Chapter 2

Reviews of Literature and Related Research

The researcher investigated related theories, concepts, and studies to determine the following research guidelines:

1. Humanized Management
2. Humanized Management Theory
3. Current Status of China and Global Research.

Humanized management

Employees are fundamental to the enterprise and serve crucial roles in its management operations. In the contemporary economic society and knowledge era, individuals—serving as the intellectual carriers of key roles—receive increasing attention within enterprises. Enterprise management operations are inextricably linked to human involvement. Humanized management forms the cornerstone of governance, tailoring enterprise norms to optimally meet staff needs, market value, and enhance competitiveness.

The fundamental resource in enterprise humanized management—people—is central to enterprise creation and development. Human thinking ability is often regarded as one of the most remarkable aspects of humanity. The human brain possesses the capacity for limitless creation, innovation, and development. Consequently, the scope of human creativity and adaptability is boundless, with vast unexplored potential. Equipped with extraordinary memory capabilities, the human brain can independently create and think (Smith, 2020, pp. 45-67).

The central theme of enterprise humanized management is the focus on people. At its core, business management involves personnel management, yet it specifically relates to individuals. According to the "complex human" hypothesis, individuals are characterized by diversity and variability. External environmental changes also exert an impact (Li, 2018). According to the super-Y hypothesis, employees join enterprises with distinct needs, leading to varied behaviors for diverse purposes (Ni, 2019, pp. 190-191).

Psychologists have determined that human nature encompasses common characteristics of personality shaped by the external environment. Most individuals,

when consenting to external mechanisms, exhibit similar reactions, indicative of a humane response. Therefore, humanization can be conceptualized as the capacity for external behavior that aligns with the fulfillment of internal human desires.

Humanized Management Theory

1. Theory Y

McGregor published 'The Human Side of Enterprise' in 1960, suggesting that according to Theory X, human nature tends toward laziness, and in the absence of external constraints, individuals may opt to shirk responsibility. Within humanized management, it is posited that enterprises should prioritize efficiency, implement systematic operational processes, and employ hierarchical corporate centralization and organizational structures to achieve effective leadership. Conversely, human beings are not merely regarded as 'economic beings' but also as 'social beings.' Considering this dual nature, McGregor argued for the need for a new theory to effectively achieve organizational goals. As a consequence, he introduced Theory Y. The assumptions regarding human nature in Theory Y, along with the corresponding management principles derived from these assumptions, are summarized in Table 2.1.

Table 2.1 Theory Y's assumptions about human nature and management philosophy

Theory Y's Assumptions about Human Nature	Theory Y Management Philosophy
The belief that people are capable of self-control and self-control is a way of achieving organizational goals.	The focus of management should be changed to people management, creating an excellent environment for managers to give full play to their talents, stimulating their potentials, eliminating contradictions in the realization of self-goals and organizational goals, and harmonizing the two. Managers should change their

	roles to become supporters and give more support and help to the managers.
Most people are believed to have a high level of imagination, ingenuity and creativity in solving organizational problems.	Managers should change the management system, give more autonomy to the managers, allowing them to realize self-control and self-management. This will also improve the motivation of managers and let the managers participate in the management and decision-making under appropriate conditions. This enhances their sense of belonging and satisfaction.
Believing that most people will accept responsibility voluntarily under the right conditions	Managers should change the way of incentives, from external incentives to internal incentives, and create more opportunities for managers to carry out more challenging work tasks. This allows them to take corresponding responsibilities and have more opportunities to create value and make a difference in their work tasks. The incentives should come more from the work itself, meeting the need for self-fulfillment, and stimulating more potential.

Source: Douglas McGregor, Theory Y's assumptions about human nature

Three variables can be summarized according to Theory Y: Self-Control, Recognizing an employee's potential, and Responsibility. Several scholars have also conducted relevant studies, and Table 2.2 summarizes their findings.

Table 2.2 Related research under Theory Y

Variables	Scholar	Conclusion
Self-Control	Wan Jingjiang, (2022)	In order to achieve the goals to which they have committed themselves, people will quite naturally engage in self-direction and self-control by way of achieving.

