leadership management committee is directly led by the government's prime minister, governor, mayor, or county chief, who are responsible for reporting their work to the NPC at every level.

2. A chairman, president (general manager) and board of directors are organized, selected and appointed by the SOE committee of the government at every level, which invests in firms. The rights to responsibility are implemented during the appointment. They are appointed by contract and directly led by the SOE management committee (a "double leader" responsibility system is implemented for one person who can hold two posts concurrently). This is then submitted to the NPC or the first in command in the relevant government department for approval. A higher committee can also recommend candidates, but they are still to be approved by the direct management committee.

Business accountants are chosen, appointed and managed by the management committee. They are managed by both the SOE management

committee and the president. The managers at each level are selected and appointed by the board of directors.

3. The watch-dog committee and the chief supervisor are chosen from NPC standing committee members, while a higher NPC standing committee has the right to recommend candidates to a subordinate one for election.

4. The members of the SOE management committee include: one fifth from government leaders; one fifth from business leaders; one fifth from business engineers, economists and accountants; one fifth from technical representatives; and one fifth from labor union representatives.

5. Members of the SOE management committee and the board of supervisors are appointed for periods of five years and can be appointed for two consecutive periods.

6. Members of the SOE board of supervisors include: one fifth from deputy directors of the NPC or members of the standing committee; one fifth from the representatives of business unions (they are selected by all members of staff, and most of them can be representative members, which is helpful for protecting special rights and the treatment of the workers' representative); two fifths are accountants or auditors; and one fifth are legal personnel.

7. The SOE leadership management committee and the board of supervisors should set up management departments such as finance and iron and steel, which are independently managed.

8. The staff in State-owned capital companies have the right to exercise direct supervision on behalf of the people by the SASAC. But all citizens have the obligation and rights to supervise the chairman, the president, the chief supervisor, and the management team of the SOE. The right of supervision should be institutionalized with use of the Internet tools and the punishment and reward system should also be institutionalized.

9. The chairmen and presidents of the SOE who have made excellent achievements and observed laws and disciplines (who have won deserved benefits rather than undeserved ones), can be reappointed for one more term but this should not exceed three consecutive terms. These people can enjoy retirement benefits for life and can also be owners of the offices of a business.

10. Employee stock options. Professional managers and all company staff in a SOE have the right to invest their bonuses or salary in their

company's stock rights. This is favorable for supervision of the company, including the operations management, thus continuously improving the two benefits of the business.

Section 3. Household wealth management and macroscopic control

In consumer society, household consumption is the minimum economic unit in the organization of society. So household consumption and sources of consumption funds are strongly connected to national macroscopically controlled leadership management. Household income consumption funds and living consumption include an individual's income consumption funds and the common income and living consumption of all the members of a family. The living consumption capacity of a family is determined by its income; by its living consumption methods and by its consumption awareness, all of which determine consumption behavior.

Sources of household funds

1. Average families with a salary income. The consumption funds of these families rely mainly on their wages, bonuses and benefits, which are supplemented by other incomes, such as revenue from trading stocks and bonds; by part-time work income; by dividend income and renting real estate. This situation is prevalent in average families who earn salaries.

2. Families with a sizeable salary. The main sources of these households' consumption funds come from high wages. Such a situation is more common among national civil servants and business managers.

3. One part of the profits from investment in business is for family living consumption; another part is given to families for further investment. This situation is prevalent in small-scale family businesses.

4. Families with a return on investment and salary revenues. They belong to families with large-scale businesses. In addition to business profits they also have their salaries as employees.

5. In rural areas, some agricultural products are not fully commercialized and there are still a small number of families that produce for their own consumption with the remaining products entering the market. In

economically remote areas income and expenditure are still mainly self-sufficient and the remaining products entering into the market for goods exchange represent a smaller percentage. This situation is more common in rural households. They are not only consumers of their own products, but also traders.

The household consumption fund

The above five kinds of families with different sources of household consumption funds and with different ways of living consumption also have different means of managing their consumption funds.

The first kind of family maintains their household living consumption by relying solely on their salaries. Their management of this revenue is divided into two categories: the first involves higher income families. Some families divide their income into several parts for management. They first pay a social security fund (one part paid by the business and the other part by the individual) or they purchase life insurance. Moreover, they maintain daily living consumption and they have savings for their children's education. Finally, they save money for the possible future illness of their parents and their living consumption. According to the amount, some families regularly pay the latter two parts of their savings into bank accounts to earn interest. Some families selectively choose to invest in small business, real estate, stocks, funds and lotteries in order to obtain larger gains. Another situation is that of families with a relatively low-income. In addition to labor insurance paid by their company, individuals are incapable of taking this extra money to make other financial arrangements. After the necessary living consumption has been paid for, if there are any unforeseen difficulties, they have to ask relatives and friends, national subsidies or social assistance for help.

The second kind of family earns a sizeable salary. This kind of family usually uses a part of their money for stock investment (or equity investment), or investment in funds, deposits, or real estate. They acquire more living consumption funds in various ways. While increasing their own level of living consumption and standard of living, they also subsidize their elderly parents.

The third and fourth kinds of families mainly acquire profit by running businesses, and they have sufficient living consumption funds or even a high level of living consumption. In addition to bonuses, they usually earn a salary and capital finance revenue from funds, stock or deposit financing, and so on. Their money is used for both enjoying living

consumption and reproduction consumption with expanding investment.

The fifth kind of household, as a system of rural retirement pension has not been fully established, the source of living consumption funds should be guaranteed by their own financing.

Family living consumption, the core of the three most important types of consumption

Household living consumption is the core of the three most important types of consumption. Social and production consumption without individual and household living consumption is like a river without water; nothing exists. It is now recognized that Engel's Coefficient Law is to measure household living consumption levels and to have a standardized coefficient.

1. Engel's Coefficient Law formula: Engel's Coefficient refers to the percentage of people's food consumption and expenditure within total consumption expenditure, which decreases with a rise in revenue level. Engel's Coefficient Standard: when the expenditure of food consumption accounts for more than 60 per cent of the total expenditure, this is considered a poor country and region; if it is between 60 per cent and 50 per cent this is at the level of having enough food; 50 per cent to 40 per cent means a relatively well-off level; 40 per cent to 30 per cent is a well-off level; 30 per cent to 20 per cent indicates a wealthy level; and below 20 per cent is an especially wealthy level. Engel's Coefficient Law is applied to analyze personal household living consumption, the living consumption standards of vulnerable groups adjusted and alleviated by the state, and the development of high-end consumer goods to meet the living consumption of wealthy individuals and households, thus promoting overall economic development.

2. Consumption for individuals and households. When the need for survival consumption is satisfied, people move up to the level of well-off personal and household living consumption. During this period the consumption structure and behavior is completely determined by the consumption awareness, which decides what one consumes and how to consume it. If you have the consumption power without consumption awareness, you do not make purchases. Owing to different preferences in consumption awareness, the same individual families with the same income have different consumption structures of their disposable income.

The living consumption structure also has an influence on the development of the production consumption structure. It is these different preferences in consumption awareness that decide consumption structure and boost the development of enjoying living consumption.

3. Personal household consumption and life-cycle consumption and financing. Personal household living consumption has a close relationship with the perimeter laws of life-cycles. The amount of wealth a family creates during a period of wealth determines their standard of living at the present and in the future. The patterns of a family's wealth consumption are also influenced by religion, culture and customs. In China, for a long period of time, a considerable number of families were affected by the deeply rooted concept that younger sons should help their parents in old age. Couples at a reproductive age are faced with a sandwich-like situation during a period of creating wealth. Most wealth is for the children's and the elderly's use, with little left specifically for their pension funds or insurance. Until the founding of new China, this situation changed. Therefore, individual household consumption should follow the laws of life-cycles. During a period of creating consumption, we should manage our finances reasonably and make them gain in value. For example, by means of depositing, buying insurance or purchasing security funds, the growth and education consumption of the younger generation is ensured, and the level of living consumption of seniors who lose the ability to work is guaranteed, thereby enjoying happiness in life.

4. Household consumption and bank deposits. When the living consumption of a person and their family is above the level of being well-off, the revenue and consumption plans of the family falls into two situations. First, with a complete national social security system they can arrange for the enjoyment of living consumption, resulting in reduced household bank deposits. Second, without an adequate social security system, or even with no social security, they can arrange financing for individual and family incomes and living consumption, generally resulting in increasing savings. For example, in the US, Germany and other countries, due to relatively improved social security, people have a strong awareness of expenditure on household income and living consumption as well as premature consumption. In rural China in the twentieth century there was imperfect social security, and the average family's income and consumption spending were usually just enough for the living of a frugal life. Thus, savings and deposits increase the interest rate of consumption funds.

4. Household consumption and money management. There is a Chinese saying: "one will become poor not through clothing or eating but by not planning." This tells us that one should have a plan for a family's income and consumption, and learn to consume while making money. A plan is needed for both life and finances, as money management decides people's fates. So everyone should know something about money management to improve their money management capability. One who understands money management earlier gains benefits earlier. Here we provide three suggestions for a financial venture:

i. Generate nest eggs with others people's chickens. Rent a small house on a street or in a residential community with minimum capital expenditure to sell necessities for daily life (such as delicatessen, snack foods, vegetables, living commodities and so on) in order to learn the preferences of consumer groups or to provide an optimal fixed service. That is, getting the first bucket of eggs with somebody else's chicken, which is the rented house on the street corner. Accumulate capital first through this small business and then gradually develop it into a large store to gain more capital and finally to open a chain of stores or switch to another industry.

ii. Salesman jobs and business start up. Aim to be a salesman in a company or the shop of a proper industry to learn how to serve consumers and how to carry out marketing, thereby getting to know their preferences. First achieve success in your job and at the same time learn how the shop manager conducts business, and then study the relevant management skills and experience to comprehensively promote your own management abilities.

iii. Leasing a company. Lease a company making a loss due to bad management. Because the company owns products, equipment, workshops, workers and some registered capital and it is still making a loss merely due to the leaders' limited management ability, you can borrow this chicken and give full play to your management ability to change loss into profit. Then apply a for bank loan to enlarge operations. In addition, you can develop into more promising industries with the guarantee of your company, which can soar high by spreading its wings.

All in all, we must learn the management of money and finances in order to achieve a happy life.

In summary, the consumption fund income of a family is greatly influenced by the country's policy of wealth distribution. The importance of family living consumption and financial management can raise the

living consumption level. Meeting the growing consumption demand in a materialistic and spiritual culture, and attaching importance to the wealth management of individual household incomes and living consumption is fundamental to the development of the three most important types of consumption.

12

Network society and leadership management

Network society management is an important part of national macroscopic management. This will be presented as a separate chapter because of its incomparable importance and possibilities.

According to a British market research firm, MyVoucherCodes, the majority of British citizens see the Google logo on average every nine minutes at work, or more than 50 times in one working day. Microsoft comes second as 15 per cent of British so-called "netizens" (users of the Internet) claim they see the Microsoft logo most frequently. The proportion of British netizens that see the logo of the social network Facebook most often stands at 11 per cent. 47 per cent claim that Google is set as the homepage of their network browser. 53 per cent of say they use Google as a search engine to check the spelling of words. 52 per cent report that the number of times they use Google to search is between 10 and 20 times a day. Mark Pearson, the chairman of MyVoucherCodes says, "it is not surprising that Google has become the most recognized logo by British people, because Google is firmly established. Many websites rely on Google ads, and Google has a near monopoly in the search field. It is impressive that British people say they see the Google logo every nine minutes within one working day. The Facebook and Twitter logos are also among the top ten, highlighting the importance of social media, which is increasingly prominent."

By the end of 2009, the number of netizens in China had reached 384 million. The popularity rate of the Internet stood at 28.9 per cent, higher than the world average. Developing at a fast pace, the number of netizens in China is expected to exceed 500 million in the next few years.

Section 1. Development of an international network

The Swedish Internet market research company Royal Pingdom (from now on referred to as "Pingdom"), released their 2011 global Internet industrial development report. The statistics presented included among others e-mails, websites, network servers, domain names, distribution of worldwide netizens, types of social media, the use of browsers, mobile users, video and image sharing. ReadWriteWeb, the American technology blog website, collated and analyzed the data released by Pingdom. It analyzed and compared the status of global Internet development in 2010 and 2011, which mainly involved websites, domain names, the development of Facebook and Twitter, and the distribution of worldwide netizens.

The development of Facebook: at the end of 2010, the worldwide users of Facebook numbered about 600 million, of whom 250 million were new users. Among all the users of Facebook at that time, 70 per cent were from markets outside the US. Facebook users downloaded an average of 20 million applications every day. By October 2011, the market scale of Facebook was equivalent to the entire Internet industry in 2004. During 2011, the Facebook's mobile service extended to Androids and other mobile devices. A total of 350 million users accessed Facebook websites through mobile devices. Users shared 30 billion contents (web links, documents and pictures, etc.) on Facebook every day. By the end of 2012 there were a large number of users accessing Facebook through tablet computers, especially the Apple iPad.

The development of Twitter: at the end of 2010, the total number of Twitter users was 175 million, the number of new users was 100 million, and the total number of messages sent amounted to 25 billion. The American singer Lady Gaga (@ladygaga) became the user with the largest number of followers with 7.7 million "fans." By the end of 2011, the number of Lady Gaga's followers on Twitter had reached 18.1 million, which remains the record for the most Twitter followers. At the same time, the total number of Twitter users had increased to 225 million, only 100 million of whom were active users.

During 2011, the scale of the American light blog site Tumblr and small blog sites under WordPress grew rapidly. By September 2011, the webpage views in Tumblr were eight times the ones in WordPress. At the end of 2011, the number of blog sites that belonged to Tumblr had increased to 39 million, and the corresponding number belonging to WordPress had increased to 70 million.

Netizens in Asia account for the largest proportion: during 2010, the proportion of netizens in Asia was 42 per cent, accounting for the largest percentage of total global netizens. In 2011, this percentage increased to 44 per cent. By the end of 2011, the percentage of netizens in Europe accounted for 23 per cent of the global total down from 24.2 per cent in 2010. The corresponding percentage of netizens in North America accounted for 13 percent, lower than 13.5 per cent in 2010. The percentage of netizens in Africa increased from 5.6 per cent in 2010 to 6 per cent in 2011. From 2010 to 2011, the percentages of netizens in Latin America, the Middle East and Australasia were essentially unchanged.

As for the growth of websites and domain names, by December 2010 the total number of global websites was 255 million. By the end of 2011, the number had increased to 555 million, an increase of 117.6 per cent. Concerning the type of domain names, the number of "dot.com" domain names increased from 88.8 million at the end of 2010 to 95.5 million at the end of 2011. In parallel, the number of "dot.net" websites increased by only 600,000, while the number of "dot.org" websites increased by 1.3 million. In 2011, the number of "dot.info" websites was 7.6 million, and the number of "dot.biz" websites was 2.1 million.

The advantages and disadvantages of networks

As with everything, this should be analyzed using the method of dividing one into two. A network has many advantages as well as drawbacks. With the progress of the Internet Age, a network can give us not only the resources needed, but also opportunities to entertain and relax. However, a network is also filled with a lot of unhealthy aspects such as pornography. This is enough to show that a network is a double-edged sword with advantages and disadvantages. Now, let's conduct a comprehensive analysis of this duality within the Internet.

1. The positive impact of the Internet. There are many positive aspects, mainly including the following:

i. The Internet has become an important engine promoting economic development. Take China as an example. The IT industry, including the Internet, has made important contributions to China's rapid economic growth. Over the past few years, the average annual growth rate of China's IT industry was more than 26.6 per cent, accounting for an increase in China's GDP from less than one per cent to about ten per cent. The continuous integration of the Internet within the economy, the overall

transformation of the Internet and the restructuring of traditional industries have led to economic development. The role of information technology in speeding up innovation and energy saving is increasingly prominent. The Internet has become a new strategic industry for the development of low-carbon business in China. In 2008, the scale of China's Internet industry reached 650 billion Yuan of which online manufacturing sales represented nearly 500 billion Yuan. This is equivalent to one sixtieth of China's GDP, accounting for one tenth of the total global online manufacturing sales. Software operating services rose to 19.84 billion Yuan, an increase of 26 per cent compared to that in 2007.

ii. E-commerce develops rapidly. The large-scale business of e-commerce is evolving from online information, purchasing, sales and other basic applications to a wide-ranging collaboration of online design, manufacturing, program management between upstream and downstream companies, and so on. The SME's awareness of using e-commerce is generally increasing, and the number of SMEs using e-commerce is maintaining a relatively high growth rate. The scale of online retail is growing rapidly, and the market is gradually becoming standardized. According to a survey, more than 50 per cent of large-scale enterprises have established e-commerce systems and more than 30 per cent of SMEs look for their suppliers though the Internet. SMEs that carry out marketing and promotion though the Internet have reached 24 per cent and users of online shopping in China has exceeded 100 million. In 2009, the e-commerce transaction volume in China was more than 3.6 trillion Yuan. The development of e-commerce is also testing the level of service of its related support industries and is promoting the adjustment of the internal industry structure system. Now, let's take Taobao China as an example.

On 11 November 2010, the "Single Day Promotion of China's Taobao Mall" led to panic buying and caused the breakdown of the logistical chain of the express delivery industry. Taobao Mall together with Rakuten carried out a "50 per cent off" promotion, attracting 21 million netizens. This led to a record single-day trading volume of more than 12 million with a total trading figure of 936 million Yuan. Within one day, thousands of parcels "crushed" the delivery firms of Shentong, Yuantong, Zhongtong and other express companies, causing them to become overwhelmed, and to reach a virtual standstill. However, without waiting for the full recovery of the express delivery industry, Dangdang spent 40 million Yuan on price reduction bargain sales on 16 December. Amazon also started a price war, spending 100 million Yuan on a large-scale

promotion. On 21 December, Taobao finished its promotion, with 750 million items having been sold. The next day, 360buy, unwilling to lag behind, reduced ten thousand items of merchandise to be sold at a discount of 10 to 50 per cent. While these major e-commerce platforms were gaining enough momentum to improve sales figures, the downstream express delivery logistics were in trouble. On 23 December, a post entitled "See how the excellent express uncle is taking you for a ride" on the Taobao Forum triggered heated discussion. According to this post, the seller's goods arrived at the destination city of Chengdu 41 hours after delivery was due because of windy and snowy weather. Then it was sent to the wrong place five times by the local courier and was finally sent to the purchaser five days late.

iii. The Internet has promoted the development of the culture industry. Internet games, animation, music, videos and other industries have grown rapidly, greatly enhancing the overall strength of the culture industry. In the past five years, the online advertising market in China has maintained an average annual growth rate of approximately 30 per cent, reaching a market size of more than 20 billion Yuan in 2009. At the same time, the size of the online games market in China was 25.8 billion Yuan, a growth of 39.5 per cent compared to 2008, ranking number one in the world. China's online literature, music, radio and TV are showing a rapid developing trend. By March 2010, there were more than 30 listed Internet companies of various business models in China, listed in the US, Hong Kong and China respectively. On 8 December 2010, Youku was officially listed on the New York Stock Exchange with the stock code YOKU. Their stock price rose to $21.52 on the first day, closing at $33.44, and rising by 161 per cent from the issue price.

4. The Internet has become an important tool in people's social lives. According to a sample survey in 2009, about 230 million people in China often used a search engine to find all kinds of information; about 240 million people often used instant messaging tools to communicate; about 46 million people used the Internet to learn and receive an education; about 35 million people used the Internet to carry out security transactions; about 15 million people used the Internet to find a job and about 14 million people made travel arrangements via the Internet. In China, more and more people are accessing online information to enrich their overall knowledge. More and more people are starting a business to realize their dreams via the Internet, and more and more people are communicating to build closer relations online. After the Wenchuan earthquake, the Qinghai Yushu earthquake, the regional drought in the

south-west and other natural disasters, Chinese netizens took full advantage of the Internet to pass on disaster relief information, to initiate salvage operations, and to express sympathy, fully demonstrating its irreplaceable role. The Internet is becoming a new kind of work and lifestyle.

Online culture has changed people's way of education and learning, thus broadening people's horizons. This is greatly stimulating people's awareness and potential for innovation. Compared with traditional methods of education, the Internet has broadened the means and channels of people's learning.

The negative impacts of online culture

Having got to know the positive role of the Internet, we must also look at its negative impacts. The scope of these negative impacts is quite large, penetrating all aspects of social life, and playing a very negative role. While we acknowledge the Internet's role in promoting social development on one hand, we must pay good attention to the many negative effects it has brought to human society.

The negative effects of online culture are mainly manifested in the following aspects:

1. The "laissez-faire" attitude of anarchism causes the disintegration of moral values. The inventors of the Internet claimed that the online world is an "Arcadia" with no government, no police, no army, no hierarchy, and no discrimination. In fact, one undercurrent after another is swirling around behind the colorful online world, which can be seen in the form of an endless stream of "hackers." Meanwhile, the virtuosity, openness and freedom of the Internet, which is of course helpful to the development of character, might well lead to confusion in people's moral outlook. Some believe that they can do whatever they want on the Internet without having to assume any responsibilities. Moral relativism, anarchism and liberalism directly lead to many immoral acts by young people in the online world, such as looking at other people's personal files, sending rude messages, and so on. According to a Dayang News survey, 32 per cent of netizens do not think that telling lies during online chat is immoral; seven per cent of people believe that it is no big deal to occasionally use foul language online; even 25 per cent of people think that they can do anything online without any scruples. It is not difficult to see that this is a worrying tendency of indifferent online ethics and concepts.

2. False economic information result in a large number of economic traps. The propagation of the Internet provides fertile ground for the generation of false information. Compared with traditional media, the amount of false information brought to organizations or individuals is higher. The Internet has a significant degree of openness and interactivity. Every website can produce and release information opening an almost unlimited space for people to disseminate information and express their views. It is this unlimited freedom that enables some people to publish irresponsible false information online. In this regard, there are ten main ways of doing this:

i. Publish promotional information that is seriously impractical.
ii. Publish false advertisements.
iii. Hack into e-mail accounts to steal business secrets.
iv. Do unlicensed business.
v. Use other business' trademarks.
vi. Invent a fictional company and use a counterfeit electronic license.
vii. Illegally operate virtual currency on online games, or take part in unauthorized online game currency trading.
viii. Take advantage of the Internet for pyramid marketing.
ix. Use a counterfeit electronic license to run a fake business.
x. Mislead the public by publishing false awards, honors and testimonials at will.

False information is very harmful. For example, some websites forge or counterfeit genuine organizations, or publish false drug information, and sell counterfeit drugs by mail. This will not only cause loss of property to the consumer, but also delays the opportunity of seeing a doctor for medical treatment, thus threatening their health and their lives.

3. Negative network culture results in students neglecting their studies. It is understandable that netizens log in to the Internet. It is an inevitable choice in today's information society. However, the time that netizens use the Internet to obtain valuable information and do professional study is very small. In Internet cafes where netizens are relatively concentrated, at first glance, nine out of ten are in chat rooms or playing games on the gaming websites. Some even chat and play games all night until dawn. They do not use the Internet for collecting information, but turn an Internet café into a "chat café." Some even find an online fortune-teller or do online gambling. Many secondary school students are "enthusiastic" when they go online at night, but "listless" when they attend classes during the daytime, and so their learning efficiency is greatly reduced.

Among tens of thousands of netizens, there is no shortage of those who "break their will and become obsessed." The reasons why netizens drop out of school are mostly related to the Internet. Many Internet café managers offer overnight online game services for netizens and so they often stay online for all night, or even for several nights. Moreover, a small number of netizens are deceived by inadvertently making fake friends online, some lose their money, some lose their virginity, and some even lose their lives; these tragedies are all too common. Obviously, if this situation goes on for a long time, it will affect the cultivation of talented workers for national construction.

4. False military information harms national defense and security. Harmful online information related to the military is mainly expressed in the following aspects: 1) false content and misleading netizens, 2) excessive hype and irresponsible publishing of inappropriate remarks, and 3) malicious attacks and slander of the image of the army and soldiers. Harmful online information related to the military appears in virtual space, but its actual harm should not be underestimated.

i. Military secrets can be leaked online. Among the harmful online information related to the military, those that are related to leaking secrets account for a large proportion. Some websites and forums are very eager to "reveal secrets" in order to attract attention. Some "military fans" that lack any sense of confidentiality talk about military secrets on the Internet including naming military airports, radar stations, troop positions and other secrets on the military map. Similar phenomena of leaking secrets online are too numerous and shocking to list.

ii. False information leads to misinformation. Some netizens lack a sense of self-discipline, thereby publishing harmful hearsay and rumor related to military information on the Internet. Some people even deliberately create and spread this false and harmful information with ulterior motives. For other netizens, it is difficult to verify, so it misleads them and prevents them from knowing the truth.

iii. Irresponsible information damages the image of the army and the soldiers. The People's Liberation Army is the pillar of the nation; their image is more important than life. Some people are very eager to spread hype and false information. Some people even attack maliciously by publishing harmful information about the military online to confuse people, which directly damages the prestige and image of the army and soldiers in people's minds.

5. The virtuality of the Internet causes interpersonal relationships to become more and more alienated. Virtuality is an important feature of

the Internet. This characteristic causes netizens to have virtual identities leading to interpersonal relationships that in real life become indifferent. Young people in particular, being a special group in the society, have thoughts that are often relatively simple, naive, and full of idealizing. The virtuality of the network thus has an adverse impact on their interpersonal relationships.

A lot of young people go online in order to make friends. Today, in addition to boyfriends, girlfriends and pen pals, there is a new term: "net friend." Such relationships are not so simple, because the technique that brings people together also allows them to stay away from each other, just like the phone and the fax machine. People can easily chat with people around the world while staying at home. Because they do not meet, sometimes it is easy for them to speak words from deep in their hearts. However, when people focus their limited energy on the Internet, they easily transfer themselves completely into a "virtual world." This leads to turning a blind eye to people around them, and gradually alienating interpersonal relationships.

Virtual identity on the Internet often leads to a lot of fraud. It creates an emotionally closed space for many people protecting them from reality. However, we have to say that it is sad that all their emotions are channelled through the Internet. Many female college students state that it would troublesome for their net friends to know their real gender, so they often use a male identity when going online. The fraud carried out on the Internet increases both people's emotional crises and confidence.

6. Adverse information online poisons netizens' physical and mental health. The Internet has greatly reduced the the amount of time for spreading knowledge and information. Meanwhile, the forms are more vivid, the methods are more concise, the range is even broader, and the efficiency is higher. The Internet has become an important way for people to obtain information and communicate with the outside. However, because of the regulations lagging behind the times, passive management and other various subjective and objective reasons, the information on the Internet varies greatly. It varies from feudal superstition to pornography and violence, from gaming to gossip or even reactionary remarks. This seriously affects the physical and mental health of the nation.

7. The invasion of an online "hacking" culture causes social crises of confidence. The online hacking culture is a phenomenon seeking fun through hacking behavior. It is nothing new that a hacker can attack a website. According to statistics, there is some kind of online intrusion

event occurring at an average of one a second somewhere in the world. Internet hackers attack websites mainly for the following reasons: the first is to show off their superior knowledge of computer technology; the second is to steal people's profiles or identities; and the third is to express discontent or protest, as well as other personal factors. This tends to produce a crisis of confidence among people, as security needs cannot be guaranteed. Meanwhile, a lack of moral awareness and behavior is generated by the effect of the online hackeing culture. Some people are gradually losing their basic sense of responsibility and justice in the virtual environment of an online world full of such intrigues.

8. The status quo in the development and future of the Internet is now naturally building a network society. This works as an advantage for netizens' society, overcoming its negative effects. The structure of all the netizens' social activities is in line with physical society. This directly speeds up the legislative management framework of netizens, making it imperative to strengthen the management of netizens' society.

In regard to the negative effects generated by netizens, we should follow a strategy of persuasion and network legislation. This will lead to promoting society to achieve the purpose of full and harmonious development by means of improving citizens' overall quality and cultivating moral decency and superb professional skills.

Section 2. A survey and analysis of China's Internet management

On 8 June 2010, the News Office of China's State Council published a white paper on the *Internet Status in China*. This paper aimed to introduce the basic developing situation of China's Internet, stating the basic policies of the Chinese Government regarding it, as well as basic viewpoints on related issues. Internet management practices in China are in line with international practice. We attach great importance to learning from international management experience related to the Internet. Websites should spread correct information, not mislead the people, nor have an adverse impact on social order. These norms should be complied with as professional ethics. Jiabao's remarks represent the consistent stance of Chinese officials.

Cybercrime and punishment

In recent years, cybercrime in China has shown an upward trend. This trend is a combination of various traditional crimes and cybercrimes that are becoming increasingly evident. Online fraud, theft and other crimes infringing others people's property are growing rapidly. Crimes such as making and spreading computer viruses, the intrusion of attacking computers and networks are also increasing. Criminal activities related to spreading pornography and engaging in gambling through the Internet are still prominent. According to statistics, there were 142 cybercrime cases of various types handled by the police in 1998. This number grew to 29,000 in 2007, to 35,000 in 2008, and to 48,000 in 2009. In order to effectively combat online criminal activity, Chinese law stipulates that criminal behavior on and related to the Internet will be investigated for criminal liability in accordance with the relevant provisions of the *Criminal Law*. Other actions that do not constitute a crime will be subject to administrative penalties according to *Public Security Administration Punishment Law*, and to *Security Protection and Management Measures of Computer Information Networks and the Internet,* as well as other laws and regulations.

Like any other country in the world, China is facing a serious threat from hackers' attacks, network viruses, and other illegal and criminal activities. China is one of the main victims in the world to be attacked by hackers. According to incomplete statistics there were more than one million computer IP addresses in China manipulated by outsiders in 2009. More than 420,000 websites were tampered with by hackers, and about 18 million computers were infected by network worm viruses every month. These accounted for about 30 per cent of infected computers around the world. Chinese law prohibits any form of network hacking. The *Standing Committee of the Chinese People's Congress' Decision on Safeguarding Internet Security* clearly stipulates that activities undermining network security that constitute a crime, will be investigated for criminal liability in accordance with relevant provisions. This includes intentionally producing and spreading computer viruses and other destructive programs, attacking computer systems and communication networks which result in damage to computer systems and communication networks. Articles 285 and 286 of *Criminal Law* have made specific provisions for criminal penalties for illegal activities. These activities comprise illegally obtaining data stored, processed or transmitted in computer information systems, offering procedures and tools specially used for intruding on controlling computer information systems, and so on.

The Internet police going to front of stage from behind the scenes

One of the essential characteristics of the Internet's technical structure is its characteristic of being used as a tool. As such, it cannot only be used to do good things but also for evil purposes. Chinese officials have vowed to crack down on those illegal websites, claiming that more than 2000 pornographic and gambling websites have been closed in recent years. However, new websites are able to hide from the government's efforts every day. It is estimated that thousands of Internet police patrol the Internet every day, forming one of the largest online infiltration systems in the world.

As early as 1998, there were reports that the Chinese government was using Internet technology to crack down on crimes. China *News Weekly* reported that the professional Computer Internet Security Monitoring Team from Wuhan City in Hubei Province was set up in February of that year, which was relatively early for of Internet police in China. Subsequently, the Internet police appeared in Anhui, Guangdong, Hunan and other provinces. In just two years, China had more than 20 provinces, municipalities and autonomous regions that had established Internet police forces, the total number being nearly one thousand. In its early stages of development, the Internet police was one of the most mysterious and most low-key police forces in China. Until December 2005, two cartoon images of the Internet police named Jingjing and Chacha, who could blink their eyes, appeared on websites and forums in Shenzhen City. "After ten years of exploration, the Network Security Monitoring Branch of Shenzhen Municipal Public Security Bureau was the first to push the Internet police to the front of stage from behind the scenes in China." In November 2005, China even took on the task of training Internet police for foreign countries for the first time. The Bangladesh police computer crime investigation training group consisting of ten people went to China's Internet police training base and participated in training and study.

Domain name management status

As part of Internet management, China has strengthened the management of domain names. The country's scientific research institutions, government agencies and national defense sites will respectively correspond with categories of domains such as "dot.ac" "dot.gov" and

"dot.mil" all set under the top-level domain name of "dot.cn". This will get rid of the control by the American domain name company ICANN. This means that the signals will be directly transferred through Chinese resolution servers when users visit these sites, without having to go through the resolution servers under the management of ICANN.

ICANN is currently the largest domain name management agency in the world, and more than 1.5 million Internet domain names are under its management. Only 1.09 million domain names are under the management of the China Network Information Centre (CNNIC). Among Chinese domain names under the management of ICANN, many are government agencies and research institutes. This means that information about these institutions has been exposed to and monitored by other countries for many years. The websites and e-mail services of these institutions and enterprises may be cut off from the international network at any time. The US Boston Globe once commented that some analysts thought it might improve China's ability to manage their citizens' access to the Internet. Without relying on ICANN to establish website addresses, China is gradually establishing a Chinese Internet in which it will be easier to establish an information censorship system than it is under the American domain name management system. The Internet law professor Michael Geist in Ottawa said that, in theory Chinese users have two paths of access now. He said that this program might make it easier for Chinese reviewers to shield themselves from international subversive information.

The Internet management system is like the railway police

The government has a very clear attitude on the governance of netizens' society. It is sensible, reasonable and legitimate that the Chinese government manages the Internet in accordance with the law. Foreign countries should abide by Chinese laws and regulations if they operate in China.

Wang Jun, associate professor at the Communication University of China's School of Journalism and Communication, who has studied Chinese Internet law for a long time, said that there are three main Internet management sectors in China. First, the Internet Bureau of the State Council Information Office, which is mainly responsible for the supervision of public opinions about online news; second, the Ministry of Information Industry, responsible for the industrial management of

the Internet; and third, the Ministry of Public Security, which is mainly responsible for the fight against illegal and criminal online activities.

The State Council Information Office was established in January 1991, aiming to promote mutual understanding and trust between China and other countries of the world. In addition to the Secretary Department and the Personnel Bureau, the Office has seven other bureaux. Among these is the Internet Bureau, which is mainly responsible for "formulating the development program of Internet news, and promote important Chinese websites to enrich their contents in foreign languages."

The Ministry of Information Industry is mainly responsible for the industrial management of the Internet and is responsible for managing the work of Chinese domain names. In order to be engaged in commercial online information services, regulations require a license for value-added telecommunications businesses of Internet information services, which is applicable to the telecommunications administrations of the provinces, autonomous regions, and municipalities directly under the Central Government or Information Industry Departments in charge of the State Council.

In addition, there is a clear stipulation for security supervisory monitoring and management of the public information network in the duties of the public security organs in China. Under the Ministry of Public Security there is a Public Information Network Security Supervision Organization. The State Council authorized the Ministry of Public Security to specially set up the Network Security Administration Bureau.

Besides these three departments, the cultural, educational, health, drug administration, industrial and commercial administration, the Ministry of State Security, the State Secrecy Bureau and other relevant authorities supervise and administer information on the Internet in accordance with the law and within the scope of their duties.

When evaluating China's Internet management system, Wang Jun said, "China's Internet management system is like the railway police, each managing its own section. In the case of any issues requiring coordination, everybody will get together and deal with the problem."

Open-minded management methods

The greatest significance of opening up the Internet is to make people realize their freedom of speech, which is a symbol of China's social progress. If we are not doing enough in terms of keeping informed and

expressing ourselves, the people's participation and management will be greatly limited.

From the perspective of dealing with other countries, the management of the Internet is mostly persuasive, not prohibitive. Some things can be shielded through special techniques, but many more are still dealt with by relying on improving the self-discipline of the industry and strengthening the netizens' moral education.

There are stipulations about the management process of China's Internet news, but somehow not many specific cases involving ideology. For example, the *Regulation of the Internet News Information Service Management* stipulates that Internet news information services should not include content that violates the basic principles determined by the Constitution. That would endanger national security by leaking State secrets, subvert the power of the State, and undermine national unity. It would harm the national pride and provoke interests that could incite ethnic hatred, ethnic discrimination, undermine national unity, and so on. As for how to identify harmful information, it is a difficult problem, because most management departments decide on the basis of their own subjective opinions, which is one reason why China's Internet management system is often criticized.

The insiders of the Internet industry have highlighted that the notices issued by the Information Office mostly use guidelines in the process of specific operations which can use phrases such as "need to be strictly checked," "cautiously audit," "paying attention to the comments of the netizens." and so on. However, the punishment of the offending websites is "open-minded." Related websites only need to delete the illegal "harmful information" on their websites, and do not go through the punishment of being shut down because they published information unfavorable to the administration.

Low-level network management regulations

Compared to the rapid development of China's Internet, the management in this field is seriously lagging behind, especially in terms of the few Internet-related laws and regulations. When dealing with problems, the leaders and management departments rely on regulations that are weak, which directly impacts the effectiveness of their implementation.

The development of China's Internet is rapid, while the Internet management level in China is seriously underdeveloped, especially the with the introduction of online-related laws. Of course, this implies that the level of our netizens is higher than that of our legislation.

Currently on China's Internet some people sell police weapons and pepper sprays; some market a magic medicine claiming to cure cancer and AIDS; some claim to be able to forge ID cards. Many also promise to break into the Chinese education database to change official records as well as other illegal activities. For example, on the website of eBay China, someone even posted an advertisement auctioning his kidney and liver, asking for a price of $100,000. However, eBay announced that it was prohibited to sell human organs, and deleted this information.

The Chinese government launches countermeasures to combat pornography and gambling websites once or twice a year, but this is clearly not an effective way. Internet management is a complex systems project. First, the relevant government departments should pay attention to public opinions and online trends, thereby having the ablility to introduce a number of laws and regulations in a timely manner. Referring to internationally accepted practices, China has promulgated a number of Internet-related laws and regulations since 2000.

On 25 September 2000, the State Council issued the *Management Measures of Internet Information Services*. On 7 November of the same year the Information Office of the State Council and Ministry of Information Industry issued the *Management Regulations of Internet Electronic Bulletin Services*. Then on 28 December the *Standing Committee of the Chinese People's Congress' Decision on Safeguarding Internet Security* was published. On 20 March 2005 the *Recording Management Measures of Non-commercial Internet Information Services* issued by the Ministry of Information Industry began to be implemented. On 30 May of the same year the *Administrative Protective Measures of Internet Works' Copyright* was implemented. Finally on 25 September the Information Office of the State Council and Ministry of Information Industry issued the *Management Regulations of Internet Information Services*.

There are provisions regarding what behavior needs to assume criminal liability in the relevant laws of China's National People's Congress and specific management measures of Internet information services. Serious illegal behavior could even be investigated for criminal responsibility. These include spreading rumors and slander via the Internet; publishing and spreading other harmful information; inciting the subversion of the power of the State; and attempting to overthrow the socialist system or to split the country and undermine national unity.

However, the system of China's Internet management laws is still not perfect. First of all its level of effectiveness is too low; regulations and

rules are discussed and passed by the State Council and its subordinates, but no real laws are put in place. Their legal effectiveness will be low and the strength in their implementation will be not enough while their level remains low. Second, there are still legal gaps in some areas, with no management back-up. Also, the current regulations are still miscellaneous, not forming a complementary and supplementary system. This gives people the feeling that only taking stopgap measures are being used.

The status of international exchange and cooperation

Many countries are thinking about how to further strengthen the management of the Internet. Ashok Sihamoni, board member of the Israeli Internet Association, said, "Many of the problems encountered in the development of the Internet are now international, global problems, but which are dealt with and resolved by different countries, different agencies and organizations in their own ways. It is very important to strengthen international cooperation."

The Chinese government has always supported and actively carried out international exchanges and cooperation in the Internet field. Chinese representatives were sent to participate in the previous World Summit of Information Society (WSIS) and other important Internet-related international or regional conferences. China attaches great importance to regional cooperation in safeguarding Internet security, respectively signing the *Cooperation Framework of China – ASEAN Telecom Regulatory Councils on the Issue of Network Security* and the *Inter-governmental Cooperation Agreement to Protect International Information Security among SCO Member States* along with ASEAN and SCO member states in 2009. In the field of combating cybercrime, Chinese public security organs participated in the *Interpol Asia-South Pacific Working Party on IT Crime*, the *Joint Liaison Group in Sino-US Law Enforcement Cooperation* (JLG) and other forms of international cooperation. They have also held bilateral or multilateral talks with the US, the UK, Germany, Italy, Hong Kong and other countries or regions, for consultations on combating cybercrime. Since 2006, the Chinese public security organs have handled a total of 500 cooperative investigation letters related to cybercrime from more than 40 countries and regions, involving hacker attacks, child pornography, Internet fraud, and many other cases. China has actively promoted the establishment of bilateral dialogue exchange mechanisms in the field of the Internet,

holding the *Sino-US Internet Forum* and the *Sino-British Internet Round Table Conference* with the US and the UK since 2007. In order to learn from the useful experience of other countries in Internet development and management, the Chinese government has organized dozens of delegations since 2000, visiting more than 40 countries in Asia, Europe, North America, South America and Africa. China has applied the successful experiences of relevant countries to the practices of Internet development and management in our country.

Section 3. International experience in network management

The development of the global Internet

1. The rapid development of scale. Recent statistics show that the total number of netizens in the world has exceeded two billion. Hama Dun Toure, Secretary General of the International Telecommunication Union, said that the number of global mobile phone users accounted for 500 million and that the number of netizens was 250 million at the beginning of 2000. Only ten years later, the number of global mobile phone users and netizens had grown rapidly, respectively breaking five billion and two billion. According to the latest statistics of the International Telecommunication Union, the number of netizens had reached 2.08 billion, and the number of mobile phone users had reached 5.28 billion by the end of 2010. Currently, the world's total population is over 6.8 billion, which means that there is one Internet user for every three people. 57 per cent of global netizens are from developing countries.

