



A CONFLICT MANAGEMENT MODEL FOR THE CHINESE CONTEXT, AN  
ANALYTICAL APPROACH

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## **Abstract**

We conducted this study with the aim of creating a model for conflict management in China, which could facilitate outsider understanding and analysis. Therefore, providing a clear structure that can identify the main dimensions for problem solving and thought process, within our relevant scope, and how they interact with each other. Hence, the research: What structure and mechanisms should illustrate and explain the conflict management in the Chinese context?

We pursued our investigation by first creating a base pool of knowledge from previous studies and selective relevant contributions to the Chinese context, for our study. Then we proceeded to conduct interviews to relevant experts in the field, conflict management in the Chinese context, which we selected according to our available contacts. Extending our investigation and interviews to obtain as many valuable inputs that we could realistically gather to ultimately provide a structure that can gather, simplify and explain the main dynamics of Chinese decision making.

From these, we were able to outline the main dynamics of the Chinese context for our study. Hence identifying and analysing the dynamics between Guanxi and Harmony, as well as how several important secondary dynamics intervene, such as Mianzi and Leadership. In that sense, creating a model that provides a possible explanation to how these mechanics work and why do they work like this, more specifically, how they assist a given individual in moulding his own Context. While further studies can enrich our model substantially, we completed our daunting task rather successfully.

**Key-words:** China, Model, Conflict, Harmony

### **JEL Classification System:**

D74 Conflict; Conflict Resolution; Alliances; Revolutions

M14 Corporate Culture; Diversity; Social Responsibility

## **Resumo**

Este estudo tem como objectivo criar um modelo que proporcione a compreensão e análise da gestão de conflito no contexto chinês. Ou seja, criar uma estrutura que identifique as principais dimensões de decisão e pensamento e como estas interagem. Para isso, a pergunta que enquadrou a investigação foi: Que estrutura e mecanismos podem ilustrar e explicar a gestão de conflito no contexto chinês?

Formulámos um modelo prévio com base em estudos e outra informação relevante sobre a gestão do conflito e o contexto Chinês. O modelo foi utilizado nas entrevistas a especialistas que, não só, contribuíram para o seu aperfeiçoamento como, também, confirmaram a sua aplicação ao contexto Chinês.

O modelo é configurado pelas dimensões Guanxi e Harmonia, a sua relação com as dimensões Interesses Pessoais e Contexto, bem como pelas suas dinâmicas intrínsecas e de inter-relação.

O modelo criado dá resposta à pergunta que assistiu à investigação, contudo dada a sua delimitação abre campo a aprofundamentos em estudos futuros tendo em vista a sua generalização.

**Palavras-chave:** China, Modelo, Conflito, Harmonia

### **Classificação JEL:**

D74 Conflito; Resolucao de Conflito; Alliancas; Revolucoes

M14 Cultura corporativa; Diversidade; Responsabilidade Social

## **Executive Summary**

This study provides an overview and analysis of decision making and conflict management in the Chinese context. First introducing the baseline of relevant Chinese culture and sociological factors. The aim of this study is to create a model that can illustrate and explain the main natural dynamics of conflict management in the Chinese conflict and explore how one can or should deal with them.

The baseline information is withdrawn pool from both previous studies and interviewees to experts. Our study uses main an analytical approach, together with model creating methods, to create a structure fitting to the Chinese context. This is double-checked through the means of our interviews as well.

Having identified and explained many context specific dynamics (such as Guanxi, Harmony, Context, Mianzi and Leadership) and how they interact, we present our SET model. In this way, we both showcase the most relevant dynamics the reader should be aware of in the Chinese context and how they interact with each other within the model. We found that this Context greatly influences what is acceptable or should be done, or even how people interact in a basic manner. Likewise, we find what main approaches are, or not, viable in the Chinese context and how one should view or pursue them.

Recommendations for future studies include:

- Increase sample size;
- Increase number of samples, namely of different regions;
- Maintain direct interview analysis and collection method;
- Test the utility of the model in diverse conflict resolution situations.

## **Sumário Executivo**

Este estudo possibilita uma visão global e análise dos processos de decisão e gestão de conflito no contexto Chinês. Introduzimos primeiro a base de conhecimento relevante sobre a cultura e os fatores sociológicos Chineses. Tendo como objetivo a posterior criação de um modelo que ilustre e explique as dinâmicas naturais de gestão de conflito no contexto Chinês e explorar como se pode e deve lidar com estes mesmos.

A informação base foi obtida quer por parte de estudos prévios, quer através de entrevistas a especialistas. Foi utilizado o método analítico a par do método de criação de modelos, por forma a configurar a estrutura apropriada para o contexto Chines, confirmando e contrapondo por meio de entrevistas.

Tendo identificado e explicado várias dimensões específicas do contexto em estudo (tais como Guanxi, Harmonia, Contexto, Mianzi e Liderança) e como estas interagem, configurámos o nosso modelo SET (Estabilidade, Expansão Transformação). Desta forma apresentamos de forma dinâmica, tanto as dimensões relevantes que o leitor deverá conhecer, como as respetivas mecânicas de interação. Através do modelo explicamos como o Contexto influencia significativamente o quê, o que é ou não aceitável e o que deve ser feito, incluindo a forma como as pessoas interagem quotidianamente. Assim, identificamos mentalidade e comportamentos a apreender e a adotar viabilizando as relações interpessoais no contexto Chinês.

Recomendamos que em estudos futuros se considere:

- Aumentar a dimensão da amostra;
- Aumentar o número de amostras de forma deslocalizada, abrangendo regiões diferentes;
- Manter o método de entrevistas diretas para recolha de dados e análise;
- Testar a utilidade do modelo na resolução de diversas situações de conflito.

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I would like to outline the extremely cooperative contributions of our interviewees, for having made their time available, at times for interviewee that lasted several hours, and be willing to share with us as many details as they could.

In that same sense, I would like to thank my advisor, Professor Pedro Fontes Falcão for all the valuable input and assistance to our study.

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# **1. Introduction**

## **1.1 Why study this?**

In this study we seek to investigate the specifics of conflict interaction within the Chinese context deeper. In China, as we will see, we can frequently find a unique problem that requires special consideration. Chinese tradition and culture often leads to preferring to avoid conflict, to maintain harmony and respect their leader's guidance. Hence we can often be faced with a unique and challenging working environment. We present information from relevant studies on this subject and by adapting known studies and methods on conflict management we attempt to redesign conflict management models to better fit the reality of this context. The aim being to investigate how we can use conflict management to improve our understanding of the Chinese working and business context.

During my recent studies in International Relations I have taken great interest in China and its peculiarities. Although previous focusing on its international policies and impact, I had already accumulated significant knowledge on the culture and peculiarities found within the country. As my MBA studies have awoken a great interest and even passion on the subject of conflict management, I saw the opportunity to study these two, in my opinion, fascinating subjects together. This idea was largely inspired in several useful inputs I gained from my latest travel to China, in which I undertook an introductory course to the Chinese Business reality. Furthermore, the topic has been under serious and active investigation in the past few years, both by Chinese and foreign authorities as business in or with China has grown sharply.

## **1.2 Research question**

In this thesis, we followed the concept of creating a model for conflict management in China. Hence our research question is as follows: What structure and mechanisms should illustrate and explain the conflict management in the Chinese context?

## **1.3 Objectives**

There is a personal objective of reaching a better understanding of the Chinese business world. However the main objective of this study is to develop a realistically functional conflict management model that fits the reality being studied. The objective of this model is to illustrate and provide a structure for this context, creating a productive generalisation of this reality that could help others understanding it. Therefore we also have as an objective to determine which

processes or elements are in fact be appropriate for our context and how we can put them together in the productive sense.

## 1.4 Scope

With the purpose of creating a model for Chinese conflict management, we identified, explained and analysed the main dynamics of Chinese decision making through the means of a selective sample to represent China. Since we cannot physically study the entirety of China, we must focus on something practical and create a first step model that might be later improved and expanded upon. We restricted our scope within the realms of reasonable for our resources and time. Hence, the sample was selected from a pool of available contacts of managers, administrators and directors in China and auxiliary double checking interviews with Chinese employees. We supported our findings and baseline with key selected important studies in the field.

## 1.5 Structure

Our Literature Review is in Chapter 2 which divides into 2 main subchapters. The first subchapter explains, summarily, the conflict management theory, introducing and explaining conflict management contents and assumptions to be later used. The second subchapter explains the baseline for our study, the context within China. This includes a brief explanation of current Chinese economic and social conditions, as well as a Hofstede based analysis of China. We also include relevant views and studies on conflict in China in the second chapter, this mostly aims to explain how conflict is usually handled and why it is handled in that fashion, for our specific set.

Chapter 3 addresses method. Here we describe the format of questioners and interviews, as well as how we intend to process and use the information acquired. We will address data presentation format and explain the processes used as well as properly identify the components of each one of these.

Chapter 4 processes the data previously presented, both from Data Collection and Literature Review. The aim of this chapter is to use transform already available models according to the specifics of the context we are studying. These models would structure our approach to conflict management in China.

In Chapter 5 we discuss the models that we previously adapted, as well as any additional relevant observations. Here we present the applications of the models and how to apply them

correctly. We also attempt to identify how these models could be helpful or impactful, to anyone within the described context.