Variables	Scholar	Conclusion
	Zhao Dongyan. (2021)	Under the guidance of Theory Y, managers should change the management system and give more autonomy to the management so that they can realize self-control and self-management. This can effectively improve the motivation of the management.
	Liu Yuening. (2021)	By increasing employee self-assessment, employees are motivated, and their status is respected, which is conducive to building a harmonious relationship.
	Chen Xuchang. (2023)	By giving employees greater autonomy in decision-making, leaders recognize their competence and contributions, maintain good interpersonal relationships with them, and promote their demonstration of influence within the team. This favors the satisfaction of their autonomy, competence, and relational needs, stimulating their intrinsic motivation.

Table 2.2 Related research under Theory Y (Cont)

Variables	Scholar	Conclusion
	Qiao Yongsheng, Qiao Risheng & Chen Lihong. (2023)	Greater autonomy in their work gives subordinates a sense of organizational support and enhances their ability and confidence to cope with challenging tasks.
Recognize an employee's potential	Wan Jingjiang, (2022)	Most employees have the ability to solve difficult safety problems with a high degree of imagination, creativity, and ingenuity to solve workplace safety problems.
	Zhao Dongyan.	Creating more opportunities for supervisees to

	(2021)	carry out more challenging work to satisfy their needs for self-actualization and to stimulate their potential to fulfill their needs for self-fulfillment and to stimulate their potential.
	Liu Yuening. (2021)	The advantages of human resources management should be fully utilized to continuously develop the potential of employees.
	Yan Chaohong & Li Ming. (2018)	Emphasizing the importance of making the best use of everything and everyone and focusing on the meticulous and positive development and utilization of human potential.
Responsibility	Wan Jingjiang, (2022)	One not only learns to take the initiative to take and implement responsibility but will also strive for further responsibility. Avoiding responsibility is the result of acquired formation, not human nature.
	Zhao Dongyan. (2021)	To be held accountable and to be able to enable them to have more opportunities to create value and make a difference in their work assignments.
	Liu Yuening. (2021)	Taking the initiative and taking responsibility for the achievement of one's own goals at the specific stage of work. To fulfill the responsibilities of the job by always adhering to the principle of "self-direction."

2. Theory Z

In enterprise management, the exclusive application of Theory X and Theory Y presents practical limitations. Theory Z is considered more appropriate and effective in certain contexts to address the basic needs of human nature. Often viewed as a synthesis of Theory X, Theory Y, and the Dual Factor Theory, American scholar William Ouchi, through a series of studies, formulated his hypothesis and Theory Z of "cultural man" (Huang, 2017, pp. 189-190+193).

Theory Z stresses the importance of enterprise management focusing on constructing an enterprise culture. Managers should cultivate respect and trust towards their employees, establish positive relationships with them, and develop an effective communication mechanism. This approach promotes a shared value system

and behavioral norms between the company and its employees (Shen, 2021, pp. 79-85), thereby endorsing humanized management as a corporate philosophy.

Ouchi, upon examining the similarities and differences between U.S. and Japanese management styles, recommended that U.S. enterprises adopt elements from Japanese management styles and blend them with their unique characteristics. This results in a novel management approach that integrates the strengths of both styles, encompassing a long-term employment policy, fostering worker participation in decision-making, enforcing personal responsibility, and thoroughly caring for workers to foster harmonious relationships. This approach builds relationships of trust within the company and aligns the goals and needs of managers and employees.

According to Theory Z, three primary variables can be identified: Employee Participation, Working Relationship, and Team Cohesion. Various scholars have undertaken relevant research in this area, with their key findings summarized in Table 2.3.

Table 2.3 Related research under theory Z

Variables	Scholar	Conclusion
Employee Participation	Zhao Dongyan. (2021)	Involvement of supervisees in management and decision-making under appropriate conditions to enhance their sense of belonging and satisfaction.
	Qiao Huan. (2020)	To build a trusting and intimate relationship, employees need to be involved in all aspects of the organization and increase the link between them and the company.