From a network access perspective, global fixed broadband users had reached 555 million, and mobile broadband users had gone up to 857 million in 2010. Susan Teer Qie, the person in charge of the market information and statistics department at the International Telecommunication Union, said that the Asia-Pacific region had the most eye-catching performance from the point of view of the growing number of netizens. This number was more than 100 million over the past year, making the number of netizens in the region reach 940 million.

Teer Qie stated that the high growth of the number of mobile phone users was slowing down, "the double-digit growth rate is close to an end." While the number of mobile phone users is rising, the number of landline telephone users is reducing every year. The statistics of the

International Telecommunication Union show that the number of landline telephone users has been decreasing for four years, and has now dropped to less than 1.2 billion.

In March 2011, an earthquake with a magnitude of 8.8 occurred 130 kilometers east of Sendai Port in Japan's Honshu Island. Tokyo was severely affected, and the earthquake triggered a tsunami. The latest news about the earthquake spread to every corner of the world first by the Internet. This earthquake was the strongest in Japan for 1200 years. The official micro-blog of the Chinese international rescue team posted information about the rescue supplies and personnel that they had sent to Japan. This information was first published online.

2. Assigning pressure of IP addresses. Just like the road network the Internet will become congested. Unfortunately, measures such as the "number lottery," the "number limitation" and other ways to ease traffic pressure on the roads cannot be applied to Internet communications. Because the Internet must assign an exclusive IP address to any terminal connected to the network, IP address allocation will be under increasing pressure to diversify the network terminals.

In modern society, many individual Internet users not only have desktop computers to go online but they also use notebooks, tablet computers, smart phones and other mobile terminals to access the Internet, leading to digital congestion. Lorenzo Koliti, an engineer from Google, told a reporter from the Agence France Presse, "Sometimes, we are like a car driving into a wall."

An IP address (Internet Protocol address) is a logical address used to identify Internet terminals, which is unique and equivalent to the house number of a home address in real life. The existing IP protocol used by the Internet is a 32-digit address called IPV4, with a total capacity of about 4.3 billion. The Internet Corporation for Assigned Names and Numbers (ICANN), headquartered in the United States, is responsible for the assignment of global Internet IP addresses. Its function is similar to the one of the Vehicle Administration of the highway traffic supervision authorities. Rod Beckstrom, president of the "Internet Vehicle Administration," said that just like the increase in phone users that would force telecom operators to upgrade telephone numbers, the increasing Internet terminals are leading to an urgent need for the expansion of IP addresses. However, the IP address growth involves the transformation of the whole system, which is more complicated than upgrading telephone numbers.

International experiences in managing the Internet

The Internet is not a completely virtual world. Its essence is realistic. It comes face to face with the public, directly impacting society. There is a close relationship between the Internet and society.

The rapid development of the Internet has driven many countries, including the US, to look for ideal paths to strengthen its management. Managing the Internet in accordance with the law has become a topic of more and more concern worldwide. During the last decade, the US has introduced the *Children's Online Privacy Protection of 1998*, the *Internet Protection Act for Juveniles,* the *Anti-spam Law,* and other bills related to Internet management. In addition to this national legislation and senator's proposals, a Ministry of Cybercrime established by the US government and media bosses keeps online posting and blogging of good quality. Every country also attaches great importance to advocating netizens' self-discipline when managing the Internet.

1. Legislation. As the birthplace of the Internet, the US was the first to pay attention to legislation in order to make it develop in a healthy and orderly manner. In 1987, the National Computer Security Technology Center was established, and the *Computer Crime Law* was put into place. Furthermore, other legal initiatives included the *Children's Online Privacy Protection of 1998,* the *1998 Digital Millennium Copyright,* the *Anti-cybersquatting Consumer Protection Act*, and the *Internet Protection Act for Juveniles,* the *Anti-spam Law,* and so on. The *Internet Protection Act for Juveniles* stipulates that primary and secondary schools and public libraries must offer filters for the directory of its network service programs. This ensures that school pupils under 17 years old do not come into contact with pornographic content on adult websites. The Act states that the government should provide financial support to schools and public libraries for the establishment of this network filtering technology system.

In the case of Egypt, Internet cafes have a relatively large degree of freedom. The formalities to open a one are not difficult. However, the Egyptian authorities come to the Internet cafes to perform spot checks at any given time. Sabo Li, the manager of the "Speed Net Bar" based in downtown Cairo said that no one dared to visit pornographic websites in his cafe. According to his observations, some websites in Egypt would delete messages from netizens, especially those sensitive topics involving religion, politics, and the current political situation. Requests such as

"Please comply with public morals" are posted on the walls in some Internet cafes in Cairo. If a person publishes illegal remarks or spreads pornography, the departments concerned would soon find the address via the ISP (Internet Service Provider) and deal with it. Egypt has set up an Internet police force similar to those in other countries.

There are four decrees related to Internet management in Egypt. These involve cybercrime, intellectual property, telecommunications management and electronic signatures. In 1994, Egyptian Civil Decree No. 143 decided to set up a special department, the National Computer and Cyber Crimes Division under the Ministry of the Interior dedicated to combating computer and cybercrime. In addition, the Ministry of Communications, the Cabinet of Information, the Decision Support Center and the Egyptian military are also involved in its management.

In the case of Israel, due to the quick development of computer use and network technology, there are not many Internet cafes. Israel is a relatively open-minded country; nonetheless, the relevant departments and Parliament still attach great importance to cases of Internet pornography and cybercrime. As the number of netizens is increasing, Israeli members of parliament continue to put forward proposals on the standardization and management of Internet information. In order to prevent the spread of harmful information in online threads and comments, one legal proposal requires that netizens publishing news and blogs and taking part in forums have to provide detailed factual information, such as their IP address, to the website administrators. The Israeli Shas Party members have also put forward a legislative proposal, requiring that the ISP should only allow adults over 18 years old to browse websites involving gambling, violence, and so on, and then only through special applications and certifications. This aims to protect juveniles against the online intrusion of such information.

According to surveys carried out in 42 countries about 33 per cent are developing regulations related to the Internet and 70 per cent are modifying the existing laws and regulations to adapt to online developments. All the countries in the surveys attach great importance to the infringement of pornography, violence and other objectionable content on the Internet on young people under the age of 18. Almost all the countries have developed special online laws or adopted universal laws to protect young people from this kind of content on the Internet. For example, the US passed the *Children's Online Privacy Protection Act of 1998* and *the Internet Protection Act for Juveniles*. The European Union set up *Juveniles and Human Dignity Protection Proposals* (1998)

and the *Children's Pornography Framework Decision* (2004). Britain, France, Germany, South Korea and Brazil passed the *Youth Protection Law,* the *Juvenile Protection Law,* the *Law against Spreading of Information Endangering the Youth*, and other related laws. It is clear that using a legislative approach to manage the Internet is a common choice in various countries.

2. Government regulations. In addition to legislation, many different countries also use the power of government to regulate the Internet. There are six main supervisory methods of Internet information carried out by the governments of various countries. These are as follows:

i. Policy blocking. The government makes a list of websites, and blocks the ones on the list. From a technical perspective, this filtering generally uses technology such as router-based IP blocking, proxy servers, and DNS redirecting.

ii. The network real name system. The South Korean government has implemented this system since October 2005 in order to correct the out of control immoral behavior in the network.

iii. The content classification system. There are specialized agencies in every country that assess the content (mainly pornography) on the Internet and classify the data so it can be easier to determine what can be spread on the network. This helps parents to filter out adverse content for their children.

iv. Social supervision and reporting mechanisms. In the fight against illegal content, the main measure in the EU is to set up a public hotline through which people can report illegal content. The hotline network is responsible for reporting related information to the relevant departments.

v. Government guidance. The US Federal Bureau of Investigation, the Ministry of Education, and other related departments have published an instruction manual teaching parents about how to search for clues of online lawbreakers placing temptation online for children. The manual guides parents on how to report to the relevant law enforcement authorities as well as other practical details. The government also provides a related URL and has set up a specialized web page and hotline, publishing the latest information about children pornography online in order to make parents more vigilant. In order to promote children to go online in a healthy way, to study and be entertained online using secure methods, the US federal government has launched a website named kids.us. President Bush said that the website functions like the children's section of a library, a place where parents can rest assured their

children are studying, surfing and exploring in a secure environment. Any content of this website is subject to verification and excludes any pornographic content, chat rooms and instant e-mail services that are unsuitable for children.

In 2001 the British Ministry of Education and Skills set up a Children's Internet Protection Task Force, giving advice specifically on the online safety and protection of children. They also set up a special website, providing the latest network security information for parents.

vi. Tax policy guidance. The US passed an *Internet Tax-free Law* at the end of 1998 stipulating that the government would not levy new or discriminatory taxes on Internet transaction services within two years. Nonetheless, commercial pornographic websites could not enjoy this network tax-free policy if they provided children under the age of 17 access to browse nudity, actual or virtual sex, adult images and texts lacking in serious literary, artistic, political, and scientific values.

3. Self-discipline within the industry. It is also very important to strengthen netizens' education, to improve their awareness of self-discipline, and to strengthen the legislative management of the online society. "Less intervention and more self-discipline" is the current watchword in today's international Internet management.

The American Computer Ethics Association has set out their "Ten Commandments;" the website of the US Internet Healthcare Foundation has provided eight criteria; and major forums and chat rooms have implemented rules and regulations.

The European Union established a secure Internet forum in 2004, which widely attracted attention and participation from business representatives, law enforcement agencies, policy makers and representatives of netizens. This has provided a platform to exchange and learn experiences, as well as counter measures against conspiracy and giving advice and support for countries who want to establish self-monitoring institutions.

The UK has implemented the concept of "supervision rather than monitoring" when managing Internet content, semi-officially allowing the industry's supervisory organization the Internet Watching Foundation to solve the growing problems of illegal and criminal activities online.

4. Netizens' self-discipline. Some of the regulations promulgated by the Internet Society in Egypt require that all members should be self-disciplined when using the Internet. This implies complying with ten rules, five of which are listed here:

i. Have the responsibility to comply with the needs of public safety, health and welfare and to quickly detect all factors that may endanger the public and the environment and that may influence or conflict with Egypt's traditional values, morals, religious and national interests.

ii. Comply with requirements that are honest and trustworthy when expressing ideas, and making claims based on reliable data.

iii. Promote and improve the overall awareness of the Internet to form a reliable and mature online society.

iv. Avoid all activities misusing Internet resources or services.

v. Avoid harming others due to errors or malicious actions.

Israel's Internet Association, founded in 1994, is a non-governmental organization of volunteers, advocating Internet self-regulation and online operations specifications mainly at a technical level. Ashok Sihamoni, a member of the board of directors of this association, thought that netizens would reach a consensus about aggressive adverse information that might appear online. He said that parents could use software to help children be protected against online sexual harrassment. This would mitigate the issues of child Internet safety.

There are similar trends arguing that netizens should be self-disciplined in more and more countries. In Singapore, the government holds netizens responsible for the consequences of the content they have uploaded. Li Wenxian, Minister of Information, Communications and Arts of Singapore once said that Singapore's standards and norms were open. On the webpage of the Media Development Authority of Singapore it says that webpages related to national security, destructive towards racial and religious harmony and which undermine social morality standards are prohibited. During the general election in Singapore, political blogs and videos broadcasts were prohibited in order to prevent people from provoking other voters online.

5. The advantages of government functions. In this regard, the practices of the US government are exemplary. A famous website in the United States, the "American Memories," includes information on the Civil War, immigration, customs, and other major events. This could be considered as one of the best textbooks in national education. As a matter of fact, it has been rated as "the best website studying the history of the United States." Another website that is worthwhile mentioning is the "Thomas Webpage." This site was specifically established for the public to understand US federal legislation. The database files consulted on this site in 1997 numbered 100 million, with an average daily viewing of more than 270,000 documents. Also, the White House website

includes the personal files of previous American Presidents, important historical documents like the *Declaration of Independence,* as well as the personal mailbox of the current President. Any citizen can write to the President to ask about relevant issues; the site is ready to answer these questions in order to show the position of the President or the government on these issues. In fact, this has already taken on the Internet's role of advocating ideology as the setting up of these sites was directly managed by the government. "American Memories" and the "Thomas Webpage" were officially launched after the decision, taken respectively by the 104th and 105th US Congress, to give full play to the government's supervisory role.

The development of the Internet has greatly promoted the development of technology, economics, politics, society and culture. It has also promoted the progress of social civilization and the improvement of people's standard of living. Nevertheless, new situations and new problems are emerging and the government should adhere to the basic principles of managing the Internet in accordance with the law. The government should take effective measures according to the characteristics and laws of the development of the Internet. This promotes its scientific development and contributes to its prosperity and development on the world stage.

Some of the international experiences above are very valuable, and we should learn from them.

Section 4. Network management strategy

The appearance of the Internet is the second developmental phase in the global IT field following the appearance of the PC (personal computer). This has brought a major change in the global economy and society. A great deal of information is spread rapidly through the Internet, breaking through all of the original physical international borders. The Chinese government attaches great importance to network management, and has taken many effective measures.

The significance of strengthening the management of network society and netizens

1. National strategy to ensure network security. Since the specific action of cracking down on immorality on the Internet was carried out in

January 2009, network security governance in China has set off a tidal wave of change. A large number of illegal sites have been shut down and the online cultural environment has been markedly improved.

In China, the threat to online security is mainly from pornography, misinformation, hacking and Internet gambling. Pornographic culture damages people's hearts, harms the healthy growth of young people, and disrupts the normal order of society. In recent years Chinese hackers have become more prosperous. Organized crime is evident and there is more and more hacking, invasion of business and other methods employing the meanest tricks. Their destructive power has intensified overall. It is not only the obligation of the government to combat and crack down on hackers, but the whole of society should be actively involved in order to make a contribution to online security. The new form of online gambling is spreading. Today, the social phenomenon of using online methods of payment for gambling is becoming more and more serious. This is not only a serious law and order problem but it constitutes a problem related to national economic security.

In order to face this situation, it is particularly important for the relevant departments in China to strengthen the management of data and perform a clean up to remove damaging information. This is the key to achieving healthy network development and to increasing the supervision of the Internet and mobile phone network.

2. An important guarantee for the revitalization of the online economy. This refers to the economic relationship between production, distribution, exchange and consumption based on the computer network. It is based on information, relies on the computer network, and takes the production, distribution, exchange and consumption of Internet products as its main content; and support, knowledge and technological innovation as its soul.

The online economy is a specific form of knowledge-based economy that affects all aspects of social and economic life at a great speed. The President of China's Geely Group Li Shufu, who had just become the first Chinese boss of Volvo, made shocking remarks at the Network Businessmen Conference held in Hangzhou. He was, "…intending to sell cars online. So far, it has only been a figment of people's imagination to attempt to sell cars online." Geely had previously teamed up with the Alibaba e-commerce platform to begin online sales. "As early as possible, Geely automotive products might be purchased online in 2011." Said Liu Jinlang, Vice President of the Geely Group and General Manager of Geely Automobile Sales Co. Ltd.

On 10 March 2011, *Forbes* published their new annual global billionaires list. The Chairman of Baidu Li Yanhong was promoted to being the new richest man in China with a net worth of 9.4 billion dollars. The Chinese Internet, with an output growth of up to 57.5 per cent, has again proved the mythology of creating the richest people. There were 116 Chinese entrepreneurs above the one billion dollar threshold on the rich list. It is worth noting that several online business owners had over 10 billion dollars and are powerful people. Some of the richest men include the Chairman of NetEase, Ding Lei; the Chairman of Shengda, Chen Tianqiao; as well as the Chairman of Tencent, Ma Huateng; the Chairman of Alibaba, Ma Yun; the Chairman of the Giant Network, Shi Yuzhu; and other Internet heavyweights.

In fact, over the past decade, the Internet has sustained rapid economic growth. Ding Lei (in 2003) and Chen Tianqiao (in 2005) have both been in the position of China's richest person, thanks to the outstanding performance of NetEase and Shengda. After 2005, the industries producing China's richest people spread to the bosses of household electrical appliances, papermaking, real estate, automobile, beverage and other traditional industries.

According to the statistics of iResearch, the market size of the Chinese network economy in 2010 amounted to 154.84 billion Yuan. This was a result of a year-on-year growth of 57.5 per cent. It is expected that the growth rate of the next few years will be just as high, or at least more than 30 per cent overall. However, the search for online advertising represented by Baidu, online games represented by Tencent, Shengda, NetEase and Giant Network, as well as e-commerce and online payment represented by Alibaba are still the most important parts of the online economy.

Currently, the market values of Tencent and Baidu have all exceeded $40 billion, far more than the market values of the China Merchant Bank, Shanghai Automobiles, China Aluminum and other traditional giants. This also means that Li Yanhong, Ma Yun, Ma Huateng and other Internet bosses all have the potential of re-joining the list of China's richest people.

In fact, from a global perspective, the Internet's wealth-generating mythology has become the norm. The founder of Microsoft, Bill Gates, was the richest person in the world for 13 years, while the CEO of Oracle, Larry Ellison; the two co-founders of Google, Larry Page and Sergey Brin; and the CEO of Amazon, Jeff Bezos, have all been regulars on the Rich List. The social media network Facebook, which has had

ferocious momentum recently, has gained the business world's full attention because it has produced six billionaires, including CEO Mark Zuckerberg and co-founder Dustin Moskowitz.

As the Chinese labor supply is becoming tight and real estate is at a low ebb, the Chinese economy will undergo profound structural changes in the next few years. The construction and financial industries are suffering large losses, while retail sales of consumer goods and light manufacturing industry will enter a new era that is more personalized and interactive. The economy is likely to be faced with a situation similar to the one of the recent recession. As a result, the online economy could become the new pillar of industry, supporting the Chinese economy to develop more healthily and coherently. It is a current major challenge of how to promote the development of the online economy through effective management.

3. Strengthening the army through the Internet is a strategic choice of China's military development. The high-speed flow of online information has become a driving force promoting the rapid development of world politics, economics, military, diplomacy and other fields. The strategic significance of the Internet lies not only in being an effective tool to break down national borders, to communicate global information and influence international affairs, it has more importantly become a key resource of military strategy. With the coming of the Internet era it is fast becoming an unavoidable strategic proposition to strengthen the army through the Internet.

Strengthening the army this way is closely related to national network development strategy. China can currently be called a big player on the Internet, but not a network power. In order for China to evolve from this position, the development and construction of the network must be planned from the perspective of national strategy. There must be increasing investment, and China must develop by strengthening national online construction to increase the strength of the military. This can be achieved by relying on the Internet to ensure national cyber security. This should be the strategic choice of our military to achieve rapid innovation and development.

Strategic thinking in online management

1. Governing the Internet by law and by virtue. The nature of the netizen society lies in the scope and substance of its online activities, for which

we can use the metaphor of "ground activities in space and space activities on the ground." This is what constitutes the netizen society phenomenon. Online information is borderless. However, online geography belongs to the physical areas of ground and sea territory and airspace, which have national and regional borders.

It is the responsibility of every national government to carry out geographical leadership and management of the online netizen society. What is effective online leadership and management? The author thinks that the leadership and management method of governing the Internet by law and by virtue should be implemented. Online leadership and management cannot be separated from the constraints of the law and or from the improvement of the quality of netizens, as well as their moral education. The rapid development of the Internet provides new areas and positions for the rule of law, and these legal measures and regulations in turn provide effective protection for its further development. Meanwhile, efforts to govern the Internet by means of virtue must be strengthened, thereby continuously improving its moral education and construction. Only by a combination of "governing the Internet by law" and "governing the Internet by virtue," can the thoroughness and effectiveness of network leadership, management, remediation and administration be really ensured.

2. Improving the governance of the Internet by legal means. Compared to the rapid pace of Internet development in China, our leadership and management in this field is still seriously lagging behind. Online related laws and regulations are few. When dealing with problems, the laws and regulations, which leadership and management departments rely on, are of a relatively low level, directly impacting the effectiveness of their implementation.

On today's Internet in China, some people are selling weapons; some are selling counterfeit drugs; some are claiming to be able to forge ID cards and other documents; and some people are even selling human organs. The People's Congress should strengthen the leadership and management of online netizen society legislation. It has set up the Network (Netizen Society) Leadership and Management Committee that is responsible for the formulation of rules and regulations for the Internet. This will allow the government to lead and manage the online society in accordance with the law, and strengthen the legal education of netizens.

3. Leadership in governing the Internet by law and by virtue. This occupies a pivotal position in the online leadership and management of

improving the moral awareness of netizens by means of laws and regulations. However, these are by no means the only cure promoting the normal and healthy development of the Internet. Due to the limitations of legal norms, as well as the reality that the law is seriously lagging behind the development of the network, moral education needs to be vigorously strengthened in many fields of online leadership and management. On the premise of continuously strengthening the idea of "governing the Internet by law," efforts to improve the moral awareness of netizens, that is, "governing the Internet by virtue" should also be reinforced. It is key to improving the education of virtue, benevolence, courtesy, sincerity and sense of shame, to opposing the anarchism of netizens, and to continuously strengthening the moral education of the Internet. Only by the above combination, doing both at the same time, can the thoroughness and effectiveness of online leadership, management, remediation and administration be really ensured. Otherwise, simply focusing on one aspect and neglecting another can only lead to half the results with double the efforts, or even futile results.

4. Implementing network censorship and network monitoring. It is necessary for the country to carry out the censorship of network leadership and management. Domestic websites, and websites coming into China must go through political censorship. Those not abiding by Chinese law, endangering national unity, sovereignty and territorial integrity, disturbing the social order, or undermining social stability must be resolutely closed down.

The staff of public security departments (mainly the Internet police); national security departments; news leadership and management departments; communication leadership and management departments; cultural leadership and management departments; radio, film and television departments; publishing departments or classified sectors involved in monitoring network-wide forums, blogs, chat rooms, private instant messaging, e-mails and other online information can ban, plug and block harmful information that may use the Internet to spread rumors. They should especially ban websites inciting subversion of State power or the overthrow of socialist systems; splitting the country; undermining national unity; inciting ethnic hatred and discrimination; stealing or leaking State secrets; publishing obscene material by domain name hijacking, keyword filtering, gateway IP blockades and electronic data forensic technology. Meanwhile, it is important to implement online monitoring of specific groups of people, as well as blocking the online communication of certain people.

5. Combating cybercrimes in accordance with the law. In recent years, cybercrime in China has shown an upward trend. This trend combines various traditional crimes and cybercrimes that are increasingly evident; network fraud, online theft and other crimes infringing others' property are growing rapidly. These include the crimes of making and spreading computer viruses; of intruding on and attacking computers and the network; and of spreading pornography and being involoved in gambling through the Internet. As a result, online criminal activities must be fully investigated for criminal liability in accordance with the law. Other infringements that do not constitute a crime are subject to administrative penalties.

Any form of online hacking activities must be resolutely opposed. Hackers undermining network security must be resolutely brought to justice. Meanwhile, more specific stipulations should be made about criminal penalties for illegal activities such as illegally obtaining stored data stored, processed or transmitted in the computer information systems, and offering procedures and tools specifically used for breaking into and controlling computer information systems, and so on.

6. Strengthening the construction of the online leadership and management system. The Chinese government has a very clear attitude towards the governance of netizen society. It manages the Internet in accordance with the law. Foreign countries should abide by Chinese laws and regulations if they operate in China.

At present, there are three main Internet management sectors in China:

i. The Internet Bureau of State Council Information Office, which is mainly responsible for the supervision of public opinions on current affairs.

ii. The Ministry of Information Industry, which is responsible for the management of industry on the Internet.

iii. The Ministry of Public Security, which is mainly responsible for the fight against illegal and criminal network activities.

Besides these three departments, cultural, educational, health, industrial and commercial administration, as well as the Ministry of State Security, the State Secrecy Bureau and other relevant authorities supervise and administer the information content on the Internet in accordance with the laws within the scope of their duties. As mentioned earlier, China's Internet management system is like the railway police, with department each managing its own section. In the event of issues that need to be resolved, everybody gets together and deals with them. The whole system should be changed to a classification level distribution structure.

7. Strengthening the management of domain names. As part of Internet leadership and management, China has strengthened the management of domain names. The country's scientific research institutions, government agencies and defense sites respectively correspond with categories of domain names such as "dot.ac" "dot.gov" and "dot.mil" set under the top-level domain name of "dot.cn", thus getting rid of the control of the American domain name company ICANN.

In the future, we will not have to rely on ICANN to establish addresses, but we will need to gradually establish a Chinese Internet, which will make it easier to manage the information censorship system than it is under the American domain name management system. As Michael Geist said, this program might make it easier for Chinese monitors to shield themselves from international "subversive" information.

8. Speeding up the construction of the Internet police force. Currently, more than 20 provinces, municipalities and autonomous regions have established an Internet police force. As has already been noted, the Internet police still cannot meet the requirements of the current situation. In the past, the Internet police was one of the most mysterious and most low-key organizations in China. But now this air of mystery is not needed. On the contrary, they should be visible to the public. After ten years of exploration, the Network Security Monitoring Branch of Shenzhen Municipal Public Security Bureau was the first in China to push the Internet police to the front of stage from behind the scenes. In the future, they will not only be made known to the public, but they should evolve continuously.

9. Network management should prioritize persuasion. Freedom of speech is a symbol of China's social progress. Nowadays the management of the Internet in many countries is mostly persuasive, not prohibitive. Some things can be shielded against, but many more have still to be dealt with by relying on improving the self-discipline of the industry and strengthening the netizens' moral education.

During the process of specific operations, mainly persuasive measures should be adopted. For example, notices issued by the Information Office mostly use guidelines, such as the need for things to be strictly checked, and paying attention to the comments of netizens. However, when talking about punishing offending websites, the measures are more "open-minded." The websites in question only need to delete the illegal or harmful information on their websites, and will not go through the punishment of being shut down because they published information unfavorable to the Administration.

10. Actively carrying out international exchanges and cooperation. Many of the current problems with the Chinese Internet are international. As a result, it is very important to strengthen international cooperation when dealing with these issues.

The Government should strongly support and actively carry out international exchanges and cooperation in the Internet field.

In the field of combating cybercrime, Chinese public security agencies should actively participate in the Interpol South Asia Pacific Working Party on IT Crime, the Joint Liaison Group in Sino-US law enforcement cooperation (JLG) and other international cooperation. China should further strengthen bilateral or multilateral talks with the US, the UK, Germany, Italy, Hong Kong and other countries or regions, for consultation on online leadership and management and the fight against cybercrime, and in order to learn from the useful experience of other countries in the development and the management of the Internet.

Top priority tasks for Chinese online leadership and management

In relation to Chinese online leadership and management, there are three urgent tasks:

1. To strengthen the construction of Internet laws and regulations, to strengthen the creation and production of online cultural products, and to innovate social leadership and management through new information technology.

During the NPC and CPPCC in March 2011, the deputies of the National People's Congress recommended "innovating social leadership and management by means of new information technology." In today's information-based society, the government should learn about and actively use new information technology for the innovation of social leadership and management, and for joining the Internet together with the rest of society.

In order to protect national information security, network quality, and the main body of network system construction, their management and application need to be defined and clarified as soon as possible. It also needs to be integrated into the national "12th Five-Year Development Plan" and its construction projects, determining as soon as possible the specific content of governmental, industrial, and livelihood information projects, thereby establishing an overall society leadership and management information system. These are led by the government, they

are participated in by society, and they serve the overall situation in order to make the construction of society leadership and management information systems more targeted and directional, thus speeding up the pace of implementation, drawing conclusions from pilot results in a timely manner, and developing measures and means to vigorously promote those projects with effectiveness and universality throughout the country.

2. Raise awareness of the hazards of the "Internet Water Army." Today a so-called "Internet Water Army" is appearing among Chinese netizens. This consists of staff employed by online public relations firms that assist others to gain recognition by publishing and replying to posts.

When the Internet Water Army is supposedly playing a positive role, its negative impact is obvious. It can help commercial enterprises behind the scenes, quickly spreading malicious information and fighting competitors. It also attracts the attention and participation of netizens for newly developed and newly established online products (such as websites, forums, online games, etc.) and increases their popularity. Much of the negative side of the Internet Water Army is supported by foreign organizations with ulterior motives, continuously publishing and posting wrong information or provocative language on major domestic forums, causing conflict between netizens, and conducting online cultural infiltration.

The Internet Water Army is hidden among ordinary netizens who have corporate interests behind them, and who make up false public opinions to mislead their audience, and even to influence government decisions. It is a troublemaker which misleads public opinion and subverts the public moral order, and which must be resolutely curbed as soon as possible.

3. The national construction of "network defenses." In this information age, the Internet crosses the traditional national borders silently, connecting information hubs physically far away from each other, and making it easy to enter the heart of a country through virtual space. This change breaks down the existing pattern of national defenses, and greatly impacts the traditional concept of defense itself. As a result, online defenses should be regarded as an important factor in national security and must be included in the wider scope of national defense construction, whether it is based on the present or focusing on the future.

The best way to strengthen the online defenses of our country is to improve their resistance capability. The top priority is to establish the concept of online defenses, to set up defense mechanisms, and to

strengthen their power. All this vigorously promotes their construction and comprehensively improves the military's ability to defend online frontiers.

Strengthen overall planning and develop a national cyberspace security strategy as soon as possible. Establish long-term, mid-term and short-term development goals, focus on the main aims and development of national cyberspace, and build supporting cyberspace security and military strategic systems in order to guide the online defense construction of our country from the top level as early as possible. Carry out research to develop and perfect cyberspace security regulations, regulate the overall construction and use of the information network in China, and prevent the proliferation of State secrets and sensitive internal information.

13

A new theory on business leadership management

Management science has developed with the creation of human consumption and the process of consumption creation. Before the idea of scientific management was put forward by the American Frederick Winslow Taylor, the management of business production and operations generally fell into the category of experimental management. After the invention of the steam engine, business production grew into intensive mass production. Taylor summarized its practices and created a theory of scientific management, publishing *The Principle of Scientific Management* in 1911. Then in 1916 the Frenchman Henri Fayol summarized practical experiments, and published *Industrial Management and General Management* on the basis of Taylor's scientific management ideas. By then, business management had developed from production process management to operations process management.

Max Weber, the German who established the "theoretical administrative organization system," is known as the "father of organization theory." In the 1920s, scientific management developed into management science, which was represented by George Elton Myao, Abraham Maslow and Douglas McGregor in America.

The development of contemporary management mainly involved the social system theory, the decision-making theory, and the contingency theory schools. The social system school was represented by the American scholar Chester Barnard; the decision-making theory school was represented by American scholars Herbert Simon and James March; the system management school was represented by Fremont Kast and James Rosenzweig; and the empirical school was represented by Drucker and Dale. The contingency management theory was established by F. E. Fiedler, an American who put it forward in the 1970s. Management science is sure to keep on developing with the ongoing development of the practice of the three most important types of consumption.

Consumption and business management matter a lot to a company. In order to straighten out their relationships and functions, we need first to be be clear about the actual concepts of business and management.

Section 1. A new concept of business

Business is one cell in the composition of social economics and a form of organization by which mankind asks nature for consumption materials and then creates dynamic processes with this material. Business runs with a dissipative structure. Dissipative structure theory, officially put forward by Prigogine in 1969 at the national meeting of theoretical physics and biology, is a major part of organizational phenomena, which refers to an objective ordered structure, which in turn becomes unbalanced during the process of exchanging material and energy with the outside world through the effect of energy dissipation and the mechanism of non-linear dynamics. It is formed through a process of mutation and remains permanently stable. The process of a business producing products is a consumption process and the business itself is also a consumer. Business production activity is a process during which it has a relationship with nature and a reflection of the relationship between people or between people and society, and which must adapt to the complex natural and social living environment. Consumption is the main force behind the production, marketing and operations of a business.

The operational philosophy and behavioral features of an entrepreneur are first to bear the responsibility of business operations and second to involve social responsibility, that is, to produce the maximum business profits with minimum consumption expenditure. The interests of a business are divided into two parts. The first part consists of profit interests. The second part consists of social interests:

1. Produce and sell products with a practical value popular with consumers.

2. Generate tax.

3. Contribute to social employment.

4. Make contributions to public welfare.

5. Make contributions to extensive reproduction and renewal for the development of the business.

The operational philosophy and behavioral feature of a capitalist is the one and only purpose of operating a business in pursuit of profit. Any means can be applied to gain interest and profit, including harming the interests of vast numbers of consumers and their society. An entrepreneur and a capitalist are the same in the purpose of achieving profit through careful operations, while the boundary between them lies in the fact that a capitalist does not have a sense of social responsibility.

The purpose of an entrepreneur pursuing profit is not only for the sake of profit. An entrepreneur regards the operation of a business as a social responsibility. Business must make a profit since it is the lifeblood of the social economy. Without a profit, a business will go bankrupt, not to mention its social responsibility and interests. Social responsibility assumed by an entrepreneur should be based on a business' profit. Or else, he will not realize that social responsibility; these two are in conflict with each other.

Although capitalists hold mercenary operational ideas, objectively speaking they still assume a certain social responsibility. This is due to the fact that maximization of profit is equal to the realization of social responsibility. Without social interests, a business cannot realize its own interests. This is the unity of opposites in this contradiction. The operational ideas of a business determine its behavior. Overlooking social responsibility in the pursuit of profit hurts consumers and social interests. Capitalists should leave their "operation maze" to realize this fact. Business ultimately belongs to society, as does wealth creation. Nobody can bring a fortune with him when his is born, neither can he take it away when he dies. Wealth comes from society, and so to society it shall finally return. Therefore, the business operational ideas of a capitalist should be the same as an entrepreneur. We need to learn from Japanese Panasonic and other entrepreneurs and strive for excellence.

Section 2. A new concept of business leadership management

1. A new concept of modern business management is a people-oriented scientific management process, during which the research, development, production, marketing and services of a business are systematically integrated by means of functional elements such as technical tools, working methods, corporate culture, and management methods in accordance with business management regulations. Lower consumption

costs can be applied to producing more high-quality consumption products, in order to achieve a better dual-purpose.

The functional elements of business leadership management include: organization, decision-making, consumption objectives, target plans, resource allocation, rules and regulations, discipline, the delegation of decision-making, strategy, tactics, monitoring, safety, and so on.

We should base this discussion from the perspective of two aspects in order to find out the future direction of modern business: first, the correct relationships between business and individual; second, the future evolution of the organizational forms of business.

Any evolution of business leadership and management cannot take place without leadership management law:

i. The production of manufacturing industry determines the leadership management means of production in line with the production of knowledge, techniques, processes and procedures.

ii. The marketing business determines leadership methods in marketing and business operations which are in accordance with the pattern of "a big marketing service system based on the target needs of consumers."

2. The fact should be realized that people have always been the rulers of everything in nature in any historical era. They are members of a society that needs material, spiritual, cultural, informational and social activities. He is neither a tool with a soul nor a slave.

3. Business leadership and management consist of a hierarchical structure within the whole system. The leader and manager of a business is also a person who needs to be led and managed, and vice versa. He is both the subject and object. He is a part of the process of the unity of opposites, where the main and secondary conflicts can be mutually transformed under certain conditions.

4. Corporate culture is the soul of the unity of the staff members in a company. The leadership and management methods that are used to carry out management according to laws, rules and regulations are a kind of relentless discipline, which can control people's behavior but cannot regulate their thoughts. Discipline and rules cannot regulate people's negative ways of thinking, nor can they create a positive mood, subjective initiative and creativity. Only by depending on the working methods and arts (soft management) of leaders and managers can this problem be solved.

The new concept of business leadership management is an abstract summary of its theory. The process that uses the theory to guide practice should be simple and have a logical work method, that is, the six-step working method of logical thinking:

i. Work should be carried out in accordance with six-step working method of logical thinking.
   - The first step is to formulate objectives and tasks.
   - The second step is to formulate the standard requirements of the objectives and tasks.
   - The third step is to nominate the people responsible for completing the tasks
   - The fourth step is to set the time and place required.
   - The fifth step is to specify a system of reward and punishment.
   - The sixth step is to summarize the experience and lessons learned.

ii. The three contrasting formulas for executive power:
   - With a definite task but without any checks or rewards equals a zero result.
   - With a definite task and with checks but without rewards or penalties equals a poor result.
   - With a definite task and with checks, as well as rewards and penalties equals a superior result.

Books about leadership management theory or experience are too numerous to mention, but any leader or manager should not conduct their work merely by reading. When it comes to how to transform knowledge from thousands of books and a lot of experience into working guidelines, the easiest, most practical, and most used method is the six-step working method of logical thinking. This method is of significance for leaders and managers of all levels to guide their work and guarantee the effective implementation of their plans.

The business and the individual are equal whereby the business should meet the needs and demands of the individual. We will now discuss the correct relationships of the two in terms of demand, resources, responsibility and effectiveness.

The relationship between the business and the individual

1. Demand-oriented. The individual asks the business for payment, status and opportunity.

2. Resource-oriented. Individuals can provide the business with intelligence, imagination and creativity.

3. Responsibility-oriented. The individual is responsible to the business for dynamism, influence, and power of organization.

4. Effect-oriented. The individual desires from the business promotion opportunities, leadership capacity and a sense of achievement.

The business' influence on the individual

1. Demand-oriented. A business asks the individual for a guarantee of profit, a practical contribution to the company, and to eliminate anyone not beneficial for the company.

2. Resource-oriented. A business can provide the individual with a working environment to satisfy the individual's social demands, payment from the profits, and assistance with individual growth.

3. Responsibility-oriented. A business needs individuals to be able to display leadership capacities, to effectively utilize resources, and to bear all responsibilities within the range of his rights and responsibilities.

4. Effect-oriented. A business hopes that as part of a team individuals can enable the company to grow, to gain more profit, and to grow together.

When we compare these one by one, we can clearly define the correct relationship between a business and the individual.

The future direction of a business

In terms of organizational form, future business has five orientations:

1. Size: focus power on establishing strong management in the fiercely competitive international market. A business with a widely distributed management team can easily lose. Only a huge, centralized business can make a profit. That is why mergers and acquisition are so popular at present.

2. Specialization: future business operations will be expert and professional. Professional business cannot be carried out by outsiders anymore. Leaders hire experts to operate their business for them. The expert is responsible for making a proper profit. Only when investors become separated from actual operations can power and responsibilities be separated and supervision be strengthened to avoid any deviation from the business' direction.

3. Cross-border operations: one shortcoming of being an independent country is that business survival can be threatened when there is turmoil in the domestic market. Therefore, a modern business should explore overseas markets to balance risks. Besides, a single nation market may cause over-saturation so that market growth is influenced and due profits are compromised.

4. Capital popularization.

5. Free competition.

The future development of modern business should depend on the five above-mentioned aspects. The success of business will depend on whether these five orientations can be met.

Section 3. The philosophy of business leadership management

1. Values: business profits and consumers dominate. Everything should center on consumer demands and serve consumption, with consumer satisfaction as the supreme goal.

2. The "boundless concept." For business leadership management and corporate culture, please refer to *Enterprise Culture is the Soul of Enterprise Management* in *General Consumption.*

3. Market-oriented: to pursue consumer demands, create new needs of consumption, serve consumers, and meet their preferences leading to customer satisfaction.

4. Social responsibility: business comes from society, serves society, contributes to society, and returns to society.

5. Business development and management philosophy. Business development is emphasized while management is applied to achieve

balance, that is, the rule of emphasis – balance, balance – emphasis (for details, please refer to *Development Benefit and Management Benefit* and *Consumption Leads Enterprise Innovation* in *General Consumption)*.

i. Business renovation and "renaissance:"
   - Cut off non-profitable units.
   - Revitalize derelict assets.
   - Reform the organization and carry out restructuring.
   - 4. Developing new sales techniques and introducing new high-tech products to win the favor of direct consumers leads to a "renaissance" of your business.

ii. Be people-oriented; respect human rights and dignity. Manage people according to national law and business regulation. People are masters at managing things, material and property. Realize the community integration of society, business and the individual.

iii. Business development: consumers should prevail. Everything should center on consumers and their service.

iv. Business survival: the demand and trust of consumers breathe life into business survival.

v. Emphasize business development: without innovation, business would be eliminated. Balance is achieved through management regulation, improvement and reform to conform to the demands of business development. Business development and management are both a dynamic process and unity of opposites.

vi. Information screening: consumption determines everything in modern business. It is very important to investigate and collect extensive and complex consumer information, and to analyze it using scientific intelligence to provide accurate, refined and detailed information to leaders so that decision-making mistakes can be avoided.

vii. Business leaders: combine strategy and tactics according to information about target consumers; formulate a series of decisions to be made, organize spot trials to acquire experience and lessons and then launch the appropriate scale of development.

viii. Gradually modify mistakes to conform to market development rules: carry out executive monitoring of business plans; modify these plans by detecting and correcting mistakes to ensure the balance – emphasis, emphasis – balance formula.

ix. Information screening: use various convenient and fast communication networks for establishing a basic and up-to-date information database. The most important information is the latest information.

x. An information screening database should be based on the following:

- Comparative analysis.
- Historical analysis.
- Forward analysis.
- Building of valuable information.