Chapter 6 presents the conclusions we derived from our studies of the subject. We evaluate how successful we were in this study. Also we attempt to summarize and present the most relevant ideas in a meaningful new insight for the reader.

Chapter 7 shows all the materials we used or referred to for this study and Chapter 8 provides additional information, should the reader find the need to dwell further on a given topic.

## 2. Literature review and baseline inputs

### 2.1 Conflict management basis

#### 2.1.1 Conflict definition

Cambridge British English dictionary defines conflict as “*an active disagreement between people with opposing opinions or principles*”, or “*fighting between two or more groups of people or countries*”. In essence, it is a social phenomenon, that originates from the interactions between more than one person. More specifically, it originates when a given set of individuals present contradicting views or ideas.

Conflict management takes these instances and studies them, with the aim of both enhancing perception, as well as studying on to resolve conflict or make it productive. Conflict management studies strive to understand the social dynamics behind conflict. These mechanics are then interpreted and analysed. The result comes in the form of a model that can assist managers with situations of conflict or negotiations.

#### 2.1.2 Conflict management model

From Falcão P. (2015), we have the following representation of the specific styles of handling conflict identified by Rahim & Bonoma (1979):

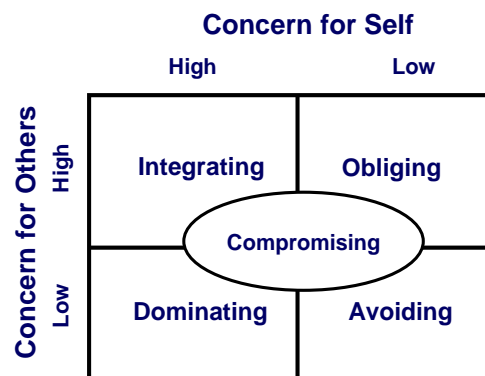


Figure 1: The Dual Concern Model, in Rahim & Bonoma (1979), p. 1327

1. **Integrating** includes a high concern for self and others, directed towards problem solving, with careful assessment and appropriate responses to the problems being faced. Mostly suitable for complex problems, taking in inputs from the corresponding parties to reach a mutually favourable solution. This method attempts to combine both interests and capabilities to reach an improved outcome.

2. **Obliging** this style attempts to minimize the significance potential differences and emphasise common aspects in order to satisfy the concern of the other party. This style implies that one would neglect his own opinion in favour of accommodating to the other party. Often applied whenever one is requested something intervention in something that has little or no connection to his own interests, but at the same time wishing to appease the other's request or needs.
3. **Dominating** This style employs a behaviour that forces one's own position in order to win the argument, often described as the win-lose situation. This occurs whenever one seeks to see his own interests or ways through, regardless of potential opposition. Commonly applied in situation of difference of power or responsibility, especially for relatively easy to solve or routine situations.
4. **Avoiding** This style is described as a low concern for self and others, often through behaviours of withdraw or sidestepping issues. Here one attempts to avoid the situation, or person entirely. Hence any potential problem is not addressed or satisfied by either party. Most commonly applied when one believes that interaction with another party would only reinforce negativity or failure, wishing to bypass that.
5. **Compromising** the style most described as the give-and-take approach, both engaged parties reach a mutually accepted decision, whistle giving something up in the process. Whenever we have two parties with mutually exclusive interests, a common solution (often temporary) to this is reaching a compromise. Both parties agree to give up on something in order to avoid greater conflict and attempt to move forward. Usually seen only proper as a temporary solution until better alternatives are found.

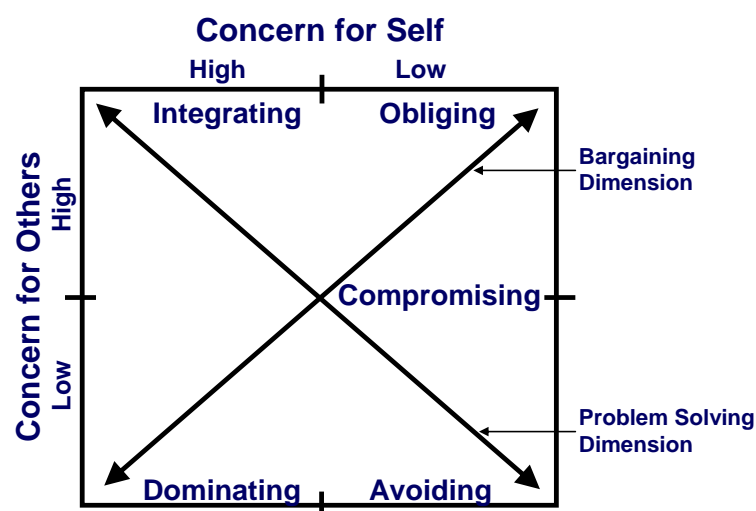


Figure 2 The Dual Concern Model: Problem Solving and Bargaining Dimensions of the Styles of Handling Interpersonal Conflict, in Rahim (2002), p. 221



The diagram above illustrates how the two dimensions, bargaining and problem solving, interact within each style of handling conflict. Problem solving and bargaining are described as opposite forces, meaning that to enforce our bargaining we give up some problem solving for example. This logic comes from the idea that problem solving should be conducted with as many of the relevant participants as possible, so has to include their views and inputs. Hence, if we attempt to enforce or even persuade others to our views we lose the potential benefit of their inputs. Whether one dimension or the other is desirable is entirely up to the situation at hand. In this sense, conflict management also assists in analysing the situation and deciding which approach would be most fitting.

It is worth noting that some, tamed, amount of conflict is seen as potentially productive, particularly within a workforce. Conflict can often expose problems and therefore provide an opportunity to resolve them, as well as, increased interaction within a workforce. Chen, Liu and Tjosvold (2005:278) state that “*As a team, executives can combine diverse contributions and integrate perspectives to develop viable, realistic strategy (Kirkbridge et al., 1999: Smith et al., 1994)*” The total potential value gained from handling a problem or situation within a group or task force can only be attempted to achieve if there is a certain level of interaction. Chen, Liu and Tjosvold (2005:278) further develop that “*Group decision-making can be biased when members do not share information or combine their ideas (Driskell and Salas, 1991: Gruenfeld et al., 1996)*”

### 2.1.3 BATNA

BATNA is a negotiation management term, which is often present in conflict management. It stands for Best Alternative To Negotiated Agreement. Like the acronym suggests, it revolves around the idea of having more options than the negotiation currently being discussed. The practical application is of having a clear outline of what your possibilities are, as well as what they mean to you or how you can use them to your advantage.

Taking from the Harvard UN article on BATNA Basics (Subramanian G., et. al. 2012), to establish our BATNA we should following the steps:

1. List your alternatives
2. Evaluate your alternatives
3. Establish your BATNA
4. Calculate your reservation value

During the first task, we should seek out each alternative that we can viably take. In the same sense, we should explore what options we have in case our current negotiation fails to follow through.

During the second task, we should take a closer look to each of our alternatives. This implies determining the benefits, risk or potential losses. In essence, we are looking into determining the value of each option to us. The parameters may change, or have different weight in our consideration depending on the case at hand.

During the third task, we should then choose from the options and values that we listed for each option to determine which one we should take, in case our current negotiation fails. This should follow the logic of aiming for highest expected value, according to the parameters previously established.

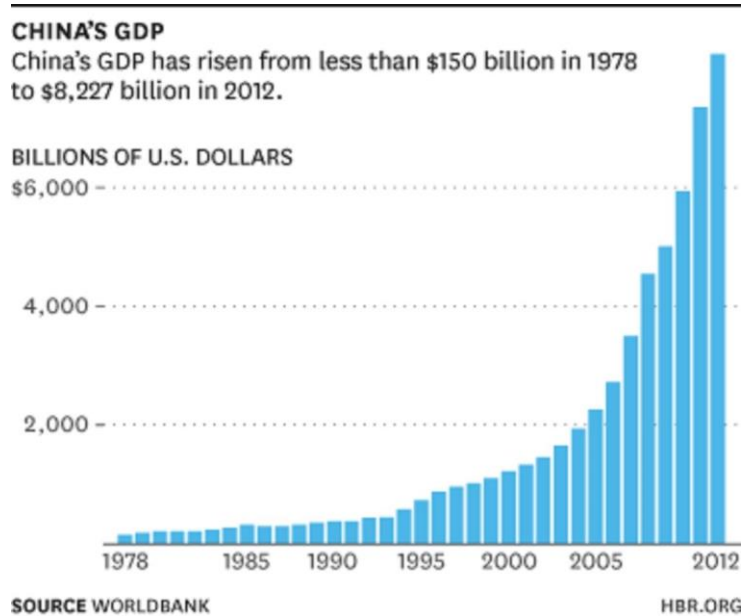
The fourth task, brings forth another term, the reservation value. Reservation value is the lowest value you are willing to accept for any given deal. Simply put, if a given option provides lower value than your reservation value, then one should simply not follow this option. This is then used to check whether you should pursue your BATNA instead of the current negotiation, upon reaching the final offer of said negotiation.