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Variables	Scholar	Conclusion
	Yan Chaohong & Li Ming. (2018)	When the individual's sense of belonging and identity with the whole is consistent, the individual will actively participate in the development of the whole and constantly update his or her own ideas.
	Qiao Yongsheng, Qiao Risheng & Chen Lihong. (2023)	Encourage employees to participate in decision-making. Can meet the internal needs of subordinates, cultivate employees' sense of responsibility, ensure that employees are empowered and have administrative support, that they are valuable assets of the organization. It can lead employees to make more efforts to accomplish their work goals and improve their work performance.
Working Relationship	Qiao Huan. (2020)	Work relationships have become the only place where people have nowhere to put their intimacy and sense of belonging.
	Yan Chaohong & Li Ming. (2018)	Building relationships of mutual equality and trust is one of the key points emphasized in Theory Z.

Table 2.3 Related research under theory Z (Cont)

Variables	Scholar	Conclusion
	Xi Meiling. (2023)	To have a trusting group, team cohesion needs to be built to allow for positive working relationships.
	Chen Xuchang. (2023)	Give employees the opportunity to take on work and show their talents in the early stages of the working relationship, and consciously delegate to fully examine their potentials.
Team Cohesion	Qiao Huan. (2020)	Effective work teams, meaning intimacy, trusts are all about working together more effectively.
	Xi Meiling. (2023)	To form stable team cohesion as soon as

| | | possible, team members need to highly recognize the culture in the enterprise to play the advantageous characteristics of corporate culture. |
| | Qiao Yongsheng, Qiao Risheng & Chen Lihong. (2023) | Create a communication system of open communication, knowledge sharing, trust, and collaboration in the team to promote the formation of team tacit understanding. |

3. Leader-member exchange theory

The LMX theory highlights that the relationship between leaders and employees, who vary in characteristics and performance, is not uniform but differs in affinity and quality, depending on the available resources. Specifically, Interactions involving members of senior leadership form the basis of the leader-employee relationship, where employees are treated as "insiders" with a high degree of respect, trust, style, and support. Being 'insiders,' employees receive increased resource support from their leaders and are anticipated to undertake more challenging tasks and contribute significantly. Conversely, in low-quality leader-member exchanges, the relationship is predominantly economic; interactions are confined to formal contracts and predefined responsibilities, with employees seen as 'outsiders.' Working relationships founded on social exchange are distinguished by greater levels of loyalty, commitment, support, and trust between the interacting parties than those rooted in economic exchange (Shang, 2022).

According to leader-member exchange theory, three key variables can be identified: Mutual Respect, Leader Expectation, and Team Support. Various scholars have conducted studies in this domain, with their key findings summarized in Table 2.4.

Table 2.4 Related research under leader-member exchange theory

Variables	Scholar	Conclusion
Mutual respect	Wang Siyu & Cheng Xiaoxiang. (2014)	The formation of an exchange relationship between members of the leadership is essentially a condition of free competition, voluntary cooperation and mutual benefit.

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Variables	Scholar	Conclusion
	Chen Xuchang. (2023)	Recognize the contributions and talents of employees to motivate them to contribute even more
	Qiao Yongsheng, Qiao Risheng & Chen Lihong. (2023)	Leaders tend to respect, share and understand, which improves collaboration patterns among team members and gives subordinates a sense of acceptance and recognition by the team
Leader Expectation	Wang Siyu & Cheng Xiaoxiang. (2014)	Cooperative relationships based on emotional trust, where advantageous resource allocation can also be maximized under such conditions, thus achieving the highest level of efficiency for the entire organization

Table 2.4 Related research under leader-member exchange theory (Cont)

Variables	Scholar	Conclusion
	Chen Xuchang. (2023)	Individuals' acceptance of and expectations about the unequal distribution of power among people in different positions
	Qiao Yongsheng, Qiao Risheng & Chen Lihong. (2023)	Communicates specific expectations to subordinates, divides collective goals into sub-goals, sets individual goals for team members and encourages them to participate in organization decision-making.
	Wang Siyu & Cheng Xiaoxiang. (2014)	High-quality LMX is a social exchange that it extends beyond the formal job description and triggers a greater level of trust and emotional support.
Team Support	Chen Xuchang. (2023)	Leaders will have different levels of support for different levels of employees, and employees who build higher levels of relationships will receive more favorable benefits
	Qiao Yongsheng, Qiao	Participative leadership and team

Risheng & Chen Lihong. (2023)	performance are interconnected by organizational support and subordinate tacit understanding. Through the enhancement of organizational support and tacit understanding, participative leadership positively impacts team performance.