We should note that information without value is disastrous to a decision maker. Information authenticity is a guarantee for successful decision-making, or else mistakes will be made, causing a catastrophic failure of the business.

Section 4. Consumption and the control operations budget

The whole process of business operations is of consumption and consumption generation. A business is one of the cells making up the social economy. Business operations are a process of profit generation, and which are influenced by the environment and competition.

Business dual benefits refer to social benefits and business profits. They are generated during the process of production consumption and final product consumption by consumers.

Social benefits include products with a practical value (including consumption during the production process) which are directly consumed, tax, employment and so on. The transformation of scientific results into the productivity of consumer society creates progress, thereby generating new technological products with practical value during the production consumption process. Consumption indicates social civilization and progress.

The only business benefit is profit, which is why it is known as "profit benefit." During the creation of social benefits, a business creates surplus labor value or surplus product value. And the two are in a relationship of unity of opposites. Without social benefits, there are no business profit benefits. Without business profit benefits, a company will go bankrupt, thereby failing to create social benefits. Besides a small portion of business profit benefits enjoyed by investors, the rest is transformed into consumption funds for reproduction, thus generating social interest. During production, a business creates commodities with practical value, which are in turn consumed by consumers. The generated surplus labor value, that is, the surplus product value, is known as the "rule of profit social benefits," and it functions in any society.

When we study business plans and the management system of budgeted profit, we can understand the main contradiction of a business creating dual benefits to lead to the organic and orderly development of the unity of the opposites.

Through scientific budgeting, a business can define the results of its operations, its financial status and the means of its achievement in future operations in the form of currency and quantity in order to adjust and control the operational activities of the business and its various departments and to realize the overall management of the business. In utilizing this tool, we should conduct an integrated analysis of the social environment, natural conditions and internal environment of the business for consumption produced by the business and its management of the budgeting benefit of its plans of operations. The overall process of a business plan and budgeting benefit system should focus on profits, which are the internal driving force for business development. Business development and marketing are external factors for competition and development, which is an indication of the fundamental rules of business.

Business operational profits and the management of operational planned budgeting have an important causal relation. A Chinese saying goes: "Eating and clothing cannot impoverish us. Without a plan, we will always be poor." This saying just illustrates the importance of planned management and includes income, operations and saving. We can summarize the purpose of operations management like this: during the operations process, we use minimum expenditure consumption to create maximum income benefits. However, business consumption and operations management are not a simple theoretical topic, but more importantly, they are a practical topic. Theory comes from and is

superior to practice; it guides practice. Theory is not a repetition of practice, which should only be tested, improved and developed in practice. Practice always prevails. Most entrepreneurs achieving great or small success are not theoreticians from the start. During practice, their successful experience conforms to economic rules. Sticking to this rule, they gradually achieve success. The rule belongs to the theory. However, most successful entrepreneurs fail to summarize and pass on their practice into theoretical recognition, staying solely in the practical process. However, experience is very practical, guiding you to create higher income benefits with minimum input consumption during the operations process.

The author's exposition on consumption and the control and management of budgeted profits in a business plan of operations based on theory and practice has practical meaning. This is not static or unchangeable management theory; it will develop with practice since the methods of management are confirmed by the goals of operations, advanced production tools, processes and means.

The management method of sales service is confirmed by the budgeting mode of the goals of sales service. Due to the constant development of high-tech productivity and constant changes of means production, the methods of operations management also constantly changes. Change is absolute, which better conforms to the development of productivity of consumer society. Invariance is relative, so there is a need for balance, which safeguards the need for the development of productivity of a consumer society.

1. Formulating plans. The control and management plans of a business' consumption and operationally planned budgeting should be formulated in accordance with the long-term, medium-term and short-term strategies and tactics of the business. Long-term planning is usually more than five years, medium-term planning is from two to five years, while short-term planning is usually one year or less. A short-term plan is subdivided into monthly plans. This is the general method and rule for plan formulation. Medium-term and short-term plans are implementation plans, in particular, the specific implementation of the yearly plan. Sometimes, some part of the long-term and medium-term plan can overlap with the short-term plan. Although the operationally planned budget and control of profit management is formulated based on objective reality, they still belong to a subjective grey area, while objective practice is in progress every minute. The plan should be tested by reality. Therefore, during the implementation of a plan, leaders should monitor and control the

implementation process, summarize experiences and correct any problems in a timely manner. Carry out plan checks every half a year to rectify them if necessary in order to ensure the completion of short-term plans. At the end of each year, on one hand summarize the experiences and lessons learned from the implementation of the short-term plan and then formulate a further short-term plan for the following year. At the same time, modify and improve the medium and long-term plans.

2. The systematic management of a planned budget. Buisness makes investments with the purpose of achieving target benefits (business and social benefits) by means of management methods. For the management method of business profit budgeting, the target profit is determined first, and then the budgets for sales, costs and expenditure are calculated while being controlled by means of budget management, so that the planning of business investment and the scientific nature of business management are greatly improved.

3. Further analysis of business profit budget management. The study of the relationship between a business' sales revenue and profit from the perspective of management is called cost-volume-profit analysis. While determining the operations objectives of a business, the balance between revenue and consumption costs, that is, the break-even point, should be calculated first, which is the main basis for formulating business objectives. By designing a model, we can carry out a monitoring and decision-making analysis on the three determined variables. (See Fig. 13.1) Basic statement of profit and loss.

Profit = sales income – variable cost – fixed cost

Profit = sales volume × unit price – variable cost – fixed cost

i. Confirm the rectangular coordinate system, with the horizontal axis representing sales volume and the vertical axis representing costs.
ii. Find the value of fixed costs from the vertical axis by using the horizontal axis O and point A on the vertical axis as a starting point to portray a line of fixed cost F parallel with the horizontal axis.
iii. Use horizontal axis O and point A on the vertical axis as a starting point and unit variable cost to determine the overall cost line V.
iv. Use the origin of the coordinate as the starting point and unit as a ramp to portray sales revenue line S.

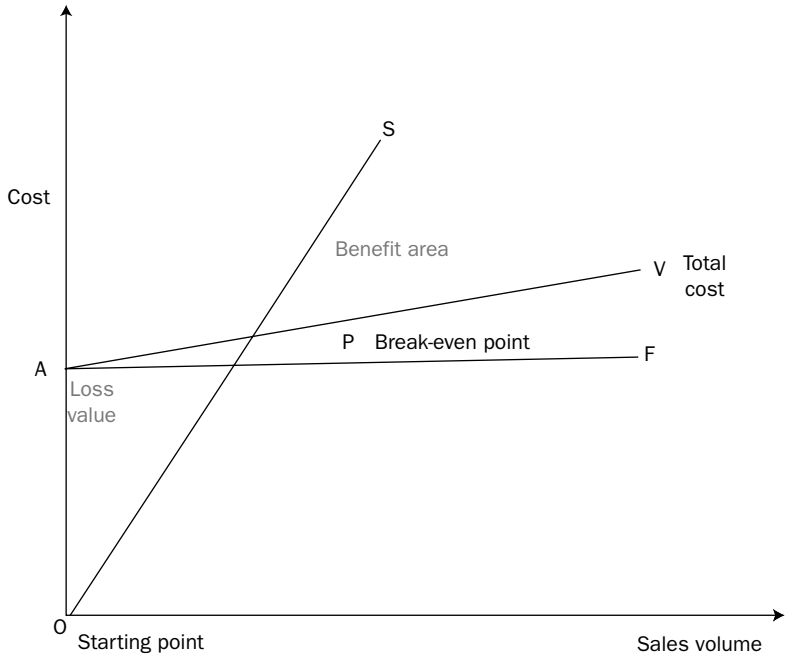


Figure 13.1 Basic statement of profit and loss

v. The cross-over point of the sales income line and overall cost line is break-even point P; the upper right side of the break-even point is the area of profit while the lower left side is the area of loss.

According to this figure, we find out the balance point of business income and overall costs. Profit is made when the sales income is above the balance; when it is under the balance, there is a loss, which is the primary basis for formulating business goals. Certainly, there are many variable factors for business profit, but here is the fundamental basis.

Budget assessment from the perspective of profit and loss equations

Under the conditions of ordinary relative markets and regular business activity, a business' profit can be calculated. Then the existing resources of the business should be utilized to reasonably arrange and develop the sales volume and revenue of consumption commodities, in order to control their costs and to achieve a profit. When the objective is

determined, the systematic and scientific management of planned and budgeted profit should be carried out.

1. Formula of the sales volume required for achieving target profit:

$$\text{Sales volume} = \frac{\text{Fixed cost} + \text{Target profit}}{\text{Unit price} - \text{Unit variable cost}}$$

2. Formula of the unit variable cost required for achieving a target profit with established sales volume:

$$\text{Variable cost of unit price} = \frac{\text{Unit price} \times \text{Sales volume} - (\text{Fixed cost} + \text{Profit})}{\text{Sales volume}}$$

3. Fixed formula required for achieving a target profit under the condition of established sales volume:

Fixed cost = Sales volume × (Unit price – Unit variable cost) – Target profit

According to the above profit and loss equation, a profit budget model can be displayed on a cost-volume profit diagram. (See fig.13.2)

i. Confirm the rectangular coordinate system: with the horizontal axis representing sales volume and the vertical axis representing costs, sales income and profit.

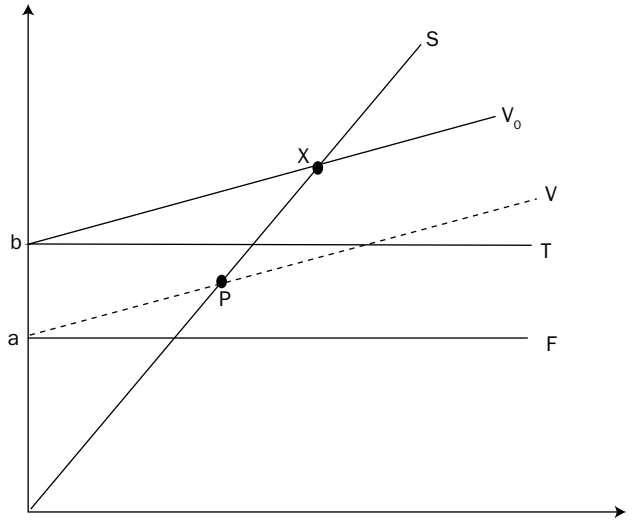


Figure 13.2 Cost-volume benefit under budget management

ii. Find the value of fixed cost a on the vertical axis; use this point as a starting point to show the line of fixed cost F parallel with the horizontal axis.

iii. Use horizontal axis o and point a on the vertical axis as a starting point, and unit variable costs as a line to show the overall cost V.

iv. Use the origin of the coordinates as the starting point of the line to show sales revenue S.

v. Above the fixed cost line, use target profit point b to show the target profit line T parallel with the fixed cost line.

vi. Use the target profit line as a basis and portray line Vo, including target profits and overall costs running parallel. The crossover point X of line Vo and sales income line S is the balance point to realize target profits, known as the budget break-even point.

According to the cost-volume profit diagram under profit budget management, we can see that under fixed costs, if the unit price rises, the angle of the line of sales income increases and the crossover point with line Vo is based on target profit interest. Thus, the target profit interest is calculated in advance. It can also be calculated relatively. A comparison with figure 13.2 is seen as follows:

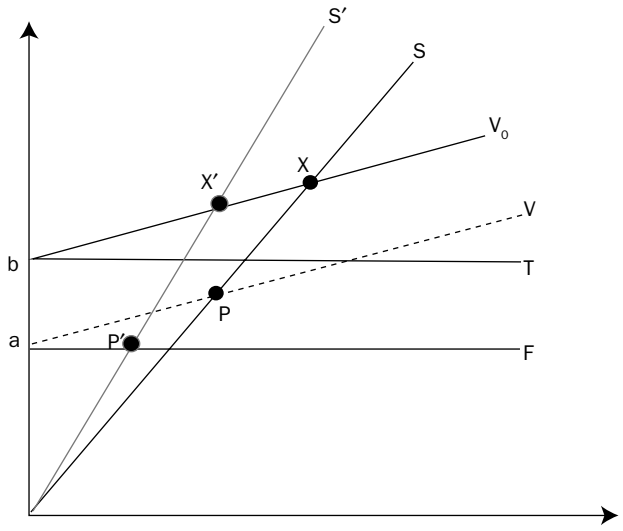


Figure 13.3 Comparison between S and S′

Under a fixed unit price, if the unit variable cost rises, the angle of line V0 based on target profit interest correspondingly drops and the crossover point with sales income, that is, the break-even point also falls. Thus, the target profit interest is calculated in advance. A further comparison with figure 13.2 is seen as follows:

Under a fixed unit price and unit variable cost, if the fixed cost falls, line V0 based on target profit interest goes down, and so does the crossover point with sales income. The target profit of the enterprise can be calculated from a relatively low sales volume. If the sales volume continues to grow, an above-target profit is achieved. A further comparison with figure 13.2 is seen as follows:

The aforementioned analysis illustrates that the fundamental principle of the management method of profit budgeting is as follows: sales volume and costs are worked out by budgeting to achieve a target profit on the premise that the target profit is already established, and a business can achieve above-target profits by expanding sales volume and reducing costs on the basis of pre-determined sales volume and costs. If the sales and cost budget, the cash budget, the research and development expenditure budget and so on are considered from the perspective of long-term decision-making, these budgets are connected to form the system of business profit budget management.

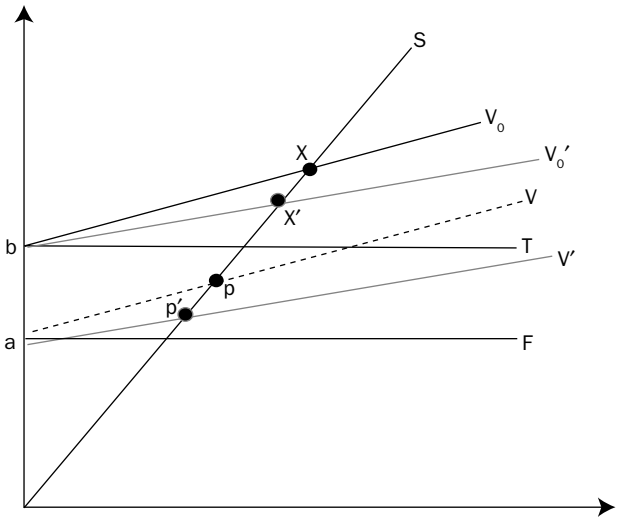


Figure 13.4 Comparison between V0 and V0' if the unit variable cost rises

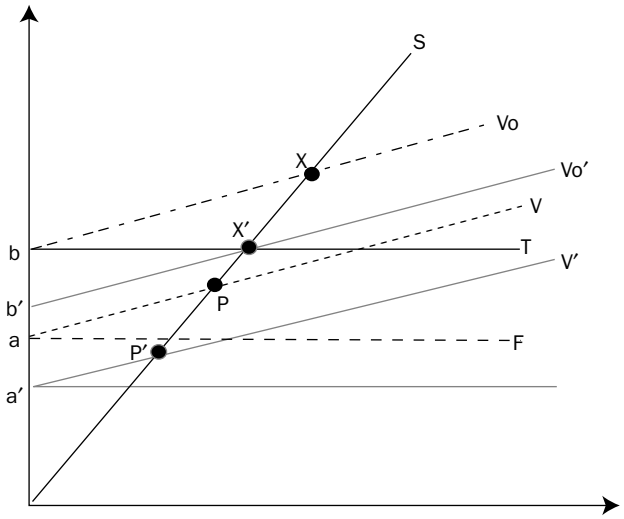


Figure 13.5 Comparison between V0 and V0' if the fixed cost goes down

Budget management with a focus on profit benefits

The crossover point of sales revenue and total costs under the budget management method with a focus on profit benefits is called the budget balance point. Like X shown in figure 13.2, the budget balance point is the direct basis for investigating whether the target profit can be realized by profit budget management.

The meaning of the budget balance point lies in the fact that the realization process of the target profit can be visualized and the financial meaning of an over-budget balance point can be explicitly portrayed. The triangular area under the budget balance point indicates the realization process of the profit target. Line V0 contains the target profit benefit and total costs. The crossover of this line with the line of sales income S is also the process of the realization of the profit target. The crossover area of V0, S and J vividly depicts this process. The upper right-hand area of the budget balance point, which is the area with the crossover of S and V0, indicates the over-budget profit benefit area or above-target profit benefit area.

The crossover point of sales revenue and total costs under the budget management method with a focus on profit is called the budget balance

point. The budget balance point is of great significance to budget profit management. In addition to an average situation, it also manages estimated market sales volume and total costs and profit. It is important to strive for technical reform or increase sales revenue or take measures to reduce costs to guarantee and develop the target profit. This is the basis for the system of business leadership management.

For the budget system of business profit, all budgets make up a complete and supporting budget system, which is the carrier of profit budgeting. Within the system of profit budgeting, sub-budgets have close connections and certain relationships. The close connection refers to every kind of budget supporting and depending on one another. Target profit is supported by every sub-budget, and every sub-budget also attaches itself to the target profit.

The target profit is sub-divided into sub-budgets, the completion of which is a strong guarantee for the realization of target profit. Meanwhile, during the compilation of the budget, each competent department should communicate under the guidance of budget compilation principles, which should be a reference point for budget formulation in every department to avoid the irrational phenomenon that a budget may be favorable to a specific department but not to the business as a whole. Sub-budgets are interconnected and their order is irreversible.

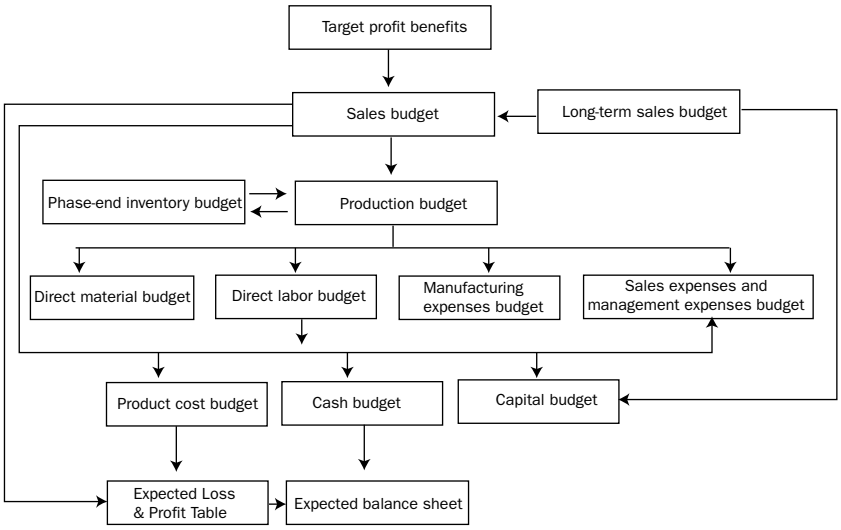


Figure 13.6 Diagram of the business profit budget management system

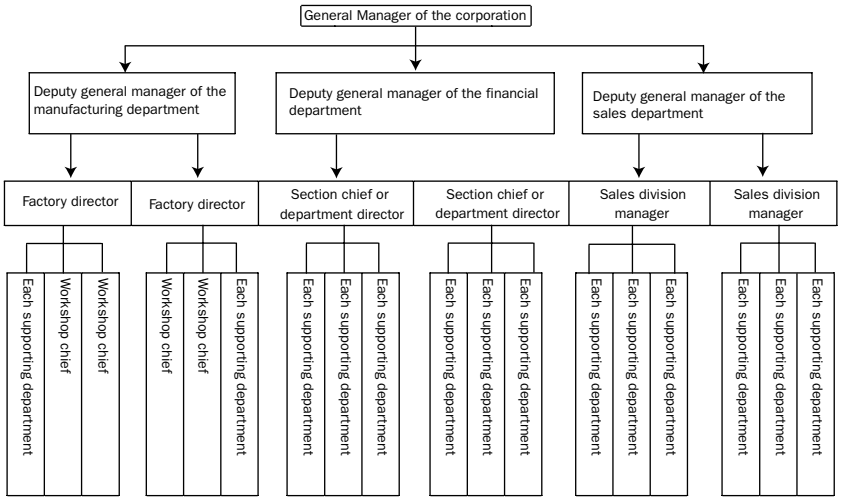


Figure 13.7 Vertical organization structure

In a vertical organizational structure, a business' budget plan is subdivided into the responsibilities of various cost centers. The personnel in charge in each cost center are responsible for their own costs in that area. Having made an analysis of operational activities, a low-level cost center regularly sends cost information to its superior. Having summarized its subordinate's cost information, the superior cost center will report to its superior in turn until the investment center is at the highest level, also known as the cost control center, which regularly reports its plan to the budget management committee.

In a horizontal organizational structure, a business budget plan is also subdivided between the responsibilities of various centers. A basic cost center regularly submits an analysis report of actual costs to its superior cost center. Having summarized the relevant information, the cost center at this level should submit it in turn to the superior profit center. Having summarized the responsibilities for costs and income, the profit center will report it to the superior investment center, or the cost control center. Having summarized their own responsibility for budget completion, the various centers will report the corresponding information to the corporation leadership. The personnel in each cost center are responsible for their own cost responsibilities in their particular area. After submitting the budgeting management plan of operational profit to certain departments, the corporation reports to the budget plan management committee.

The organizational system is a basic environment for the smooth operation of business profit budget plan management. The realization of target profits should be established in a perfect organizational system, which mainly includes a budget management committee, a special budget department and a budget responsibility network.

A budget management committee consists of the chairman of the board, or general manager, and responsible people from relevant departments. During the management process, they are in a core leadership position, whose main responsibility consists of organizing relevant personnel to reach target profits, and to review, study, coordinate and balance various budgeting items. This is the supreme management organ of profit management. A special budget department is directly affiliated with the budget management committee, and is in charge of budget plan management.

The budget responsibility network consists of an investment center, profit center and cost center. Different responsibility centers have different statuses in the profit budget management system with the investment center at the top, cost centers at the bottom and profit centers in between. They all make up the responsibility chain network, which is an all-round network including the responsibilities of every department and employee. According to the organizational form of a business, the

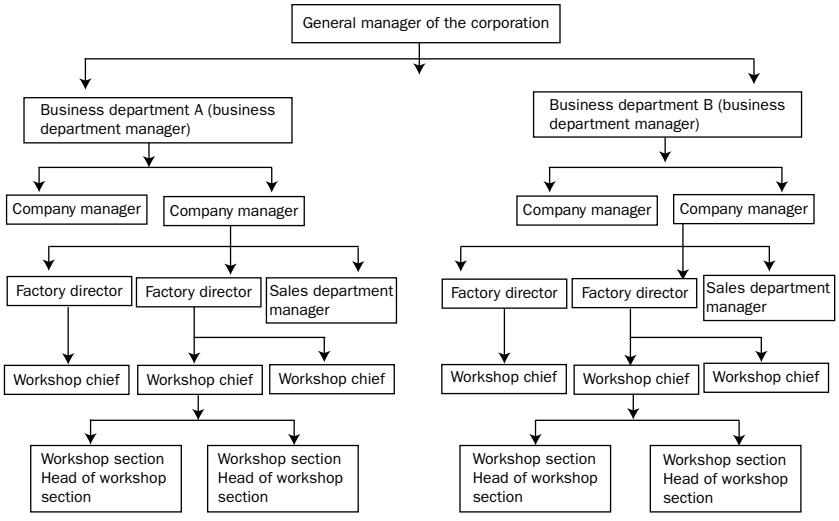


Figure 13.8 Horizontal organization structure

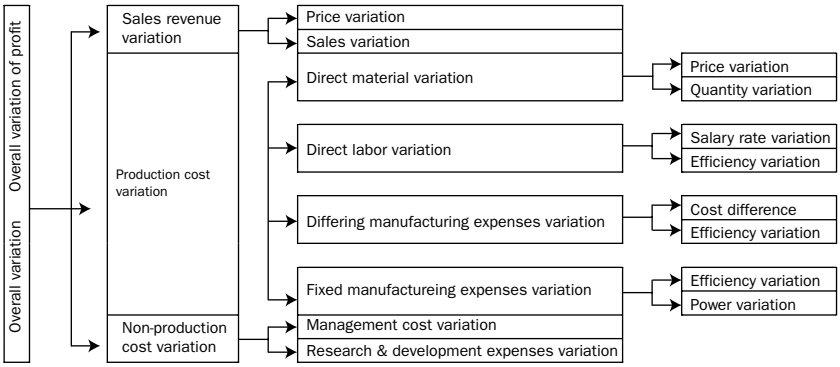


Figure 13.9 Analysis drawing of profit budget management variations

structure of the budget responsibility network usually includes two kinds: a responsibility network in vertical organizational structure and one in a horizontal organizational structure, with specific forms confirmed by business leaders according to actual conditions based on principles of convenience and strictness.

Budget variance analysis is an in-depth analysis of historical data, which should not guide production and business operations (production consumption should be viewed as an operation), unless it is carried out in a timely manner and frequently (it is better to analyze economic activity once a week). The main cause of budget variance involves two aspects: the internal working efficiency of the business and a change of external elements. For the analysis and treatment of budget variance, different measures should be taken in accordance to the specific cause of the variation.

With regard to budget variance caused by internal work efficiency, those responsible should be made fully aware. Performance should be correctly evaluated. Combine the actual performance of each budget executive body with its immediate interests through a reward and punishment system; confirm any measures needed for improvement according to their causes and actively find new areas for growth. With regard to variance caused by external factors, if the change has a long-term trend, the operational strategy of the business is affected, which should be matters for investigation for the next phase of budget compilation. We should properly adjust the budget goals of the next phase so its actual confirmation should not be affected. Meanwhile, following this confirmation the principle of equal risks should be

followed, and risks caused by variance should be shared by the various responsible departments, business operators, and subscribers.

In the management method of profit budgeting, budget variance analysis should begin with profit variance analysis. Profit variance should be gradually deconstructed and put into other elements related to target profits, then these related elements shall be analyzed one by one, in order to systematically and fully represent the causes of the actual profit in the budget period being above or below target. Figure 13.6 roughly shows relationships of various elements causing profit variance. The main factors influencing the realization of target profits include sales income, sales costs, variance costs, fixed costs and management costs. During the distribution of budget analysis, apply different treatment principles to different responsibility centers. Generally speaking, cost centers can turn out products of the same quality at a below-budget cost, which means the center has shown a better performance. Although management expenses belong to fixed costs, regarding the profit budget, a reduction of management expenses directly increases the profits of a business. Therefore, during variance analysis of management expenses, the business should make a judgment based on work quality and service level with their basis combining other management systems (such as the evaluation system of workers' performance). Consolidate this phase, and actively seek improved principles to treat budget variance fairly and objectively. The profit variance of profit centers should be supplemented with non-currency methods of measurement, including productivity, market position, product quality, employees' attitude, social responsibility, balance of short-term and long-term goals and so on.

$$\text{Formula: Retail price} = \frac{\text{Factory product price + anticipated market cost + profit}}{\text{Total anticipated sales volume}}$$

1. The retail price of a fully competitive product goes up and down as dictated by its relationship to market demand and supply. A business fully realizes its profit by reducing costs.

2. On referring to the retail price of non-competitive products, this should be confirmed by sales methods.

3. When confirming the price of a non-competitive product (including patented and new high-tech products) risk expenses should be factored in.

4. Self-marketing is the same as agent marketing. Both should ensure that there are few expenses and sufficient operating profits in the overall process.

5. Product pricing is crucial. If the price is too high, the sales and operations results are influenced. If the price is too low and cannot be raised, then due to insufficient profit and high expenses, the product cannot be developed and its market cannot be exploited, thus losing all benefits for the business.

Table 13.1 Business plan budget benefits management

Items		Quantity	Amount	Per capita benefits	Profit rate	Total expenses rate	Labor benefits rate	Project expenses rate
Section 1: all employees								
Section 2: total revenue								
Section 3: total cost								
Costs of various items	(1) direct manufacturing costs							
	(2) indirect manufacturing costs							
	(3) sales costs (expenses)							
	(4) transportation costs							
	(5) tax							
	(6) Scientific costs							
	(7) environmental costs							
	(8) management costs							
	(9) other costs (including rewards)							
Quality management	Rate of finished product of preceding year							
	Planned rate of finished product of this year							
	Improved benefit rate of finished product							

Table 13.2 Operational profit budget of a service business

Items		Quantity	Amount	Per capita quantity	Cost expenses rate	Note
Section 1: all employees						
Section 2: total revenue						
Section 3: total cost						
Classification of items of total costs	Direct costs					
	Indirect costs					
	Tax					
	Environmental costs					
	Management costs					
	Others					

Table 13.3 Budget plan of an inventory-ready product (according to cost)

Items	Unit	Quantity	Amount
Unit production cost (Yuan)			
(1) direct materials			
(2) direct manpower			
(3) manufacturing costs			
(4) others			
(5) unit product costs			
(6) phase end inventory product costs			
(7) phase end product inventory (pieces)			
(8) half of shelf life passed (loss and profit in risk phase)			
(9) inventory loss and profit			

There are many such examples. There is successful pricing in the Sanzhu Corporation, that is, the successful pricing of many products, including Sanzhu oral exposed liquid. There has also been failed product pricing (on very good patented products), with the experience and lessons learned being very important to the company.

Table 13.4 Sales expenses budget (related to performance)

Cost items	Actual number of report year		Budget number of plan year		Comparison	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Salary and bonus of sales personnel						
Transportation costs						
Packing costs						
Advertising costs						
Insurance costs						
Traveling costs						
Other costs						
Office costs						
After-sales service costs						
Renting costs						
Environmental costs						

A business takes profit management as a focus, adopting budget planned profit management as an integral and systematic project. Table 13.4 is a tool of the management process, and this tool can be improved or replaced. The profit of a business is not calculated, but through decision-making, balancing and mobilizing all employees to participate in management to give full play to their creativity and wisdom in operations management and business development, management and development benefits are created during this process.

An operational budget profit plan is the goal of a business, which is a kind of power. An active delegation policy is a direct source of motivation for the employees. An employee reward procedure should be implemented during this whole process of responsibility; perks and profit resulting from budget plan profit management should be relevant in order to mobilize all the employees. Meanwhile, we should pay adequate attention to employee quality assurance training to give them the opportunity to participate in management, with work quality leading to

Table 13.5 Department management expenses budget

Expenses items of department	Administrative Department (division)	Technology Department (division)	Labor and Capital Department (division)	Education Department (division)	Financial Department (division)	Logistics Department (division)	Office	Total
Salary								
Calculated benefits								
Traveling expenses								
Office costs								
Depreciation costs								
Repair costs								
Training costs								
Water and electricity costs								
Others								
Total								
Non-cash outflow								
Anticipated cash outflow								

a guarantee of product quality being the main goal. If a leader just focuses his attention on accounts management while overlooking development, it is inevitable that only the management takes all the credit while development is bypassed due to risks, which will adversely impact on business development. Management has a bottom line, while development is infinite.

Business has an outlet in the market. A business should keep a close eye on its consumers, the target being direct consumers with the commodity exchange channel as a bridge. Another outlet for a business is the satisfaction and favor of the direct consumers of its products. The shared goal of a manufacturer and a distributor is the direct consumer.

Various manufacturers and distributors deal with the same consumers at the same time, resulting in the complications and risks of fierce market competition. The market changes so quickly that everything cannot be

Table 13.6 Product price positioning factors

Cost amount / Project factors	Amount	Note
Factory costs of product		
Confirmation of sales model	Personnel group positioning	
Advertising costs		
Personnel salary		
Environmental costs		
After-sales service costs		
Transportation costs		
Traveling expenses		
Renting expenses		
Insurance		
Office costss		
Risk		
Others (scientific research and redevelopment research expenses)		
Profit rate		
Anticipated sales volume		

planned. Therefore, managers should use planning and budgeting to strengthen their accounts management on one hand; and on the other hand, they should study current market competition and new consumer demand, as well as studying and improving their own policies and sales techniques in order to satisfy this continual new demand, so they can take the initiative in market competition, or else the target profits of their operational plan cannot be realized.

Dynamic model of target profit operations

The control and management of business planning and budgeting its target profits should begin by reducing costs.

Reducing business costs consumption is the internal work of business management; the development of benefits is its stage; and talented

workers are the real source of business revenue. Talented workers need a stage and a stage needs talent. Reducing business costs should begin by reducing the members of staff who are inefficient in their work. When the number of employees decreases and labor efficiency rises, costs are reduced and profits are increased. How to reduce the number of personnel? First, improve the overall capability of managers and increase their labor efficiency through education and training. Second, apply more advanced management tools to increase work efficiency and reduce the number of managers as far as possible in order to save on management expenditure. Third, through strengthening the workers' knowledge and practice of new technology, their overall proficiency can be improved, thereby increasing labor productivity, improving product quality, and using raw and auxiliary materials to their maximum extent. Inefficient employees should be reduced and dismissed at a rate of ten per cent every year to increase labor productivity. Finally, a piecework labor system can be put into place on the production line to calculate employees' salaries by the number of pieces they process. For jobs on which this system cannot be applied, check labor time to utilize it effectively, and carry out an overall rationing system. Through the above-mentioned management methods, the total number of employees can be reduced, thereby improving labor efficiency, lowering costs and increasing enterprise profits.

If the total revenue of Business A stays the same, but it improves the level of business proficiency through strengthening personnel training, if it enhances the level of workers' labor skills; increases the amount of piecework while the original management tools stay unchanged; and if it applies the management target of improving the utilization of an eight-hour working day to non-piecework jobs, that is, any job to which piecework cannot be applied and which should be managed by rationing workload, personnel, work quality requirements, salary, bonuses, and target responsibility management (excluding the internal management of the business), then the finished product rate is increased by three per cent to 99 per cent and ten per cent of costs, or 270 million Yuan can be saved. This increased profit of 270 million Yuan is divided by the original profit of 300 million Yuan to get 90 per cent, that is, 270/300=0.9. Therefore, the management profit rate is increased by 90 per cent, and the labor profit rate is increased by 19 per cent. It can be seen that while sales revenue has not increased, only by strengthening the internal work of business management, can the annual profit of Business A be increased to 570 million Yuan from 300 million Yuan; the

Table 13.7 Annual target operating profits of Business A

Item	Total number of personnel	Per capita labor income	Amount	Per capita labor efficiency	Per capita cost	Finished product rate (%)	Percentage of total costs in revenue	Percentage of single costs out of total costs
Section I. Number of personnel	15000	0.002						
Section II.Total revenue			30					
Section III. Total cost consumption			27		0.0018		90%	100%
(I). Direct cost consumption			10.8					40%
(II). Indirect cost consumption			5.4					20%
(III). Environment cost consumption			1.35					5%
(IV). Consumption of scientific research and technical development			1.35					5%
(V). Consumption of travel expenses			1.35					5%
(VI). Transportation cost consumption			1.35					5%
(VII). Consumption of year-end reward			1.35					5%
(VIII). Supervising cost consumption			0.27					1%
(IX). Consumption of management costs			2.7					10%
(X). Other types of consumption			10.8					4%
Section IV. Finished product rate						96%		
Section V. Total profit			3	0.0002			10%	

Note: The per capita annual sales revenue generated is 200,000 Yuan, and overallprofit is 20,000 Yuan.

overall profit amount is increased by 90 per cent, and the profit rate is increased from ten per cent to 19 per cent.

Let's continue with Business A, on the basis of a ten per cent reduction in cost consumption, management expenditure is in turn reduced by ten per cent in the second year, and travel expenses, environmental expenses and others are also all reduced by ten per cent, thereby saving 5.8 million Yuan. In the second year, the gross profit of Business A is increased to 628.32 million Yuan from 570 million Yuan in the first year. Therefore, after two years of internal management, while the annual sales revenue stays the same at three billion Yuan, annual profits are increased to 628.32 million Yuan from the original 300 million Yuan.

In its third year, the annual costs of Business A are reduced by ten per cent through successfully managing and reducing raw and auxiliary materials by 37.2 million Yuan. Hence the direct cost consumption is reduced to 874.8 million Yuan from 0.972 billion Yuan, and the profits are increased to 725.52 million Yuan in the third year.

It can be seen from above the analysis that in conditions of fierce market competition full of competing products, it is practical and feasible to increase the operating profits of a business by practicing internal management and strengthening overall business management while the original sales revenue stays the same. Furthermore, profits can be doubled. However, this method has limitations, as the product cost consumption is limited rather than limitless, which cannot be reduced any more when a certain extent has been reached. This is the main limitation of management profits. A business must develop, otherwise it cannot reach the scale needed to receive double profits, that is, business development and management profits (discussed above) to the maximum extent. Now let's return to market consumer competition.

Assume the product of Business A is involved in a full competition market. The equilibrium profit rate in the market is ten per cent, and the original profit rate of Business A is also ten per cent, which is equal to the average profit value of the overall market competition.

During the process of fierce competition in the market, if the average profit rate decreases to five per cent, then poorly operated businesses with an original profit rate of only four per cent are sure to be closed. When a business' profit rate is five per cent or a bit above, the profit rate of Business A is still 19.184, or 150 million Yuan. Therefore 725.52 million Yuan - 150 million Yuan = 575.5 million Yuan.

Assume in the fifth year (the fifth year is calculated from Business A's first year figures), the average profit rate in the market decreases to three

per cent, and a large number of businesses are closed. The profit of Business A is reduced to 508 million Yuan from 575.5 million Yuan. In the fourth year, with the absolute advantage in fierce market competition, Business A takes over a closed factory, Business B. It carries out technical improvements in production (because Enterprise A has huge capital) and improves the advanced technical equipment. Furthermore, technicians and managers are assigned to operate Business B, achieving sales revenues of two billion Yuan. Business A expands factory production, increasing its sales volume by one billion Yuan, that is, an increase to four billion Yuan from the original three billion. Therefore, the sales volume is doubled even in the face of fierce competition. Although the average profit rate in the market is only three per cent, the profit of Business A increases to over one billion Yuan due to its doubled sales volume and increased scale merit. In the sixth year, due to more fierce competition in the market, sales prices go down to seven per cent because of supply exceeding demand, and the original levels of supply and demand are restored in the sixth year. Suppose the retail price level in the first year creates an average profit level of ten per cent.

Now Business A has annual sales revenues of six billion Yuan. So 6 billion × 24.18 per cent (profit rate) = 1.45104 billion Yuan (profit). We can see that its sales are doubled, and that its annual profit is 1.451 billion Yuan/300 million Yuan. Due to the development of the business, profits have multiplied by 4.8 times.

According to the above-mentioned six years of development, Business A stands firmly in the market by strengthening internal business management and reducing cost consumption. Other businesses are closed or operating with little profit. Owing to its management advantage, high product quality, high finished product rate and low cost consumption, Business A gains a profit rate higher than that of others in the industry, achieving further development and a nearly 4.8-fold increase in annual profit. We can learn two lessons from this. First, we should practice internal business management, improve product quality, and reduce consumption costs as far as possible. Second, we should develop the scale of the business, thus winning through sheer size. The scientific development of a business has huge (though not limitless) prospects, which is the field of expertise of an entrepreneur.

As for literature about reducing cost consumption and increasing profits, *Cutting Cost* by Li Jian is a good book. Talking about an entrepreneur's twelve methods, the book has practical value.

Section 5. Business goals, market competition and efficiency

Products without full market competition are those with unique technology and new characteristics that are popular with direct consumers. As an example product with innovative value and using the "Blue Ocean Strategy," the traditional American wine industry consists of seven elements:

1. The price of each bottle of wine.

2. A distinctive logo on the packaging, and the labels on the bottles advertise previous success in winning awards and prizes; the winery itself is used to emphasize its own artistic and scientific nature.

3. A high investment in marketing: the popularity of the product rises in a fiercely competitive market and wins the favor of distributors and retailers.

4. The reputation and historical background of the vineyard (the names of the places associated with the wine's history are listed, as well as when it was established).

5. The quality of wine.

6. The complexity and elegance of the wine's taste, including unique processes and oak fermenting.

7. Wines of different types are made according to the various vineyards to satisfy the tastes of customers, ranging from Chardonnay to Merlot.

Wine should be a fully competitive product. However, the American wine industry has the above seven elements, making it very popular with consumers since it has a range of values and characteristics. The wine has achieved success in the sales market. Consequently, the consumption of American wine comes third in the global market. Competition in this industry valued at 20 billion dollars is very fierce. Californian vineyards rule the domestic market, producing two-thirds of American wine, while all other vineyards account for only a third. Canella wines in Australia have four innovative steps in the process of launching their Yellow Tail Wine and gaining success.

In order to break the trade-off relationship between differentiation, low costs and creating a new value curve, there are four problems of great significance with which to challenge existing strategic logic and business models:

1. Promote the pursuit of differentiation and low costs, in order to break the trade-off relationship between value and cost.

2. Do not elevate the cost structure or over-design products and service only for the sake of growth and creativity. Many businesses are caught out by this.

3. Make everything simple so that it can be understood by managers at various levels, thereby leading to the full participation and support throughout the company during strategy implementation.

4. Consider very carefully every competitive element in the industry, in order to find out what is only assumed, and what is unconsciously taken for granted by competing businesses.

With regard to high-level or affordable wines, we attach importance to other competitive elements, such as complex taste and high quality of production. If we get rid of these aspects then the amount of financial investment is in turn reduced and the production process accelerates. Wine experts claim that the sweetness of Yellow Tail Wine reduces its quality, which goes against the traditional art of wine making. What they say is unreasonable, as many customers with different social backgrounds prefer Yellow Tail Wine.