## 2.2 Chinese context

### 2.2.1 Economic starting point

Tachia Chin, Ren-Huai Liu (2015:290) summarise “*China’s spectacular industrialization and economic growth over the past three decades have been driven in effect by export-oriented low-cost manufacturing and undervalued currency (Chan, 2010; Pun, 2007)*”. This has granted China with relevant infrastructure and industry, allowing it to move away from an agriculture based economy. Resulting from this, a large amount of capital, as well as, several new internal markets have grown.

Coupled with the astoundingly large population, China currently has the potential to become an economic and technological leader. Although they are not quite there yet, the 2006 Medium-to Long-term plan for the Development and Technology (MLP) “*declared its intention to transform China into “an innovative society” by 2020 and a world leader in science and technology by 2050*” Regina M. (2014). However, these intentions bring new challenges, which are currently being actively studied by both western and Chinese academia.



Graphic 1 China's GDP, from Purdy M. (2013)

Despite many challenges, China has seen world astounding growth over the last decade, as we can see from the graphic above. Over 600 million people have escaped poverty through this growth, Purdy M. (2013). This growth is present alongside many new successful companies, including 85 companies in the Global Fortune 500, Purdy M. (2013).

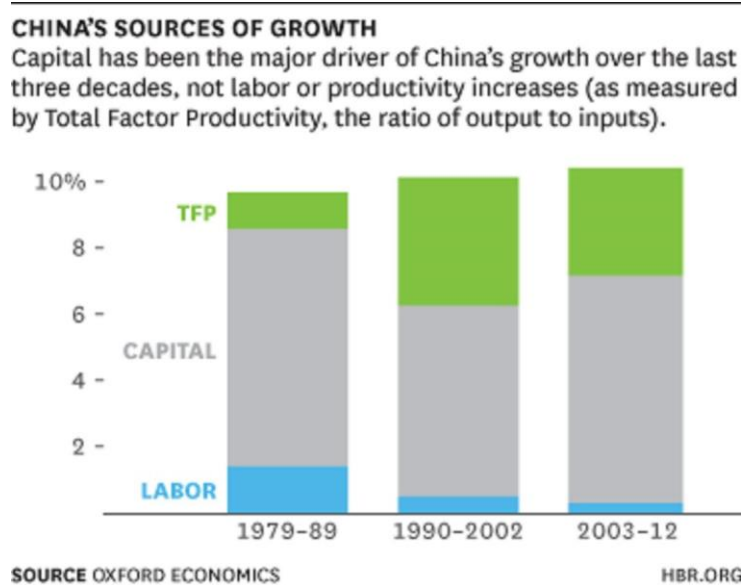
However, despite these achievements in enhancing their economy, the GDP per capita remains only a fifth of the U.S. level as we can see from the graphic that follows.



Graphic 2 China's GDP per capita, from Purdy M. (2013)

This together with the next graph, emphasizes the transition phase that China's economy is currently in. Having seen considerable development through rising labour supply and capital accumulation, China now faces the need to increase its productivity to maintain growth. With this come new challenges and the need to adapt to face them.

To assess China's growth success over the last decades we can use factors such as labour, capital and total factor productivity. As shown in the following graphic, capital has been a key element to this growth, being the most relatively predominant factor.

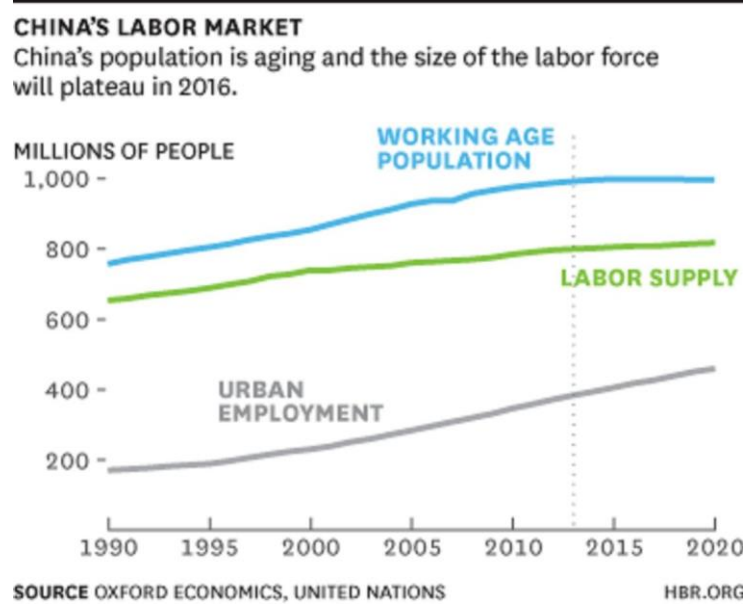


Graphic 3 China's growth sources, from Purdy M. (2013)

However, the contribution of labour to GDP is decreasing. The one-child policy limited population growth and the existing population is aging. This leads to both the need to adapt the labour force to this soon new reality, as well as a system that can sustain this shift in the long term. Additionally, international observers also worry about the long term sustainability of capital injection.

It is relevant to note the implementation of the Hukou system as well as the Labour Contract Law. These were tools the Chinese government developed to assist in their plans. There are positive and negative implications of such tools, however we shall focus on the practical implications this has for our study. Tachia Chin, Ren-Huai Liu (2015:291) say the Labor Contract Law “signalled the reform of China's labor relations by establishing a legal basis for worker activism (Chan, 2014; Chang and William, 2013).” The Hukou system divides the Chinese population into two large segments, the urban and the rural. This is accomplished by granting social services and support within a region to only residents that were born in such

region. There are several implications of this, but the main affect is it prevents people from moving from the country side to the more develop cities. (Tachia Chin, Ren-Huai Liu)



Graphic 4 China's labour market, from Purdy M. (2013)

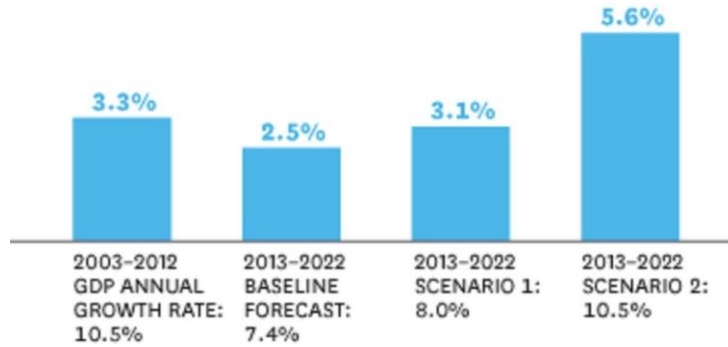
The Chinese government itself has recognized this need to rebalance growth, moving to focus more on raising domestic consumption and living standards. Still there are evident challenges that China must face to keep going forward. It is no secret the astounding growth in China has seen a quantitative decrease. Looking at the numbers in regards to the electricity energy sector, China already holds 1 terawatt installed. To sustain a 10% growth of this figure, it would mean an increase of 100 thousand megawatt per year, which is roughly the total current consumption of Germany, the world's 5<sup>th</sup> strongest economy, as interviewee João Travassos pointed out<sup>1</sup>. Nonetheless one must still view this from the proper scale perspective, which often seems impossible to truly comprehend for an individual.

<sup>1</sup> 1984-2000 project manager at CEM; 2005-2015 administrator at CEM

**HOW MUCH PRODUCTIVITY IS NEEDED TO DRIVE FUTURE GROWTH?**

Our research suggests that if China wants to lower the investment ratio to below 40% of GDP by the end of next decade while keeping the rate of economic growth at 10.5% (the same as in the last decade), productivity growth would need to jump from 3.3% to as much as 5.6%.

**REQUIRED PRODUCTIVITY ANNUAL GROWTH RATE**



SOURCE OXFORD ECONOMICS, ACCENTURE ANALYSIS

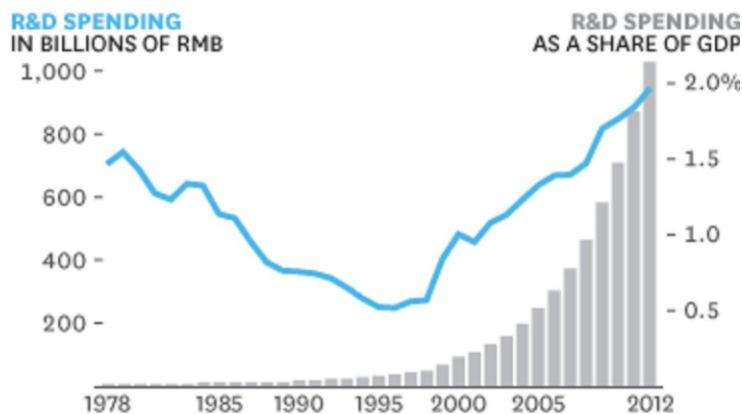
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Graphic 5 China’s productivity requirement for future growth, from Purdy M. (2013)

To tackle these issues, China will have to forward a technological innovation. It is uncertain how well China can truly overcome these new challenges. We know the challenges are there and that the government is aware and that measure are being undertaken. To which extent this will be successful is not a matter of discussion for our scope, as we simply wish to deliver the reader with background information in this section.

**R&D EXPENDITURE IN CHINA**

China has almost tripled the share of GDP devoted to R&D over the past 20 years, although it still remains below that of the U.S.