4. Related research under humanized management

Drawing upon the conclusions from various scholarly studies, this research can effectively establish the variables of the questionnaire and enhance the design of its questions. This approach increases the rigor in questionnaire variable selection and question design, thereby making the study more innovative by extending the research on humanized management using insights from multiple scholars. Based on the variables and theories relevant to this study, Table 2.5 shows related research in the field of humanized management.

Table 2.5 Related research under humanized management

Theories	Variables	Wan Jingjiang, (2022)	Zhao Dongyan.(2021)	Liu Yuening. (2021)	Qiao Huan. (2020)	Yan Chaohong & Li Ming. (2018)	Xi Meiling, (2023)	Wang Siyu & Cheng Xiaoxiang.(2014)	Chen Xuchang. (2023)	Qiao Yongsheng, Qiao Risheng & Chen Lihong. (2023)
Theory Y	Self-Control	√	√	√					√	√
	Recognize an employee's potential	√	√	√		√				
	Responsibility	√	√	√						
Theory Z	Employee Participation		√		√	√				√
	Working				√	√	√	√		

Theories	Variables	Wan Jingjiang, (2022)	Zhao Dongyan.(2021)	Liu Yuening. (2021)	Qiao Huan. (2020)	Yan Chaohong & Li Ming. (2018)	Xi Meiling, (2023)	Wang Siyu & Cheng Xiaoxiang.(2014)	Chen Xuchang. (2023)	Qiao Yongsheng, Qiao Risheng & Chen Lihong, (2023)
	Relationship									
	Team cohesion				√		√			√
Leader-Member Exchange theory	Mutual respect							√	√	√
	Leader Expectation							√	√	√
	Team Support							√	√	√

Current Status of China and Global Research

The initial phase in studying the humanization of small and medium-sized enterprises involves understanding past academic research, further examining available findings, and then contextualizing them within the actual circumstances of Chinese enterprises.

As people's cognition evolves, the study of human nature persistently influences the transformation of concepts and systems in business management. The exploration and progression of theoretical practice in humanized management are fundamentally linked to the understanding of human nature.

1. Status of Foreign Research

People-oriented philosophy informs humanistic scientific management theory and practice. A review of the historical development in management research underscores that it is inextricably linked to the understanding of human nature. Consequently, the extent of understanding human nature profoundly influences the systems, ideologies, methods, and practices in enterprise management. Inquiries into human nature have intensified alongside the evolution of business management

theories. Post-19th-century, Western scholarship has extensively explored the relationship between management styles and underlying assumptions about human nature.

1.1 Theory Y

Drawing on Maslow's human-centered approach, McGregor developed Theory Y by integrating it with corporate management challenges. According to Theory Y, human behavior is driven and controlled by individual potential, while external control and stimulation are perceived as threats, leading to increased insecurity and introversion. The management focus should be on fostering a conducive work environment, enabling employees to feel comfortable through these environmental modifications (Huang, 2021, pp. 39-41). Managers need to create optimal environmental conditions for employees, remove barriers to self-actualization, and facilitate a positive state of well-being at both spiritual and inner levels. This entails tailoring approaches to individual needs, implementing targeted programs, embracing diverse perspectives, and integrating them with practical contexts. Implementing a psychological contract is essential to foster the intrinsic self-management flexibility of employees, thereby encouraging them to contribute both spiritually and materially to the enterprise's success. (Ye, 2022, pp. 76-82).

1.2 Theory Z

'Theory Z' emphasizes the relationship dynamics between employees and their work, as well as the relationships between employees and the organization (Lv, 2007, pp. 32-35). Theory Z posits that a company's success is contingent on fostering sensitivity, trust, and intimacy; thus, managers should adopt a democratic management style, characterized by communicative, candid, and open interactions with employees. This approach involves leveraging corporate culture to align staff with common values and behavioral norms. Humanized management serves not only as a code of conduct but also as a catalyst for development.

While people have traditionally been viewed as a resource within enterprises, the advent of the knowledge economy necessitates a broader perspective. Recognizing people as capital rather than mere resources highlights their unique ability to innovate, develop, and learn, continually adding value unlike other resources that depreciate or are consumed over time. This evolution in perspective forms the basis of the theoretical assumption of "innovative people."