It breaks traditional methods of manufacturing and promoting wine, and creates new ones. Marketing success is based on consumer preferences.

The first issue forces businesses to delete long-term competitive elements in their industry. These elements are usually taken for granted, although they are valueless, or their value is reduced. Sometimes, the concept of value emphasized by the consumer goes through a fundamental change. However, businesses often do not take corresponding action to

Table 13.8 Innovative characteristics of Yellow Tail Wine

Deletion Vineyard facts and awards Wine quality High investment in marketing	**Addition** A higher price Participation of retail stores
Reduction Complex taste Wine categories Reputation of the vineyard	**Creation** Quantity and selection Interests and risk

counter these changes, or even do not detect them. This is the "habitual blind spot," which exists and but cannot be detected.

The second issue forces businesses to make decisions on whether their current products or services are over-designed merely to match and beat competitors. In such circumstances, their products either exceed customer needs, or their cost suddenly increases, neither of which yield good results.

The third issue forces businesses to find and eliminate voluntary compromises made by consumers.

The fourth issue helps businesses to find new sources of customers and create new demands so that the strategic pricing standards can be changed.

In solving the first two issues (removal and reduction) a business can understand how to reduce costs below those of competitors. Though research business managers seldom systematically remove and reduce investment in terms of competitive elements, resulting in growing costs and more complex business models. In contrast, the latter two issues teach a business how to raise a product's value and create new demand. In summary, these two issues systematically demonstrate how to provide new experiences and reduce costs. The most important thing is deletion and creation, which allow a business to reach its maximum potential based on current competitive elements. They force a business to change these elements, thereby making the current rules of competiton insignificant.

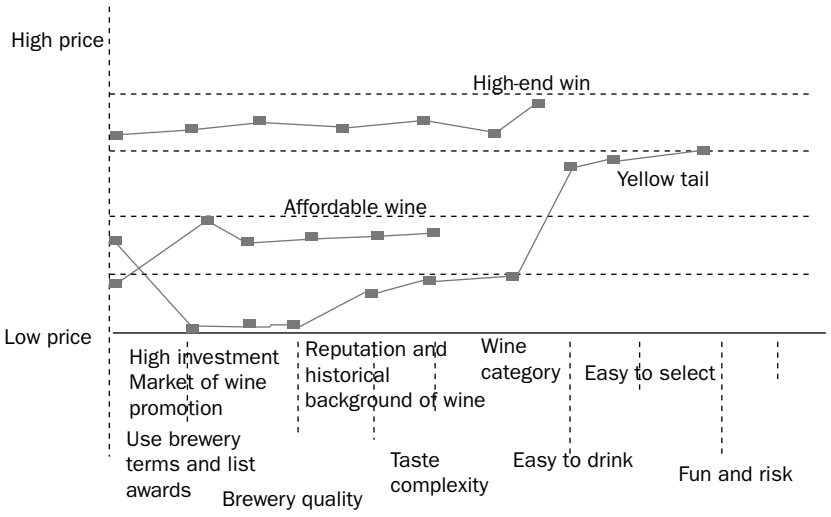


Figure 13.10 Strategic outline of Yellow Tail Wine

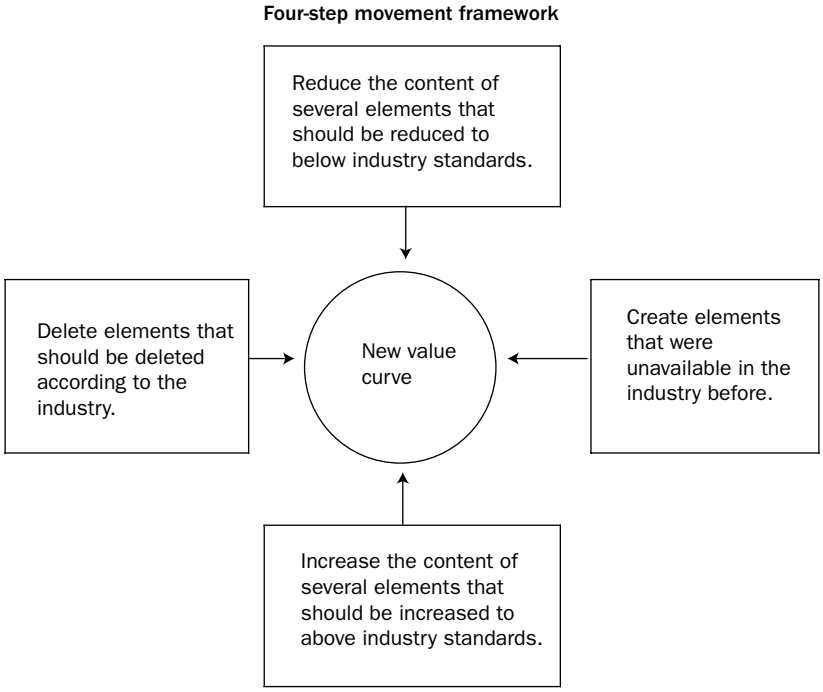


Figure 13.11 The four-step movement framework

An analysis of the above three figures showing innovative thinking in the wine industry from Yellow Tail Wine conveys to a rule: we should be good at detecting old habitual elements with no value, at deleting or re-creating the constituent elements of a product and at increasing the need for new consumer demand, thus creating a new differentiated product with unique characteristics. The product joins a non-saturated market and has relatively low costs. The retail price should be set at a relatively high level. In response to needs for promotion, transportation, advertising and marketing costs should be considered. The profit margin of distributors should be relatively high. Only in this way, can distributors prefer this kind of operation. Consumers are ready to buy thanks to the differentiation and freshness of the product, thereby bringing profit to the product manufacturer as well as the distributors. This is the rule for creating new differentiated consumer products.

Now we will discuss the relationship between improving the management of profit budget and developing a product with patented technology and without competition.

If the product with patented technology can meet market demands, its demand volume is big. Besides, it belongs to the category of a consumer-preferred product. Since it is a consumer product produced solely by one business, it enjoys patent protection in the sales market, without competition from other products of the same type and quality (competition from equivalent products is possible). Therefore, we consider products with patented technology as having relatively no competition. Patent technology, trademarks, copyright, protection rights and other intangible assets belong to the scope of business management. They should be monopoly products at a certain time, and location, and with certain technology, since its price deviates far from the rules of value. When the period of legal protection expires, this technology is brought into the open market. Other businesses can manufacture this product, which has lost the protection of patented technology. Market sales of the product with same quality are popularized, with prices rapidly decreasing to a relatively low level. The product has entered a fully competitive market.

The invention of Sanzhu oral exposed liquid was the first high-tech product of our company with patented technology (patent number: ZL93115272.0, initiated in China and world-leading). When the product was launched onto the market, it was quite popular with the people. In 1994, sales revenue from the first year from launch was 0.125 billion Yuan, the second year it was 2.35 billion Yuan, the third year it was 8.04 billion Yuan, and the fourth year it was 7.75 billion Yuan, with a total tax revenue of more than two billion Yuan. Both asset accumulation and social benefits are good. Another oral exposed liquid was invented by Fuxinkang and had patented technology (patent number: ZL95112116.2). In the first year from its launch in 1995, sales revenue was 0.5 billion Yuan, achieving better economic and social benefits. At present, we have applied for the international patent for this product. Another example was the invention of ecological cosmetics, called Economic Beauty (patent number: ZL97112152.4). In the first year from its launch in 1995, sales revenue was more than 0.5 billion Yuan.

At the beginning, Sanzhu Corporation's products with patented technology had relatively low, or no competition. With the development of competition in the sales market and the rapid expansion of new-tech products and equivalent products, the price of products with patented technology has gradually decreased and has approached market equilibrium profit margins, which will finally lead to full market competition.

Bill Gates from Microsoft invented the patented technology of computer chips, thus occupying a monopoly position in the international sales market, with a product price deviating far from the rules of value.

The company made a good profit and developed fast, achieiving a place on the list of the global top 500.

Therefore, the prime task for the development of a business is to develop new technological and differentiated products in the market and to create new consumer demand. Through the business activities of marketing and promotion (sales and management are discussed elsewhere), consumers can come to know, accept, buy and even prefer new products, realizing their social benefit value and the operating value of the business, which is the purpose and law behind the realization of business development.

Taking an overview of the progress of global civilization, we may find out that progress in various historical eras was caused by new-tech consumer products. Therefore, new creations made by a business should be the source of the dynamics for its development.

Section 6. Leadership management decision-making

Features of leadership management decision-making

Leadership management decision-making is a kind of conscious and purposeful human activity. It exists to achieve business targets, and it has the following features:

1. Leadership management decision-making must be instructive. Decision is the basis of all activities. All business activities are conducted under the guide of leadership management decision-making. Without decisions, there are no activities. The result of every decision is for the sake of providing a reason and guidance for an organization, and leads it at every level. Leadership management decision-making is the premise and starting point for business operations, and which directs their development.

2. Leadership management decision-making must be purposeful. Purposefulness is a feature of human activity, and in business decision-making it is mainly reflected by its relevance to certain problems, which may be in production, business operations, scientific research or conflicts. For business decision-making, to be without a purpose is unimaginable as well as impossible.

3. Leadership management decision-making must be scientific. Now businesses have full autonomous rights. As their scope become larger and larger, they have the right to arrange all their own business operations. However, business decision-making must be scientific rather than arbitrary, for the market is complex and competition is fierce. One false move may lose the game when decision-making is unscientific.

4. Leadership management decision-making must be selective. Every decision made by business leaders is expected to achieve its intended purpose by putting it into practice. And that makes it essential for study purposes to propose at least two programs rather than merely one, which will be comparatively analyzed to select the most satisfactory.

5. Leadership management decision-making must be democratic. In modern business, decision-making should not be the individual actions of business leaders. During its process, it is essential to fully promote democracy, to pool everybody's wisdom by brainstorming. On some major issues, the staff should be called on to actively participate in decision-making. Only when practicing open democracy can the best plan be found. This has been proved countless times.

The significance of leadership management decision-making

With the rapid development of the economy, making scientific decisions in economic management becomes one of most fundamental functions of leaders and managers. The process of leading is the process of formulating and implementing decisions. Whether that decision-making is correct or not affects the success or failure, or the rise or decline of a business. Therefore, to formulate and implement decisions and to realize scientific decision-making in economic management in accordance with scientific methods, is the main need of a market economy and business development, as well as an important mark for verifying the quality of a modern leader's economic management.

Increase the effectiveness of leadership management decision-making

The effectiveness of leadership management decision-making should be scientific, feasible, and operable. Scientific decision-making is the main route and method for leaders to achieve working objectives, and the basic requirement of business leadership development.

1. The required qualifications of leadership management decision-makers. Leadership management decision-makers make up the basic elements of the decision-making system and are the embodiment of subjective abilities. Whether it is individual or non-individual decision-making, the subjectivity of making a decision has a kind of intelligent structure. Therefore, leadership management decision-makers must be of higher quality. Generally speaking, the required qualifications of leadership management decision-makers are as follows:

They should proceed from reality and be down-to-earth; they should dare to let go and innovate; at the same time they should be adept at seizing golden opportunities; and they should utilize think tanks to draw on the wisdom of the people.

2. How to make effective decisions. Mr. Peter Drucker once said that leaders are those who continuously ask themselves: what can I contribute? The most significant function for leaders is to continuously make a contribution and be responsible for results. However, for the results to be positive, the decision-making itself has to be effective, otherwise all the resources consumed are wasted. So it can be said that leadership management decision-makers shoulder a significant responsibility for their organization's development. How can the scientific decisions be ensured?

i. Investigate thoroughly, proceed from reality.

ii. Correct decisions arise from a plan.

iii. The key to decision-making lies in implementation.

All in all, leadership decision-making is an art. Every leader and manager should continuously improve, and try to master the art of improving his ability to lead and manage.

Section 7. Business decisions and leadership management

During the whole development process of a business, decision-making happens throughout. Decision-making management includes: industrial investment decision-making; who will buy the product produced by the business; how to investigate information on the consumer market; how to select raw and supplementary materials and production tools; how to make decisions on resource allocation, and on short-term, medium-term

and long-term targets. Since the production processes and tools decide the means of production, which in turn decide the management method, then management decision-making, corporate culture, regulations and discipline should be made according to the means of production, which should then be modified during their implementation. We may say that the management and development of double benefits is a process of decision-making and a modification thereof, and in particular, decision-making on investments made by a business, which is a crucial issue. As long as decision-making is not badly judged, issues arising during the development of a business are easy to solve. If it does turn out to be badly judged, it can cause irrecoverable losses. We should transfer the arbitrary decision-making of a business leader to the assessment and decision-making capabilities of a management group to avoid any errors.

1. The decision-making committee. Establish a decision-making committee centered on the president and general manager, who are the supreme authority of the various decision-making levels of a business. The personnel should be made up of:

i. The vice-president for marketing or the general manager, the financial director, and the person in charge of market information.

ii. Experts on the industry in question, specifically hired to take part in decision-making.

Decision-making does not mean that the minority is subordinate to the majority. Instead, it means scientifically evaluating the credibility of data; the feasibility of an investment capital return cycle; and the practical potential and medium-term or long-term potential of the market. A positive decision can be made when the success rate is above 70 per cent and the risk is below 30 per cent while a negative decision should be made when the success rate is 60 per cent while the risk is 40 per cent. Why can big decisions allow a 30 per cent chance of risk when the sales market is a dynamic process of social development involving multiple variables and unanticipated factors? No scientific evaluation report can contain all unanticipated factors. Therefore, even the best decision-making involves risk, which just leads to more development and investment. This is the reason for the existence of venture capital. Both the decision-making process and the final plan display knowledge, wisdom, experience, education and a high cognitive level of understanding and inspiration.

2. The duty of the decision-making committee. The decision-making committee should not be in charge of the management of the double benefits of a business, but it should be responsible for significant business decisions. Its duty is to evaluate and make decisions on significant problems throughout the management process of double benefits. Once a decision is made, it should be carried out in practice by the president and the administration.

3. The process of decision-making implementation and management should be monitored. The implementation process should be inspected and evaluated regularly once or twice a year, and it should be adjusted to reduce loss caused by wrong decisions as far as possible. Therefore, try to ensure that correct and scientific decisions are made, or serious and irrevocable loss can occur.

The correct decisions made by the Sanzhu Corporation have brought huge success while important decision-making mistakes have caused big losses (due to incorrect information). Therefore, a business should analyze experiences and lessons learned, which are a big source of valuable information for business leaders.

Section 8. Consumption and organized management

Organized management is a very important element of business management. Management functions are realized through organized work. Organization is power. When a business has a scientific target plan and wants to carry it out, organized work is the first priority. It organizes all resource allocations and implements them according to functional elements to realize the final target plan. However, an organized development process is a test on the organization itself. A guarantee of organization is whether the structure is clear, discipline is strict, the requirements are severe and the attitude is serious. Lenin had a famous saying: What can make the power of ten people greater than that of 100 people? That is the power of organization. Organized work can improve and develop the productivity of consumer society and reduce cost consumption to a maximum level, to result in the double benefit goal of a business.

Organized management is the first priority of business management. It applies to not only business management, but also to any kind of activity

requiring group actions. Without organization, anything becomes a dish of sand without any force and no target task can be realized (whether big or small). Individual heroism sometimes exerts great power without organization, but it is very insignificant. A hero cannot become a true one unless he joins with the people to strive to realize plans and targets.

1. The form of business organization. Business management mode configuration is the behavior model of an organized structure set in accordance with the purpose and means of production, the subjects of labor and the need for resource allocation. It should be established according to the size of the busness itself, such as flat mode, matrix mode, layer mode and so on.

2. The organized structure should be simple and scientific. In order to set an organized structure scientifically, first it should be provided with interlinking functions, which are guaranteed through strict discipline. Requirements on the execution of discipline should be severe, the treatment of problems should be serious, or else the organized power and characteristics are lost. Secondly, management leaders at various levels should find out whether their management is carried out properly. For example, the organization establishes different sections as centers, departments and divisions, with one leader managing three or four units, or even as many as six units. If there are too many, bureaucratic mistakes can be made. Controls and checks on the work of leaders should be carried out.

3. Bureaucratic organization should be strictly controlled. The leadership styles, with which leaders make decisions, are divorced from the actual situation. This is also a kind of constant action in a certain stage or process, which is called bureaucracy. Bureaucracy refers to some kind of thing or behavior which does not deal with or conform to the actual condition. This is a frequent mistake made by leaders, who have some differences from bureaucracy. Therefore, bureaucratic organization and the subsequent bureaucracy are formidable enemies for management, the source of every fault during the management process and a source of wasteful consumption. Bureaucracy leads organized management into failure. Solutions for overcoming this are:

i. Organizational overlapping should be strictly avoided.
ii. Reduce the number of assistants. Too many assistants are the root cause of bureaucracy for senior leaders. Too many assistants

being employed results in the phenomenon that the executives may not go very far into actual practice to direct work, but make decisions and directions by depending on assistants and listening to reports from subordinates. The person who reports often cannot truly explain all the pros and cons of an issue since the only information he reports is connected to his responsibility, power, obligation and interests, which results in senior leaders making bureaucratic mistakes.

4. Overstaffing in an organization is the root cause of bureaucracy. Overstaffing in an organization keeps senior leaders away from practice, causing bureaucracy, which should not be transferred arbitrarily. It is sure to cause a surplus of employees, low work efficiency and productivity and serious wasteful consumption.

Organizational power has been generated by humans exploiting and creating consumption material from nature ever since primitive society. This also exacerbates the struggle between humans and nature, between human groups and even between nations. Therefore, business management should regard organized management as the first priority of their leaders.

Section 9. Consumption and consumption object management

1. The target consumer group of products should be managed. Before investing in production, the object of consumption for the product in question must be identified. At the same time this object should be studied along with full or part-competitors, or without any competitors, in order to exploit or gain some direct consumers, who are ready to buy your product. Meanwhile, you should study competition incurred from the same type of products from other companies or equivalent consumer products. During the fierce competition process in the sales market, increase the loyalty of consumers for your products through consumer management to improve the sales volume and double the benefits from your consumer products.

2. Objects of consumption during the production process. All types of business consumption in creating new consumer commodities include the object of consumption of the production process. Only when all types of consumption in the production process are transferred to a

certain product, thereby becoming new consumer commodities purchased by the direct consumer, can the value of the production objective be realized.

Consumption during the production process includes the consumption of the subjects of labor, of tool depreciation, of management costs, of labor costs, and of social environment costs.

The selection of target consumers is a big issue that determines the cost of consumption and quality of products. Cases such as banned raw materials, poor production tools, unskilled laborers, high labor consumption costs, low-quality managerial personnel, high management costs, and high external environment consumption, all result in high pricing of newly-manufactured products and poor quality of commodities, which will lead to a poor performance or loss of business operations, consequently leading to business failure.

Section 10. Business objective management

An objective has the power of appealing, attracting and generating cohesion. It can mobilize every group related to target interests. Therefore, any scientifically feasible target can generate these kinds of power. These are called the "Three Forces." However, they should be guaranteed by strong and powerful organization.

Based on its operation targets, a business decides its objectives in the short-term, medium-term and long-term, which are divided in turn into high, medium and low levels. In this way, the fulfillment of the objectives can be guaranteed and arrogance can be avoided. The reaching of objectives takes place during three stages: the first objective should be based on the current situation, a higher objective that the team is confident of reaching through hard work. Based on the first objective, the second objective ascends to a higher level, which is also possible to reach through hard work, while the third objective has an expectation value, with hopes of realization.

During the process of ensuring the realization of the first objective, all employees are fully confident of reaching the objective with hard effort. Without the power of appeal, attraction and cohesion, arrogance appears and negative factors can be induced, which is unfavorable to business and employee development and interests. Besides, this arrogance is an intrinsic ideological activity. When the objective in the first stage is

completed, leaders can smoothly shift the fighting force and collective enthusiasm to the second objective. At this juncture, the spiritual power of the team smoothly transforms into huge material power so that in just one leap it is possible to attain the second goal. If it is within the target period and there is time for further development, then leaders can channel the team's power into the third objective to strive for its realization. At the end of the season or year, we need to summarize our experiences and lessons learned, and carry out relevant rewards to encourage high-achieving groups and individuals. However, the reward system should be fair and justified. For this, model workers with outstanding performances should be selected. We then reward these workers to make them a motivating example for everyone to try for new objectives. We should prevent unfair and unjustified praise and reward. The standard for reward should be based on performance and the chosen group or individual should be convincing, or else the realization of new objectives can be severely compromised.

Section 11. Consumption and resource allocation management

Business production and the operations management process is also a consumption process of resource allocation. Resources are an important objective used in business management, which is also an integral element of productivity in consumer society. It includes laborers, capital, land, raw and supplementary materials, tools, technical processes, machinery equipment, product sales, models, time, information, solar, air, wind and geothermal power, the living environment and other important resources.

The level of consumption and resource allocation management is closely related to the double benefits of business operation management, which is an integral indication of the leadership capacity, methods and art of senior managers. While studying the development of productivity in the consumer society of the business, the leader should first study business resources, analyze their advantages and disadvantages, make the most of integral advantages, overcome disadvantages, and unleash the power of organization. He can then organically create the best double benefits for the business through systematic and integral management.

Section 12. Consumption and business management methods

Consumption and management methods of productive businesses

The management of a productive business is determined by the means of production, which are determined by production purpose, technology, processes and tools. Since production purposes, technology and processes are constantly developing, and new production tools are constantly being invented, the means of production should also be changed constantly. This constant change in the means of production makes it essential for the management methods to be changed in order to adapt to the development of productivity, or the development of the productivity of consumer society is set back. That is one of the most important reasons why business management is an eternal topic for study.

For example, the management of the means of production in a family workshop is totally different from that of steam engine industrialization; the management methods of labor-intensive means of production are different from those of new high-tech industries; and the management methods of general labor-intensive means of production are different from those of automated ones.

Therefore, the management methods should be determined on the basis of actual means of production to allow them to adapt to each other so that the maximum productivity of consumer society can be achieved.

Sales management methods

1. Sales of consumer commodities produced by businesses:

The management methods of product sales should be determined by the objects of consumption of consumer commodities, and the supply and demand relationship in the market.

i. When supply falls short of demand, the management of manufacturers' sales personnel dealing directly with retail stores (supermarkets) or wholesalers and with money and products is relatively simple, but the manufacturer should have a close and friendly relationship with distributors since they replace the manufacturer to directly serve consumers. They serve and manage

consumers, that is to say, they complete this work on behalf of the manufacturer (on the premise of guaranteeing their own interests).

ii. The business organizes sales itself. A large business carries out integral research, development, production and sales, as well as dealing with its own internal operations during the sales process. Totally different from the first management method, this one involves a large group. Scientific research and manufacturing take on a workshop-style management. The overall management structure of a business contains front course (market) and back course (research and production) with the latter guaranteeing the supply and demand relationship of the former. The sales market also adopts a subsidiary system of independent legal aid. The group establishes a sales marketing department (or sales department) to oversee business plans and to manage the sales of various subsidiaries. Various provinces establish local offices, instead of the central corporation having to be in charge of overseeing the sales management in all provinces and regions. So these subsidiaries are in charge of the management of their own office, which called is hierarchical management.

Sales management refers to the direct handling of commodities produced by the factory in order to put them up for sale. Accounting should be done first at central office. The company then adopts the same accounting methods for the independent subsidiaries. A standard for the internalized trade of operations and sales should be be introduced, which is the marketing management method of direct sales to consumers via subsidiaries and workshops.

With regard to financial management, the financial center of the group directly controls the financial management of subsidiaries all over China, that is, product sales, collection and labor expenses. Put limits on the trade volume of the various subsidiaries and any excess should all be remitted to the financial center of the group, thus adopting a centralized management method. The warehouses storing the finished products are divided into two levels. The warehouse for the primary finished products should be established in the factory, while the storage of secondary products should be established in various provinces and subsidiary warehouses. Direct management of the factory ensures a constant product supply into the sales market. Sales cash from various offices and workstations should be deposited into the designated bank accounts of the corporation (only deposits are allowed; withdrawal is prohibited).

The above mentioned management ensures that the cash flow of 2,200 offices and 13,500 work stations of the Sanzhu Corporation around China can be paid into the bank accounts of subsidiaries in a timely manner, with cash turnover as fast as 27 days. Meanwhile, ensure the smooth development of the sales market and sales channels for consumer commodities. The rapid development of promotions greatly improves the development of the productivity of consumer society.

2. The management methods of product sales representatives. When a commodity producer does not want to organize, or is incapable of organizing its own sales team, it may entrust regional or national representatives (reps) for sales. The marketing management methods of these factories are usually very simple. The main task is to select reps with business and sales capabilities and to attach importance to profit distribution during negotiations in accordance with mutually beneficial principles. The ideology of a rep is to keep the price at a maximum possible level while the manufacturer tries to preserve a certain profit margin. In particular, in response to full-competition commodities, if supply exceeds demands, the business should make the greatest possible concessions on profit to the reps. Only when acquiring maximum profits from the manufacturer, can the rep keep to the business marketing plan margins.

With this marketing method, successful reps have influence over the manufacturer and control consumers in order to make a relatively high profit.

The management methods of business enterprise

1. The marketing techniques of advertising promotion. In accordance with consumer demand and the specific characteristics of the sales market, business operations seek and create new consumption ideas, which lead to new consumer demands. Organize new marketing techniques to promote consumption based on consumer satisfaction.

The marketing techniques of advertising a product belongs to the marketing methods of venture investment. If business planning fails, a company can incur a heavy loss or even fail. If it succeeds, higher profits are achieved. However, advertising and marketing techniques have certain rules, to which great importance should be attached.

i. Tactical policy: While choosing varieties of consumer commodities, attention should be paid to large relevant groups, strong and obvious functions, and differentiated characteristics.

ii. Business marketing planning should always look for new selling points for the product.

iii. The product should be sold in trial runs in medium-sized and small cities. Then based on the successful experience and lessons learned, the techniques should be perfected for cloning and progressive development.

2. The tactical policy of investment in advertising:

i. During the process of advertising promotion in trial runs, special attention should be paid to popular advertising messages in promotion planning, and any advertisement which cannot be understood or accepted by the public should be avoided.

ii. Once an investment is made in advertising, publicity should not be stopped because the intended purpose has not been reached, but the content of the advertising message can be adjusted, or else, the overall plan can fail.

iii. Once an investment is made in advertising, personnel should be organized to monitor when the investment has been in place for 24 hours and to investigate the effects of the advertising and their reasons, in order to adjust the content of the advertising as soon as possible.

iv. Experienced marketing should be closely coordinated with at first. Systematically present products to volunteers and summarize their typical reactions to expand publicity.

Internet advertising

Compared with the four traditional types of communication media advertising (i.e. newspapers, magazines, television, radio), the most recent, and now the most popular, Internet advertising, has its own unique advantages and plays a major role in launching modern marketing media strategy. The Internet is a brand new advertising medium with the fastest and most ideal effects, which provide a good way for medium-sized and small enterprises to expand and strengthen themselves, and especially for companies involved in international business.

It is an activity that is carried out by the advertiser to convey information to target groups in order to promote their own products or services on the Internet in order to introduce communication between the target group and the advertiser. Or, in brief, Internet advertising is a kind of for-profit commercial advertising that is released onto the medium of the international Internet by means of pictures, words and multimedia, which is a kind of paid-for distribution of information. Now, with the alarming increasing speed of the online advertising market, it is becoming more and more significant, which leads to the view from the advertising world that the Internet will become the fifth medium, surpassing even the traditional four types of media (i.e. newspapers, magazines, television, radio). Therefore, lots of international advertising companies have set up a special "Internet medium department" in order to expand the huge market of online advertising.

The composition of the Internet is complex, while its business requirements are simple. Considering this from the perspective of the market and business, we should not be trapped by this original concept. The type of media which works the best should be adopted; even various online techniques should be comprehensively studied and utilized. Along with the process of the development of the Internet, and especially the popularization of information applications, it has been realized that the Internet refers to the devices that transport, store and process various information and an integration of their processes. Therefore, online advertising is based on such various techniques and multimedia as the use of computers, communication and so on. Some of the specific steps taken to set up online include registering an independent domain; establishing the company's homepage; creating banner advertising; using links to popular websites; logging onto major search engines; releasing information on famous BBS or launching a specific BBS, and sending information to target consumers by email.

Network advertising has great superiority, including wide coverage, a vast audience, the widest distribution, a long-lasting advertisement without any time limit, flexible methods for use with high interactivity, the function of classification searching, and more specific targets. In addition, it can be easily produced with low costs, and an accurate calculation of the number of visitors to your website.

E-commerce makes up half of Qihoo's advertising. In February 2012, their chief financial officer Xu Zuoli revealed at a financial teleconference that e-commerce still accounted for half of their advertising income; although e-commerce entered a kind of "cold winter" at the end of last

year, the amount of e-commerce-producing advertising on Qihoo was not affected, uniquely in an industry undergoing financial strain, and its income during the fourth quarter of last year accounted for 15 per cent of all advertising.

According to Qihoo's financial report released in February, its income from online advertising in the fourth quarter was 44.81 million American dollars, this being a 217.2 per cent year-on-year growth and a 27.8 per cent month-on-month growth. Qihoo 360 thought that this great increase in advertising resulted from the significant improvement of the market penetration rate of such products as its browsers and individual homepage, to which lots of advertisers were attracted.

According to Xu Zuoli, currently Tmall and Google are still Qihoo's top two advertisers. In the third quarter of last year, advertisements placed by Tmall and Google both exceeded ten per cent. In the fourth quarter of last year, the Google's advertising decreased to less than ten per cent, while Tmall exceeded this percentage, is it had conducted lots of marketing campaigns during that period.

For the whole e-commerce industry, Xu Zuoli said that it contributed 50 per cent of advertising income for Qihoo over the whole year. The general background of last year was that the e-commerce industry was thriving and growing so rapidly that everyone, whether on the B2C platform, on the perpendicular B2C, or on group purchase websites, were winning customers through strategically placed advertising.

But due to the situation of the capital market falling rapidly, the e-commerce industry suddenly entered its "cold winter," and many group purchase websites implemented large-scale layoffs, cut their budgets, as well as facing the situation that their sources of revenue were failing. This did not seem to influence the advertising placed by group purchase websites on Qihoo 360. According to Xu Zuoli, the advertising income contributed by these websites was ten per cent in the third quarter of last year, and it increased to 15 per cent in the fourth quarter. Calculated according to Qihoo's total online advertising income of 44.81 million American dollars in the fourth quarter, advertising placed by e-commerce on Qihoo reached about 22.40 million dollars, while that placed by the group purchase industry reached about 6.72 million dollars.

Some people from the e-commerce industry said that though many businesses were reducing their costs, market competition was very fierce, which made it essential to win a market share by advertising. This was also a reason for group purchase websites placing a lot of advertising.

Conference marketing and its management methods

1. Conference marketing methods:

    i. Conference marketing is a systematic and integral method of marketing. Distribution agents have specific standards by which they select manufaturers' consumer commodities, which should adapt to the needs of the demands of a specific consumer group.

    ii. Positioning of a specific service group: this is a kind of marketing, in which a specific consumer group is invited to a promotion at a specified place and time. During the marketing process, formulate a specific pre-sale service plan, a field service plan, and an after-sale plan; organize and train special sales service personnel in order to adapt to consumers' needs through conference marketing. Formulate a rational interest allocation policy for sales personnel and couple performance with a special meeting location to complete promotional tasks.

2. Conference marketing leadership management:

    i. The control of the conference marketing network: using its own exclusive products, a marketing company plans and organizes an expert panel to deliver lectures on its marketing network. The company should control every independent part of the network using a control model consisting of five elements: exclusive regional agencies; sales in hard cash; business personnel training; large profit margins; and a policy of special year-end rewards. The company uses hard cash for deals in its various outlets free of risk. Under the control of five methods the various regional sales outlets can only carry out these cash deals by relying on the help of the company to finally realize benefits on both sides.

    ii. The distribution method of successful experience: a trial run should be done first, and then when successful experience has been acquired, it should be analyzed, distributed and popularized during the process of promotional development to increase sales volume, which is the management method of a sample experience guiding further development. The methods of sales marketing are constantly innovating and developing, and whose basic rule is to focus on direct consumer groups. Against this background of creating ideas and creative marketing methods, the consumer-

centric rule does not change in order to achieve consumer satisfaction.

iii. Chain and franchise (shopping malls) marketing methods. These are common and specialized marketing methods, which are characterized by a company integrating all its own resources and advantages to expand the overall scale of marketing in order to gain more profit. This marketing method has many successful examples and experiences in such industries as the retail industry, service, catering, industrial, and so on. For example, KFC and McDonald's globally, and Yon Ho in the Chinese market.

Section 13. Consumption, business regulation and discipline leadership

The by-law of a business is also its general law, which refers to the regulations restricting investors to only setting up according to national requirements. A company's regulations are a guarantee for the realization of its internal operational objective plans, and a guarantee for its systematic operations. These regulations have a legal nature within a company, but they should not conflict with national law. They belong to rules within the scope of national law, such as financial, cost management, cash management, logistics management and personnel management systems.

Discipline within a company is a guarantee of strict management behavior. It has clearly defined requirements and standards. Regulations are a kind of company law to restrict the behavior of all its employees and which must not be violated, or else severe punishment can be applied. We should have a serious attitude and strict requirements in the implementation of discipline. If it cannot be seriously implemented, a company will not go far. All employees are equal in the eyes of the law, regulations and discipline, with nobody above them.

In summary, business management should be integrated with discipline management. Everything in a company operates in accordance with its law and regulations, which is known as "hard-nosed" business management. The Sanzhu Corporation has seven chapters on production business and production task management, seven chapters on workshop management, four chapters on quality control management, volumes of financial management and eight chapters on routine management, with each chapter having detailed rules.

Section 14. Business distribution policy and leadership management

During the process of internal business management, distribution policy is the core of all dynamics, consisting of equity benefit distribution; benefit distribution among senior leaders, general leaders, management personnel, senior technicians and general technicians; the distribution of workers' interests; the distribution method of salaries and bonuses and so on.

Distribution policy is closely related to the immediate interests of every employee, such as how they acquire social wealth, their purchasing power, and their consumption capacity and level. These survival and developmental needs apply to everyone and they are important requirements for building a harmonious society within a company.

The distribution policy of a company also belongs to its superstructure. Therefore, it is within the general scope of national distribution policy. A company has the sovereignty to formulate its own policy, which is subject to national law on taxation and other economic matters.

Therefore, the main task of business management is to study and formulate a company's distribution policy. The standard required for this should be fairness and justice. The policy must be able to inspire and mobilize the personnel's enthusiasm for work, and to make them do what they should in a creative manner.

Section 15. Business strategy and tactics

Strategy

Business is the economic heart of society. All business operations consist of elements spread thoughout society. Business development has a spiral-shaped form led by the three most important types of consumption, which are developed through mutual competition. The survival, decline, or elimination of a business is a natural phenomenon, which is inevitable if economic development is led by consumption.

In order to ensure competitiveness and development, a business must find a strategy to succeed in competition. A business' strategic decisions are of great significance for its direction. These include strategies of low costs, talent, development, the development of new technology, innovation (including blue ocean strategy), product quality, market competition and

branding. The process of studying, formulating and implementating strategy is one of business management, that is, the processes of routine management and developmental management. It is also the developmental management process of "emphasis – balance, balance – emphasis." Among specific projects and various systems, these processes are not balanced or parallel to each other, but rather they coordinate and develop with focus and emphasis. During the marketing process, the "six firsts" should be kept to, namely, quality, technical content, service, network, environment, and management first.

During product competition, we should achieve quality first. To meet the maximum needs of consumers with a high quality product is fundamental and key to market competition. Technological content should be first. Only those products with high-tech content and huge market potential can have innate competitiveness. During market exploration, we should focus on the idea of service first. Statistics from countless businesses at home and abroad indicate that consumers are ready to buy products from those companies that genuinely regard consumer satisfaction as a standard of service value, and provide an efficient and improved service. During service marketing, we should insist on the idea of network first.

A network is linked to scale; without a network, there are no scale benefits. Either through consolidating on products already in today's market, or through developing new product markets, we should attach importance to network scale, improve operational efficiency and increase the number of benefits. Furthermore, when marketing we should attach importance to both a company's internal and external environment. Without a favorable environment, nothing can be fulfilled. The environment is the main condition for business survival. Therefore, internally we should focus on an ideal education for the employees and the consolidation of a company's central power, thus enhancing cooperation and unity. Externally, we should build a good company image, product image and brand image to gain support from all walks of life and to create a favorable external and internal environment for the overall development of the business. Throughout the operations of the whole company, we should follow management first. Flexible and efficient management procedures, and precise and accurate management systems are crucial for the effective operations of a business.

The "six firsts" are not parallel, but consider the overall operation of a company from different perspectives. Therefore, we should always insist on these "six firsts" and treat them with strategy in mind.

A business-marketing plan is a crystallization of wisdom and creativity, the very soul of product marketing. Marketing strategy, tactics, and policies are the life-blood of business marketing.

Tactics

Tactics should serve strategic objectives. They are the target, while tactics are the arrow or sword. The two make up a unity of opposites. Once the strategic objective has been determined, the tactics, policies and strategy should be formulated to achieve it. The implementation of tactics should be the guarantee of achieving the strategic target.

Maneuvering

Maneuvering is the method of achieving a strategy. It is indicated by certain rules, which determine the development of a business together with its policies. Policies are open standard behavior, while maneuvering does not disclose its objective directly but involves lateral thinking or behavior that serves the realization of the objective. With a dual nature, maneuvering both functions as a management rule and uses strategy as a method. The service objective of maneuvering is strategy, while functional and objective working methods belong to specific people. The implementation of all strategies and maneuvering is carried out by people. Therefore, it has a unity of opposites as well as clear differentiation.

For example, in the competition for direct consumers, a relatively weak business should avoid big cities with fierce competition and develop in medium-sized and small cities where there is relatively weak competition. Having succeeded in a trial run, acquired experience and learned lessons, and having attained a certain competitive force, a business should improve, develop and expand to large cities. This is a strategic maneuver. Overall strategy aims at the sales market. This is a method of maneuvering to take hold of the sales market in medium-sized and small cities, and which serves the realization of strategic objectives.

To be able to study and apply strategic maneuvering indicates a high level of leadership art, as well as a good command of the overall system. Therefore, in order to ensure that a business can acquire greater profits through far-sightedness and other advantages, senior business leaders should balance and use strategy, policies and maneuvering well, and organically combine management and development benefits.

Section 16. Business consumption and assessment

Formulating a standard for assessment

A complete standard for assessment should be formulated to serve as the basis for the performance assessment of a specific unit or individual in a company, instead of assessment by the subjective awareness of the leaders. The content and standard of assessment should guide personnel to move forward. If a business aims for profits as its primary objective, then the standard for assessment should also focus on profits, and thus all employees have this as their goal. If the standard for assessment focuses on sales rather than profits, then so should the employees. Assessment results in higher sales volumes. Although, if employees are solely interested in their own individual standard for assessment, the profits of their company can be relatively low or even suffer a loss. Therefore, the management of a company's operations should focus on benefits in order to to assess sales volumes and develop these benefits according to scale.

Setting up and organizing assessment units and personnel

Based on standards for assessment, a company assesses all its operational activities, which is an everyday job for senior business leaders. By using this work method, business leaders can carry out their work with assurance, communicate on that basis, and manage with an aura of organized calm, all of which is an indication of better benefits.

1. During the process of business consumption operations, every task should be provided with a standard for assessment so that leaders can assess, evaluate, commend or reward anyone at any time.

2. Regular monthly, quarterly and annual reports, assessment, evaluation, commendation and rewarding should all be available.

3. An assessment system built around a professional assessment unit and responsible people should be established. Only in this way can a leader have a basis for assessment, for commending and rewarding, and for making fair, justified, systematic and integral assessments so that all employees follow up on them. A fair criticism can be easily accepted and all employees happy

to correct their mistakes. A unified team can display cohesive fighting strength. When senior business leaders shift this fighting strength onto their objectives, huge material power can come about.

Section 17. Supervision

The necessity for established supervision in a business

The consumption and management of business operations should be done in accordance with Articles of Clauses, regulation and discipline. Why is this supervision is necessary? Company regulations are a code of conduct to standardize the operational activities of employees. Supervision exerts no function on employees who warrant no discipline. It is directed towards non-compliant behavior during the process of business operations. What is more important is that these non-compliant people severely impact on team strength, and tasks being completed on time. This behavior can harm operations and marketing. Every non-compliant person should be supervised, caught and punished. Only then can normal operations and marketing be ensured.

Establishing supervisory and auditing departments

A company should have full-time regular supervisory and auditing departments to supervise and inspect its operations and marketing processes on behalf of the board of directors and the most senior manager. A large company should set up supervisors' meetings, a supervision department, and an auditing department, while a small one should employ a supervisor and full-time auditors to carry out regular work.

Section 18. Safety leadership management

Modern business management pays most attention to people, and security is the most important element of management. Security awareness and precautions should be carried out in all activities and processes from building a factory to production and operations. Security is an important indicator of qualified and compliant business management, and is a very important element of the value of a company's double benefits.