SOURCE CHINA NATIONAL BUREAU OF STATISTICS

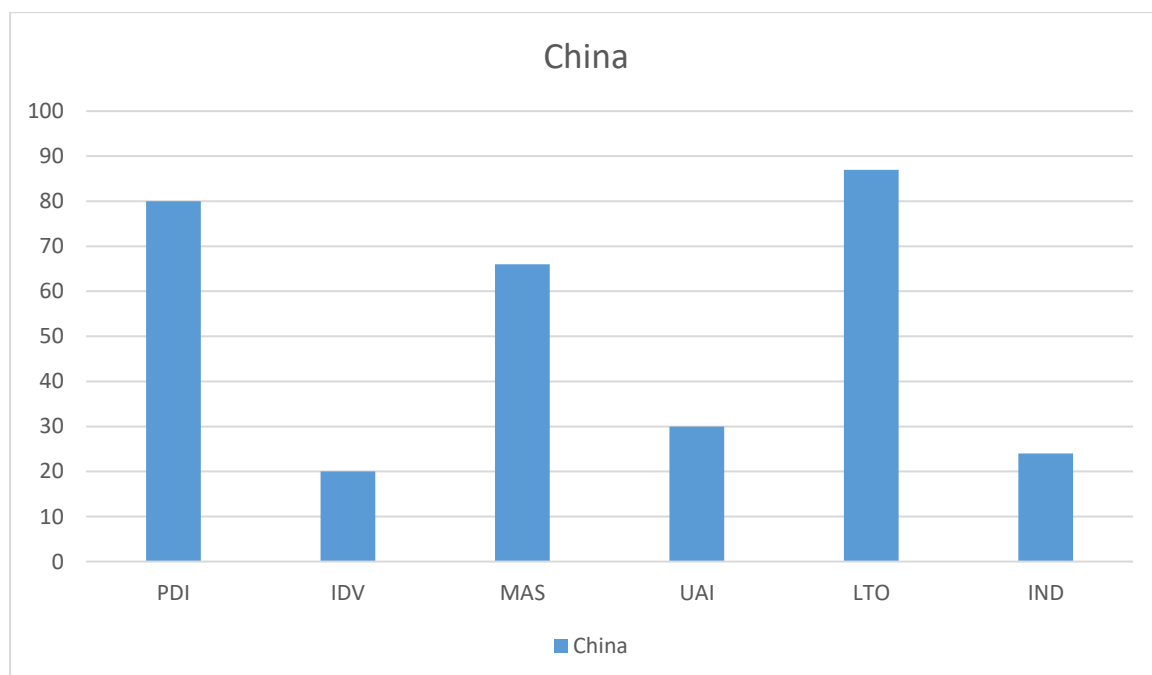
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Graphic 6 China’s expenditure, from Purdy M. (2013)

## 2.2.2 Hofstede analysis

Geert Hofstede provides us with a template that can give us an overview of any given culture and its impact in the workplace or daily life. This overview comes in the form of its own model's structure that evaluates 6 dimensions: power distance index (PDI), individualism-collectivism (IDV), masculinity-femininity (MAS), uncertainty avoidance index (UAI), long-term orientation versus short-term normative orientation (LTO) and indulgence versus restraint (IND).

It is important to note that Chinese society is undergoing significant mutation over the last decades. It is entirely possible that this description can vary significantly over the next few decades. Likewise, one should note the matter of scale, certain aspects can be present in different ways depending on the region or context we address. Nonetheless, one can have an overall description of how China is perceived. Hofstede's analysis of China can be represented by the following graphic:



Graphic 7 Hofstede values for each dimension, China

### 2.2.2.1 Power distance index (PDI)

This dimension describes how society perceives equality, or rather their attitude towards inequalities. It is the extent to which the society and especially the less favoured accept or expect inequalities in power distribution.

China is described as having one of the highest scores in PDI. Individuals have different roles, function and bearing depending on their status, be it social, official or employment related. People respect these differences and accept them as to be, to some extent, an integral part of social dynamic. However, we would argue this is not necessarily in the form of a stale hierarchy or that there is no defence towards power abuse.

China has implemented over the years several meritocracy attributes within their society. This can range from outstanding scholarships to significant rank promotion. While this can vary depending on the context, these elements may be less present in more traditional villages for example.

Regarding power abuse, one can argue that in general the respect given towards authority, is reattributed by authority in similar fashion. That is, the society has its own mechanisms to regulate power and its usage, although there is a relatively less prevalent set of law driven principles.

#### 2.2.2.2 Individualism-collectivism (IDV)

This dimension describes the interdependence within the society, or how much whether the main narrative focus is “I” or “we”. Individualist societies show an emphasis each one owns ability and desire to fence for themselves, being less dependent in others. Collectivist societies can be described as having a group mentality, shown by greater dependence in others. Quoting Hofstede, from Silva H. (2012), *“individualism, as opposed to collectivism (...) describes the relationship between the individual and collectivity that prevails in a given society. It is reflected in the way people live together.”*

China is described as being a strongly collectivist society. People can often show a concern for the opinion or interests of others. As we will describe further on, Guanxi is a large part of Chinese society, but not only that, people also form complex bounds. Due to the complexity of this topic, we advise one reads the following sections to better understand this social dynamic.

#### 2.2.2.3 Masculinity-femininity (MAS)

Masculinity means a drive towards competition or achievement seeking. Favouring the idea of being a winner, or best. Femininity means a display of care for others and quality of life. Lower drive towards standing out, while caring more for enjoying what one does.



This dimension has seen extensive criticism. Originally, the ideas of gender “*(in)equality, assertiveness, humane orientation and achievement orientation*”, from Silva H. (2012). Hence leading to difficulties of interpretation and focus of the category.

China is described as being mostly a masculine society. As we have mentioned, the meritocracy system plays into this. The best students get rewarded and so on. Standing out or exhibitionism in itself is not well seen, but having elements or qualities that stand out is desirable. We would argue this is the most difficult dimension to categorise, due to how Chinese society works. There are elements from both sides, but one can see a focus on excelling or being a winner.

#### 2.2.2.4 Uncertainty avoidance index (UAI)

This dimension describes how societies deal with future uncertainty. In other words, if people attempt to control their future or simply let it follow its course. The effect of either one can vary greatly with each culture, as for example believing the future is set can either encourage or discourage risk taking. Generally speaking, it describes whether people are comfortable with the unknown or distance themselves from it.

China is described as a society that is highly comfortable with uncertain outcomes. This translates into being comfortable with ambiguity, as well as retaining considerable adaptability. The Chinese language itself favours ambiguous speech, which needs to be interpreted with its own context. Some argue this is also related to the trend that laws can often be flexible, although we would argue this comes mostly from higher respect for the unwritten laws of customs. Hence, that specific situation is not truly uncertain, one expects the unwritten law to be followed closely, while written laws can often be more like guidelines.

#### 2.2.2.5 Long-term orientation versus short-term normative orientation (LTO)

This is a relatively more recent dimension, with arguably less depth than the others. Normative societies are described as having a deep connection with their past. Tradition is highly valued, while change is questioned. Long-term oriented societies encourage the idea of innovation and improvement, taking a more pragmatic approach to tradition.

Hofstede classification of China describes it has highly pragmatic, or long-term oriented. Context, time and place can often dictate what is right or wrong. There is a clearly long-term focused mentality, as well as adaptability. However, it should be noted this is also part of Chinese tradition. Likewise, both how and why are important to moving forwards and change

is acceptable but only to certain aspects. We would argue that Chinese social dynamics are simply too set apart from the general case to be properly described in this dimension.

### 2.2.2.6 Indulgence versus restraint (IND)

This dimension measure how much people tend to follow or control their desires and impulses. It is important to note that as a relative measurement, just as the previous indicators, hence this simply means if the society displays a stronger or weaker control than most others. A highly indulgent society displays a weak control over their desires and impulses. A highly restraint society shows a stronger control over their desires and impulses.

China is described has being mostly a restraint based society. This can be illustrated with displays of cynicism or pessimism. Social norms play a significant role in what is acceptable, or can be indulged. Likewise, people can view the indulgence of personal desires as negative or undesirable.

### 2.2.3 Sociological and cultural basis

When discussing the Chinese culture, as interviewee Coimbra Domingos <sup>2</sup> pointed out, it is hard to not feel some sense of admiration for their millenary history. The Chinese society derives a unique influence from its culture and practices. While it would be too much to claim we can explain the functioning of an entire society in one chapter, we shall attempt to do so within the scope of the essay to allow for better understanding of the following materials. It is advisable that one should further explore any subject that he found particularly interesting or complicated in other materials, our references can easily provide some directions to this effect. Sadly we cannot dwell deeply and extensively in every single aspect, but what we aim to provide is a solid overview. In this way inform the reader of the most critical aspects of Chinese society, as well as important interactions.

Generally speaking, we could say that the Chinese decision making contains these two main dynamics pairs: Harmony with Guanxi and personal interests with context. In this section we shall focus on the necessary background for each concept, we shall address their respective interactions in due time. These concepts are as much intrinsic to any Chinese as Western morality is to westerners, the same goes for what they mean or imply in their society itself. In that sense, this is often a topic that for a Chinese would be totally “obvious” or even nonsensical to discuss, on anything other than philosophical debates or investigations. Nonetheless, they

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<sup>2</sup> 1980-1984 power station manager; 1987-2000 Administrator at CEM

are not obvious aspects for one viewing them from the outside and could easily be misinterpreted or lead to misleading conclusions of how Chinese society works, or Chinese people think.