1.3 Leader-Member Exchange Theory

An employee's supervisor and their direct report exchange emotionally and retain valuable resources through Leader-Member Exchange (LMX).

Leader-Member Exchange (LMX) is defined as the extent of emotional and valuable resource exchange between supervisors and their direct reports. A successful LMX consists of three key components: 1) relationships of high quality, 2) a mutual understanding between supervisors and employees, and 3) an understanding of the supervisor's relationship with team members. Due to time, energy, and resource constraints, leaders may face challenges cultivating high-quality relationships with their team members. In order to foster an organizational culture that fosters deep collaboration between leaders and subordinates, high-quality leader-member exchanges emphasize mutual trust, respect, obligation, and responsibility. A low-quality LMX leader, on the other hand, emphasizes economic exchanges, primarily for the purposes of contracting. (Shang, & et al., 2024, p. 52).

2. Review of China research on humanized management

Humanized management aims to balance firmness with empathy, stimulating staff efficiency and enhancing their proactive engagement in enterprise activities (Fang, 2023, p. 66). In China, research on the humanized management model commenced later than in Western countries. Consequently, Chinese enterprises are yet to fully implement a comprehensive and systematic model encompassing experience, systematization, and humanization in management. In the 1980s, to advance enterprise management, China adopted various sophisticated management methodologies and theories from Western countries.

Regarding humanized management, experts have identified the manager as a pivotal element in enterprise management; the essence of management lies in invigorating employee enthusiasm, and its central aspect is the management of people. Employee management also adheres to psychological principles, addressing both basic and higher-level employee needs, a crucial aspect of enterprise management; the fundamental task of management is to harness employee enthusiasm. Establishing a 'people-oriented' approach is vital in humanized management (Wang, 2021, pp. 61-63).

'Adhering to a people-centered approach, fostering a comprehensive, coordinated, and sustainable development concept, and promoting holistic economic, social, and human development' (Chen, 2010, pp. 190-191). Since its inception in China, humanized management has yielded positive outcomes: post-Tangshan earthquake, Jiawan Supermarket's rapid development under a 'people-oriented' management model has emerged as a benchmark for small and medium-sized enterprises in China.

In light of the contemporary landscape of Chinese enterprises, Prof. Zeng Shiqiang synthesized his research into 'Middle Way Management', proposing 'M Theory' as a tailored management model for Chinese enterprises.

Table 2.6 Human nature assumptions and management strategies

Human nature assumptions	Management Strategy
Innovation hypothesis	Focusing on the creative power of people and using innovative technologies to develop businesses
Habit assumptions	Behavioral plasticity, using habits to manage the business
Nature Assumption	Focus on human nature, combining guidance and letting nature take its course
Cultural and customary assumptions	Enriching corporate culture and using culture to constrain behavior

M-Theory posits that people's inherent nature, termed the 'nature hypothesis', while challenging to alter, can be harmoniously utilized and guided. The theory also introduces the 'habit hypothesis', which refers to the capacity of individuals to adapt to their environment, with specific environmental conditions shaping behavioral habits that significantly influence human actions. Furthermore, A shared culture and customs play a critical role in shaping behaviors and habits that are essential to human survival, according to the 'culture and custom hypothesis'. The 'innovation hypothesis' asserts that individuals within organizations are systemic, capable of innovation, and able to modify their cultural customs and behavioral habits in response to environmental changes. (Lu, 2014). Enterprises should embrace a humanized management approach that aligns with human nature and prioritizes individuals, focusing on four key areas: respecting human creativity and leveraging innovation for development; emphasizing human nature and merging guidance with natural tendencies; enriching corporate culture to influence behavior; and fostering behavioral adaptability through established habits.

In comparison to global standards in humanized management, the overall management level in our country remains relatively underdeveloped. The research on humanized management within small and medium-sized enterprises reveals a

deficiency in its implementation. This thesis endeavors to utilize humanized management to advance small and medium-sized enterprises, assess their current status under this paradigm, identify prevailing issues, and develop appropriate countermeasures. It aims to facilitate the transition from a single-win to a win-win model via humanized management, tailored to each enterprise's unique context, and to shift from conventional, stereotypical management to a self-management approach. The approach integrates theory and practice to achieve breakthroughs in managing small and medium-sized enterprises.