Section 19. Business operation consumption management and team building

Every business operational activity is a collectively organized team behavior rather than an individual behavior. The team cannot have full fighting strength without the guarantee of organization and discipline. Once the planned objectives of a company have been determined, the organized building and fighting strength of the team should be reinforced, or the objectives or tasks may not be completed.

Section 20. Consumption and product quality management

Product quality is one of the elements of the productivity of consumer society

The evaluation of product quality is based on its standard. Product quality has broad social aspects and the factors influencing it are formed over a long period. During the production process of the same types of product at different periods and stages, different companies have different quality standards and requirements. Some products conform to national standards, while other products apply to company standards, with varied requirements on production costs since the value resulting from production varies a lot. For example, the difference in value between 90 per cent, a 99 per cent and a 100 per cent eligibility rate directly influence a company's economic interests, its brand assets, property rights and the value of its products.

The quality of a product lies in productivity, the realization of whose function is restricted by internal conditions such as the level of management, laborers' skills, the technical level of the means of production, and the quality of the subject of labor, and so on. All these factors influence the quality standard and develop through a process of constant change. If a business can turn out eligible quality products popular with consumers with less input and low costs, then these products become popular with consumers and the company should develop very quickly. When a product is not popular with consumers any more, the company can go bankrupt. Therefore, quality is the lifeline of

a business, which should ensure and constantly improve product quality. It should implement a comprehensive standardized process and responsible management systems to deal with product quality. This management of quality is the core and most important aspect of business management. The quality of a finished product marks the level of a business' overall management.

Policies, discipline and organization of business quality management

Product quality is the lifeblood of a business. It must establish rules and regulations, policies and discipline to manage product quality. The systems and discipline of quality management should cover all employees with regard to their quality of work and should involve a combination of part-time and full-time personnel in professional quality assurance

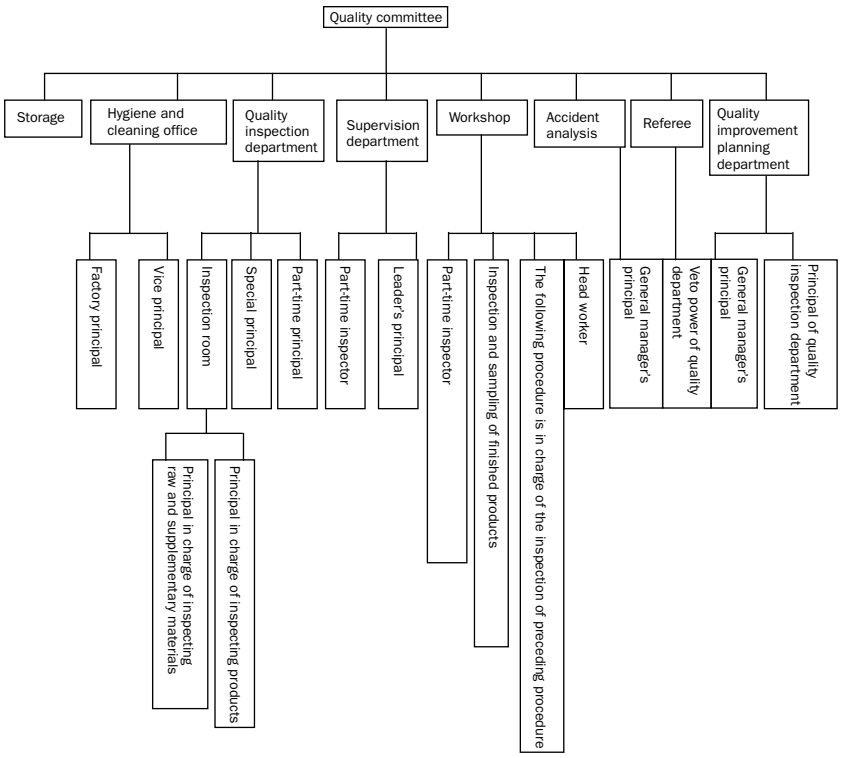


Figure 13.12 Quality management organization

departments. An example of a quality assurance system is Chinese company Shandong Jinan Sanzhu Pharmaceutical Co., Ltd. having established a Quality Management Committee led by the general manager.

Section 21. Analysis of business operations

An overview of the analysis of business operations

An analysis of business operations is a comprehensive study conducted in relation to business decisions, business objectives, whole business processes and outcomes, as well as a crucial means for operations management.

1. The role of the analysis of business operations:

   i. To find out any problems existing in business operations to be able to predict economic trends and to formulate correct business objectives, or to amend and perfect the original decisions, policies, strategy and tactics in order to attain a much better business performance.

   ii. To master the performance of a company's operational budgets, policies, guidelines, rules and regulations, to evaluate business performance, to reveal business differences and to control operations.

   iii. To urge a business to improve its accounting, as well as to take care of the operator's management responsibilities.

   iv. To find out the weak links in a company's processes and to adopt essential measures to improve economic benefits in a timely manner.

   v. To correctly evaluate business performance in every aspect through the analysis of business operations.

2. The bases of the analysis of business operations:
   These lie in financial and statistical accounting and in business calculations.

   i. The main content of financial accounting is a business' capital, income, costs and profit.

   ii. The main content of statistical accounting is a business' product range, production, quality and work efficiency.

iii. The main content of business calculations consist of statistics on business activities, efficiency and task performance of every operating department. It is also the original data needed by statistical and financial accounting.

3. The main content of the analysis of business operations:

i. Business volume, including the performance of production and sales, the direction of flow of business volume, customer structure, and market share.

ii. Operational income, including the performance of main operational income, factors affecting increase and decrease of income, and income structure.

iii. Operating costs, including the expenditure of cost, structure and change in cost, as well as the changeable factors of cost increase and decrease.

iv. Work efficiency, mainly referring to the performance of work efficiency, existing problems, and other factors affecting work efficiency.

v. Business objectives, mainly referring to the performance of profit targets and other main business objectives, as well as factors affecting the performance of operational indicators.

vi. Business decisions and strategy, including the implementation of decisions, the application of strategy, and the effects of them both.

4. The categories of the analysis of business operations:

Business operations can be divided into comprehensive and specific analysis depending on its content.

i. Comprehensive analysis. Generally, this refers to the monthly, quarterly and annual analysis of business operations divided according to their period. It makes a comparative analysis of business operations according to the main economic indicators used for accounting; it analyzes the implementation of each budget of the current period and the operational indicators for accounting; and it and makes an overall evaluation of the business performance of a particular period in order to understand key problems and then to carry out a specific analysis to look for measures for solving problems. This is a great help in guiding the work of the next financial period.

ii. Specific analysis. This refers to a specialized, in-depth and detailed investigation and analysis conducted in order to focus on outstanding problems that have occurred during current business operations.

5. The basic principles for the analysis of business operations:

i. The principle of seeking truth from facts. In conducting an analysis of business operations, achievements and problems should be stated on the principle of seeking truth from facts, while avoiding subjective bias.

ii. The principle of dialectical analysis. Complex circumstances occur while conducting business operations. So when carrying out an analysis, a dialectical approach, which is identified by distinguishing between primary and secondary contradictions, between subjective and objective factors, as well as between advantages and disadvantages, should be adopted.

iii. The principle of comprehensive analysis. An overall objective state of business operations can be understood by comprehensively analyzing every indicator, and by conducting a systematical analysis with a combination of various indicators.

Methods for the analysis of business operations

Methods for the analysis of business operations can generally be divided into comparative analysis methods, ratio analysis methods, factor analysis methods, figure connection analysis methods and index analysis methods according to the needs of the management.

1. The comparative analysis method refers to the most common analysis method for a company's daily economic activities by making a comparison between actual numbers and the numbers of a base period in order to find out any differences or problems.

Budget completion rate = actual completion number / budget number × 100 per cent.

Increase and decrease volume of the budget indicator compared with the actual completion indicator = actual completion number – budget indicator.

Increase and decrease percentage of the budget indicator compared with the actual completion indicator = budget completion percent – 100 per cent.

Increase and decrease volume of the current period completion indicator compared with that during the same period last year = completion indicator of the current period – completion indicator during the same period last year.

Increase and decrease percentage of the current period completion indicator compared with that during the same period last year = completion indicator of the current period – completion indicator during the same period last year × 100 per cent.

2. The ratio analysis method refers to the method relating to the relevant business operation indicators to calculate the changes in ratio, by which to carry out an analysis. It is mainly divided into interrelation ratio analysis, trend ratio analysis and structure ratio analysis.

3. The interrelation ratio analysis method consists of asset-liability ratio, cost-profit ratio, rate of return on total assets, liquidity ratio and quick ratio and so on.

Asset-liability ratio = total liabilities / total assets × 100 per cent.

Cost-profit ratio = operating profit amount / total cost × 100 per cent.

Rate of return on total assets = (total profit + interest expense) / average total assets × 100 per cent.

Liquidity ratio = total current assets / total current liabilities × 100 per cent.

Quick ratio = quick assets / current liabilities × 100 per cent.

4. The trend ratio analysis method refers to a method comparing the values of similar indicators in different periods for the sake of analyzing the direction of development and the speed of increase and decrease reflected by the indicator.

Speed of development = numerical value of report period / numerical value of base period.

Increase rate = increment / numerical value of base period × 100 per cent.

5. The structure ratio analysis method refers to a method of calculating the proportion of one part of one indicator within the whole indicator. It analyzes the composition and change of business operations indicators by calculating its structure ratio, thereby mastering the features and changing trends of business operations.

Structure ratio = numerical value of each part / numerical value of the whole × 100 per cent.

6. The factor analysis method refers to a method in accordance with the relationship between the analyzing indicator and its influencing factors, in order to test the differences caused by every factor to relevant business operations indicators from numerical values according to certain procedures and requirements. Through factor analysis, the primary and secondary factors can be found from business operations achievements, which are helpful for understanding the main contradictions, and for

putting forward measures for improving business management. The common factor analysis method includes balance analysis methods and sequential substitution methods.

7. The figure connection analysis method refers to a method of obtaining a new result and a new concept from two relevant figures with frequency relative quantities, as well as reflecting their actual relationship. For example, per capita GDP, labor productivity, and so on.

8. The index analysis method refers to a method of using an index system to analyze the direction, degree and absolute quantity of the comprehensive change of phenomena as to quantity affected by each factor. Using the index system does not only reflect some total change of economic phenomena that cannot be directly added, but also analyzes the variable factors of such phenomena.

Analysis of enterprise business operations

The analysis of enterprise business operations mainly refers to analyzing their completion status objectives by popularizing and adopting the idea of regarding economic activities analysis templates as an outline, being in accordance with the working guideline of "Around the target, analyzing the process, finding out the problem, formulating measures, delegating the responsibility, improving its implementation and economic performance." Through comparatively analyzing the main business operations indicators it becomes possible to find out and correct any deviations in business operations activities in a timely manner, to solve problems, and to improve the level of operations and management and the "two benefits," that is, the social and operational benefits of a business.

1. The completion status of a business' main income. This is the completion status compared with the same period last year, as well as that of the whole financial year. For example, the main income of a business in 2002 was:

x thousand Yuan, comprising x per cent of the entire annual budget, increased by x thousand Yuan and x per cent compared with the same period last year.

It includes an analysis of budget completion; sales growth analysis; an analysis of the composition of a business' income (main business income, other business income, cash sale credit sale income, the composition of main business and regional income); price and sales factors affecting income; and a detailed analysis of the business.

2. The analysis of the completion status of profit indicators compared with the same period last year as well as that of a business' entire annual budget, analyzing the influencing factors of its change. The reasons for any increase or decrease of main business profit and net profit, and the profitability of every main product are all analyzed.

It includes the analysis of budget completion, of profit increase, of profit composition (of every kind of profit made in the main business and regional outlets) including net profit, total profit, operating profit and the influences of adjusting accounting techniques.

3. The cost analysis of the main business and its status compared with the same period last year, as well as that of the business' entire annual budget. This analyzes factors of its increase or decrease and the degree of its influence, and finds out where the problem actually lies.

It includes the analysis of budget completion status; cost reduction in the main business; its cost reduction percentage and amount, and the percentage of each main product; their influence on the cost reduction percentage of all the products of the main business; and the sales cost analysis of each unit of each main product:

Cost reduction amount of main business = actual cost of the current year – actual cost of the last year calculated in accordance with the actual sales of the current year.

Cost reduction percentage of main business = cost reduction amount of main business / actual cost of the last year calculated in accordance with the actual sales of the current year.

4. The analysis of a period's costs. It includes the analysis of operating costs, administrative costs and financial costs, and the subjective and objective influential factors of increase and surplus. It calculates whether such costs as human resource fees, scientific research costs, administrative costs, entertainment costs, and travelling expenses, have exceeded the budget and what decisions to make about how to control them, as well as to conduct a selective analysis by understanding outstanding and unusual problems.

5. Example cases:

(Provided that income tax is not considered)

Analysis of this case: Through the above comparative analysis of the implementation of this company's budget, the completion status of the current annual main business operational indicators can be revealed. Through detailed budget module analysis, the factors and departments that affect the completion of profit indicators can be clearly reflected and the business achievements of the operators can be evaluated. Through

Table 13.9 Sample budget implementation of main business operational indicators of XXX company

Item	Northern area			Southern area			Total			
	Budget	Actual completion	Shortfall	Budget	Actual completion	Shortfall	Budget	Actual completion	Shortfall	Budget completion rate
Sales revenue	1525	1500	–25	1200	1552	352	2725	3052	327	112%
Cost of sales	771	840	69	612	791.52	179.52	1383	1631.52	248.52	118%
Cost rate	50.56%	56.00%	□	51.00%	51.00%	□	50.75%	53.46%		□
Gross profit margin	754	660	–94	588	760.48	172.48	1342	1420.48	78.48	106%
Tax and surcharges	13	11.22	–1.78	10	11.62	0.1	22.81	24.14	1.33	106%
Personnel salary	130	129.4	–0.6	88	88.1	0.1	218	217.5	–0.5	100%
Travel expenses	55	57.9	2.9	46	49	3	101	106.9	5.9	106%
Freight	40	38.9	–1.1	35	41.6	6.6	75	80.5	5.5	107%
Lease fees	55	55	0	38	38	0	93	93	0	100%
Entertainment expenses	7	2.4	–4.6	5	2.7	–2.3	12	5.1	–6.9	43%
Communications expenses	7	6.7	–0.3	5	3.9	–1.1	12	10.6	–1.4	88%
Administrative expenses	7	7.5	0.5	5	5.8	0.8	12	13.3	1.3	111%
Conference fees	70	74.2	4.2	50	41	–9	120	115.2	–4.8	96%
Advertising expenses	125	125	0	100	100	0	225	225	0	100%
Total costs	496	497	1	372	370.1	–1.9	868	867.1	–0.9	100%
Expense ratio	32.52%	33.13%	□	31.00%	23.85%	□	□	□	□	□
Operating profit	245	151.78	–93.22	206	378.76	174.28	451.19	529.24	78.05	118%
Income tax	□	□	□	□	□	□	□	□	□	□
Net profit	245	151.78	–93.22	206	378.76	174.28	451.19	529.24	78.05	□

(Provided that income tax is not considered)

ratio analysis, the degree of the effect of each factor on the completion of targets can be found out. Thus the primary and secondary factors that affect the outcome of the company's operations can also be found out, which contribute to the fact that the main contradictions can be understood. Therefore, the measures for improving business operations and management can be developed to improve the level of management as well as the social and economic benefits.

Section 22. Business leadership management schematic

A business manages peoples as an institution and, people in turn manage things, material and property. During business management, an institution may standardize people's behavior, but is incapable of managing their thoughts and consciousness. During the modern era, when non-manual and manual labor are combined, non-manual labor has become the main one in our society. Compared with the era when productivity was underdeveloped, physical labor, and very hard physical labor in particular, has decreased a lot. Compared with the management of purely physical labor, the difficulties and methods of the soft management of non-manual and the two kinds of labor combined have fundamentally changed. Therefore, hard management and soft management are proposed as being: "merciful and ruthless management" (everyone is equal from the point of view of discipline, adhering to the "four strict methods"). I have conducted a systematic and comprehensive illustration of the improvement of scientific management. In order to be succinct and easy to understand, a diagram of business management (see fig. 13.13) has been provided for elucidation.

1. The people in the main column represent the group nature of a company.

2. The two straight black lines on either side of the column represent national law and the company regulations and discipline, used to standardize the unified action of all members of staff.

3. The yellow line under the column is a warning line that represents the last-one-out system, a motivating force for all members of staff.

4. The vertex of the cone in the upper part is the meeting point of a four-layered gravitation, including leaders' integral competence, leadership thinking methods, work methods, and the art of soft management.

5. The gravitation is divided into four parts. The first is the company's goals; the second is the individual development goals; the third is corporate culture and concepts; the fourth is policy made up of the "three motivations," which is the direct gravitation of all employees.

6. The red dot, the blue side and the spreading blue line on the top of the cone in the diagram represent the sun, the sky and the physical gravitation. There are four levels of gravitation from the top to the bottom. The upward blue line represents life force and the infinite vitality of personnel. All employees on the first level accept material,

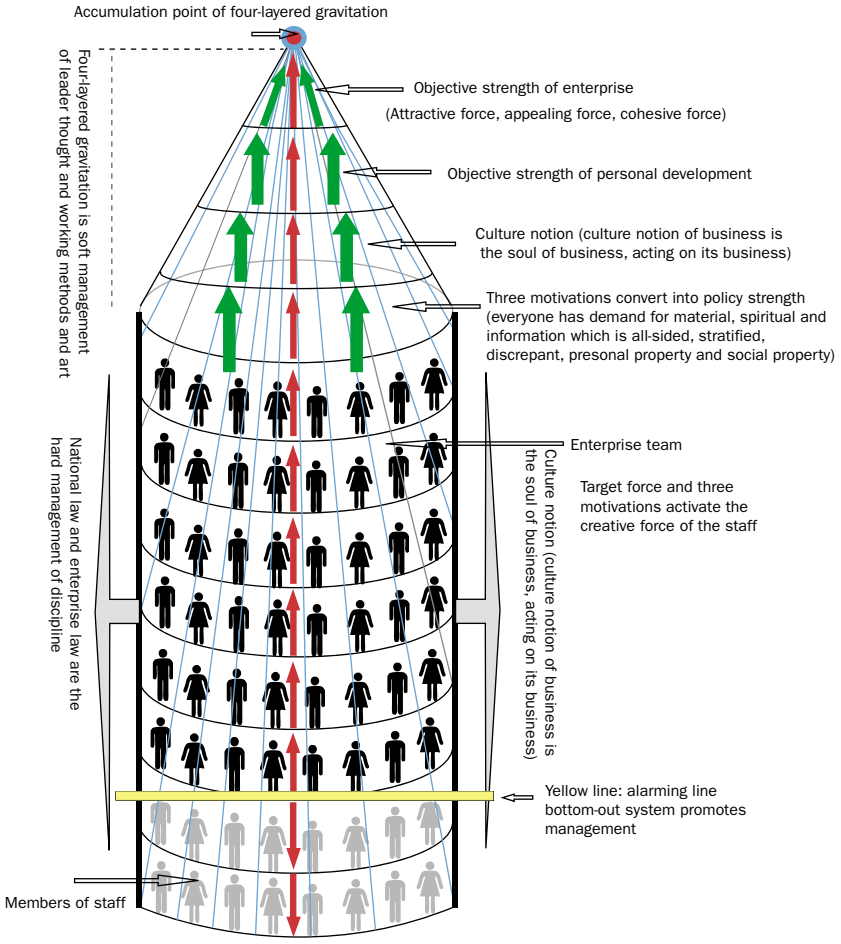


Figure 13.13 Soft management and its foundation

spiritual and informational gravitation. Everyone has material, spiritual and informational demands, which are direct, comprehensive, stratified, and differentiated, with both personal and social nature. The second layer is thought governing the gravitation of cultural ideas and the soul. The third layer refers to the gravitation of individual development goals. The fourth layer is the gravitation of the integration of a company's overall development goals combined with individual ones.

However, all these aspects of management convey the integrated management of a leader's capacity, thinking methods, work methods and art.

Section 23. Soft business management

Soft management is management with a feeling of kinship, which is characterized by respecting the personality, spiritual demands and creativity of every employee, helping them to solve practical problems in daily life and at work, as well as quantifying, materializing and systematizing the various details of their lives. For example, such concrete things as a member of staff's birthday, wedding, funeral, and so on, should be marked to show care for their material, financial and spiritual needs. All in all, a company should help its staff to solve their problems in life and conflicts in thought, which makes the members of staff feel a family-like affection; they feel their interests are represented by their company and leaders, consequently motivating them to unite in order to strive to realize company objectives.

Three types of motivation for business development

Material motivation, spiritual motivation and informational motivation are the decisive powers behind business development. The three types of motivation are neither abstract nor immeasurable. To be an intelligent entrepreneur, attention should be paid to them from time to time and the variable relationships between them, as well as other corresponding factors. Only when dealing with the three types of motivation can their internal regulation be truly mastered, and a greater value thereof be realized.

The three types of motivation are effective and necessary for business development, rather than dispensable. On mastering them, the business

leadership management is more effective, and the cohesive force in a company becomes more powerful and much greater. As a result, the company can remain invincible in the face of fierce market competition.

Improving leadership management art

Art is a kind of perfect, creative and much higher method. Besides that, it belongs to the categories of strategy and tactics.

There are many kinds of leadership management art, among which the art of the democratic working method should be employed to take care of and unite the workers. The appropriate art of language should be employed.

Emphasize ideological work for non-manual workers. This goes for intellectuals, and as a special group, they have their own unique outlook on life and values. Ideological work for intellectuals should not be reflected in preaching but in action. At first, they should be respected in view of their personality. The saying of ancient Chinese scholars that, "we cannot make curtsies for the salary of five bushels of rice," still reflects on intellectuals today. Therefore, it is crucially important to respect them in terms of their personality. Their survival and labor value should be fully utilized to make their life's values come into being while at the same time their labor is being contributed.

How to be a successful leader holding primary responsibility

1. Be proficient in business. To lead the staff in launching a product onto the market, he should have the right knowledge of the methods and tactics for this, as well as still learning knowledge about every aspect of business.

2. Have the ability to work by uniting the majority of the members of staff. Only when the whole group brings its wisdom and talents into play and unites in working towards a common goal, can the highest possible work efficiency be realized, for one person's skill and ability is not infinite.

3. Be steadfast and earnest in your work. You should first achieve in person what you require others to do before taking the lead.

4. Be adept at collecting wisdom from the people and be good at learning from the people around you, including subordinates, in order to gain the

abilbity to summarize and upgrade this knowledge to a theoretical level.

5. Firmly carry out and implement instructions from your superiors flexibly in light of the actual situation but do not be trapped by these instructions to follow them in a dictatorial or bossy manner. Branch offices and sub offices should firmly carry out and implement the plans and spirit of their headquarters.

6. In representing the interests of your company, you should also fully represent those of your staff. Only by implementing the operational philosophy of the company can the staff's initiative be motivated. When you truly represent the fundamental interests of your staff can you win their trust.

7. Have the ability to make decisions. The leader should put forward a strong opinion when he has made a well-thought-out plan after much deliberation, and then make everyone accept it during the period of discussion, which will enable it to be willingly carried out by everyone. However, when he still does not have a mature idea on some problem, the leader should make a decision by first letting everyone discuss the problem in order to collect helpful suggestions from them.

8. Learn to play the piano. There is a key point for each stage. Thus he should learn to cope with things according to an order of priorities. However, understanding the key point is not merely to understand the only one, which is just like "playing the piano." You should work on a project at the same time as other relevant tasks, and make an overall plan and take all factors into consideration.

9. Having public relations ability. To be a leader, you should do a good job in public relations. By adopting a modest and honest attitude you should make friends, be close to them and consult them from the perspective of asking for help.

14

Marketing leadership management

The marketing secret of Amazon, the online retail giant, is when Amazon recommends goods to you on their website; it does not advertise at random. Fundamentally, the recommendation-based system of this company consists of a series of basic elements: what products has the customer bought? What is in their virtual shopping cart? What products have been evaluated or praised by them? What products have been browsed or bought by other customers? Amazon calls their independently developed algorithm, "a collaborative filtering algorithm from item to item." Amazon depends on it to provide a structured browsing experience for returning customers. Digital enthusiasts can find full recommendations for fashionable electronic products on Amazon, and there are plenty of baby products for new mothers in the same place.

This recommendation system surely contributes most to Amazon's huge success today. In the second financial quarter of 2012, Amazon's revenue reached 12.83 billion American dollars with a growth of 29 per cent from the 9.9 billion dollars the previous year. Undoubtedly, this stunning increase must be closely connected to the recommendation system. Amazon integrates its expertise with countless aspects of the shopping process from browsing products to paying your bill. Check out Amazon.com and you can see a lot of product recommendation icons; click on the page of any product and you can clearly see "Popular Combinations," and, "Customers Who Bought This Item Also Bought," and other columns. However, Amazon keeps quiet about this recommendation system. One Amazon spokesman said, "our task is to please the customer and let them find their needs in a relaxed manner. We believe happiness appears every day. This is the standard weight of success."

Amazon can also send its recommendation via email. Although most of the recommendation system on the Amazon website depends on automation, some parts still need mass manual participation. A staff

member at Amazon said that the company has provided a lot of software, which can screen target customers according to their buying and browsing behavior. But the confirmation for these final target customers still relies not only on machines but manual work. If one member of staff is responsible for selling one movie, for example *Captain America*, he should think of many other similar movies, because he must make sure that all the customers who have watched other action movies similar to this cartoon receive emails from Amazon to encourage them to get on Amazon and buy *Captain America*.

Amazon's staff researches key participation indicators such as email reading rate, click rate and drop out rate, the so-called standard operating procedure used by email marketing channels in every company. What you do not know is that Amazon selects the superior, eliminates the inferior and then conducts priority ranking for an organic email system in accordance with email revenue rate and other indexes. One member staff commented to *Wealth* that the function is so fabulous that a customer can be eligible to receive an email both about books and video games. Amazon finally sends the one email which will bring more revenue. You can imagine, that for every product, the customer only receives the one email with the best effect even though he is eligible to receive about ten emails.

This strategy can prevent not only inboxes from being jammed with junk mail from Amazon, but it also maximizes the purchasing possibility. In fact, the conversion rate and efficiency of this kind of email is "extremely high," much higher than that of recommendations by other websites. Suschrita Murrpure, analyst of the research company Forrester, said that in some cases, unlike the achievements of other e-business websites, the sales conversion rate by the Amazon website can reach 60 per cent.

From Amazon's example we can learn the importance of marketing strategies for the business growth.

Section 1. A new concept and the development of marketing

Consumption is the final representative element of consumer society productivity. Products are consumed through the sales process, thus realizing their value. The long history of mankind has been a process of the three most important types of consumption of which living

consumption and social consumption drive the development of scientific research and production consumption. During this process, new comsumer needs are created which then act upon consumption. The ever-increasing material, spiritual and cultural needs of the consumption of human beings drive the economy to move forward in an upward spiral. Therefore, the marketing of these three kinds of consumer demands is referred to as the marketing of consumer target demands for the overall market system service. This new concept is developed from the traditional concept of marketing. The marketing of consumers' targets demanding an overall market system service is everything to businesses.

As for the concept of marketing, with the competitive development of capital commodity production and exchange, the overall supply and demand relationship has moved towards a buyer's market from a seller's market. While competing to meet various consumer demands, the manufacturers and dealers create various kinds of marketing modes and marketing means.

The common purpose of production and exchange is to win the preferences of various types of consumers and achieve the value of your products. However, the concept of marketing has been interpreted and understood differently in different historical periods. In the developing history of marketing, some new concepts would emerge every ten years, which encouraged research, guided the practice of consumption and even aroused controversy. No matter how controversial, they must provide light and heat; they must be solid; they must not be a flash in the pan; they must improve our ability to understand, predict and control reality. People are often more perturbed by a shortage rather than a surplus of scientific concepts.

As early as 1937, the sociologists who founded the American Marketing Association began to study marketing. So far, they had been constantly developing their theory, seeking to give a more scientific definition to guide marketing. Early studies thought that marketing was a discipline and should have a core concept. For example, the core concept of economics is shortage; the core concept of political science is power; the core concept of anthropology is culture; the core concept of sociology is the group; so then what is the core concept of marketing? It is exchange.

A further set of common-sense concepts can be derived from the concept of exchange. Then there emerge the concepts of demand, desire, products, value, satisfaction and market, which fill in the blank spaces in marketing. These concepts spark a glory of insights about exchange.

During the process of historical development, in the 1950s marketing began to transfer to the School of Business from the Department of Economics. The development of marketing helped entrepreneurs build and protect their ideas on the market.

In around 1950, Neil Borden began to use the concept of a "marketing mix." Borden said that he had been enlightened by James Clinton's words in 1948, "the enterprise manager functions as a 'decision maker,' an 'artist,' and a combination of various other elements.." Since then, Borden began to use the term "marketing mix." He also identified 12 elements of this marketing mix. He pointed out that marketing experts were concerned whether marketing and advertising personnel (they considered the creation of demand as the primary function of advertising) could go any further.

In 1950, Joel Dean, in her discussion of an effective pricing policy, used the concept of "product life cycle." Dean described the market development period, the market expansion period and the maturity period and so on. Subsequently, Theodore Levitt, in his famous paper entitled *Utilizing the Product Life Cycle*, spoke highly of this idea. Since then, the concept of "product life cycle" has undergone numerous modifications. However, so far it is still a controversial issue that interests lots of people.

In 1956, Wendell Smith introduced a concept with various connotations, namely, "market segmentation." There are differences in the history of different markets. They have different needs and different interests. Wendell required companies to conduct detailed market segmentation instead of just product differentiation. He considered market segmentation as a strategy. Today we are more inclined to see it as the strategy used by a company of dividing the market into a number of competitive parts and then choosing one of these parts to meet their needs.

In 1957, Mike McGinn Trigg of the General Electric Company explained the philosophical viewpoint of the so-called "marketing concept," and said it was the key to a company's efficiency and long-term profitability. In his view, an organization should discover consumer demand pragmatically, and then provide a variety of services in order to satisfy the customers. After meeting these objectives, the means of production and marketing transformed from being product-based to market-based.

In 1960, Jerome McCarthy put forward the well-known "Four P's combination," namely, the marketing mix of product, price, place and promotion.

In 1961, Theodore Levitt published the famous concept of "marketing myopia." It is characterized by an emphasis on "product" rather than "customer demand."

In 1963, William Glazer put forward the "lifestyle concept," which is to achieve the sales targets by observing the behavior of social consumers and studying the products they demanded.

In 1967, John Howard and Jeddish Shirk presented the exquisite "buyer behavior theory:" first, base production on sales; second, observe the behavior of consumers, study their needs, and organize marketing.

In 1969, Sidney Levy and Philip Kotler proposed the idea of an "expanded marketing concept," in which marketing can be applied to all behavior (including organizations, people, places, ideology and so on).

In 1971, Geralf Chatman and Philip Kotler proposed the concept of "social marketing." Marketing was expanded to the aspect of social goals. For example, in 1986 Philip Kotler proposed the concept of "mega-marketing."

In 1985, the American Marketing Association (AMA) provided a new definition of marketing, (to extend marketing behavior to the systematic combination of social and public relations, political skills, social welfare activities and so on), namely, marketing not only reflects the activities of businesses, but it can also be extended to non-profit organizations and public bodies.

To sum up, the concept of marketing is constantly changing. However, no matter how much it changes, it must meet the needs of the three most important types of consumption, which is the core of marketing.

The core of this concept is that it would be meaningless if the "consumer" parted with consumption. The demands of the consumer are diversified throughout society, so marketing should be carried out according to the detailed classifications of consumer demands. The consumer is social and the consuming process has various relationships with society, which are also in the scope of a "greater market." The process of consumption is not so simple that the producer sells the product directly to the consumer, but it is a complex social marketing process. At the moment, it is a buyer's market of capital commodity production and exchange. The competing aim of marketing is the direct consumer and the homogenization of marketing methods. The key point is whoever can win over the preferences and satisfaction of the direct consumer is the victor. So, the quality in the process of marketing services means deciding the success or failure in winning over the consumer (See table 14.1).

Table 14.1 Comparison between marketing and mega-marketing

Item	Marketing	Mega-marketing	Marketing of consumers' target demands large market system service
Goal of marketing	To meet consumers' demands.	To meet consumers' needs or create new needs of consumption, change habitual ways of consumption to enter the market.	To meet various target consumers' demands or create new needs of consumption, change habitual service of consumption, meet the requirement of consumer material, spiritual and information needs, and realize marketing value.
Relevant parties involved	Consumer, distributor, supplier, marketing company, bank and so on.	Besides ordinary intervention, legislators, government agencies, trade union organizations, reform groups, the general public and so on are also included.	Besides ordinary intervention, groups such as legislators, government agenies, trade union organizations, reform groups and so on are included.
Marketing means	Marketing research, product issue, pricing, distribution, planning, promotion and so on.	Besides ordinary means, power and public relations are also used.	Besides ordinary methods, the main method of marketing, planning and creative marketing modes also use power and public relations.
Inductive patterns	Positive inducement and seller's inducement, etc.	Positive inducement (including official and unofficial) and negative inducement (threat) etc.	Positive inducement (including official and unofficial consumer experience) and negative inducement (threat) etc.
Time	Short	Longer	Much longer

Table 14.1 **Comparison between marketing and mega-marketing (*Cont'd*)**

Investment costs	Low	Higher	Much higher
Participants	Marketing personnel and so on.	Marketing personnel, senior personnel, attorneys, and personnel of public relations, public affairs and so on.	Marketing personnel, and senior personnel, attorneys, and personnel of public relations, public affairs, and after-sales service.

Different marketing concepts can completely reveal the essence of modern marketing and guide practice. However, it keeps developing along with development of consumer demands, and it is never-ending.

Service system marketing targets are there to meet the demands of consumers, or develop new consumer demands, and change consumer habits. While it strives to enter the market to meet or develop various target consumer demands, change your consumer habit service and meet their demands based on material and spiritual civilization. Those elements realizing marketing value consist of consumers, distributors, suppliers, marketing companies, and banks. This is besides those usually intervene, legislators, government agencies, trade union organizations, reform groups, and the general public are also included. Besides marketing research, product issue, pricing, distribution planning, and promotion, general popular marketing methods include power and public relations.

Section 2. The large-scale market service system

The sellers' market

In a sellers' market, social commodities in general are in short supply. In other words, there is a shortage of commodities. As the Chinese saying goes, "mud on the radish is not washed off when it sells well." This means that consumers do not find fault with the quality of a commodity because it is difficult for them to buy it. As long as they can purchase

commodities from the suppliers, the consumers are easily satisfied. The marketing process is characterized by a trade and exchange process. As a result, in a sellers' market, it is universally accepted truth that it is not common for marketers to show enough respect or to pay enough importance to consumers' human rights.

The buyers' market

In a buyers' market, there is a surplus of social commodities. In other words, there is not a shortage of needs, but too many commodities. When consumers buy a commodity, they become critical about product quality and pay more attention to it. Sellers should provide a good service and show respect for the rights of consumers. Consumers' interests are protected by society and the law. In a buyers' market, manufacturers and dealers have to change all ways of thinking and carry out marketing to meet consumer demands and preferences in order to achieve marketing objectives. This whole process involves government intervention and the participation of all aspects of society. Marketing has become a broad social issue, namely, society and public relations. In addition, it continually creates a dynamic environment for businesses.

Relationships between the buyers' market, consumers, manufacturers and dealers

Due to the relative shortage of consumption resources, numerous manufacturers and marketers compete to meet consumer demands. In this competitive process manufacturers and marketers provide a variety of services and produtcs in order to gain consumers' preference for their products, to enable them to buy their products, and to upgrade their status and rights. On the other hand, manufacturers and marketers are forced to improve their product and service quality. The national government strengthens the monitoring and management of product quality and passes laws to protect consumers' rights and interests.

Consumers, supporters of manufacturers and marketers

Since consumers dominate manufacturers and marketers, production is based on sales. If products are not recognized and purchased by

consumers, factories close down, workers lose their jobs and investors lose money. As long as they are recognized and purchased by consumers, factories can develop, investors and dealers make a profit, every member of staff, including production workers and marketing personnel earn a salary, and laborers do not need welfare. With money, basic human needs can be met. The money which comes from consumers is the wealth created by them. They support manufacturers and marketers. It is also clear that manufacturers and distributors are also consumers (this is not absolute, but goes for different divisions of labor at certain times). The production process of the manufacturing industry is also a consumption process of products from other businesses, thus demonstrating the overall process of consumer social productivity.

Respecting consumer rights and interests

1. All members of the society are consumers, with each person having his own independent thinking and behavior. As long as he does not break the law and other regulations, he should be respected by other members of society.

Consumers, including those in the production process, have the right to choose products which meet their needs, to offer criticism and rational proposals for manufacturers and marketers, and to protect their rights and interests. Any forced purchases and sales are illegal acts that violate consumer rights and deserve to criticized by the community, as well as leading to legal sanctions.

2. Marketing staff should not only show respect for the rights and interests of consumers, but also act as consumer consultants to provide knowledge on health, the treatment of and rehabilitation from illness, and change their lifestyle if it is unhealthy. In this case, recommend relevant health products and learn their instructions on daily use in order to establish a friendship based on mutual trust in order to enhance their customers' health and longevity.

3. Marketing personnel need to provide commodities and services for spiritual consumption, and spiritual commodities and services for material consumption so that consumers can enjoy a certain degree of power, build friendships, and develop long-term commodity sales relationships. This is in order to promote sales and harmonious relationships in the community and make consumers loyal to one particular company and its products.

Section 3. The large-scale market service system and targeting consumer needs

The relationship between consumers and marketers

As previously stated, all members of society are consumers. During a certain period of time, or in a certain place, you are a consumer and I am a marketer or a producer. Leave the workplace, and everyone is a consumer. Everyone is in the consumption process and is closely linked to society. Particularly after a detailed division in the production of a commodity, members of society take part in the whole process of creating consumer products and consuming social commodities.

Some products we consume have been shipped from one place to another or from one country to another. In other words, the products are gained through market transactions or international import and export. During this process, products are subject to management by the state, laws, decrees and policies, as well as transportation and storage. They should be traded at a specific trading site in order to meet customers' needs. This comprises a large social marketing concept not just limited to a simple relationship between marketers and consumers.

Relationships between consumers, target demands and the service system

Manufacturers and marketers have the common goal of meeting consumer demands. When products in the same industry are of almost the same quality, all businesses are in the direct pursuit of customer satisfaction with a different degree of expectation, which is constantly improved. For each manufacturer and marketer, the key to success lies in meeting consumer demands. Therefore, manufacturers and marketers must decide on commodity pricing, transportation, sales outlets, pre-sales service, marketing services and after-sales service. They should seek advice, improve services, and establish long-term relationships with consumers and so on. All the above elements constitute elements of the service system, with each element functioning as an independent smaller system. Each system is a complete whole, constituting the service structure of the whole system.

Analysis of the relationship between target consumer target demands and service system marketing

As we have stated, all members of society are consumers; production is consumption, and producers are consumers. However, any one particular commodity cannot satisfy everyone. For example, food is a consumer product that everyone needs, but everyone has their own preferred food; similarly, everyone needs clothing, but everyone has their own taste in dress. In addition, different demands at work and in lifestyle determine different consumer products. This also goes for different preferences and purchasing power at different ages, which lead to different consumer demands. Marketers match target consumer groups with their products according to differences between those groups. If marketers cannot correctly target them with their products, and arbitrarily improve their service system marketing, it becomes pointless. It can result in serious waste, the total failure of the business, and even corporate bankruptcy. On the other hand, if a business selects target consumer groups accurately and meets their preferences with a planned service system, it can achieve its marketing objectives.

1. Classification of consumer target demands for food consumption: first consider the classification of popular food consumption groups to meet their different demands and preferences; second, consider the needs of groups with different purchasing power; third, consider the needs of groups of different ages with different lifestyles.

2. Target consumer needs for medical and health products: first consider demands for popular medical and health products; second, consider the needs of groups with different purchasing power and preferences; third, consider the needs of groups of different ages. Since healthcare consumers have an urgent need to enjoy this type of consumption, marketers must meet their needs and provide advice on health matters at the same time.

3. Clothing needs of target consumer groups: first consider the people's consumption needs; second, consider the needs of groups with different purchasing power, of different ages, and with different preferences. Consumers that enjoy this kind of consumption are a very large group and should be the target of all marketers across different sectors.

4. Consumption needs resulting from ethnic and regional lifestyles: over a long period of time, people in different regions have formed habitual

ways of living consumption. We need to both respect people's lifestyles and meet their consumption needs. Meanwhile consider guiding and improving underdeveloped means of consumption, thereby improving the quality of their living consumption.

5. Creating new consumption needs. People's living consumption, and their material and spiritual culture are growing continuously and will never stop. Therefore, scientific research should be done and products should be manufactured to meet these growing consumption needs. When new products are manufactured and not recognized by consumers, they are products with no competitiveness in the market. After new products are made, manufacturers and marketers locate target consumers, popularize the products, and increase consumer awareness. Meanwhile, it is necessary to train volunteers who want a free shopping experience. Increase consumption desires and the awareness of target consumers through the volunteers' remarkable consumption experiences. Adapt innovative products to meet consumer demands during the marketing process and through the assurance of service systems and public relations. It should be known that the costs of research and production are high, as are marketing expenses. Therefore, the retail prices of products sold in the market should be higher than the cost of the factory, raw and auxiliary materials, and other variables. The retail price should cover research costs, production costs, costs related to consumer awareness, business risks, and entrepreneurial profits. If the price is not set rationally, the marketing process is bound to fail. This is a fact that has been unequivocally proven by harsh reality.