### 2.2.3.1 Harmony

The concept of harmony is an entanglement of several smaller veins of thought, hence much more complex and challenging to explain in a summarily fashion. There is an important distinction to make between Chinese and Western notions of harmony, as this has significant ramifications. From Tachia Chin, Ren-Hau Liu (2015), “*The Chinese notion of harmony originated from Yijing is characterized by Yin-Yang dynamics. As noted earlier, the Yin-Yang frame has been recognized as a unique, superior approach to manage conflicting paradox in the Chinese context (Li, 2014, 2012; Fang, 2014).*” This means that, the starting point, or basis or thought, is entirely different from that of a westerner. This in itself can shed light as why certain ideas or topics are so prevalent in Chinese culture. More graphically, if someone with a western thinking background approaches a situation and derives the conclusion that  $X + Y = Z$ , it is entirely possible that from a Chinese point of view either X or Y is not considered to begin with, but rather A and B. The conclusion may even be similar in some cases,  $A + B$  could be still be Z, but the path taken to this conclusion is more often than not different. This rational has several implications, both in terms of lifestyle and thought, however the important thing to keep from it in our study is that even if we might view things in what seems an obvious and universally acceptable way it might not be so for others. Likewise, in many cases it is also important to recognize and respect the thinking patten of  $A + B$ , rather than assume that our  $X + Y$  must be superior. In a way this may come as what seems obvious, but with just little research any could find examples of clashes that origin from this.

Interviewee Alvaro Sousa<sup>3</sup> provides us with a great example of this at play. He tells us that, in an election for a committee executive there was a member that shifted to having 90% of the votes in favour. This had happen because he’s competitors had simply left the election process all together. At first glance, it might seem there was some foul play here. In fact, it is not farfetched to say that if such event had happen in any western country that an investigation would likely take place. In reality, what had happen was simply that the parties involved had discussed the outcome of the election and, as there was one likely winner, the others chose to

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<sup>3</sup> 1987-1994 central production manager and support for the director; 2001-2005 member of the executive board at CEM

leave on their own. This was simply because they did not want to be branded as “losers”. To lose this election could harm their public face/Mianzi. As Alvaro said himself, “*all decisions must be made in a way that there is no loser*”. We shall develop further on the concept of Mianzi shortly.

On the other hand, “*the Western ideal of harmony as derived from the classical Greek philosophy symbolizes a linear progressive model with a pre-set order*” (Tachia Chin, Ren-Huai Liu 2015:293). This is further described by Tachia Chin, Ren-Huai Liu (2015:293) as the search for “*a perfect unity of many mixed (elements), a satisfactory agreement between disagreeing (elements)*”, or “*a perfect accordance of the discordant*”, on the premise of *solving conflicts of opposing forces in the world (Chin, 2014)* Often these concepts culminate in the search of a “truth”, or a ultimately right ideal. An emphasis on what is right and wrong, or perhaps more plainly, the notion that there in one course of action or goal which is definitely better for us to pursue. These notions, regardless of their potential merits, do not fit within the Chinese way of thinking. This is so both in the broader sense that, often in ying-yang thought the idea of searching an ultimate good makes little sense, as well as more practically that there are many intrinsic elements at play that will change the path that should be pursued in any given situation. In the practical sense, this means that we can see a greater deal of adaptability if not even a greater need for it. In the more broad sense, the key notion to consider is the way that elements interact with each other to provide the chose path. In other words, western philosophy will often look at the “truth” and what derives from it. Ying-yang will often look at the “way” and what it implies both for oneself and others.

In other words, the contrast between the two, Tachia Chin and Ren-Huai Liu (2015:294) mention that “*the Chinese notion of harmony as originality from the most influential cultural canon Yijing is best understood as a holistic, dynamic but somewhat abstract expression of “harmonization process” deciphered by all the combinations and permutations of Yin and Yang components, an art by rather than a science in essence (Tung, 2006).*” Hence the emphasis on the way of doing things, how the elements interact with each other, rather than a strong ideal to be pursued. This thinking focuses on how the water and earth blend together and, depending on each other, create life, rather than debating if maybe they shouldn’t be doing so.

The philosophy and full explanation of the concept is still much more complex, however we should focus on the implications relevant to our study. Under this notion, one would prioritise

interpersonal relationships as an integral part of daily life, even in business or workplace. This is so because without other elements to interact with one cannot have a “way”. Hence one would seek out to build friendly and fruitful interpersonal relationships with those he seeks to deal with or labour. This in turn implies a need for building mutual trust and deep personal relationships even amongst business partners.

### 2.2.3.2 Guanxi

Hence comes Guanxi, while there is no appropriate translation for the term one could see this as a much more deeply rooted and developed web of contacts. It is important to note that often Guanxi can be built subconsciously or unintentionally. In fact, one of the main differences between Guanxi and the web of contacts is the way it is created. Guanxi, even when actively sought, happens in a very slow and gradual process. Building Guanxi with another can take years and sometimes it might just not happen. While Chinese people will not, usually, act negatively towards others intentionally, it is common for them to simply ignore each other, or let the other be in his own element with as little disturbance as possible. Guanxi is particularly important in the Chinese way of life, both because it is a stepping stone to the way of life itself and the mutual benefits it brings. While the concept might seem odd at first, it is important to keep in mind that for the Chinese context this idea is as obvious as friendship itself, for example.

### 2.2.3.4 Personal interests and Context

Personal interests are self-explanatory, although one should keep in mind the culture reality does have its influence in moulding these. People have their own interests or goals in life, anywhere on the world. The way they go about satisfying, or pursuing them however can be quite different. Likewise, culture can alter not only the way but what is desired itself. Going further in the work, it is important to keep in mind that when we speak of the way people do things in this context, they do things this way because they want to. Yes, they were moulded by their own culture, just like anyone else, but it is their choice and of their interest. Whether or not this is right or wrong is not a discussion for the scope of this essay and thus we shall refrain from it.

Context is exactly what you would expect it to be, but with the specificities of Chinese culture implied in it. These can be extremely complex and deep, so we will be focusing mainly on what affects our work. The key thing to keep in mind though, is that context greatly influences the way an average Chinese person would react or act towards an event or person. In that sense,

the aspects of context that we will be addressing most are Mianzi and Leadership. However, context can also include basic things such as what someone's job is, or whom their parents are. There is an important distinction to make between personal context and practical context as well. Each one person has their own context, which describes their status and life in general. Additionally, specific context is what we can observe in a more practical sense. For example, for a specific work task or meeting what is that one's person role in the group or what is expected of him, both in a personal sense as well as professionally. Additionally, it is important to note the relevance of harmony in the context as well. Harmony is, in a basic sense, the way that the different elements of the context interact. It makes no sense to think of harmony in a quantitative, plus and minus sense. Hence, one should avoid thinking of harmony as something one can gain or lose. In a way it is always there and often changing dynamically. What we can think of however is how stable or unstable it might be, or how specific parts of the context contribute to its stability. So in a sense, harmony is not something that can be actually lost, but it can simply reach a level of instability that would be undesirable. Context, however, can be seen in a more quantitative approach. In other words, some context can be strictly seen as better than another or at least more desirable. In fact, one person can want to achieve a different context all together, to improve his own life or that of others.

#### 2.2.3.5 Mianzi

As an addition to this comes the concept of Face or Mianzi. Mianzi is essentially the lack of embarrassment. At all times, one intrinsically acts in such a manner as to not lose Mianzi and avoid having others lose it as well. The simple reason is without Mianzi, one's ability to build interpersonal relations is severely damaged. Hence if one seeks friendly interpersonal relationships he must consider this both for himself and others, which means it impacts both the concept of context as well as Guanxi. This concept, intrinsic in the mind of any Chinese, has many complicated implications on the way things are done. More often than not, certain outcomes might surface due to this concept alone that would otherwise seem odd. The best way to understand Mianzi is to experience it and see what it means to them. It can have very simple implications, such as avoiding to speak or laugh too loud in the streets. It can make one see, overly extensive displays of one's wealth (or anything for that matter) as bad, but at the same time a small degree of exhibition can be good to bolster personal image. This display would however often be done in a very indirect way, as to "let others see" more than "show it off". For example, it is a customary practice to take someone to the most expensive restaurant they could think of for either business or even personal meetings. This is often displayed with the

reluctance of inviting someone to have dinner at their own house, as friends could often do, and rather prefer a restaurant as many interviewees stated from their experience. These small examples of the many implications that Mianzi can have, while important to keep in mind, there are deeper and more meaningful consequences of this.