Therefore, during the marketing process, businesses should first decide what their product's target group is. Besides, the planning of marketing programs and the implementation of the service system both ensure successful marketing; otherwise even a minor error is likely to lead to a total failure.

It has been shown that if manufacturers and marketers cannot constitute a service system and carry out systematic service management, consumer needs cannot be met. Businesses should first decide on the target consumers for their products and make plans for the marketing of a large-scale market service system. Without consideration for or a concept of large-scale marketing, marketing objectives cannot be achieved only by an awareness of consumer satisfaction. Without the positioning (scientific positioning) of target consumers, the large-scale market service system cannot exist. Thus, the satisfaction of target consumers is at the core of marketing.

Section 4. Marketing management and methods

The marketing of the consumer market system service is a socialized marketing process and also a process of pursuing the satisfaction of target consumers, which is in continuous development. Systematic service marketing influences the organization of various aspects of society, the participation of the people, the greater market service system's structure and the increase of marketing costs. The purpose of management is to control and manage consumption during the social marketing process; to carry out comprehensive budget-control management; and to achieve good marketing, business and social benefits through relatively low consumption costs.

A marketing model is decided based on consumer demand. In order to achieve marketing objectives, marketers must first use all their power to carry out research on their product's target consumer groups and their preferences. The means satisfying their demands. A marketing model for alternative products and marketing should be considered more. A correct marketing model is the prerequisite for successful marketing. If it cannot meet the objective satisfaction of consumers, other marketing measures cannot function. This is because sales management and marketing planning measures are formulated according to a marketing model. Unless it adapts to its needs, marketing measures cannot play their role.

Marketing models

Different combinations of various elements constitute different marketing models. They keep on changing, especially in buyers' markets. Business marketers continuously change marketing models in order to track the target population to meet their preferences. Business marketing management and planning varies according to marketing models.

Table 14.2 Elements and categories of a marketing model

Producers' marketing	The relationship between the price of a product and the sales outlet environment.
Consumers	The relationship between the value of a product and its price.

Marketing models of the traditional social channel:

1. Marketing methods for products with full market competition. If the quality of products is the same, the manufacturers, during the marketing process, win consumer preferences through product price, quality, environment and relationships, so that they can be offered at low prices and purchased at convenient locations. The following are examples of this:

i. A large supermarket located within a certain range to facilitate consumer purchases.
ii. A small supermarket located in the vicinity of residential areas for greater convenience.
iii. Fixed prices and scattered markets.
iv. Department stores and various shops.
v. Shopping malls, commercial buildings, supermarkets, shops and other retail outlets.
vi. Buildings used for commercial purposes such as pharmacies, supermarkets, hospitals, specialist hospitals, clinics, nursing homes, kindergartens and so on.
vii. Various other types such as cinemas, gyms, schools, offices for training courses, meetings and conferences and so on.

2. Marketing methods for products with half market competition. Compared with products with full market competition, products with half market competition are manufactured on a smaller scale to meet the needs of target consumers. This kind of competition for market consumers is conditional. Not every manufacturer is able to produce technical products or new, functional and multi-functional products, and only a few manufacturers can control the production of these products. Marketing composed of just a few manufacturers competes for consumer preferences and satisfaction in order to achieve their marketing objectives. For example, in China's beverage market it is mainly Coca-Cola, Sprite, Future Cola, and Nongfu Spring who compete for consumer preferences to achieve their own marketing objectives.

3. Marketing models for products with no market competition. Any patent-owned technical products, or products with new technology, at a certain stage of monopoly and differentiation belong to the category of products with no competition. That also goes for products which nobody produces. The marketing model for manufacturers should first take a combination of elements into consideration in order to determine target

consumers. First, the quality of the products should be recognized by the target consumers. The degree of their awareness of the product is the first important factor and the decision on retail price is the second. If the price is too high, consumers, due to low purchasing power, cannot buy it, and it therefore becomes impossible to attain sales. On the other hand, if a product is low in price but still cannot meet marketing objectives or achieve ideal efficiency and effectiveness, this inevitably leads to marketing failure.

The building of relationships (including social and consumer relationships) during the marketing process is very important. It is also a dynamic condition for the marketing process and even for of a business' survival.

A better combination of services for target consumers before, during and after sales, meeting consumer demands, and providing channels for convenient purchasing all make up ways of service marketing in a target consumer large-scale market system, thereby better attaining marketing objectives, namely, efficiency and effectiveness. This kind of marketing model is employed by many corporations, including some well-known Chinese brands: Sanzhu oral liquid, Heart K, Melatonin, Wahaha, Wuliangye and Maotai.

4. Service-oriented marketing:

i. Service marketing. The conference marketing model is a combination of some elements of pre-sale, sales and after sale services which meet specific needs (including product consumption, and the consumption needs of spiritual, cultural and service marketing). Service marketing's role is to achieve sales targets. It is a marketing service system that centers on the more elderly population with more spending power.

ii. The direct marketing model. This is a model that the producers sell directly to consumers. Although today, the direct marketing model around the world does not consist of producers selling directly, but rather it is a hierarchical method that is established according to the operator's desire for rapid wealth earned from consumers and through means of investment.

iii. New marketing methods with television and the Internet as its media:

- Direct television sales consist of manufacturers or dealers setting up shopping centers or stores on TV to conduct sales promotion through advertising and display. According to the

characteristics of television sales, service elements are combined to form a new model of the service marketing system, thus achieving marketing objectives.

- Internet marketing (online marketing) consists of manufacturers or distributors implementing domestic and foreign online marketing with direct consumers through online malls, shops or business relationships, that is, online ordering purchasing and so on. This has greatly promoted the development of marketing. Although this marketing model is not widespread, it has a great future that is now apparent, and it will play a tremendous role in promoting the development of the three most important types of consumption.

The operational methods of marketing

1. An internalized business marketing method consists of a business organizing marketing on its own and establishing subsidiary marketing companies in the provinces, cities and counties so they can market products independantly. These promotional organizations are set up at the level of subsidiary companies. The company's products all have their own marketing service system structure. Each independent subsidiary is also an independent corporation. Under the leadership of the parent company, each one has right to its own independent accounting management. The products are entrusted to pharmacies and supermarkets for sale, while the company is conducts promotions through meetings.

2. Manufacturers entrust their products to marketing companies around the country or in some regions. In other words, they adopt independent marketing methods. Marketing companies negotiate with producers and decide the retail price of their products, the retail price in the market as a whole, and a series of conditions to ensure the implementation of their marketing. After this, marketing companies introduce specific planned programs to regulate marketing models, and to manage the implementation of their plans.

i. The conference marketing method is designed to meet the specific needs of consumers, namely, consumer demands for spiritual and material services, which leads to the implementation of a particular marketing method.

ii. The direct marketing method. This is a hierarchy set up by businessmen's desire for wealth earned from consumers' means of investment. It consists of direct and multi-level marketing (in China the multi-level model is illegal), which encourages them to sell their own products.

Section 5. The marketing management method

The marketing method decides the management method. It should have one which meets its own interests. Its objective is to use the lowest possible management costs to achieve the best sales targets to acquire the biggest profits. This is the key in determining the success or failure of marketing. One of the most important things is to be decisive, and to adapt in a timely manner every season or every year in order for it to be in accordance with reality.

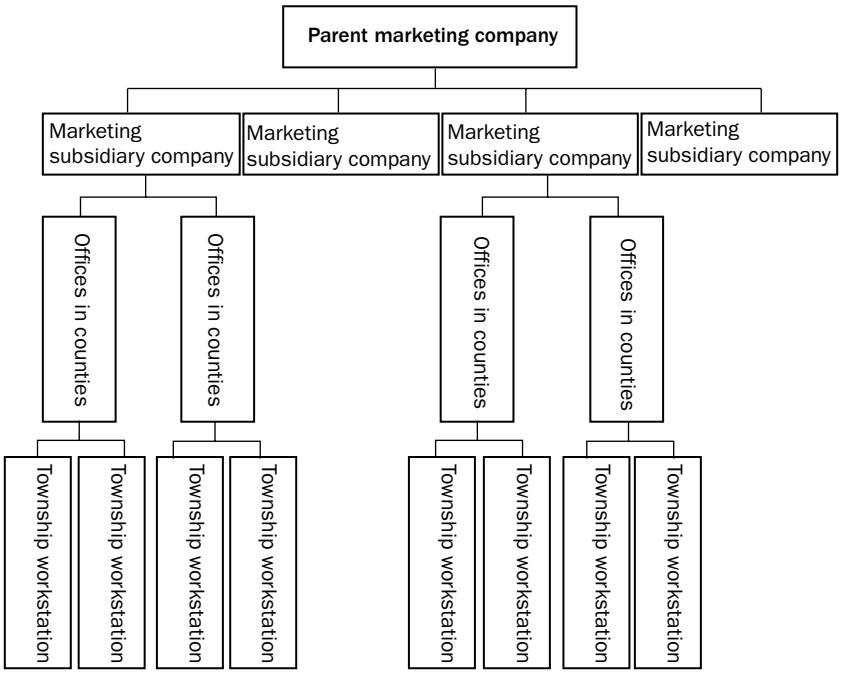


Figure 14.1 Organization structure chart of Sanzhu's marketing model

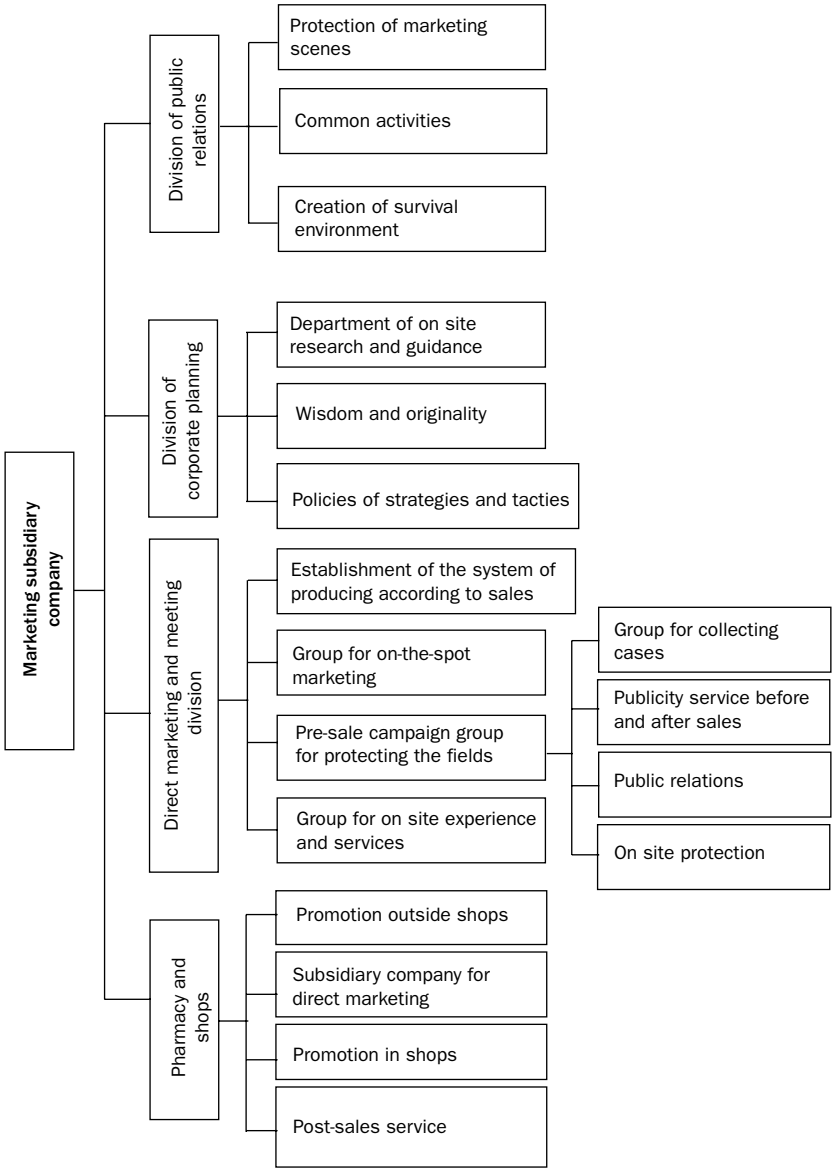


Figure 14.2 **Marketing model of subsidiaries**

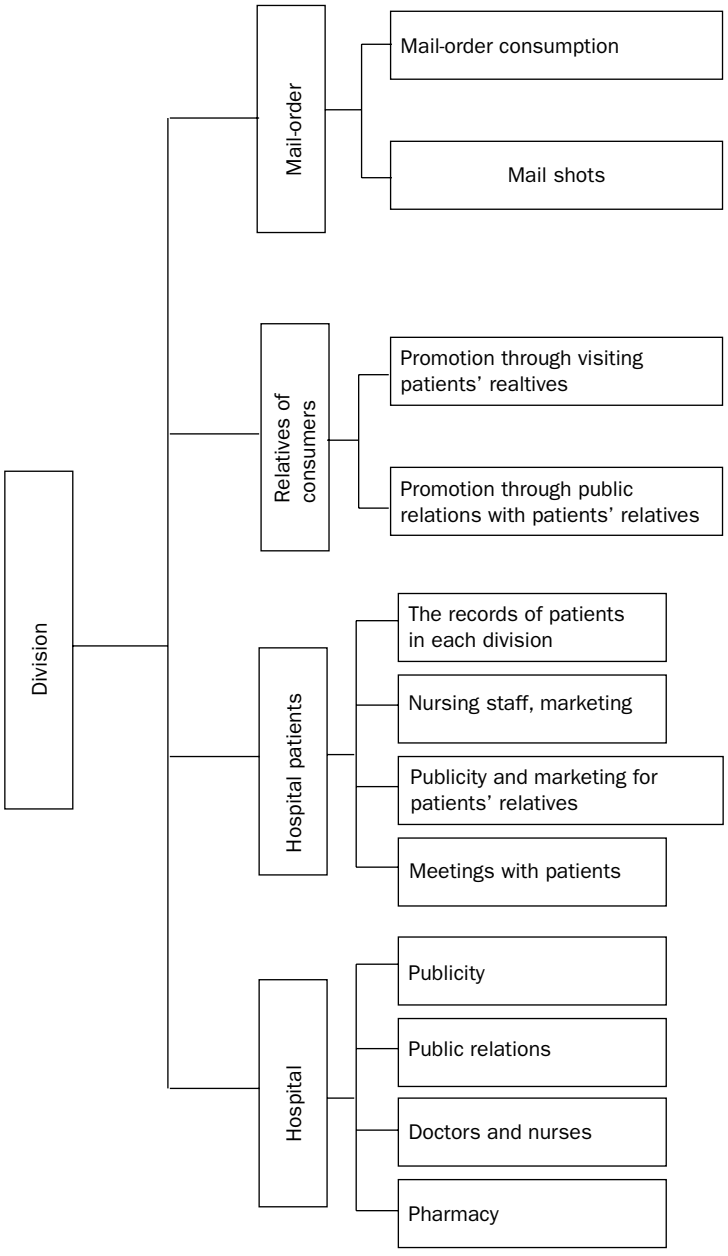


Figure 14.3 Direct marketing model

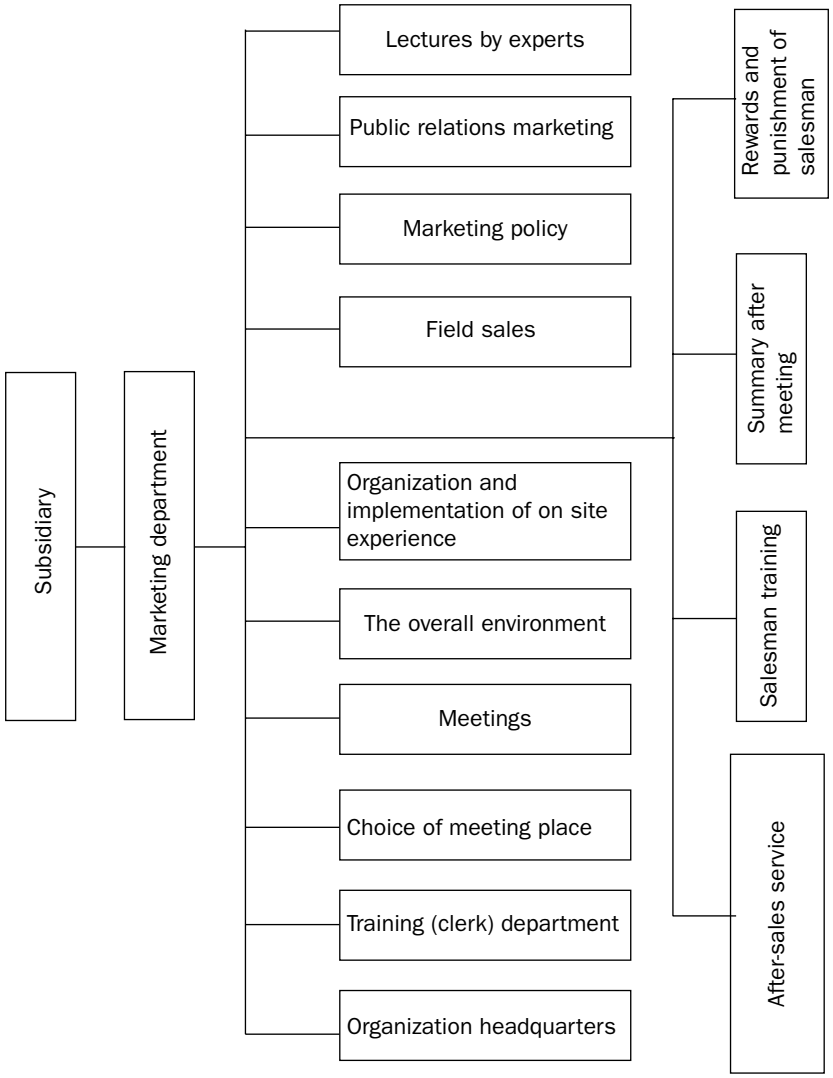


Figure 14.4 **Conference marketing department**

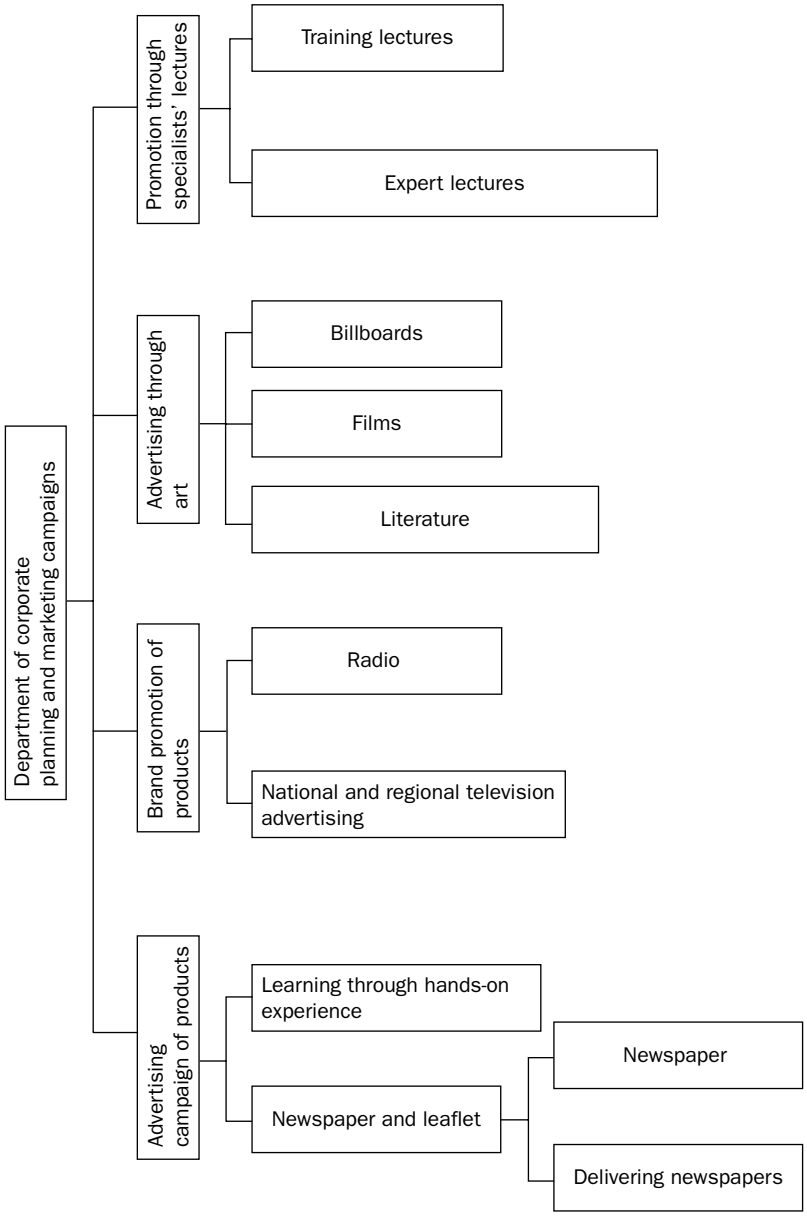


Figure 14.5 Structure of advertising method

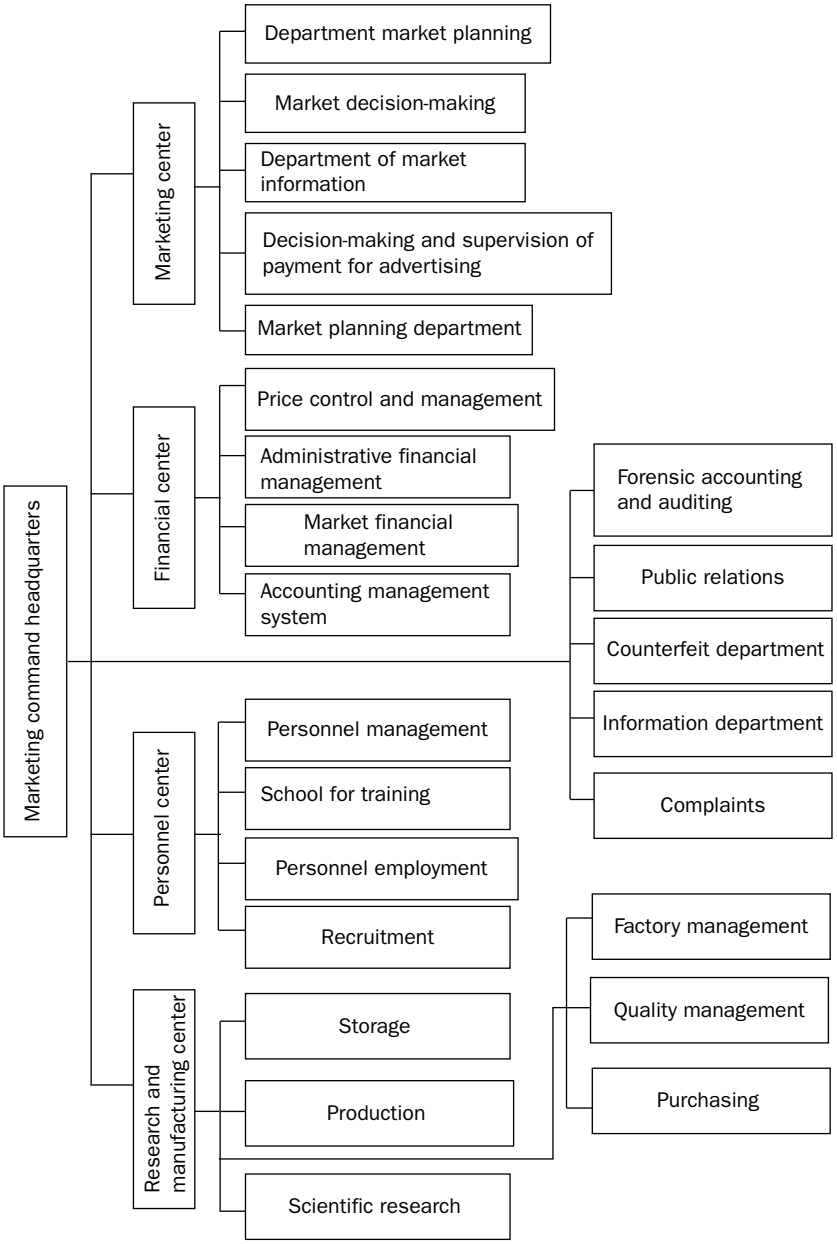


Figure 14.6 Structure of the marketing command and management system

Section 6. Consumption and marketing culture

Marketing culture

Marketing culture is the soul of marketing in the large-scale target marketing system and an important part of corporate culture. A typical slogan is, "the customer is God." The marketing culture of the Sanzhu Group says that consumers are the parents of business. We strive to be their advisers by focusing on them and their preferences and satisfaction to the highest possible standard.

Corporate culture

Culture can be interpreted from both a broad and narrow point of view. The former is made up of material and spiritual culture, namely, the whole of the relationship between human consumption and natural history. In ancient China, the connotation of culture from a narrow point of view referred to achievements in culture and education. Culture from the broad point of view is the sum of material and spiritual productive capacity and wealth acquired during people's social practices. Every society has an appropriate material and spiritual culture, and with the progress of social material production, the popularity of the producers' cultural and technical level, education, literature, art, and science is an important criterion for cultural development during any historical period. Culture from a narrow point of view refers to mental production capacity and intellectual products, including all forms of social ideologies, natural sciences, and technical sciences. Sometimes it refers specifically to knowledge and facilities related to education, science, literature, art, health and sports, which are separate from world outlook, political thinking and morality. A culture formed by a social concept is a socio-political and economic reflection, and at the same time it affects politics and economics to some extent. Its development is a historical succession. A new culture always evolves by relying on the results of the old one. With the appearance and development of nations, national culture was also affected to some extent by the physical environment. The nearer to primitive times it was, the greater the influence it had. In addition, the influences of religious culture and various ideologies are also great. In a class society, culture has a class-based nature, and reflects the ruling class'

thoughts and concepts of ethics that are dominant in their spiritual culture. Marx said that the class dominating the material means of production also dominates the spiritual means of production. Therefore, the minds of those without spiritual means of production are generally dominated by the ruling class.

Advanced socialist culture is created and developed on the basis of inheriting outstanding cultural heritage in a critical way. It is the common spiritual wealth of all members of society and also plays a role in the progress of social civilization.

Sanzhu Group's corporate culture is one made up of three kinds of culture. The first is the advanced culture of socialism with Chinese characteristics; the second is to foster the strengths and avoid the weaknesses of traditional Chinese culture, namely, Confucianism, Legalism, and Taoism; the third is the study of Western culture, learning from their advanced science and technology, management experience, and corporate marketing experience.

The concept of corporate planning

People's wisdom and creative ideas on the objectives of a business are called "creative intelligence." It is an arsenal of marketing methods and creates the soul and culture of products. Besides this, new types of consumer demand, the loyalty of consumers' preferences, the corporate brand, and new values are created. For example the marketing plan of Sanzhu Group revolves around Sanzhu oral liquid. The Wahaha plan is based on, "Wahaha, an appetizer for you."

The selection of products

1. Market size and brand strategy. The overall planning of product design is put together on the basis of market share and market development projects that are completed in phases. Taking the scale of the marketing strategy of the Sanzhu Group as an example, it takes five years to occupy the consumer market on a national level. Short-term goals for the first year, mid-term goals for two years and long-term goals for three to five years are developed. In terms of the actual development of the market, it takes three years just to complete the strategic plan.

2. Development strategy objectives of a new product. New product development is an important means of market competition and an important business strategy for long-term sustainable development. Only

by means of patented technology products or a new differentiated product, namely non-competitive and semi-competitive products, can there be rapid development and the creation of business efficiency, thereby achieving sustained and rapid development. A Chinese saying goes, "when eating from a pot, one eats with one hand and expects more food in the other." In other words, while focusing on new patented technology products or new products with technology differentiation, marketing also reserves new technology and products of the next generation ready for the current product's cyclical decline. Meanwhile, developing and updating new generations of technological products is self-fulfilling and leads to their continuous development.

3. Focus on strategy.

i. The centralized management of funds. High value centralized funds are managed by the finance department of the headquarters by means of a financial management company or a revenue and expenditure management system. It is similar to bank management, which increases funds to make the capital flow value more than treble.

ii. Centralized and unified corporate culture. Unified group culture and philosophy, a unified code of conduct, and a unified corporate image make staff recognize the value of the business and create strong solidarity and cohesion, whereas, externally the business is accepted by the public and establishes a good social image.

iii. Low-cost strategy. Reduction of production consumption and the improvement of product quality are fundamentally important to corporate profits and competitiveness and in meeting the "marketing of consumers' large-scale target market service system." The competitive value of products, especially products in full market competition, is a process of competition between high quality and low costs. Whoever has superior quality and lower costs is the winner.

iv. Innovation Strategy (unconventional strategy). Production, management, research, and marketing should embrace constant reforms and innovations to ensure the long-term vigor and vitality of a business. In particular, in terms of consumer demand, scientific research should pursue sophisticated and unconventional strategies on the basis of high technology, which is the reserve force behind sustainable business development.

The strategy matrix of product service

The strategy matrix of product service is a market for the marketing model of a service system that has the following strategic features:

1. Build a series of specifications for products pre-sale, during the sales process and after, and refine the service structure and control management.

2. The reform of a management organization brought about by services causes all business activities to be truly customer-centric. It is necessary for organizers of modernized companies to make big changes and the independent organizations that run parallel to production and marketing should provide services for customers that become established within a company. As an independent department, its commitment to service runs throughout the sales process. At the same time the content of services needs to surpass the previous narrow point of view. Today the prevalence of telephone services in the West and in China is a typical example. A telephone hotline service is a major business in the service sector. Any customer that calls the dedicated hotline of a company's service department can get any service related to the products. This kind of hotline is free, that is, the costs are paid by the company.

3. The concept of service perpetrates all economic activities. Since it is regarded as a new factor in the marketing mix, the concept of customer service now runs through the whole service process from product design to after-sales service, and has also been employed in the strategy of the product life cycle. At all stages of the product life cycle, sales and service activities are combined. At different stages, a corresponding service is provided to extend the product life cycle, thus improving marketing effectiveness.

4. Relationship service marketing. The salesmen in the marketing process establish mutual trust with their consumers. Consumer information is recorded in the service card files of the salesmen. They maintain friendships with consumers by way of a telephone service. The consumption amount is recorded in their performance evaluation. When consumption reaches a certain volume of sales, the salesman calls up the consumer to offer a prize. When there is a new marketing campaign, the salesman informs the consumer so that he can participate in the event and offers a bonus for him and his friends. In this way, a promotion chain is formed.

5. Hospitality sales service. During service marketing, products should be sold along with hospitality. The warm service for consumer B from salesman A has a beneficial effect. When consumer B purchases the same products, he will specifically look for salesman A to buy them from, so that in this way salesman A's sales volume increases. Especially in conference marketing, the salesmen provides a great service for lonely elderly men and women, calling them, "Grandpa" or "Grandma," and providing home delivery. They also help them cook and wash their dishes, call them regularly and remind them to take their medicine on time. The elderly people are moved and do not know what to do. So, buying the salesman's products is their reward. Because of the salesman's friendliness towards consumers with specific needs, consumption is not just material; more importantly, it is the satisfaction of both spiritual and cultural consumption. It is well-known that there is no service without value. A kindred spirit can feel the service whose value is embedded in the products. It is similar to the fact that the value of a cup of coffee in cafes and at airports is totally different from that at home. It is the value of the place and service that adds to the retail value of coffee.

6. Co-marketing strategy. This consists of the following cooperative marketing types:

i. Horizontal cooperation. This refers to the parallel cooperation within some specific marketing activity. For instance, two companies work together on developing a new product, or they cooperate on product advertising and sales promotion, or they provide a distibution network channel for each other's products. Horizontal cooperation is usually in the same industry, which is the foundation for the international division of labor.

ii. Vertical cooperation. This is the cooperation between different marketing activities. Businesses undertake a marketing activity respectively to form cooperative advantages. For example, Novo Company in Denmark is a small company manufacturing insulin and enzymes with certain technological and production advantages, but its sales capability is poor. So Novo cooperates with the US partner Bristol-Myers Squibb, who is dedicated to marketing activities in North America, in order to overcome its own weaknesses by learning their strong sales tactics. This has achieved very good results for Novo.

iii. Crossover cooperation. Compared with vertical cooperation, this is mainly conducted both between businesses in the same

industry and those in different industries. With the continual application of corporate diversification strategy, this cross-enterprise cooperation has become increasingly accepted practice. It is also known as all-round cooperation, whose great importance is increasingly attached to international marketing. Consumer target groups are demanding large-scale market service systems; the marketing and consumption of productive forces are developing rapidly; internal and external business environments are changing; and marketing models and measures are developing according to new needs.

7. Objective gathering strategy. At a certain time and location, companies gather finances and materials to develop different products with established targets. According to different consumer demands, corresponding consumption strategies are adopted in order to make a breakthrough in key areas and achieve marketing success. For example, in the early days, the integrated strength of Sanzhu Company was not strong. However, the gathering of internal and external relationships, and skill in scientific research ensured that its projects proceeded rapidly (integrated cooperative research), and they ultimately achieved great success in their scientific experiments. Then during the marketing process, the gathering of human, financial and material resources had more success in a market trial. After attaining a certain efficiency, the company developed in terms of both size and economics.

8. Tactics, strategy and strategically placed services determine the achievement of strategic objectives. Once the strategic objective is decided, the most important aspects of the satisfaction of consumer demand are the service system's details, the tactical skills and strategic approach, as well as marketing itself. An error in detail often leads to overall failure.

Organization guarantee and management

After a marketing firm has made a decision on product selection and marketing models, strategies, tactics, and policies, the first thing to do is guarantee organization. The key to marketing success is in the selection and recruitment of the leaders and groups in the marketing team so that they are in a position to ensure the realization of objectives and tasks. Selecting, educating and employment are the responsibilities of the personnel center (or personnel department) and also the first task of senior managers. First, the conditions and criteria for recruitment should

be made known. Second, training should be organized according to planned programs (including simulation training and practical training). Sanzhu Company has a cadre school (with a total of 17 volumes of training materials with several million words), a teaching department, a discipline department and others. Third, talented applicants are evaluated and selected through their performance in practice, and weaker ones are rejected on the same basis. Fourth, the policies on salaries and incentives should be jointly studied and formulated with the financial center (or financial department) in order to motivate the staff. The "three motives" are the theoretical basis for policy development. Finally, the assessment criteria of personnel in the marketing system should be managed to build a team of the "four-excellences."

Adhere to the "six bests"

During the marketing process the "six bests," namely, the best quality, the best technical content, the best service, the best network, the best environment, and the best management should be adhered to.

The best quality should be guaranteed in product competition. High-quality products and satisfying consumer needs to the greatest extent are the basis of and the key to market competition. Having the best high-tech products makes for great market potential and fundamental competitiveness. The best service should be adhered to in the process of market development. Foreign and domestic business development proves that whoever regards consumers as their source of sustenance, has consumer satisfaction as their number one service value, and provides effective services through the perfect means, then his products are purchased by consumers. The process of marketing services should adhere to the best network. Network means scale. Without a network there is no scale efficiency. Either through the market consolidation of existing products, or market development of new products, we must focus on network size and increase network efficiency and effectiveness. Additionally, the marketing process has to pay attention to the internal and external environment, that is, the best environment. There is nothing without a good environment; this is a condition for the survival of a business. Therefore, internally we should focus on the education of corporate philosophy; strengthen cohesion and solidarity; and enhance collaboration and unity between members of staff. Externally, we should foster a good corporate image, product image, and brand image to win support from all parts of society, thereby creating a good internal and

external environment for overall business development. During the course of the entire business operation the very best management needs to be achieved. A flexible, efficient and accurate management system is critical to the effective operation of a business.

These "six bests" do not run in parallel, but they are individual considerations of the overall function of a business from different points of view. Therefore, we must always adhere to the "six bests" and deal with them with strategic vision.

Section 7. Correctly handling the ten relationships in the marketing process

Sanzhu Company in China:

1. The relationship between marketing and the inside and outside of companies. External relationships are the conditions and market sales are the subject. They are two aspects that supplement each other. First, pay special attention to external conditions and ensure a good external environment in order to move steadily forward. Second, manage the relationship between marketing and the internal environment. Make improvements by ensuring unity within the team, by ensuring good planning work and by strengthening training and improving staff quality.

2. The relationship between Sanzhu Oral Liquid and other new products. Sanzhu Oral Liquid is Sanzhu Group's leading product and the basis for further development of the Group. However, more high-tech products must be put onto the market, so that the Group can develop steadily. Therefore, we must be attentive to the development of new products in the market.

3. The relationship between regional headquarters, subsidiaries, branch offices and business divisions. Suppose five business divisions or subsidiaries (branch offices) show up simultaneously in a city, what is the relationship between them? It is a brotherly and internal relationship. How to coordinate the relationship between them? We need to establish an integral work unit in the same region which is responsible for any coordination. Regional managers and subsidiary managers should pay attention to the following two points: first, share resources; second, support new products.

4. The relationship between executive managers and operations directors. Executive managers, operations directors and public relations managers share their work with each other. If the executive managers do not perform well, they can be demoted; if the operations directors perform well, they can be promoted.

5. The relationship between marketing and non-marketing personnel. Marketing personnel are involved in direct marketing and non-marketing personnel are involved in indirect marketing. They are actually both marketing personnel and are indispensable. Job responsibility should be detailed by subsidiaries down to working offices, workstations and public relations managers. Bonuses should be linked with their sales volume. Adhere to the principles of "preciseness, prudence, carefulness, confidentiality and firmness" in order to achieve a systematized and organic combination.

6. Bonus distribution between operations directors and public relations managers in subsidiaries. Incentives should be linked to these two departments. A bonus should be divided into several parts, of which one part is distributed to operations directors and one part reserved for general use and annual bonuses. Fill any gaps with the rest, make appropriate adjustments and stabilize the entire sales force.

7. The relationship between the management in subsidiaries, working offices and township workstations. These are always closely related to each other.

8. The relationship between urban and rural marketing. The rural market remains the main battlefield of our overall marketing plan, but urban work is still a priority. Use a two-pronged approach: on one hand, continue to develop and consolidate the rural market; on the other hand, hold onto the urban market.

9. The relationship between overall and specific publicity. In the cities, we carry out more general publicity, including handing out leaflets or newspapers and other methods. In rural areas, the main types of publicity are also leaflets and newspapers, but publicity by word of mouth is adopted as well.

10. The relationship between main marketing channels and branch marketing channels. Pharmacies, wholesale departments and hospitals remain the main marketing channels. Other channels can be set up, but they should be under strict control.

Section 8. The three basic points of marketing and dynamic leadership management

1. Planning, standardization, detailing, systematic control and management:

i. Planning can be divided into two aspects. One is macroscopic regulation and control of the country; the other is corporate planning. Macroscopic control is not dominated by administrative orders but by economic and legal means. Corporate planning is based on the needs of consumers.

ii. Standardization means that there are clear criteria and operational procedures for work and product quality. The standardized and normalized system, the standard of supervision and the monitoring procedure mean that there should be standards which always need refining.

iii. Detailing. Details in terms of rigor and precision are the standards by which to assess work performance. Our work should be detailed and then detailed again. If there are no detailed standards or connections, there are no good products, results or achievements. If we adhere to this principle, we can identify and solve problems promptly, accurately and efficiently.

iv. Systematic control and management refers to merging and restricting. The planning, standardization and detailing mentioned above are parts of a whole and we should study how to put them together. Systematic control and management are a combined result. Only in this way can we bring various components together and ensure that each one plays its role.

2. Dynamic competitive marketing management. Competition exists all the time and crises occur repeatedly. This is the inexorable law governing competition in a market economy. This law revolves around consumers' needs, just as price fluctuates according to value. We have to study the law of consumption anytime, anywhere, constantly develop new products and increase our competitiveness. We must continue to study consumer psychology and the consumer market in order to meet the different needs of various levels of consumer. Stick to the idea of "highlight – balance, balance – highlight." The higher levels should set a good example for the lower levels so that they can learn and improve.

3. Diagnostic marketing. In diagnostic marketing, strategies and tactics should be studied first. If you set off in the wrong direction, one false step can make a great difference. Every company must analyze its own situation and then make the right judgments according to the objective facts. If the situation is clearly interpreted and the main and secondary conflicts are understood accurately, correct decisions can be made.

Diagnosing decisions is a process in which the subjective is consistent with the objective. To do this work well, we must pay attention to tactics during the marketing process. After correct decisions are made, tactics must be studied during their implementation. It is quite important to closely combine overall planning and individual implementation. If leaders do not know how to make decisions and combine and coordinate strategic decisions and tactics rationally under the guidance of theory, they can easily become confused in practice.

Lastly, I would like to talk about security issues. We should be not afraid. Be ambitious, and use tactics and wisdom to achieve the greatest victories. Establish sound relations with all departments in the region where the company is located. Secrecy ensures security. Some of our actions, especially those of managers and senior managers at headquarters, must be kept strictly confidential. To improve security, internal unity also matters. Treat employees as your relatives. In this way, we can stand united and small disputes do not turn into greater conflict.