In that sense, interviewee Alvaro Sousa provided us with a valuable example. In the earlier days of his work at CEM he performed the role of support for the production director. During this time, a Chinese operator abandoned his post for a meal, ignoring an alarm that caused great damage to the machine's operations. Upon this even, Alvaro Sousa decided to punish the operator in terms of career progression. Many of his western colleagues believed him to be too harsh, advising that maybe he should have simply reprimanded him. However, later when he left that position this same employee came to him with a positive handshake, thanking him for being such a good man. This was so because the error in what the operator had done was evident to all, it was no secret he had made this mistake and there was no loss of face in the mistake itself. If he had been verbally reprimanded, there he would have lost face in his workplace, which most likely would have led to at least, his resignation. The punishment instead provided with a reasonable answer to the problem, as it is expected for one to be either rewarded or punished depending on his own actions. To conclude this episode he remarked that "Chinese credit greatly transparency and correctfulness". In this situation, something as simple as what to do about a mistake of an employee could have changed that person's life entirely or even damaged Alvaro's public face if had not proceeded appropriately. Had that happen, his stay may have had to be shortened, or his role might have been severely weakened. It is a good example of how important it is to respect these values and not underestimate them, if one seeks to deal and develop within the Chinese context.

This concept is true for interpersonal relations in the workforce as much as it is for relations between two people of different companies. Alvaro Sousa again, provides us with a good example of this. An external contract was in charge of taking some paintings from the offices to provide them with a better frame. This example is doubly important, as it shall be explained, both for the sense of preservation of Mianzi and the significance of vouching for another. There was an opportunity for a new contract, of a merchant in Macao that would take the paintings to Hong Kong and then bring them back himself. The store in Hong Kong itself belong to someone else, and had only just recently become accessible because of this new intermediary. We shall develop on the concept of intermediary in the Chinese context further ahead. At some point, the merchant was getting progressively delayed and eventually revealed that he had lost

three of the six paintings. To correct this he insisted on paying for the loss. The value of the paintings themselves was practically meaningless, they were simple decorations that could easily be replaced with little cost. The compensation was offered more so to preserve his Mianzi. If he would not somehow repay for his mistake, then he would be in dept. In this sense, keeping a clean face can also mean to not be owing to someone else. While it might sound trivial, outside of the context, owing to someone in the Chinese context is taken very seriously. People that do not repay what they owe, be it physical or otherwise, are seen with great disdain and can often be cast aside.

An extreme example, provided to us by both Alvaro Sousa and João Travassos, of the significance of owing to someone else can be seen in the mafia involved in Macao. Primarily acting as a money loaning entity to fuel the casinos in Macao, it once had humble and rightful origins. This mafia began as an entity that assisted and helped locals, often due to problems with foreigners. It very quickly became an entity above the regional government, with great influence and power, because they dealt with matters of owing. To this day, the mafia is still in place, it is an extremely touchy subject that locals will often avoid. The mafia itself is not seen as good or evil, many would recognize their methods can be extreme and sometimes lethal, but they still abide by the basic cultural premises they were once founded upon.

### 2.2.3.6 Leadership

Leadership is perhaps the most straightforward concept to explain. Putting it simply, the image and example of the “leader” is extremely relevant in most contexts. The leader isn’t necessarily the party or government. It is whichever “leader” is contextually relevant for the situation. The practical implication is that people will often try to not just please but most importantly not contradict whatever it is they believe their contextual leader wants of them. This has further implications however, as the role of the leader is critical in any workforce but especially in the Chinese context. For example, top-down approaches are known to be by far the most successful in China. Whether bottom-up could potential work or not in the future, it is unknown, but we can say that so far we do not have a method to make that approach work and all the interviewees agreed with this statement. Leadership by example is the main successful approach in China. Others need to see for themselves that what is being proposed is good, or even better, than what was previously being done. Furthermore, to be clear as to what is truly wanted of them, leadership by example provides a good and practical answer to their doubts and questions.



In the same sense, this method can also be used to, in a way, force a specific change into the workforce. Alvaro Sousa provided us with a good example of this as well. The company wanted to implement two separate working shifts, to reorganize the workforce and minimize extra hours and aiming for a two 8 hour working time shifts. This meant that the workforce was not only going to be split but also some would have to come earlier and others later. It was expected that the ones delegated to the early shift would be unhappy about the change and if left alone many would arrive late each day. To prevent this from happening, Alvaro decided to join the workforce and work with them on the machines, despite this being outside of his job requirements. This had many implications, first of all it made it clear to everyone who the leader was and what he wanted of them, as he could also micro manage the workforce temporarily. Additionally, the workforce was, in a way, forced to show up on time as if they would not that would be a great offense to Alvaro's Mianzi, which would similarly not be seen well by their peers. Here we could both see how leadership can affect the workforce, very effectively, and the serious extent that people will take to respect others Mianzi as well as their own.

#### 2.2.4 Conflict and interpersonal relationships

Chen, Liu and Tjosvold and Tachia Chin, Ren-Huai Li have found that conventional conflict management approaches struggle to be successfully applied to the Chinese context. As Hofstede (1993) said "*The utility of open approaches to conflict, as well as the theories to analyse conflict, cannot be assumed to apply to a collectivist society like China.*" (Chen, Liu and Tjosvold 2005:281) It is often preferable, if not necessary, to focus on the complementary and co-existing aspects and how each one element interacts rather than identifying differences and openly discussing them. The fact is that Chen, Liu and Tjosvold (2005:281) report that "*conflict avoiding would appear to be more familiar to the Chinese sample of this study than cooperative and competitive approaches.*" The root of this, however, comes more so from the intrinsic thought process of harmonization, rather than a relatively lower drive for each owns interests. In fact Chinese people are as capable and willing as any other to pursue their own interests, we simply have to consider the context specific ways of doing so.

In regard to the context specific ways, these can naturally vary but there is a pattern in the inputs we have gathered. To this effect we have significant examples to display and exemplify these behaviours. It is important to note that there are key ways of doing things both between

Chinese themselves and when dealing with foreigners, especially those most alien to their culture.

As part of the executive committee at CEM, Alvaro Sousa could witness and take role in many relevant such scenarios. For this specific topic we cases that illustrate both how negotiations, between two parts of different entities can unfold, as well as, on how the internal executive board meetings and agenda was discussed.

As for the example between two different entities, we have a case in which the government appointed director of electric sector for Macao would question the significant interruptions of service. These interruptions were relatively more common than the expected, for the technology and resources available, but nonetheless the government had to answer for it and thus justify it somehow. Whenever a team was sent to assess the problem, the result invariably lead to some answer that could cover the fault of what was essentially natural occurrences. There were meetings held between the two parts as well, these meetings were however dangerous and destructive. As part of the board being Chinese and the other part being western, it was common to have different views of how to handle a given situation. In this specific case, the western counterparts would often try a more direct approach, directly answering whatever was put on the table to discuss. The Chinese counterparts however would prefer to avoid discussing the topic openly, hence simply hearing out the inputs and withholding comments of their own. This proved to be more harmful than anything else, as it became apparent that such discussions should be held individually between the several speakers. In fact, not just for this situation specifically but for many others it was common to have an intermediary agent that would indirectly conduct talks between each part of the board. In this way, the intermediary was responsible for not only transmitting the message between the two parts, but most importantly to do so respecting the ways it should be done. In his own words, “it was extremely difficult to manage the different behaviours, aggressive western style and the other side would not answer and refused to engage in that behaviour”. When finally it was decided to appoint an intermediate, they could create environments to discuss the matters in private, for example over lunches. This would occur both within the board as well as with matters with different entities, which also enabled to safeguard the image of each part.

The role of the intermediate cannot be understated when it comes to higher level meetings, but it is also present elsewhere. Not only is he an enabler for context mutation, but also literally the key and propeller of code appropriate negotiations or meetings. Likewise, the impact of

misleading or otherwise leading the intermediate towards a harmful situation is an offense of great magnitude. Alvaro again tells us of a situation with an entrepreneur of Macanese birth. This individual, whose identity will remain anonymous, was part of the committee for cultural projects in Macao. A dispute arose as CEM's relatively high rates and wages was put in question by this committee. This individual was proposing to become the intermediate in favour of CEM with the delegations. At the time, the Portuguese board unwearingly humiliated him by accepting to initiate talks and afterwards refusing to lower the wages. It was implied that by accepting to meet him, the board would be willing to compromise and talk about the problem, something that which was not obvious for the westerners at the time. This led to the creation of an enemy rather than a friend, which after that moment refused to have any dealings with CEM.

In that same sense, our interviewees have reported that to build anything in China, the first step must always be to create trust. In the matter, the intermediate can also be of great assistance, if there is a trustworthy intermediate, it can provide access to someone even if they do not trust you personally. Of course, this implies that the intermediate is putting his own Mianzi forward, on behalf of the other part. Similarly, it is important to note that when it comes to negotiations, it is absolutely unacceptable to have mismatching levels of representation. For example, if you wish to address head of a company, then your own head of company must take that endeavour himself. In whichever case, the process of building trust is slow and progressive, often starting with simple lunches with the two parts and the intermediate. These lunches may eventually become dinners, if things are progressing positively but the sign of acceptance can be something as a drinking reunion. In fact, Alvaro Sousa stated that communal drunkenness was often a necessary stepping stone in these higher level negotiations. In such an event, it is critical that one must not refuse the invitation or the drinking itself for that would be a sign of both disrespect and mistrust of the other part. Such a simple thing, can and has led to the collapse of a relationship in process. Specifically, when part of CEM was held by French investors, they attempted to enter the negotiations with the Chinese part of the board directly, with the long term plan of ultimately replacing the Portuguese staff all together. This enterprise failed due to ignorance of local costumes, as the French investors became progressively more distant with the Chinese counterparts. This process led to the slow but certain outcast of the French segment of the board, until they were forced to simply stop their efforts of intervention.