Section 9. Applying operations research to improve marketing management

1. Improve study methods to master systematic operational research. It is necessary to apply a holistic way of thinking along with systematic and operational research, which we can learn from and apply in practice. Only by mastering this method can we control the overall situation.

2. When learning from more advanced people, combine specific conditions to uphold the unity of the subjective and objective. Take advanced ideas, and if they go well combine them and you are able to create something good.

3. Be good at accepting new things and new methods. Tabularization is part of an overall layout, which everyone should learn to use in practice. With this method management can reach a new level.

4. Adhere to combining ruthless management with enthusiastic management. This is a necessary requirement for modern business management, and is also an integral part of Sanzhu's corporate culture. A leader should plan and arrange any work with a stern discipline. All the above belong to the category of planning. "An iron hand" should be used in its implementation. Both the method of implementation and discipline must be intensified and strengthened. Enthusiastic management is to care for subordinates and help them solve complex difficulties and problems; congratulate them on any joyful events; and establish familiar bonds and friendship with them. This falls into the category of systematization, whose expenses should be listed as cost expenditure. The strict side of management, which is in accordance with laws, regulations and discipline, is ruthless management. Only the harmonious combination of enthusiastic management and ruthless management can effective business leadership and management be improved.

5. Study with an open-minded attitude. All staff should have the correct attitude towards their study and be open-minded enough to learn. The secret of success is to persist in lifelong learning and the "four kinds of eagerness." These are the eagerness to study, to practice, to think and to draw conclusions.

Section 10. Marketing strategies, tactics and ten principles

Five major marketing strategies

1. Market size strategy. A business does the overall planning based on consumer share in the market, and then makes regional marketing development plans, which are completed in phases.

2. New product development strategy is an important strategy for the long-term sustainability of a business. Only patented new technological products can develop rapidly and lead to business efficiency.

3. Focus strategy:

i. Centralized financial management.

ii. Centralized corporate culture.

iii. Low-cost strategy, which is fundamental to creating corporate profits and improving competitiveness.

iv. Innovation strategy (the strategy of creating something new and original). This is a kind of reserve force for sustainable business development.

4. The product and service strategy matrix:

i. Establish a series of ordered specifications for pre-sales, sales and after-sales processes, and refine service structure, control and management.

ii. A business should establish independent departments for customer service parallel to production and marketing, and it should maintain the service function during the whole marketing process.

iii. The concept of service should be adopted in all economic activities.

iv. Relationships and service marketing. During the marketing process, salesmen build relationships of mutual trust with consumers, which can promote chain marketing.

v. Sales with friendly service.

vi. The co-marketing strategy has three forms:

- Horizontal cooperation. This refers to parallel cooperation between companies in some particular marketing activity.
- Vertical cooperation. This refers cooperation between companies in various different marketing activities.
- Cross cooperation. This occurs between companies in the same or different industries.

5. Objective concentration strategy. At certain times and places, businesses make use of human, financial, and material power to achieve their objectives. They develop different products, adopt suitable strategies and methods based on consumer needs, and spare no effort to ensure breakthroughs are made.

The ten major tactics of marketing

1. The tactics of turning from cities to rural areas to establish new bases there. We should move into rural areas. We can either seize rural areas by force before establishing a base, or set up a base first and then move forward. Different situations in different areas need different methods.

2. The tactics of concentrating superior forces to fight a war of annihilation. Only by concentrating labor, material and financial resources and fully understanding them can we achieve some result. A leader's power cannot be divided equally. He must fully concentrate on the objective of fighting on one day, or work independently and cooperate with others on another.

3. The tactic of selecting a key point to make a breakthrough. In marketing we should select a successful point to make a breakthrough for each task and to find a model. If we go about several tasks at the same time, we can do nothing. We should use this tactic so that the staff is hopeful and motivated.

4. The tactics of managing by division and division in movement. In major cities, you cannot attain good results if you do not divide and manage. This is something we have not fully digested in marketing, so work in major cities is still in underdeveloped. Therefore, we must manage through division, and let all staff work on this premise.

5. The tactics of establishing bases in neighboring counties. We must establish a solid base for "a war of annihilation." Only through the establishment of bases can we be sure of fighting a war for location. Only this kind of war can improve basic management. Mobile warfare should be combined with guerrilla warfare.

6. The tactics of integration in overall operations. On one hand, advertising on TV widens range straightaway. On the other hand, we can also make people focus on one thing while mounting an assault on another. In this way, many kinds of tactics are integrated and coordinated, achieving great mutual infiltration.

7. The tactics of integrating various tactics. Assaults on fortified positions, guerrilla warfare, and wars of location should form a complete and comprehensive cooperative system during mobile warfare. Unlike single tactics, these integrated tactics require certain command capabilities from the leader.

8. The tactics of spreading propaganda via news and entertainment. News has reliability and authority. Therefore, we should make full use of news outlets to improve propaganda. People love to watch and listen to forms of entertainment. This fact allows us to use this method to visually promote a company and its products.

9. The tactics of linking the inside with the outside. This is the tactic of connecting the actions of blocking and attacking. Our outside attack,

that is, marketing, pushes forward with an overwhelming momentum. Meanwhile, supervisory and auditing departments, as well as legal departments, should ensure internal honesty. In public relations, we should strengthen external relations at every level and aspect.

10. The tactics of intensifying the effect and advancing gradually. These various tactics should be combined by use of TV, newspapers, free consultations, and other forms of media.

One major guideline for marketing

Depend on high technology; create consumer needs; promote the initial idea, technology, function and consumption ideas of a product; create a new consumer environment, and meet consumer demands with excellent service.

Ten major principles of market launch

1. Depend mainly on general advertising and use specific advertising as a kind of subsidiary. General advertising aims at the entire target of market demand, emphasizing full coverage and accuracy. Specific advertising focuses on individual target consumers.

2. Depend mainly on the concept, mechanism and efficiency of advertising. Image advertising is purely functional. Only in this way can the advertising of healthcare products achieve the desired results.

3. Depend mainly on science and life columns in newspapers, or on television programs, and use advertising columns as subsidiaries.

4. Depend mainly on case surveys and the cultivation of users as subsidiaries. At the beginning of the market launch, register as many consumers as possible and then visit them to learn about their consumption and help them solve related practical problems.

5. Combine broadcasting advertising with expert lectures. Let experts speak out to enhance credibility.

6. Combine the publicity of popular science with free medical consultations, disease prevention and treatment.

7. Combine “hard terminals” with “soft terminals” in advertising. The Sanzhu Group is not only improving the “hard terminal” of pharmacies, but has also trained a team of high-quality promoters.

8. Making use of every opportunity for publicity. Participate in the government's public welfare activities and sponsored events for this reason.

9. Publicity should be credible, interesting and accurate. The fine quality and genuine usefulness of products are crucial.

10. Depend mainly on treatment, prevention and other aspects of healthcare as forms of advertising.

15

Business leadership management in China

China has its own national conditions. Leadership management there not only has the general characterisitics of other countries around the world, but it also has its own ones. Combining China's individuality and the world's universal leadership management will be discussed here.

Section 1. The specific content of business leadership management

Management objects

Leadership management is an integrated and systematic structure with levels. The objects of the business leadership management process include production, the consumption costs of marketing and the targets of both. It also involves the effective management of personnel, wealth and materials during the realization of business and social benefits. Senior managers are also those being managed. The direct objects of management are people, property and materials, which goes for both macroscopic and microscopic management. Those who are being managed can be also become senior managers themselves with the center of management focussed on people. Management starts by "pulling an ox by the nose," that is, by doing the same to the most important element – people. Then everything else falls into place.

The ultimate purpose of leadership management

The ultimate purpose of management is to realize business objectives. During the process of realizing them, a business should achieve high

output with low investment, and recover higher or even the highest economic benefits including social and business benefits.

Six "soft" rules for leadership management

1. The charter of the Anshan Iron and Steel Plant is the conclusion based on their production reports drawn up by Mao Zedong. It is also their general rule for business management. The charter is based on "two participations, one reform, and three combinations," with which Mao Zedong summarized the experiences of the Anshan Iron and Steel Plant. The "two participations" means that office workers participate in labor and workers participate in management. "One reform" means reforming impractical production processes and enforcing regulations to plug up loopholes in production and management. The "three combinations" means the management system with a combination of administrative managers, technical managers and workers. It is of both practical and historic significance to advocate and develop the charter of the Anshan Iron and Steel Plant.

2. The "three types of honesty," "four types of strictness," and "four similarities" analyze and summarize the production experience of the Daqing Oil Field. The "three types of honesty" refer to being honest and speaking and doing honestly. The "four types of strictness" mean strict organization, discipline, requirements and attitude. The four similarities are being the same with or without the leader; with or without an inspector; with good or bad weather and during the day or night.

3. Preciseness, prudence, carefulness, confidentiality and firmness. "Preciseness" requires one to be precise; "prudence" requires caution; "carefulness" demands careful work; "confidentiality" means that the work should be kept secret; "firmness" prevents soft-heartedness. These represent great power if the leader can follow the five words strictly, and he also plays an important role. He must be strict with himself, following all the regulations first instead of breaking them, which brings other people to do the same.

4. Training managers in the "four types of excellence." What leadership quality in managers ensures the completion of management tasks? There are four qualities, which are "perfect mind, perfect business, perfect work style, and perfect management." A perfect mind refers to the love for our country, the people and the Party. Perfect business means that one should master whatever he or she does with both theoretical

knowledge and practical ability. A perfect work style asks one to proceed from reality in everything he or she does and to strictly enforce what he or she was told to do. Perfect management asks one to be good at managing and mobilizing people, inspecting, studying, reporting, establishing models, punishing and driving forward.

5. Ruthless and friendly management. In management, a "special" person does not exist and is not allowed to exist. Everyone should serve as a link and a part, which can be replaced as soon as a mistake is made. Therefore, management should not involve personal emotions or the difference between being close or distant. So in the face of laws and company regulations, everyone is equal and should strictly obey them. This is ruthless management.

Though management should not involve personal emotion, we do in fact all have flesh, blood and emotions. In daily life, we should care for each other like brothers and sisters. Therefore, in addition to strict requirements, a leader should criticize and care for their staff just like their parents.

Friendly business management should be fully institutionalized, which means caring for subordinates in a leadership responsibility system from the chairman, the general manager down to the grassroots staff. For example, congratulate them on their birthday, marriage, giving birth to children or promotion; visit and comfort injured staff in hospital; give help to and come up with solutions for those are having difficulties outside work, and so on. There should be definite rules for the expenses these all incur. Thus the staff can feel warmth just like with their family and relatives, and the united cohesive power of the company is greatly increased. Friendly and ruthless management should be combined to maximize unity, which is given full play in the organization of a team.

Cold-heartedness does not mean being unkind in daily life but in work. Kindness can replace neither work nor management. The two aspects are a unity of opposites.

6. Strengthen business leadership management. As a matter of principle, keeping the leadership of the Communist Party is a political issue. The interest of the people lies in whether or not to strengthen the leadership of the Communist Party. Under the leadership of the Party, and in the practice of building socialism with Chinese characteristics, we can perfect our scientific management, through which the purpose of improving people's standard of living and strengthening our overall national power is achieved.

Eight "hard" rules for leadership management

1. Make the best of computers for management. Nowadays, the world has entered a time of information explosion. The wide application of computers in all fields and during the process of production and marketing leadership management has improved labor productivity to a great extent. At present, computers are widely popular and are used in management, greatly promoting modern industrial production and social economic development, which is the representation of high-tech productivity. Social consumption productivity cannot be improved to the highest level unless computers are used as much as possible. Moreover, computerized management is an important means of modern industrial development and an important mark indicating the quality of management in a company.

2. Giving full play to supervision and restriction. Leadership management should set an example during all operations. Everything should be restricted from start to finish. In fact, supervision and restriction are the management of the leadership itself. The main task for supervising and restricting personnel is to supervise every manager in every department and to prevent them from making any mistake, thus realizing the objectives of leadership management as much as possible.

3. Legal leadership management. As a society governed by law, a market economy society should be led and managed by law to guarantee the legal development of the economy. Practice has proved that legal management has a huge effect on protecting and promoting economic development. In order to ensure orderly movement, fair and legal competition in the market, and allowing everybody their rights, legal means should be applied.

4. Centralized and decentralized leadership management. On the whole, business leadership management can be divided into two modes: centralized and decentralized. Generally speaking, large businesses usually implement a combination of both. In relatively small businesses, or in the stage of initial development, centralized leadership management is usually used. When a business has developed to a certain stage, decentralized leadership management should be carried out on a centralized basis.

5. Objective and detailed leadership management. Objective leadership management means that an annual business plan is determined, divided up and distributed to every worker, and that everyone is striving for the

realization of the same objective. It is divided into long-term, medium-term and short-term objectives.

Objectives should be formulated scientifically, which means they should neither be too high nor too low and should provide multiple levels. Once formulated, the objectives should be divided up and distributed. They should become the objectives of the staff as well as the business as a whole, and for which they should all aim towards. Therefore, we need to divide and distribute overall objectives to get specific objectives for every company, for every department, and for every person. The sense of responsibility of every department and every person cannot be formed without these detailed objectives. During the process of objective and detailed leadership management, we should bear in mind that every objective should include a deadline. During practice, any objective should be adjusted and perfected. A business should review, improve and revise yearly plans and projects every half a year.

6. Fixed number and piecework management. These are the two main methods in detailed management. Piecework management is usually applied to countable work in factories. The operation of piecework management is simple, but quality shall be emphasized; while in uncountable work, fixed number management is usually applied.

It is difficult to operate fixed number management. During a review of workers and their workload, efforts should be made to "use fewer people, reward more, and increase more salaries." This method can better mobilize the enthusiasm of personnel and prevent laziness.

7. Macroscopic and microscopic leadership management. Macroscopic leadership management refers to overall planning and decision-making. A business aiming to become a standard, modern, industrial and commercial company should first succeed in macroscopic leadership management, which means first adapting to the demands of international trade and the overall world economy. The leadership manager of a modern industrial and commercial company should first consider whether the overall planning of the business can be controlled. Next he or she should consider how to establish organized practice. Then he or she should consider the support of international finance. The most advanced equipment and communications tools in the world should be used. Finally he or she should study international law and the specific laws of any country traded with.

Microscopic leadership management involves specific, practical and individual operations. Every microscopic decision should be made bearing this in mind. Macroscopic leadership management is the bare outline

without day-to-day normal operations. Macroscopic success cannot be achieved unless specific microscopic matters are dealt with. Therefore, attention should be paid to both, with macroscopic leadership management being the dominant element.

8. Multi-layer and graded accounting management. This means that the parent company has overall accounting management, while every subsidiary has its own on a smaller scale. One-way accounting management can also be carried out. Multi-layer graded accounting increases the personnel's sense of responsibility. When it is in place, salaries and bonuses should be distributed according to the performance of the finance departments. Good performance should be rewarded, while bad performance should be punished.

Section 2. Effective leadership management development

We run a business with the purpose of making as big a profit as possible. Profits can be divided into the two categories of development and management. We can make a profit from both the high-speed development of a business as well as from scientific and strict management. The two supplement each other, and neither should be neglected.

"Highlight – balance, balance – highlight," striving for double benefits in development and management

"Highlight – balance, balance – highlight" refers to the two aspects of development and management of a business. The purpose of development is highlighting, while the purpose of management is balancing. During high-speed development, balance is realized through management, and development is in turn highlighted by balanced management. The two repeat the process again and again, making the business develop healthily and steadily. Balance and highlight, the same as management and development, are complementary to each other and dialectically unified with each other. It is wrong to neglect either party. A business should strengthen management during development, thereby gaining both development and management benefits.

The perspective of chicken farming and new product development

The fundamental purpose of developing a business is to pursue benefits and to increase profits. In this sense, it has something in common with chicken farnming. Its purpose is to make chickens lay more eggs. This is difficult, as are creating more benefis and profits, paying the minimum tax, and acquiring the maximum interest with minimum investment.

Anyone who is familiar with raising chickens knows they rarely produce eggs for more than three years, or they become unprofitable and the "benefit principle" of raising chickens in the first place is violated. While guiding and studying business development in accordance with the law of the costs and benefits of raising chickens, we can easily come to the conclusion that a business should continuously release new high-tech products to increase their effects, or it cannot remain invincible.

Problems existing in the economic development of medium-sized and small cities and their countermeasures

The economic development of medium-sized and small Chinese cities is not balanced at all. Through comprehensive analysis, we can discover the following points:

1. Both government and business leaders have a mistaken understanding of the basic laws of market economics and development.

2. In fierce market competition, they do not know how to gain development and management benefits at the same time, or how to strengthen management and accelerate its development.

3. Businesses do not attach sufficient importance to new technological products and scientific research. They cannot develop new products in time, resulting in insufficient after effects and competitive power in the market.

4. Government leaders and their departments do not have sufficient understanding of the above issues, and they do not realize that they should serve business, or that their work is not in step and coordinated with business development.

5. Tax collection is insufficient, and a phenomenon such as "killing the goose that lays the golden eggs" happens now and then.

6. Some leaders do not study economics or solve the practical problems of economic development.

In order to solve these problems, specific efforts should be made in the following areas:

1. Fully theoretical education such as utilizing Party colleges and cadre schools to hold various study classes and training classes frequently. Invite experts and scholars to give lectures and study and discuss basic economic law concerning the competition and economic development of a socialist market economy, in order to improve government and business leaders' competence in this area.

2. Government and functional departments at various levels should actually change their work style and functions, strengthen service awareness, and overcome bureaucracy.

3. Senior business leaders should concentrate on economics, study the ways and means of economic development, and pay attention to the technological development of new products.

4. Actively support business and carefully cultivate sources of tax revenue.

5. Reinforce public security and maintain social stability to provide an easier and better "soft environment" for the healthy development of business. Optimize and standardize the "hard environment" of investment, and accelerate the construction of infrastructure.

6. If the secretary of a municipal Party committee, the mayor, the leader and factory manager of a local business can find the best way to develop the city and its business, as well as establish and perfect operations suitable for economic development, then development can be increased. They are the main power behind economic development.

Section 3. Correctly handling the "Ten Relationships" during development

Since it was founded, Sanzhu Company has overcome so many difficulties and troubles and passed through so many ups and downs. It has accumulated a wide experience and learned important lessons from these unusual experiences. The "Ten Relationships" must be correctly handled to be a success in the consumer market. Wrong handling leads to failure.

Cause and corruption

It is known that the Sanzhu cause is great, but the death of this cause during its progress is corruption. Looking back at all ages all over the world, if someone succeeding in his cause allowed the death of corruption to occur without timely elimination, his cause would eventually and undoubtedly fail. This law is no exception in the case of Sanzhu.

During its rapid development, Sanzhu has achieved enormous success and contributed much to the Party, the State and the nation. When material conditions improved, some staff regarded themselves as heros, decreasing their will to pursue the Sanzhu cause, and increasing their pursuit of individual benefits and enjoyment. Later, systematic discipline was not strict enough and corruption emerged. There were thousands of leaders in Sanzhu making economic mistakes and committing crimes, which was horrible. So we had to deepen the understanding ideologically and eliminate corruption.

Cause and bureaucracy

Fighting for a cause is inevitably hard, so there must be a highly efficient leadership management team. Efficiency and speed are very important in war, as they are in market economics. An inefficient team and leadership management are the biggest obstacles for business development. Only by removing this obstacle can the business progress, or it will be dragged to its death.

Look at the relationship between the development of Sanzhu and bureaucracy. During Sanzhu's rapid development, from 1994 to 1996, the staff was generally efficient, and the cadre was few when it reached more than two billion yuan in capital. At that time, the vice president gave orders directly and, local general managers did the same, and the managers of subsidiaries sent the most paper. The small number of staff in all departments was prepared to work. However, the original organization with less than 200 staff developed into one with more than 1000 staff by the end of 1996 and the beginning of 1997. The few staff members in each province increased to 20 or 30 after standardization and systematization. There were also more than ten dozen subsidiaries. So the department managers would not work anymore. By the end of 1997, all offices had become unimportant and their managers had become pale and fat, for they did not work. All sales work in Sanzhu was done by business operators and temporary workers, while the staff

higher than executive managers generally did not participate in direct sales, forming an enormous group from top to bottom and from left to right. How could they achieve success in the market? How can this be regarded as efficient? Business profits come from a high value-added product, which has high potential due to improved leadership management. Not improving in this area leads to the total loss of a business. A business can make no money this way, and neither can there be any benefits.

The rectification and reform of a business consists of establishing a small management team and a large market, that is, of leading and managing a large market with the leadership management of a small company. In the practice of reform, the "two types of participation, one change and three-in-one combination" gave new meaning to Anshan Steel, which was transformed by establishing a strong network in which every member of staff participated in management. Leaders should lead and work in practice, which should completely eliminate disputes and inertia. A bureaucracy not strictly implementing orders and prohibitions caused heavy losses to Sanzhu. Internationally, the kind of corruption mentioned above is called the "dinosaur disease" of large business, which is prevalent all over the world, and indeed many large businesses have not got rid of this disease. It severely hinders the development of social productivity consumption.

Cause and enjoyment

Generally, after gaining some achievements, certain spiritual and material improvements and satisfaction can be derived after suffering great hardships and tribulations; the mentality and desire for enjoyment come into being, and increase to some degree or another. In a broad sense, the development and success of a good cause eliminates poverty and suffering on a national level, and in a narrow sense at the level of a family, improving their standard of living, which is absolutely correct and to be desired. There should be no poverty or pride in being poor. One should gain something to improve material and spiritual life after pain. But we should agree on the improvement of material and spiritual life rather than excessive enjoyment, as this makes you forget the cause and thereby lose your ambition and spirit. Someone who can easily overcome difficulties can march toward success, or he gives up halfway, which can be illustrated by uncountable examples. So you must not only

arrange the improvement of your material and spiritual life but also continuously get rid of the thought of excessive enjoyment. Only by this, can you make ceaseless efforts and gradually head for success. It is easier said than done, but we must deepen this understanding and raise our awareness.

Guarding against arrogance

There is a law of generating self-satisfaction after having some success in developing a cause and making some achievements at a certain stage. It is a terrible law leading to backwardness, failure and death. The one who can get rid of this law can make progress and head for victory. The one who can get rid of this law in a crisis can bring himself back to life. So we must guard against arrogance, prudently check ourselves and be on the alert. With the rapid development of business over the past few years, I have been an ever-victorious general in making important decisions, and making no serious mistakes before 1997. At many times, I disagreed with others' opinions but proved my rightness after making a decision, which increased my confidence and experience and let me feel I was preeminent. From then on, there was nearly no democratic discussion on important decisions and predictions on the market and the investigation of many aspects were ignored. I always made a decision without any discussion, depending only on my intelligence and knowledge just as though I could see through everything with enormous insight. This was reflected by serious mistakes in several important decisions in 1997. My mistakes are different from yours, as one of my mistakes may cause overall problems rather than just local ones. A mistake can influence the whole of the management team. One false move may lose the whole game. Fortunately, I am still clear-headed and although very cautious, I still make mistakes. Looking back on your growth and progress, you must be conceited and self-satisfied to a certain extent. However, you must be clear-headed enough to have full confidence to "scrape poison off the bone and cure our disease to return to health." I still have ambitions and I am an optimist. When I got cancer, I was not defeated by it and I dared to fight against it. Now, when confronted by business difficulties, the whole staff is capable of finding a cure, which is a certainty for our success and is hard to reach. It is easier to cure others than ourselves. But we should be brave enough to cure ourselves regardless of shame and losing face.

Cause and liberalism

Liberalism is very damaging for a good cause, as it makes discipline weak and a team lazy. In 1997, there was the phenomenon of liberalism in Sanzhu to a certain extent, which seriously affected senior managers down to grassroots staff. Within a short time, there were rumors everywhere, staff kept talking behind each other's backs, and they undermined each other's work and slandered each other. Lastly, there was no organization or discipline; the whole team suffered and Sanzhu suffered huge losses. Recently, it has been better after corrective meetings, but it has not been solved completely. Although problems appear in the general staff, their source is in the management. Can we suppose that a group of so many people being allowed to attack each other and to spread rumors be unified? Can it fight? Business ignores liberalism, is indifferent towards it, even becomes accustomed to it, and as a result destroys the team and solidarity. In Chairman Mao's discussion about liberalism, he analyzed production and nature and the harm done to it. I have also criticized it in a speech in Sanzhu. Now we must look again at the harm being caused by liberalism in order to overcome it at every level to strengthen the cohesion and power of the team.

Cause and determination

When undergoing various frustrations at Sanzhu, many staff lost their confidence, their business ideas and their direction. Before, I proposed belief, determination, and correct positioning and direction. We must believe we can be successful with full confidence. Confidence and overcoming all troubles by an indomitable and persistent spirit can help us reach our goals. The aim of business is to win honor for the Party and nation, to serve consumers with high-tech products, and to make efforts for a longer human life expectancy extension and youthful appearance. At the same time we must strive firmly and undauntedly. With this in mind there are risks and honor just as in climbing the Himalayas. To reach the summit, we must be prepared to pay with uncountable hardships and sacrifice. Presently we must unite as one to get out of trouble and start from zero. If we could do this like during 1994 to 1996, we should base today on this past pioneering spirit just like fanatics, an army or an invincible Sanzhu.

At the beginning of that time, what we owned was a product, but no capital. However, we established a good situation just depending on that

one product. At that time, the social environment was very unfavorable for business. Now it is better with a great social environment, and three would-be listed high-tech products originating from Sanzhu oral liquid and surpassing it. Through experiments with Sanzhu oral liquid, there have been many discoveries, for example it can lower cholesterol thanks to it containing polysaccharide, polypeptide and vitamins. So Sanzhu oral liquid is vital. Based on this oral liquid, the company has promoted several high-tech products in the food and medicine industry. Based on this, if Sanzhu carries forward the pioneering spirit of those years, we will finally be successful.

Cause and style

There should be a great style for a business moving forward. As a silent order and mental power, style is a guarantee for a successful cause. Style is brought about by the leadership, as they can lead with a certain kind of style a certain kind of team. A team with a great style must be led by a leadership with a great style. The reason for an ill-disciplined team without any fighting power is not the bad quality of its members but the bad quality and style of its leadership managers. A soldier following a general is like grass bending before the wind. In training soldiers, what is more difficult than training maids-in-waiting? There is an old saying that one who can lead a thousand armed forces cannot lead a woman. Sun Tzu could train maids-in-waiting to fight on the battlefield. The reason for this was the high quality of Sun Tzu, and not the maids-in-waiting.

A low quality of member of staff is not so terrible, and the key for dealing with it is having a good leadership manager. Leadership managers decide the quality, style and fighting power of the team. A past good-style team in Sanzhu originated from a good-style leadership manager. So the final reason for Sanzhu's failure was the bad style of senior managers. Any change in the work style of business leaders results in an ill-disciplined team. We cannot blame this on the team members, for their quality is higher than maids-in-waiting, so the focus lies on the work style of the business leadership managers. Thus the work style problem of leaders must be completely resolved.

Cause and diligence

Diligence is a guarantee for a successful cause. Although there are conditions and premises for achieving a cause, without diligence all these

conditions and premises cannot exist. Diligence can create more conditions. So diligence is the basis for creating a cause. The work methods of peasants are well worth learning, as they even understand operations better than some university students. First, they understand intensive and meticulous farming, for deep ploughing can withstand droughts and floods. Second, they understand how to select seed; selecting and cultivating seed is important for scientific farming. In the past, they selected the best crops from their own fields to be the seeds for the next year. Thirdly, they know various methods of planting. After planting they have to use fertilizer and water. In the autumn, when the peasants are cultivating wheat, even before the wheat is ripe they water the fields and plant seeds, and then a good harvest next year can be guaranteed. No seeds mean no cultivation, let alone a good harvest. Can you not sow seeds in a drought and starve? Can you have a harvest if you do not get rid of grass higher than your crops? Even if crops are growing well, the harvesting is an important link. A high yield of wheat does not mean a good harvest.

An early wheat harvest caused by rain resulting in budding is usual and frequent. So at the critical moment, the crops must be harvested quickly by day and night, and then sent to storehouse after threshing, when a set of processes has been completed. In business operations, they should learn this set of processes from peasants and then put it into practice. The research, production, management and marketing of a product must be in place. There can be no failure in business if each step is in place, and if hard work and diligence are applied throughout. Learn operations from peasants, for in each process and link diligence is reflected everywhere. So the spirit of diligence should be carried forward to make achievements in the name of a good cause. The completion of tasks without diligence achieves nothing, for so many difficulties in business must be overcome by diligence. No diligence, no gain. How can this be done? Carry forward the spirit of diligence. Once difficulties have been overcome, the sales volume will increase, and the benefits will become better. Being linked to bonuses, salaries and benefits, the income of every member of staff can be improved. All these supplement each other.

Cause and unity

A cause is not achieved is by just one person. The scale of the cause determines the number of people. How to deal with so many people?

Will the cause be successful with so many disorganized people? The answer is no. Many people united like a fist are powerful. If there is disunity in a team and orders are not enforced, it will lead to failure; no other result is possible. However large the cause, if a team is unified and going in the correct direction, if its decisions and strategy are correct, it must be successful. With the three conditions, there must be success. Now the problem is closely related to the enforcement of orders and prohibitions. Sometimes most decisions, strategies and directions are right, but they do not enforce orders and prohibitions. People do things in their own way, argue with each other, take the credit for achievements and throw blame on others. The team is in a state of disunity, and as a result the unity of the whole business collapses. So laws on how to unite must be formulated to maintain success. Any breach of laws must be investigated and treated. Slogans must be matched with measures to guarantee laws and to ensure the improvement of members of staff.

Cause, friendly management and ruthless management

After setting the goal of a cause, in order to accomplish that goal by leading your staff, the first thing is to manage the team by combining it with both friendly and ruthless management. The former means benevolent management and the latter means government by law. All matters must be treated legally and enforcement must be in place. Systemic laws can be counted in thousands, tens of thousand or even above 100 thousand, while their enforcement during leadership management is zero, and they are just a piece of waste paper. If they are not enforced then any financial management systems also equal to zero. These regulations and rules belong to business law. The first thing is to formulate rules and enforce them. During enforcement, "put the saddle on the right horse." Based on the original system, a business must further standardize its whole institutional system in order to standardize every tiny matter. Every member of staff must conform, or they have to accept punishment. Members of staff enforcing the system are rewarded. Strictness must be guaranteed, and only by the strictness can talent be cultivated; working efficiency is thereby improved; great achievements are made, useful experience is summarized and great economic benefits are gained.

Being friendly convinces others through reason and positive emotions to establish a large and harmonious family, and this group grows in spirit

and motivating power, which can be done through ideological and political work. This ideological and political work is not for preaching and reasoning with every day, but it should be reflected by practical and effective work, and by caring for and protecting every member of staff. This reflection is not standardized or reasoned. Leadership managers must bring out the facts and reasons for problems to convince others by reasoning and touching them by their emotions. The caring for subordinates and helping them solve complex difficulties must be factored in and consolidated just like computing expenses into costs, in order to show complete respect for each other.

Leadership management must design the correct structure for a solid top to bottom, horizontal and vertical arrangement, with each link strongly connected, and with the best processes and output of products. In operating this system, input and output must be at their best. Arbitration at each level must be in place if any problem or conflict appears. When operating the system, every link must move and pause together.

Section 4. Team establishment and nine relationships

Practical activities in the three most important types of consumption are organized on a large scale except the individual activities of personal living consumption. What can make the power of ten people greater than the power of 100? This power comes from organization and solidarity. So the issue of solidarity in the practice of the three most important types of consumption must be addressed.

Solidarity between business production, marketing, operations and consumption means power. Only through solidarity strengthening to form a unified whole can a solid guarantee for the rapid development of a business be granted. There are so many relationships needing coordination during this process. According to the condition of a business, the following nine relations must be well dealt with.

The relationship between new and veteran staff

Now there are so many veteran staff, some from the establishment of Sanzhu, some from a business founded in Huainan, even some from one

founded in Baotou. With the rapid development of its cause, Sanzhu is moving forward to enter other fields than the health care industry, to develop into a multi-industry from single industry and to establish more factories. Is it enough to rely on veteran staff during these international operations? Can it rely on veteran staff during its rapid development and expansion in industry? So the company must recruit more managers from society. For business development, both high-level and capable leaders and young college students are needed and collaborated with to achieve the overall cause. With such speed of development, batches of new and high-level leaders must be recruited, which inevitably leads to some disturbance on the part of the veteran staff: "the new staff is third-class when they first join, but I am only third-class or fourth-class after so many years," which is a universal problem.

The company takes many factors into consideration, such as experience, cultural qualities and leadership management capacity and then determines the posts for these new members of staff. With good ideological qualities but weak organization and leadership management capacities, they can still not step into the ranks of senior managers. Although poor in experience, some new staff are strong in quality and self-cultivation. With our need for developing a cause, promotion according to status is impractical. New staff should respect the veteran staff, for they have contributed much to the development of Sanzhu and they are loyal, which must be learned and admired. Veteran staff should respect the new staff as well, for the development of the company cause needs fresh blood and new leadership managers.

The relationship between the front line and the offices

Colleagues working in the front line act as forward positions on a battlefield. So workers should serve well at the front line and be eager to meet customers' needs with good service and sincere words. Any sarcastic words must be investigated. While giving orders, managers should provide a service and thank the front line staff as they work so hard and need support, understanding and help from headquarters. Sometimes they are satisfied just by their managers knowing they work hard. So there is no reason for sarcastic words. Most colleagues enjoy weekends off, while in the front line they are at work. Some people said this violates the labor laws. But a business is fighting for a great cause; just

as on the battlefield, soldiers also cannot rest on Sunday. Similarly, colleagues are charging forward in the battle of business. On the other hand, the bonus system correspondingly includes a treatment of this aspect of work (overtime over eight hours). In the front line, this kind of thinking and spirit is not about money, although it can be. These two aspects supplement each other. So we must understand the front line, as colleagues there do great work. Only victory on the front line can guarantee overall victory for the whole company, which can now sell its products on the market. However, doing work well in the office will improve the front line, or at least influence it. So a business must obey, serve and support its front line.

The relationship between administrators and technical personnel

Science and technical personnel are the first productive force. So these scientifically and technologically gifted workers must be respected, and this must be implemented in Sanzhu. In society, respecting scientific and technological talent is more said than done in areas such as car manufacture or house construction. However, this kind of circumstance is improved on in Sanzhu, where scientists and senior engineers are more important than the administrative departments. Because scientists are so great and their sense of cause and achievement are so strong it sometimes exceeds even the limits of nations. Their inventions, aimed at a global level, have contributed to humanity and the progress of human society. I have contact with many scientists, so I know that on this point they are great. Although they notice and know little about other things, the above point about them should be understood and they should be respected.

Inventions by scientists promote the progress of society. But there is a condition consisting of six elements for science and technology to transform into a productive force. So we must understand and support scientists. Of course, scientists should understand the administrative departments as well, as they support and help scientists with their cause. This cause and leadership management in general are both maintained by the administrative leadership management. Without administration, science and technology cannot develop. So both sides must care for each other and form a harmonious relationship.

The relationship between leadership managers and subordinates

Like a machine during its operation, a leadership manager is ruthless; only this kind of ruthlessness can play its role properly. However, there is some human interest, so you must treat others as your brothers and sisters. Capability and ruthlessness are both needed for a leadership manager to strive for a common cause. But people are absolutely equal from the perspective of personality and law. One professor having an assistant causes some friction with another professor, and they can achieve nothing. A professor assisted by several college students, experts or doctors can achieve something. But there is a lot of this kind of friction in institutions or research laboratories in universities, so one plus one does not equal two, even sometimes one plus one equals zero.

So in a business, only solid cooperation between talented workers at each level can achieve a great cause. Without efforts being made by subordinates, most capable leadership managers cannot be successful. Thus leaders must respect and unite their subordinates. Just like a railway engine, without carriages the engine is wasted. So the relationship between leaders and subordinates must be dealt with well. Leaders should be responsible for any bad relationships. Conversely, subordinates should understand and support their leadership managers. They should put themselves in another person's shoes. If you are a leadership manager always confronted by problems from subordinates, what can you do? Can you do your job smoothly? From another perspective, if you are a third party, how do you judge who is right and who is wrong? If you take all this into consideration, there can be no confusing or unresolved problems. Stand in the position of others, and you can correctly deal with the relationship between leaders and subordinates.

The relationship between freedom and discipline

People commented that Sanzhu is too strict and disciplined with no freedom at all. Freedom and discipline are a unity of opposites and supplement each other. People are free in Sanzhu, for everyone can freely propose his suggestions, work happily, and give full play to their abilities and talent. Can you say this is not freedom? Without the restrictions of discipline, too many people could do what they wanted, and the business

would be in a state of disunity and achieve nothing. So there must be a united discipline and will. Like chopsticks, anyone can break one of them, but no one can break a bundle of chopsticks. So discipline is like tied-together chopsticks. By uniting everyone's will and using discipline, the company can march forward with set targets. Only strict discipline can unite staff actions and facilitate work. However, discrimination must not appear when emphasizing discipline. When you initiate everyone's motivation, details may be overlooked.

The relationship between managers at the same level

Leaders at the same level must respect each other, rather than dominating. Units at the same level must respect each other as well, and learn from other's strong points to offset their weaknesses. If you respect others, they will respect and repay you more. Do not be ashamed of courtesy, otherwise bad relationships can influence unity.

The relationship between democracy and concentration

A business implements democracy directed by concentration, for everyone puts forward their opinions on an issue mentioned by a leadership manager, which must then be put into action, guaranteed by discipline, after concentrating and refining their opinions. On this issue, the relationship must be balanced. After concentrating everyone's opinions and suggestion, it can be carried out through discipline.

The relationship between individual and company benefits

One cannot be without individual benefits, for he cannot be called an individual without them. However, individual and company benefits supplement each other. When in contradiction, individual ones must keep in line with company benefits. The company is a whole and only this whole can guarantee the individual. Business development needs advantages for the whole. Even the most capable individual cannot help himself without the power of the whole. Its expression is clear, so the whole must be protected even by individual sacrifice if necessary.

The relationship between local and overall benefits

Due to distribution throughout various locations in China with different economic conditions, social customs and human qualities, Sanzhu must consider any situation from the overall perspective down to a local one, and also consider local differences when formulating policies. In certain circumstances, the local must obey the overall situation, as some things which can be done on a local level are not done well on a larger scale.

It is impossible to be absolutely united when dealing with the above relationships, as human knowledge and qualities are not united. Only by succeeding on bigger points, reserving small differences and ensuring mainstream acceptance can a business coordinate relationships between its various aspects to achieve its goals.

Section 5. The three motivating powers and leadership management

Material power

1. The concept of material power. Material power means that a company satisfies its personnel's material demands through reasonable material interest distribution, in order to encourage personnel, mobilize their enthusiasm and initiative, and arouse their creativity. The core of material power stimulates the enthusiasm of personnel through the distribution of material interests.

2. How to give play to material power:

i. Combine the development objectives of a business with the development objectives of individual employees.

ii. Divide up objectives and tasks. The objectives of the business should be broken down into task objectives, so that they are divided between and implemented in specific roles by certain people.

iii. Define the job responsibility system, realizing the close connection between responsibilities, rights and interests, with a focus on interests.

iv. Inspect and control work to guarantee the actual implementation of responsibilities, rights and interests.

3. While giving play to material power, attention must be paid to preventing the following tendencies:

i. Neglecting the decisive action of material power, denying its position as the first element, and over-emphasizing the reaction of the spirit.

ii. High enthusiasm is related to a fat salary. This is also a wrong tendency.

Spiritual power

1. The concept of spiritual power. Spiritual force means that a business satisfies spiritual demands to arouse the enthusiasm and creativity of personnel by spiritual means, such as company philosophy education, ideological and political work, commendation and rewards and so on.

2. How to give play to spiritual power:

i. Analyze and study the spiritual needs of the personnel, bearing a well-defined objective in mind while working.

ii. The personnel's spiritual needs should be reflected in company objectives and philosophy.

iii. Satisfy the personnel's spiritual needs on various levels through various forms of encouragement.

3. While giving play to spiritual power, we should guide and educate personnel to train and help them establish lofty spiritual demands. This means that we should keep carrying out ideological and political work in depth. We should make use of words (such as praise and compliments), methods and arts to stimulate spiritual aspects. Relying mainly on the spirit with materials as a subsidiary, the initiative of the staff and their family members is brought into play. In addition, the transmission of information can also be employed.

Informational power

1. The concept of information and informational power. Information is a symbol representing the existence and changes of everything in the objective world which can be known and perceived by people. Informational power is the acting force behind realizing a business'

objectives by connecting the business, the external environment, and every function, link and member of staff.

2. Means of information transfer. Information transfer in various links inside and outside a business is realized through certain channels. These channels can be oral or written, such as telephone, telegraph, and the Internet.

3. Direction of information flow. There are three main directions of information flow in a business: the first is from top to bottom; the second is flow from bottom to top; the third is a lateral cross flow. This is also true of the information flow between the business and the outside.