Interviewee João Travassos also comments on this situation with the French investors. Adding that not only they had chosen the wrong strategy, but that this was a good case study example

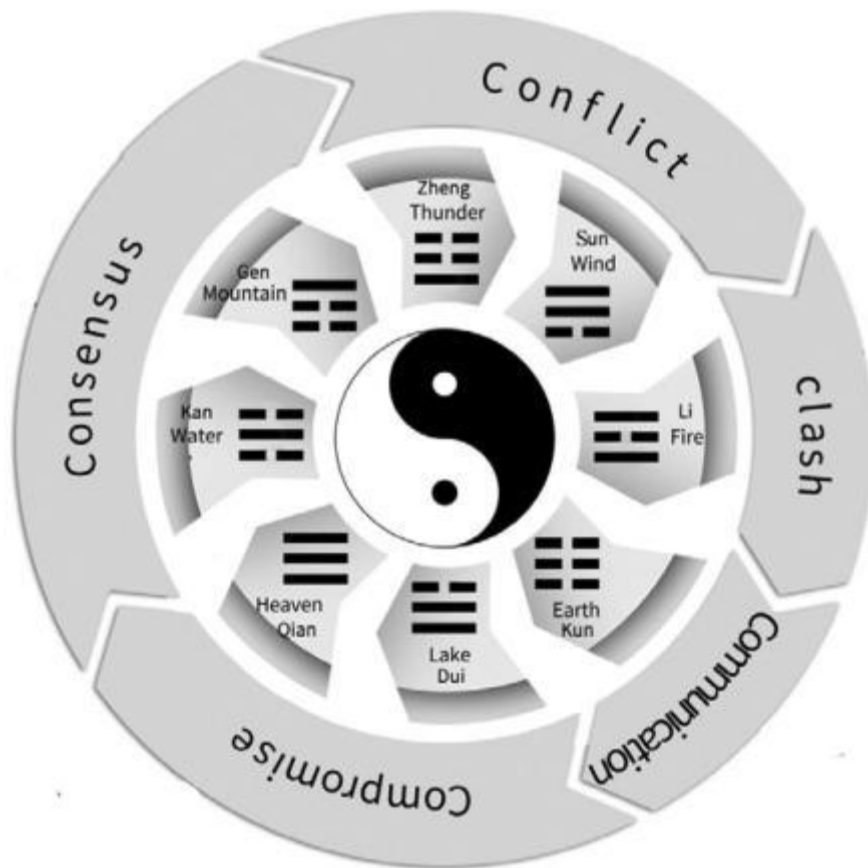
on how planning and how wrong it could go. Not only did the French failed to realise the damage they would bring by attempting to isolate the well rooted Portuguese wing but also the political implications the process would have for Macao. Resulting in not only in wasting the sum invested to enter the board, but also losing this position in time has the Chinese wing bought it back from them which led them to simply sell the rest and permanently leave. Travassos further adds that “a Chinese would of never had this kind of initiative, if anything they would slowly push things their way rather than force it”. This further emphasis not only the need to respect the proper codes of conduct, but also the way and manner things should be done to be successful.

As we have said, China is often described as a collectivist society, with good reason. The social mechanics are clearly focused on the collective rather than the individual. This does not necessarily mean the individual often sacrifices himself for the collective, simply they have a specific way and natural mechanisms of reaching their goals. These goals however, may or may not be influenced by the collective. Chen, Liu and Tjosvold (2005:282) stated “*Collectivist values are expected to lead to valuing harmony and smoothing over conflict to maintain relationships and protect social face (Morris et al., 1998).*” This notable trend is illustrated by the already mentioned Mianzi. The ever present notion of Mianzi, in any Chinese, is one of the most obvious consequences of this thinking, becoming “*highly sensitive to the possibility of losing social face in public; they avoid conflict so that they and their conflict partners need not fear disrespect and alienation (Bond and Lee, 1981; Cocroft and Ting-Toomey, 1994)*” from Chen, Liu and Tjosvold (2005:282). Relevant as it is, Mianzi is still more a symptom than a cause. Interpersonal relations develop a special root, coming from an ever present intrinsic need to maintain harmony and branch out in Guanxi. Respect and understanding of both their own cultural specific ways and the people themselves, are key to prosper in the Chinese context.

However, it’s not as if conflict does not exist in the Chinese context. Open conflict is rare and mostly inappropriate, but conflict of views and interests is still present. People with clearly different goals or agendas will conflict with each other as we have seen, although generally preferring to avoid direct confrontations if possible. Even lesser forms of conflict are still present, simply displayed in its own way. For example, despite not openly agree with a co-worker that does not guarantee that whatever that co-worker suggested will be put into action. Hence, “*conflict resolution is “dynamic, contingent and art-oriented in nature”*” (Tachia Chin and Ren-Hui Liu 2015:294) requiring a specific mind-set and concerns to be properly addressed. This process of conflict resolution is best characterized as a distinctive, circled

“harmonizing process” including five primary stages: “*conflict, clash, communication, compromise and consensus*” (5C model) as per the changing sequence of Yijing’s eight trigrams interpreted by their respective combinations of Yin and Yang.” (Tachia Chin and Ren-Hui Liu 2015:294) It is important to note that although open conflict is rare and undesirable it can occur, particularly when one part is pushed to the limit, with little alternative, for too long.

Tachia Chin and Ren-Huai Liu’s case study is based on one of these limit situations, their model is available in Annex 2. Workers in the manufactory industry had been pushed by their managers, which ignored their complaints. Amongst their complaints, the most relevant were the relatively lower salary to other factories, together with the company not paying their endowment insurance in full. The case study is quite relevant, but we should not dwell in the specific situation too long, since our aim is to develop a model that works with the Chinese conflict avoiding context. Nonetheless, they developed an exemplary model for what happens and how one can proceed should the situation arrive at the ultimate crashing point. Regardless, the resolution component of this model works in tandem with our own. The last three steps of this model being communication, compromise and consensus, which as we will further develop are key elements within the Chinese naturally occurring conflict and negotiation resolution.



Source: Miller (1991)

Figure 3 Representation of Yijing eight trigrams (Tachia Chin, Ren-Huai Liu 2015:295)

To better understand this phenomenon it is paramount to consider the Chinese notion of Harmony. Chen, Liu and Tjosvold mention (2005:282) “*Disintegration avoidance is instrumental in nature in that the maintenance of harmony is a means to other ends (Leung, 1997; Leung et al., 2002).*” In parallel, harmony also includes the notion of strengthening by pursuing behaviours denoted as “harmony enhancement”. Chen, Liu and Tjosvold (2005:282) state that “*This motivation represents a genuine concern for harmony as a value in and of itself and involves feelings of intimacy, closeness, trust, and compatible and mutually beneficial behaviours.*” Thus we could consider harmony as a two pronged force striving for both enhancement and maintenance of already present interpersonal relationships. The basis of this notion lies in the ideas of Yin Yang, which Tachia Chin, Ren-Huai Liu (2015:294) describe to “*rely on intrinsic sense instead of instrumental rationality handling conflicts for achieving a tentatively balanced yet continuously dynamic harmonious settlement*” (Chin, 2014)” This would in turn be affected by Chinese customs and tradition whenever relevant, as we shall further describe.

Available literature often argues that the Chinese are “*particularly susceptible to contextual factors involved in conflict incidents and thus may alter their conflict-coping strategies*” (Tachia Chin, Ren-Huai Liu 2015:292) Factors “*such as differences in job positions, social hierarchies, work relations and individual personalities (Fu et al., 2008)*” (Tachia Chin, Ren-Huai Liu 2015:292) can lead to different expected outcomes and reactions within the Chinese context. It would be possible to observe, as Tachia Chin, Ren-Huai Liu (2015:292) state, a more “*direct confrontation strategy to resolve similar conflicts if their work relationships at stake with the other party are horizontal (e.g. between colleagues) (Nguyen and Yang, 2012)*”. As we have seen, circumstances and context in general play a considerable role in the way Chinese people handle conflict. For example, in the case of employees, it has been stated there are many complex or interactive strategies that can be formed depending on their role in said organization (Tachia Chin, Ren-Huai Liu). “*These arguments explicitly shed light on the dynamic and contingent nature of Chinese conflict management, and implicitly defy a simply “Chinese” typology of favored conflict-coping strategies/styles.*” (Tachia Chin, Ren-Huai Liu 2015:292) Hence why carefully analysing both the situation and possible branching of it is so critical in this context, while not overly relying on a typically expected outcome or template.

It is noteworthy that Tjosvold and Sun (2001) studies lead to conclude that in fact Chinese people can also engage in productive and open conflict, under the right circumstances. In fact Chen, Liu and Tjosvold have argued that leadership can take an important role in this nurturing of productive conflict. To be specific, leadership by example has shown to be a consistently effective and even seen widespread use.

### **3 Method**

While the aim of the study is to create a model for the Chinese context, we had to take a far more realistic scope and narrow down our investigations. With this in mind, first conducted and presented a more broad research on the context and then followed it up with a more narrow set of interviews. This way, we are able to both illustrate the reality we are dealing with and attempt to analyse it without going astray.