4. The generation and functions of informational power. While giving full play to informational force, information acts on the leaders' minds and hence influences business decision-making and behavior. In order to make a correct decision, the leader first occupies himself with the collection process. Information collecting is the precondition and basis of releasing informational power, so the process is of great importance. Once collected, information should be screened. Information highly valuable for decision-making should be reserved, while the rest should be deleted. The function of informational power is directly represented in the power of the model. Through the comprehensive application of the principle of "highlight – balance, balance – highlight," we should constantly establish and learn from the model, carrying out the activity of "comparing, learning, catching-up, helping, surpassing" to promote the progress of the work.

5. The use of the function of informational power is restricted. Because the information any decision relies on has gaps and distortions, any decision should be made on the precondition that the decision-maker understands a certain amount of the information. However, in practice, a decision-maker cannot grasp all the information, and the process of decision-making is inevitably influenced by the subjective preference of the decision-maker. Therefore, the function of information power can only be relatively exerted.

6. The dialectic relationship between material spiritual and informational power. The three powers are complementary to and dependent on one another. As the basis of spiritual and informational power, material power is the most basic and the most important. The others should be used on this basis. The maximum material power should not be exerted without the coordination of spiritual and informational power.

There are also differences between the three powers. Material power is the primary acting one. Spiritual power can be more than the material kind sometimes, but it cannot ever be absent from material power. Action based on informational power is exerted by influencing the decision-making of leaders. Some information reflecting the action of material and spiritual power is shown by transforming into these two powers through the leaders' decision-making.

The law of the "three forces" in objectives and strategy

1. Long-term objectives. For these objectives, informational power is primary, spiritual power is secondary, and material power is seldom involved.

2. Medium-term objectives. For these objectives, spiritual and informational powers are still dominant, while material power is auxiliary. In the pattern of the movement of the three powers, their functions are exerted based on the encouragement and pushing of the spiritual power.

3. Short-term objectives. For these objectives, material power is primary, spiritual power is secondary, and informational power comes last. The functions of material power must be fully exerted to stimulate the enthusiasm and creativity of personnel, and then the functions of spiritual power should be exerted to satisfy and arouse their spirit. Informational power feeds back the information related to the results of the realization of the material and spiritual powers to the decision-maker. He then carries out corresponding adjustments based on this information, ensuring the normal and maximum exertion of the functions of the three powers.

4. The law of the three powers. We can see from the above analysis that the three motivating powers, that is, material, spiritual and informational, are the decisive powers for business development. They are not abstract or immeasurable. A clever entrepreneur should always pay attention to the existence of the three motivating powers and grasp the relationship between them and their variety of corresponding elements. Only then can he actually understand the inherent law behind them, thus exerting more value.

The strength and value of each motivating power make up regular patterns, and each one and its corresponding elements are related in certain proportions.

Material power, management and profit are related in corresponding proportions. In other words, the more scientific management there is and the higher the profit is, the bigger the material power will be, forming a proportional relationship. On the contrary, a reversely proportional relationship can also be formed.

Spiritual power and cultural connotations and transformation are related proportionally. In other words, the more advanced and practical corporate culture is and the more common the transformation from culture to personnel philosophy is, the bigger the spiritual power will be, forming a proportional relationship. A reversely proportional relationship can be formed in this case as well.

Informational power and the time taken to collect it, its accuracy, and the degree of transformation are related in corresponding proportion. In other words, the shorter and more timely the collection of the information is, the more accurate and reliable it is, and the quicker and more thorough the transformation from information to action, the bigger the informational power will be, forming a proportional relationship. A reversely proportional relationship can also be formed in this case.

It should be noted that each of the three motivating powers is relatively dependent and has a huge effect on the development of a company. However, they are are related to and dependent on one another and transform into one another. Therefore, a clever entrepreneur must research their relationship, grasp their law of transformation, and finally turn them into an integral force for business development.

To represent the value of the three motivating powers with a formula, it can be stated as follows:

$M = P - V$

Wherein, M stands for surplus value, P stands for total revenue, and V stands for total outgoings.

It can be seen from the formula that business profits, that is, surplus value being the difference between total revenue and total outgoings. However, it is not as simple as that. During production, if its efficiency (material power) is increased through scientific management and technical improvements; if the personnel's outlook is changed and their enthusiasm is increased (spiritual power) through popularizing and spreading corporate culture; and if the business can find out more comprehensive and accurate market trends (informational power) through the gathering of information and its transformation, then the three motivating powers can play a comprehensive role during the process of business development and make up a huge combined force. The formula can be stated as follows:

M1 = P1 - V1

Wherein, M1 stands for surplus value, P1 stands for total revenue, and V1 stands for total outgoings.

It should be noted that the surplus value at the moment has been acted on by the three motivating powers. Generally speaking, it is much bigger than the first surplus value. Therefore, the result and speed of business development are finally tested and confirmed by the three motivating powers.

Hence we come to the conclusion that the three motivating powers are not superficial but effective and necessary for business development. Once their law is understood, business management is more effective, company cohesion is more powerful, and the business will continuously develop and stay invincible in fierce market competition.

Section 6. Corporate culture management

In early 1980s, research into corporate culture was first undertaken in the United States. It involves the values of a company, which determine the behavior, the tenets and action models. Corporate culture is defined in various ways. My understanding is as follows. It refers to the unique values and spirit of a company in the context of certain political, economic and socio-cultural backgrounds gradually generated and cultivated during long-term production and operations, and also the behavior, moral criteria, tenets, and work style of the company generated by its operating awareness, ideas and strategy.

Corporate culture is of great importance to business development. In modern companies, corporate culture is mainly relied on to boost the morale of personnel and to increase the company's cohesion and centralism. Corporate culture is the basis for business survival, the motivating power for development, the norm of behavior, and the core for success.

Take Sanzhu as an example to discuss a revolutionary, traditional and modern corporate culture.

Sanzhu culture came into being in the 1990s. In 1997, the corporate culture of Sanzhu was mature. It consists of three parts:

1. Revolutionary Sanzhu culture: we connect the good traditions of the Party and a modern business management system and join the current work of the Party and the company's development objectives, realizing the inheritance and development of revolutionary culture. First of all, we

should stick to the guidance of Marxism-Leninism, Maoism, especially Deng Xiaoping's theory of building socialism with Chinese characteristics, and the leadership of the Communist Party. Such is the basic political and ideological line of the development of Sanzhu Company. Next, we should persist in building socialist culture and ethics and in carrying out ideological and political work in depth. We should also inherit and carry forward the Party's good traditions and successful experience in leading economic construction for several decades, which mainly involves the Charter of Anshan Iron and Steel Plant ("the two types of participation, one reform, and three-combinations"), and "the three types of honesty," "the four types of strictness," and "the four similarities."

2. Traditional Sanzhu culture: The concept of corporate culture was introduced from abroad, but its simple content has been included in traditional Chinese culture for a long time. Confucian culture can be fused with modern economic development to a certain degree, and some values from Confucian culture have promoted the development of the economy. We have absorbed and learned the best features of some of the content of traditional culture beneficial to modern business development, especially the ethics of "loyalty, filial piety, courtesy, justice, and benevolence" in Confucian culture, Legal culture and Taoism, initially forming some moral criteria and behavioral norms in Sanzhu's corporate culture.

3. Modern Sanzhu culture: The modernity of Sanzhu culture is mainly reflected in its absorbing and learning the best features of Western culture. We have learnt some successful management methods and systems from Western multi-national companies and combined them with the basic conditions in China to form a kind of modern business system with Chinese characteristics. Furthermore, on the basis of integrating three cultures, we have formed the following awareness of modern business operations and management: the awareness of management; of high technology; of market development; of competition; of "everything centering on consumption;" of legislation; of reform and innovation; and of respecting rules and using subjective initiative. We have also gained an awareness of the concept of kind-hearted and cold-hearted management as the guiding ideas for team building.

4. Dedication is the core of Sanzhu corporate culture: the value of Sanzhu culture is dedication to the Party, China, and the nation. Sanzhu is one component of socialist business. Our mission is to be the "head horse," and to make greater contributions to revitalizing the Chinese economy.

5. The business tenet of Sanzhu is: business comes from society, it serves society, contributes, and returns to it, which is also an extension of the spirit of dedication.

6. The ideal of Sanzhu corporate culture is: learn endless ideas and create a learning-oriented business.

7. Doing the duty of ordinary people in order to revitalize the Chinese national economy is our banner and slogan. We struggle, fight and are dedicated with just one purpose – to realize national revival and Chinese power. National revival affects every Chinese person.

8. Carrying forward "the six spirits" and "the three work-styles;" these are the spirit of our company. This involves the spirit of painstaking effort; of economics; of professional dedication; of love for the Party, China and the nation; and of solidifying friendships for progress. There is also the spirit of national self-respect, self-renewal and self-regard; the work-style of practical, quick and strict enforcement, of preciseness, prudence, carefulness, confidentiality and firmness; and the work-style of enduring hard work and other hardships.

9. The idea of people first and making the best of people: "people first" is mainly reflected in the following aspects.

i. Respect people, care for and love them.

ii. Emphasize the realization of the self-value of every employee, and realize the self-development of everyone during the process of company development.

iii. Recommend whoever has talent and use people based on their talent. Whoever is able should work, while whoever is not able should be laid off.

iv. Emphasize the education and training of talented workers and the improvement of their qualities.

v. Select, train and use people properly according to their ability. People's advantages shall be given full play to. Everyone has some kind of talent, whose natural ability cannot be reflected when improperly used.

10. The joint pursuit of Sanzhu staff: you and I meet challenges together, we stand at the front and run to the other side, experiencing pain and happiness. This sentence not only represents the aspirations of Sanzhu staff, but is also their sincere desire to selflessly contribute to revitalizing the Chinese national economy.

Section 7. The political qualities of business managers

The necessity of emphasizing politics

Lenin once said: "politics is the concentrated expression of economics." Deng Xiaoping said: "economic development is the most important manifestation of politics." These quotes show that politics and economics are inseparable.

1. Politics, economics and business. Politics is the concentrated manifestation of economics, while economics is the basis of politics. Politics serves economics. The quality of economics determines that of politics. Politics in certain circumstances serves business as well. Politics in conformity with the laws of the development of social productivity consumption promote progress and the development of the economy. Otherwise they inhibit development. Corruption in politics inevitably brings about recession, and an improvement in politics leads to economic development. The so-called progress of politics means following economic laws.

2. Politics and the state machine. Politics, the soul of the state machine, determines its nature; it protects and serves the economic basis; provides services for the cultural progress of the whole of society; protects national and citizens' interests; maintains a high degree of unity and solidarity; and safeguards the security of the people as well as the stability and unity of society. Politics is realized by means of ideology, law and a strict state machine.

3. Politics and political parties. Politics has class differences, and in certain circumstances it represents interests in specific social conditions. In modern society, both politics and a regime are, by the general rule, concentrated in political parties. A political party takes advantage of rights and powers by taking control of a regime, and serves the people under its leadership, and meanwhile restricts all powers that are against its control. China is under a people's domestic dictatorship led by the Chinese Communist Party, that is, the Communist Party in our country stands for the proletariat and all people, while other parties only participate in politics instead of competing for power.

4. Politics, democracy, and freedom. Politics, democracy and freedom are two aspects complementary to each other. Democracy and freedom belong

to politics, serve politics and are the means of politics. Both democracy and freedom are relative, and there is no absolute democracy or freedom. Politics contains democracy and freedom. Their proportions are determined by the level of maturity of national qualities and of different classes; by the actual economic conditions; and by the overall security conditions. What our country adopts is political democracy, that is, a people's democratic dictatorship led by the Communist Party of China.

5. Politics, news, art and literature. News media, such as newspapers, radio stations, TV stations, news agencies, and so on, are the mouthpieces of political parties and the state. In most circumstances, literature and art have classes, and serve these classes. The more artistic something is, the more infectious and persuasive it is. Therefore, education becomes more meaningful. Literature inevitably serves a certain regime and politics. Art also has classes on the whole, while some kinds do not have any class differences.

6. Politics, class, distribution and life. Politics belongs to a certain class and stands for the interests of a certain group. Through its power structure, it transfers, organizes, and protects all consumers and people, and at the same time, fights crimes to make sure of a stable and unified society and to protect people from danger. Living consumption and distribution are closely related and determined by their contribution to society and their demands, which in the meantime are determined by regime.

7. Politics, belief, religion and morals. Belief, religion and morals are in the same scope as superstructure. Belief and religion are protected and taken advantage of if they are not against the politics of the day. Otherwise, they are inhibited. Religion can serve politics and be employed by politics. Morals are the sum of behavioral norms that adjust relationships between people and between individuals and society. But morals are at the same time built to a certain degree on the basis of the fabric of society, and serve class and the whole of society as well.

8. Political power and control. Politics takes the responsibility for safeguarding social culture, the economy, people's lives, and the stability and solidarity of the whole of society, the protection of which entails a high degree of power and control. Control means management, which is suitable for a business and for a state. In the process of controlling a country, premier control has to be seized. There has to be a whole set of compulsory and non-compulsory social control systems, including politics, economics, law, religion and morals.

How to improve political caliber

1. Work hard on theory. In China, learn about Marxism, Mao Zedong's ideas and Deng Xiaoping's theories. The idea of the "Three Representatives" and a "Scientific Outlook on Development" must be combined with improving theories and perfecting detailed policies to improve political caliber, enhance political sensitivity, and fully understand the Party's opinions and their mutual relationships. If we want to improve our political caliber, we have to start from the basics, that is, from political cultivation, which involves studying works related to Marxism. We should also learn about politics, which means supporting advanced revolutionary politics and criticizing outmoded politics.

2. Hold on to principles. Make the best of various relationships and be wise in sharing or holding onto one's own ideas. Pay adequate attention to principles and various complex relationships. While sticking to principles, learn to take the most effective and inoffensive way to handle problems.

3. Hold on to belief, and improve good manners and perseverance. If a man does not have faith, he can by no means be firm, and when faced with ups and downs, he wavers. In the face of great setbacks and disasters, he is shaken and looks to taking the easiest way out. In a complex society, relationships between people can be really confliciting. If we cannot cultivate ourselves well, we are apt to get stuck in conflict. If we do not have adequate perseverance, then we cannot improve or develop.

4. Pay adequate attention to flexibility. If there is only set of principles but no flexibility, we become dogmatic, which mainly derives from being unfamiliar with dialectics or with the cause and effect relationship. Flexibility serves principles, and it is a means to an end.

5. Understand policy and strategy. Policy is a basis and strategy is a means to an end. They both form the process of doing great things and an assurance of success.

6. Overcome pride and arrogance. This is a necessity for success; otherwise, you will fail.

Political attributes that employees in the Sanzhu group should have

1. Love the Party, love the country, and love the State. Never say anything against our Party, country or State; do nothing against them. Be aware of the mutual interests between working for Sanzhu with working for the State.

2. Strengthen individual study and self-discipline. Sanzhu employees should form a habit of the love for study and for diligence. They should strengthen their self-discipline.

3. Respect the government, respect the leaders, and work actively for the leadership of the company.

4. Integrity above all things. Be faithful to the Party, country, the State, and to your company and comrades. The development and consolidation of business creates benefits.

5. Individual development is integrated with that of groups. If a man is detached from a group, despite having a lot of ability, he is powerless. Although a man has great leadership and lots of talent, if there are no people to be led, he will not give full play to his leadership management power. Therefore, what Sanzhu emphasizes is to become integrated into groups and to emphasize team spirit.

6. Discharge your responsibility for helping develop China's national economy. As for Sanzhu, developing the economy is not just a means to an end, it is making an effort to make China prosperous; it is helping the national economy to thrive; and it is doing what is best for China and for the Party. It also involves looking for a way to extend people's lives and their youthful appearance.

Section 8. Chinese marketing and team building

Standards for establishing a team with a strong will and principles

1. The four types of strictness:

   i. A strict organization: the higher levels of an organization are close-knit and they should be closely connected to the lower ones. The lowest one consists of two men, with one of them in command; or it can consist of three men, with one of them as leader according to the organization of grades and levels. The principle is that everyone has only one leader and never multiple leaders.

   ii. Strict discipline: all behavior of the team (behavior against discipline) must be appropriate and according to the concrete rules of praise and punishment.

iii. Strict requirements: have regulations to abide by, and ensure that law-breakers are prosecuted. Always act strictly according to the regulations and rules.

iv. A strict attitude: everyone is equal from the perspective of regulations and rules. People who violate them must be punished severely, and not slightly because of his earlier contributions.

2. The four types of excellence:

i. Be excellent at ideology: support the Communist Party, love our country, identify with the culture and ideas of Sanzhu Group, and take all these as the basis for all actions. Accept and abide by their regulations and rules. Combine the job of meeting targets with striving for success.

ii. Be excellent at business: be proficient in business techniques and skills and work with great efficiency.

iii. Be excellent at management: manage the team and the population with modern methods, and carry out effective evaluation that is systematic, standardized, institutionalized and digitized. Use the "three motivating powers" to boost everyone's morale and to achieve great efficiency and benefits.

iv. Have an excellent style: the style of leaders should involve asking others to follow rather than telling them to go on ahead. Be the first to bear hardships, to rush to the front lines, to endure hardships, to work hard, and to fight together with the team he leads. Pay attention to decorum and politeness, respect others, be honest with others and do not be conceited or impetuous. Form the habit of obeying orders as second nature, carry out orders condidently, and work creatively. Be brave enough to offer leaders advice and carry out their orders even when the advice is not accepted.

The main attraction of the team

1. Emphasize the effect of targets. To establish a team needs strict discipline as a guarantee, but there must be targets for which the team strives towards, and common benefits on achieving those targets. The targets and their resulting benefits are the main attraction of establishing a team, so it must set the targets correctly at different stages, which are connected to the benefits. These must be feasible and fulfilled, especially for the lower-ranking staff.

2. How to be a good first in command:

i. Be adept at business. If you want to lead everyone towards opening a new market, you have to know a lot about the various methods and strategies involved, as well as having an in-depth knowledge.

ii. Be able to unite most comrades to work together. What one is able to do is limited, so only by everyone's wisdom and talent in moving towards a shared goal and in uniting together can work efficiency be improved.

iii. Have an enterprising spirit. What you want others to do has to be done first by yourself. Practice what you preach, and set a good example.

iv. Be good at collecting wisdom from other people. Learn from those around you and from your subordinates. Pool this wisdom, which can be summarized as a theory to guide others.

v. Carry out projects prescribed by your superior. Be practical with no dogma and hegemonism being allowed. Projects and proposals in branches and headquarters must be implemented in a firm way.

vi. Boost the morale and initiative of employees. Explore the strengths of each one and bring them into full play. Be good at analyzing, seeing other people's advantages and making use of them well.

vii. Be strict with employees and love them. The first-in-command should care for every employee in terms of both life and work to make them coordinate with your work voluntarily, while being strict with them.

viii. Have the courage to conduct both criticism and self-criticism. Do things righteously, do not cheat behind other people's backs, and raise opinions to their face. Do not be afraid to lose face, for there is no such thing as a perfect man.

ix. Unify the personnel's ideology and organize their study. First, employees should learn by themselves. Next they should learn from the documents, newspapers and periodicals of the headquarters. Business ideas are used to unite those of the employees so that everyone strives for a shared goal.

x. Control your financial system and comply with financial and economic discipline.

xi. Support employees' interests when distributing benefits. Only by exercising the concept of business management can the morale and initiative of the staff be boosted. Only by representing the fundamental interests of your staff can you be trusted by them.

xii. Understand principal contradictions. Start from them and hold onto them tightly. Focus attention on the main points at the right time until success is achieved.

xiii. Learn to prepare your troops for economic battles in a scientific way. By a reasonable division of labor, orders are followed and work is carried out smoothly. This should be done according to actual situations in a scientific way. We should have strong organization, rigid discipline, strict requirements and serious attitudes.

xiv. Be capable of making decisions. When the first-in-command is sure about some issue after thoughtful consideration, he ought to come up with a compelling argument and try to make everyone else agree with him so that everyone is willing to carry out what he demands. When he is not too sure about a certain issue, he should bring it up for others to discuss, in order to get good and correct ideas from them, and then decisions can be made.

xv. Inspect and give directions on how to work. After work is assigned, the first-in-command should often inspect it to help managers to sum up their experience, carry forward their accomplishments, and to help the ones that lag behind, correcting their mistakes. There are three ways to inspect work. First, inspect regularly; second, inspect work according to the situation; third, conduct spot checks.

xvi. Learn to "play the piano." There are different priorities at different periods, so learn to distinguish priorities from those that are less important, and attach more attention to priorities. But focusing on priorities does not mean they are the only things that should be attended to, but that they are attached to something more important, which is just like "playing the piano." At a certain time, other work is carried

out to complement those priorities so that all aspects of work are taken into consideration.

xvii. Possess a capability for public relations. The first-in-command has to deal with public relations well, combining an attitude of modesty and honesty and approaching and asking others for help.

xviii. Have the correct attitude towards employees. The first-in-command should take responsibility for being an instructor in order to teach management concepts and business methods to employees. He should possess generosity, not minding trivial matters, but being good at seeing other people's merits in order to avoid their disadvantages and employ their advantages. In addition, the he ought to be strict with employees, treating them with the "four types of strictness," and at the same time he should care for and be considerate towards them.

ixx. Proceed from reality and fully encourage people's subjective initiative of people. Have a work-style which is practical, quick and strictly enforced, as well as one which contains "preciseness, prudence, carefulness, confidentiality and firmness."

xx. The first-in-command should be practical, pragmatic and resolute. The leader of a team is critical to creating a victorious one. He should cultivate and train himself to possess multiple personalities like grass, pine and bamboo, to be a true and invincible hero. He should have ambitious targets and the power to create a bright future. He should be down-to-earth, tenacious, and able to endure contempt and to confront difficulties. With the spirit of remaining indifferent whether granted favors or subjected to humiliation, with the wisdom to learn from others and with an accumulation of erudition and ideas, he can be very successful in creating achievements.

xxii. Soft management, that is friendly management, refers to respecting every member of staff's personality, their spiritual demands, and their creativity; to helping solve practical problems in work and life; as well as to caring about their lives outside work. For instance, make note of details such as birthdays, weddings and funerals in order to provide help and support as necessary. In one word, they shall help their

members of staff overcome difficulties in life, and help them feel warmth and kindness just like they would from family and friends. Let the staff know the company and its and leaders represent their benefits. In this way the staff, the leaders and the company can unite to work towards business targets.

In leadership management, senior leaders should:

i. Conform to striving for strategic aims (short-term, medium-term and long-term); work for the common benefits for those being managed, and the process of developing, growing, maturing and success; transform the "three motivating powers" (material, spiritual, cultural, and informational motives) into policies to motivate staff to fight for one common goal with strong cohesion and appeal.

ii. Possess a close-knit organization, strict discipline, exacting demands and a serious attitude to realize the power of organization.

iii. Carry out work according to the "six step" work method of logical thought. These are to formulate objectives and tasks; to formulate the standard requirements of objectives and tasks; to identify the person responsible for task completion; to set a time and place; to specify the rules for rewards and punishments; and to examine and summarize the experience and lessons learned.

iv. Combine hard management (laws, rules and regulations and organizational discipline) with soft management (see point xxii. above) to attain effective leadership management.

v. Set an example during all leadership management processes to demonstrate, lead and influence. This in turn drives and influences the thoughts, behavior and work styles of staff members who make up the soul of a team. Their main style should be organized silence and an excellent fighting capacity.

Successfully accomplishing the above five important articles is to understand the core of leadership management, and the results of leadership management are great.

3. Establish the team core and the first-in-command:

i. The leadership team consists of a first-in-command who is both brave and resourceful, and a professional assistant who is cooperative and can take charge of a department alone.

ii. Carry out the work according to the six steps and fulfill your tasks confidently.

iii. Use the "four types of strictness" and the "four types of excellence" as a standard to carry strict management.

iv. Be just and strict with yourself, and manage, praise and punish according to the rules regulations.

v. Carry out work correctly.

- Unify your thoughts, give correct advice, educate your subordinates, and ask for advice in a democratic way.
- Use the method of planning first and then firmly carrying it out. Work out plans and strategies and then gain a decisive victory.
- Use logical thinking and the six steps to ensure your management is systematic, standardized, institutionalized and digitized in order to accomplish any task.
- Employ the seven methods of thinking to operate and control an entire situation, to solve different conflicts, to keep pace with the times and then to create a whole new situation.
- Use the rule of "highlight – balance, balance – highlight" to solve the conflict between development and management. Use this rule to cultivate and set up a model, to generalize a method, to expand experience, and promote overall development (the principle of the shepherd).
- Adopt the method of training to improve the quality of the team and to adapt to the needs of accomplishing various tasks.
- Solve the principal conflict and then the ordinary ones. Learn the method of "playing the piano," which is vivid and dramatic, free and easy, and bittersweet.

vi. Insist on appointing people according to their abilities, and employ all kinds of talented people. Select and employ people according to their abilities, and afford enough space to put their abilities to good use. Encourage them to learn from practice, and to learn from everything to achieve great success. Care for your staff's work, lives, and families (divide the responsibility according to different levels), and offer assistance

if needed. It is especially important to care for them when they are in trouble or ill. Place people with professional skills into a job which uses those skills and achieve great success.

vii. The first-in-command must fully develop the abilities of his assistants and subordinates, and improve the subjective initiative of departmental managers. Courageously transfer power to your assistants to let them develop creatively. The first-in-command must take responsibility for his subordinates' faults. Praise the achievements and success of your workers and offer them timely help and support when they are in trouble. Do not blame them except for matters of principle, and ridiculing and contempt are not allowed. Grant the departmental managers the appropriate power related to the needs of their work, ask what requirements are needed in provincial branches, and implement the system of different levels having different responsibilities. Praise the staff in order to boost their morale.

viii. Unify people's thoughts with culture and ideas which are the soul of the company. Introduce an education program, and implement systematic hard management. Carry out the daily management of your workers' lives and behavior. Provide them with an excellent education, and feel grateful for the education from your parents, the Communist Party, your country, your company, and for the help and support of friends to establish harmonious work, interpersonal and social relationships.

4. Establish a team using the "nine demands and nine prohibitions:"

i. Persist in collective and not individual heroism.

ii. Persist in emphasizing the team instead of individuals.

iii. Persist in being democratic under centralized power and unity rather than the freedom of anarchism.

iv. Persist in possessing a sense of organization and discipline, rather than non-organizational activities.

v. Persist in being of one heart and one mind instead of detachment.

vi. Persist in using line management instead of disturbing others' work.

vii. Persist in being strict, careful, close and firm instead of being weak, lazy, and relaxed.

viii. Persist in employing people according to their abilities instead of their relatives.

ix. Persist in making friends instead of enemies.

Section 9. The philosophy of professional managers in China

The requirements for professional managers are:

1. Level and job title.

2. Salary and bonuses accepted by both the company and managers.

3. Rights (including chief rights and specific rights).

4. Responsibilities (definite objectives and tasks and responsibilities).

Professional managers' commitments to a company and shareholders and the principles of action

According to the rights granted by his company, a professional manager formulates strategies of his own. With the guidelines and specific management rules as a requirement, he provides business profits for shareholders and ensures the added value of capital.

A successful and excellent professional manager should persist in transforming the "three motivating powers," namely of material, spirit and information, into policies in order to stimulate creativity, enthusiasm for work and a sense of responsibility for the personnel.

1. Our objective and task is to realize two benefits, namely social and business benefits, to maximize shareholders' profits and to satisfy them.

2. Be people-oriented. Talented workers are the most important treasure rather than simply a cost. Leaders and personnel should improve communication to break down various organizational and structural barriers and solve conflicts.

3. A blueprint for success and for the improvement and development of staff should be designed to help them realize their ideals and wishes.

4. When selecting talented workers, we should prioritize ones already with the company and use those from outside as auxiliaries.

5. Transform the "three motivating powers" into policies to boost the staff's morale.

6. All staff share their achievements together.

7. Provide a stable income and social security for the staff.

8. Implement a decentralized and hierarchical administrative system. Everyone has responsibilities and rights. Everyone is the owner of their company.

9. Leaders at all levels should adhere to the "three types of honesty," the "four types of strictness," and the "four similarities," and be good at organizing and using the wisdom of subordinates. Combine wisdom with thinking so inspiration is created to act on policies.

10. Encourage all levels of leaders and staff to make them grow and achieve success.

11. Persist in the "two participations, one reform, and three combinations." The staff should participate in management and leaders should go to the grassroots level to investigate, study and discover problems and then to solve them. Moreover, leaders should reform unreasonable regulations and technology, and encourage staff to grow and succeed. In this way, the leadership management bureaucracy can be avoided.

12. Train every member of staff with a view to becoming a manager.

13. Operate according to the requirements of logical thinking and of the six-step work method and of the operation of executive power.

14. Make efforts to have the company listed and let staff be shareholders.

15. Simplify procedures and reduce documentation and directives.

16. Retain performance achievements, accumulate personnel files and erase all records of faults.

17. Be people-oriented and put your staff first. Leaders and personnel at all levels should be have high self-esteem, and be good at self-evaluation.

18. Leaders at all levels should not advocate adherence to provisions from higher levels. Intelligence and inspiration should be given full play in order to work with creatively.

19. Everyone should strive to be professional, to become experts and to continuously improve their professional skills.

20 Leaders and personnel should strengthen communications to break down various obstacles in the organizational structure and to solve conflicts.

21. Encourage and foster mutual care and support among staff to make them have more confidence and a sense of pride.

22. Make employees have a market-centered awareness. The highest interest is the corporate interest and the staff should not work for the company while helping others secretly.

23. Integrate all business assets and resources, and make full and rational use of the means of production and internal and external human resources.

24. Adhere to market capacity and strictly prohibit overproduction and disuse of products.

25. Adhere to the business development and management philosophy of "highlight – balance, balance – highlight."

26. Be aware of independent business units at all levels to assess the efficiency and effectiveness of their labor.

27. Control investment in infrastructure and buildings, and monitor and assess returns on investment.

28. All staff should participate in management and economic accounting. Everyone should be able to do this.

29. Develop patented products and products with new technology. This is the driving force for business development.

30. Strengthen financial, cash, and benefit budget management. Everyone has his own benefits.

The above thirty points are an understanding of and methods for professional managers to realize objectives and tasks. Only proper methods can ensure their accomplishment. Once the objectives and tasks have been identified, the fundamental responsibilities of the leadership are to discover and solve problems, unify understanding of all staff, mobilize their intelligence and inspiration, and carry out work creatively.

Section 10. The qualities of leaders, using Sanzhu as an example

Managers must improve their cultivation in every aspect in order to be able to adapt to changing situations and to achieve good results. In this way, an organization or company can continually achieve success and remain invincible in the ever-more complex and increasingly competitive market.

1. Managers should persist in relearning. This is necessary for keeping pace with the times. At present, we are transferring from a planned economy to market economy and integrating with the world. The international market economy has a history of several centuries and has accumulated a lot of experience, while we know little or nothing at all. Therefore, we have to master market economic theory and learn from experience and lessons as quickly as possible.

Persisting in relearning helps to broaden our minds and reduce faults at work. Relearning helps us unify our philosophy and understanding to form the correct concept of Sanzhu. Sanzhu was not formed in a day but has been constantly developed based on practice. The concept of Sanzhu was not formed in a day either. You may not understand even if you learn it, and you may be not able to put it into practice even though you understand it. Therefore, it is necessary to repeat learning and unify our mind in accordance with the Sanzhu spirit.

Persisting in relearning helps understand the culture and tenet of Sanzhu. It is a miniature world that has its own culture. In order to understand and accept it, we must learn management philosophy, dialectics, contradiction theory and practice theory.

2. Be the one obtaining the Tao rather than losing it. Concerning how to handle various relationships in society and among employees, managers should adhere to the "Tao." Here it refers to morals, moral principles and reason. Strengthening the ideological education of employees is one of the most important parts of leadership management. Employees are taught to be modest and bear in mind that "a just cause gains great support, and an unjust cause finds little support."

Being modest and discrete, and never being conceited or rash, helps us gain support and help from people. Or else, it would cause us to be unpopular. So, we should keep modest and discreet, never be conceited or rash, and hold on to justice, which guarantees healthy business development. Especially when a company is developing rapidly, these

virtues cannot be forsaken. Research carefully, keep on the alert and bear crisis awareness in mind. In addition, do research on the laws of crises, and be ready and able to handle one. Try to be modest, but at the same time do not be afraid of discharging your responsibilities in order to conduct work with "preciseness, prudence, carefulness, confidentiality and firmness."

Sanzhu's leaders should have a way of tolerating people. As a leadership manager, one must have a big heart to be tolerant towards people with different personalities from different places around the world; tolerate even more those who raised objections to you and were proved to be wrong.

A good leadership manager, even if he is a "genius" or "well-rounded," cannot accomplish feats all by himself. You ought to pool your wisdom, your will, and the power of millions of people together and strive for a shared goal. On the grounds of doing no harm to the overall situation, a good manager is supposed to be tolerant. Be tolerant of others' disrespect, of others' faults and of others having to correct their mistakes. Being modest and open to others' opinions is a virtue of a good leader. Therefore, a manager should be tolerant of people's shortcomings and appreciate their talent. We are not supposed to deny everything based on some minor faults. No man is perfect, and no gold is entirely pure. Only when you can tolerate the shortcomings of your personnel can you emply more.

3. Ego cultivation. The first-in-command should adhere to the "four types of excellence." In a team of cadres, the first-in-command is in particular of great importance. What qualities should he possess? Whether these qualities are excellent or not determines the level of the whole team as well as the ups and downs of the company.

First, a manager should be excellent at ideology. He should have the right ideas and values; he should be loyal to his company; he should be fully aware of the properties owned by the enterprise; and he should correctly handle the interests of individuals and his business.

The first-in-command he should be excellent in terms of style. Style is an invisible thing. It can be transformed into great power. A good style should be established by a leadership manager. There is a saying in China "just as grass sways at the mercy of wind, so soldiers do whatever the general tells them," which means that the performance of a unit is not determined by the people but by the leadership manager. If he is soft and lazy, how can he lead an excellent, hard-working and united team? In the meantime, a leader should be strict with subordinates. If you have got good style, you have to lead the team according to that style, and exercise it in practice.

He should be excellent at business. As a leadership manager, he must be possessed of a high level of business ability. So he has to study hard marketing and his company's products. You know things that are not familiar to others, and you can do things that cannot be accomplished by others. Only in this way can your employees admire you, and can work be done perfectly.

Finally, he should be excellent at management. Learn how to lead and manage Sanzhu in order to ensure that Sanzhu develops smoothly and healthily. First, learn leadership management knowledge on our own, and then refer to books related to leadership management abroad.

We have to study hard and are prepared to be efficient managers. We have to learn, learn to do things well, or do better. A manager with a high capacity needs to get practice, but one has to set a goal to be a good manager. With such a goal, you study diligently in a way that is different from when you do not have one.

4. Improve intelligence and carry out work creatively. If you want to be a good manager, you have to be adept at finding the laws behind things. Each kind of work has its own internal law as well as the law of its connection to the outside world. Be adept at gaining experience with advanced units, compare them with your unfinished work, and find the universal laws. Intelligence inspires us to generate new opinions and approaches, which is called creative work. Under the guidance of general laws and theories, you can find new laws and figure out work methods, which in turn guide your work and help you make progress in research.

It is not easy to be a qualified first-in-command: the "three types of honesty," the "four types of strictness," and the "four similarities" are indispensable. They are carried out under the guidance of "strictness" and are put into the "four types of excellence."

5. Improve leadership intelligence, inspiration and decision-making ability. Leadership determines the direction of team development and the first-in-command is the main decision-maker. Scientific decision-making is made, verified and generalized through mastering and using large amounts of data. We should listen to people's views, and carefully analyze the information. An old saying that "everyone has a sledgehammer and the final word is made by only one sledgehammer" is decision-making. Different decisions made by the leadership management have different results. Thus, perception, inspiration and decision-making are required. While making decisions as a leadership manager, the first thing to do is to think. Faced with a large amount of market research data, different statements, and different views, what one needs is thought. The

process of thinking is related to personal knowledge, wisdom and character. In particular, knowledge and wisdom have close ties with innate human sensitivity and with the brain's thinking and processing capacity.

The process of thinking means the brain's processing function. After information processing is over, the results come out. The last stage of processing is creative thinking, namely inspiration. That "ideas come out from frowning brows" is not accidental. It is the same with invention, which is connected to everyone's talent, knowledge, intelligence and inspiration. The so-called talent is the brain's processing capacity. Everyone draws different conclusions from the same material, because there are differences in subjective experience and knowledge, in talent and the capacity for brain processing.

Innovation and inspiration are instantaneous and they are the origin of knowledge. In Christianity it is believed that intelligence and inspiration come from God. From a materialistic point of view, they are not from God; instead, they come from our brain processing information and materials. With this innovation combined with ourselves, our work is decided. The leaders of various departments should be like that. As long as one person is in charge of a piece of work, he has the rights to and responsibilities for it. Therefore, intelligence is put into epistemology, which is its fourth stage in human history.

Until now, the development of human epistemology has experienced four stages. The first stage was that Plato put forward the idea of epistemology; the second stage was Kant putting the soul into epistemology; the third stage was the practice of Marxism put into epistemology; the fourth stage is the *Consumption and Management – New Findings and Utilization* which put intelligence and inspiration into epistemology. Putting intelligence and inspiration into epistemology can guide mankind to make more inventions and create consumer products of a material and spiritual nature to meet the people's consumption demands. No intelligence means no invention or innovation. Every piece of progress is attributed to intelligence and inspiration, which requires us to improve these characteristics along with perception. Since we know the law, we can consciously cultivate and improve ourselves. It is not hard to improve the characteristics mentioned above. As long as we are "people with thought, carefulness, and diligence," we can improve our intelligence and inspiration.

Intelligence and inspiration do not exclusively belong to leadership managers; they are in all inventors, creators and technological innovators. The way to cultivate a person is for them make more observations,

analyses, to learn more data and facts, and to dare to put forward new ideas. We should not be hesitant. As long as we have ideas, we should keep trying; and it is easy to spark a burst of inspiration through trying. Meanwhile, leadership managers should own a wealth of materials for his job, and possess the significant wisdom of colleagues. Based on his knowledge, wisdom and lessons, he gets inspiration from thinking and perception and uses his inspiration on decision-making. Therefore, leadership management decisions are closely linked to their intelligence and inspiration. Any decision needs to be examined through specific practice.

6. Frustration, suffering, and passion are unavoidable in the journey of life. Smooth or rough going, which one happens more? It has been concluded that the proportion of smooth to rough going is two to eight, which does not mean that unhappy events are always with us. So setbacks and suffering go alongside growth, and anyone who has major accomplishments must go through a lot of hardships. Without anything being done, there are no hardships and setbacks, and no errors. The more you do, the more errors you make, but the faster your enterprise can develop, and the more problems exist. This is a law and also a formula.

Frustration and suffering are bad and good. The so-called "everything goes well" is just a hope. Hardships are bad; nobody wants to encounter them. Although hardships can train, cultivate make people mature. Human growth is also subject to such a stage. Those who achieve success must forge ahead and take the lead in the crowd, which can cause him to be surrounded by conflict and more hardships. It is common to face difficulties, otherwise known as frustration and suffering. But we cannot be defeated by a setback or hardship. If we give up our goals, we cannot become winners. Actually there is no road in this world; they are all made by people walking. Hence, it is harder for people to take a road that none has taken before, but you can learn more lessons. The more lessons one learns, the stronger one's ability to bear stress, and the more toned one gets. Therefore, all these hardships and lessons are treasures. The more experience and lessons you learn, the easier you achieve success and the faster you grow.

In order to achieve success, one must face setbacks and hardships. So people wanting success must be mentally prepared for the process in which passion is necessary. You cannot be successful if you are defeated by a hardship. The right attitude should be that the more setbacks and hardships you endure, the stronger you become. We should regard setbacks as both a grindstone and a training opportunity.

Passion is the first and a crucial element for our innovation and success. The road of Sanzhu's progress and comeback has been filled with

difficulties. The road twists and turns towards a bright future. No matter what kind of difficulties we face, we must dare to overcome them. Since a bright future is ahead, gossip is a matter of indifference in this forward process. We should stick to our own road and no matter what other people say, we should keep an "indifferent" attitude. If you face difficulties in society with an indifferent attitude, you are able to succeed. Therefore, we cannot be successful unless we have the passion to pursue our careers, and the right attitude towards setbacks, difficulties and hardships. Success is a kind of contribution to someone experiencing suffering and setbacks.

7. The elements of successful managers.

8. Stick to the logic of the six-step work method and executive power triple formula.

i. The logic of the six-step work method. Work advances using this method. The first step is to formulate objectives and tasks; the second step is to formulate their standard requirements; the third step is to identify the person responsible for completing the task; the fourth step is to set the time and place; the fifth step is to specify the discipline of reward and punishment for your task; the sixth step is to examine, summarize experience and lessons learned, and implement the reward and punishment system.

ii. The executive power triple formula:

   a. Clear assigned task, no examination or reward and punishment equals no result.

   b. Clear assigned task, with an examination and without reward and punishment equals a bad result.

   c. Clear assigned task, with examination and reward and punishment equals an excellent result.

There are countless books about the theory and experience of leadership management, but any leadership manager cannot work or direct work only by reading these books. How to change vast experience written in countless books into the simplest, most practical and most easily operated methods to direct work? The answer is to persist in the logic of the six-step work method and the executive power triple formula, which play a universal role in directing work, and in guaranteeing the implementation of leaders' executive power at various levels. So the logic of the six-step work method is omnipotent.

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