The choice of method relates to the aims of the investigation (Barañano, 2008). To this end we chose a qualitative approach to our investigation, through using both a set of literature review, as well as interviews to particularly relevant subjects or experts. This correlates with our objectives to our investigation, as we could gather both their experiences and difficulties to better understand the context as well as later explain it through the model we created. We needed first-hand experience on the Chinese context, so we could build a model that works and deals with real situations. In that sense, we first explored our available contacts with the intent to branch out. As we had initial contacts with EDP (Energias de Portugal), we explored the connections with CEM (Companha de Electricidade de Macau). The reasoning being that CEM employs both western and locals, while having also connections to other western and Chinese companies. Hence, we had a suitable setting as well as a relatively closed environment to expand our knowledge, test our findings and theory, and gather the needed first hand-experience with personal interviews that became available. Hence, we selected the most appropriate experts for our study within our limited universe of potential choices, in a logical fashion proportionate to our means.

In that sense, our first research includes several different sources that either describe or investigate the Chinese context and its peculiarities. Some of these studies being more or less directly related to conflict management, but all of them describing a component that relates to conflict management studies and how these can be assessed. This phase was conducted mostly through August to December 2015 and January to March 2016, not including exceptional additional circumstantial findings. The purpose here was to build our investigation, gather inputs from other studies and prepare for the following experts interview.

As such, we followed by taking a total of nineteen interviews, thirteen of which interviews of Portuguese people that either work or had worked at CEM, these interviews took place between March and April 2016 depending on the availability of our interviewees. We also included three interviews to Chinese workers at CEM, these were conducted in written due to physical



limitations. The purpose of these interviews was to both enrich and double check our findings, the selection was limited by what our previous contacts could supply and we received a response to them between June and July 2016. To this, we added three interviews to Chinese currently working in Portugal, to assess if their costumes translated to their new reality, the purpose of this set was simply to double check our investigation through the means of accessing how closely they still followed their original ways. These last interviews were performed in the same time frame as the first interviews, hence March and April 2016. Additionally we also interviewed EDP's board member responsible for intercompany and international matters, Joao Marques, whom has experience with dealing with Chinese partners as well. The purpose of this interview was to enrich our inputs and double check our findings, to a different level or operations.

Our interviews were particularly productive, so having gathered the examples we needed and checked our hypothesis with the experts we gathered sufficient input for this study. In this way the different people in this company provided their own valuable input related to their own work experience in China. These interviews addressed people with significantly different responsibilities within the company which led to different exposures and experiences with the Chinese context.

The interviews were conducted first and foremost with the idea of obtaining an unbiased contribution, through the sharing of each one's personal experiences in the area. Likewise, although we created a template of questions and information we wanted to receive, the interview itself had a great deal of adaptation and improvisation depending on the person we are interviewing. In the end, the issues discussed were essentially the same, we simply allowed the interviewee to describe and share his input in whatever fashion that was most comfortable for him. In that same sense, the interview was slightly adjusted to each specific case. Most notably we focused on assessing the difficulties that Portuguese had in China as well as their perception of said reality, while for the three Chinese people interviewed, in Portugal, we focused on checking if their costumes translated into Portugal and checked on their own specific difficulties. Furthermore we interviewed three Chinese people working in China, these last interviews aimed to get an input from locals so that we may have some basis of double checking our findings. It is important to note these last three interviews were conducted by a written format, due to physical limitations.

As for the format of these interviews, we have a primary overlapping formula that includes both hypothesis and specific questions we wished to ask about. We started each interview by introducing the context of our thesis, and the most relevant information regarding the subject of investigation. This was done to allow the interviewee to understand the topic we are researching and what we plan to achieve from it. Hence we withheld any unnecessary information and simply described what we were doing and planning to do with our work, but including a simple introduction to the conflict management subject. Both the model and specific findings were shared by the end of each interview, to allow our interviewee to comment and potentially point out any misunderstandings or mistakes.

We started these interviews with the following Hypothesis:

- Guanxi and Harmony have a critical dynamic role in Chinese thinking.
- People follow their own interests and goals, while respecting the way things must be done.
- Respect in general and specifically Mianzi, is necessary and constantly present.
- There is an overall focus on long-term mentality.
- 

For this purpose, we included a set of elements we wished to confirm or ask about:

- Does Guanxi significantly impact context?
- Do people adapt and temporarily sacrifice harmony for better Guanxi?
- Does context impact the ability to follow personal interests?
- Was there an active concern for keeping oneself relevant to others, in order to achieve your own goals?
- Is there an emphasis on long term trust and commitment and what does this imply we must first build a basis before we can have a business or working relationship? Is there an overall long term mentality?
- How would you deal with a toxic person?
- How would you deal with a contradicting opinion?
- How do you set a new relationship with your boss/employee/acquaintance?
- Does context influence actions? In what way?
- Did you adapt, or them? How?
- Did you engage them actively, or the other way around?

- How relevant were the cultural differences and what impact did these have?

As for the written interviews we followed the following format, which includes a Chinese counterpart to each section to avoid any potential misunderstandings. This can be found in the annex section. We attempted to follow the same format as for the previous interviews, while having to adapt and modify them due to the static nature of written interviews. Likewise, the breath of input we could take and analyse was also limited due to this constraint.

Following this we proceeded to analyse all our inputs with the goal of creating our model. This followed a lengthy continuous process of improvements, change and adaptations depending on new inputs similar to idea and model creating mechanic suggested in Barañano (2008). We used our inputs from interviews to improve our mode, both directly whenever our interviewee made a comment to the model, as well as from deduction. Having arrived at a model that successfully connected the dynamics at play and provided an explanation to their functioning we proceeded to illustrate it and double check to the current state.

## 4 Adapting models and presentation

### 4.1 Introductory notes

As we have seen before, the western conflict management model has two axis, one with concern for self and another with concern for others. However, as we have seen, using western mentalities to analyse the Chinese reality leads to troubling results. *“In short, Western theories are found to be unable to adequately explain the unique conflict-coping behaviours in China.”* (Tachia Chin, Ren-Huai Liu 2015:289) Behavioural predictions made on this basis will often not match what we have seen from studies on the field. Hence the models, in this context, fall short in producing the originally desired outcomes.

*“Chinese ... manage and resolve conflicts in their own unique ways, especially as reflected in their strong tendency to avoid direct/face-to-face conflicts and to value interpersonal relationships and harmony”* (Tachia Chin, Ren-Huai Liu 2015:292) Cultural differences change drastically what is considered as correct or proper behaviour, as well as to some degree what people aspire to or desire. We have identified 2 main decision making concepts that are present in the mind of a typical Chinese, Harmony and Guanxi. Additionally they would also consider the specificities of the context and likewise mould their personal interests.

Mianzi and Leadership would then be relevant within the Context. Mianzi specifically would be of assistance towards Guanxi, but also relevant for other elements of the Context. Mianzi being described as the lack of embarrassment, comes into play mostly as an element that should be kept “not negative”. In other words, it makes more sense to avoid losing Mianzi rather than trying to gain it. In any case, both Mianzi and Leadership act as elements of option limitation in the sense that one would always avoid to conduct in a way that loses Mianzi or goes against the Leader. Likewise, these elements should mostly be respected rather than pursued. This much are ever present elements of the Chinese reality, the following however will be our interpretation. That interpretation aims to simplify the understanding and analysis of Chinese decision making, within the scope of conflict management. As well as to allow for an explanation of how the most relevant elements react with each other, within this context. To this end we present a model we developed, which we will dully explain on its functioning, benefits and shortcomings.

## 4.2 SET (Stability, Expansion and Transformation) dynamic potential relationships model

### 4.2.1 Introducing SET

Context defines how one must act to achieve his personal goals or interests, or indeed if these are possible at all. Therefore one must pay close attention to his context in order to succeed. It comes as no surprise then, that Harmony and Guanxi are so predominant in Chinese thinking. Both of these have clear and significant impacts on the Context a person is in. To some extent you could say that Guanxi allows you to shapeshift your Context, while Harmony is important to keep it in balance and bring positive outcomes to your life in general. Therefore it is reasonable to assume one would deal with Guanxi and Harmony in whatever way, he thinks, would improve his context in order to ultimately reach whatever goals one might have. As interviewee Coimbra Domingos said “it’s part of how they manage opportunities to achieve what they want.” Although the goals have endless possibilities, the process is similar regardless of what goal it might be, changing only in direction and intensity. Therefore we focus on the process, to allow to understand or ideally predict outcomes, depending on the situation.

As we have seen both Guanxi and Harmony require constant maintenance and are subject to a dynamic process of change. This process occurs largely because each time one attempts to expand his Guanxi his own Harmony, as well as that of others, is affected. To simplify these ideas one can think of Harmony has being a sort of bubble around each person. Whenever two people interact these bubbles collide against each other. Both people would then attempt to minimize the negative impact of this interaction, as well as maximize the potential benefits.

From this follows that, connecting with any one person could have a great or small effect in the stability one’s harmony as well as be of greater or smaller impact on one’s Guanxi. In short, different people will bring different Guanxi and disturbance of Harmony, for each one other person. The need to change one’s Context will vary accordingly to how favourable the current context is. Therefore the need to seek out Guanxi will also increase the more unfavourable the current Context is, and likewise also make enduring greater Harmony disturbances more acceptable.

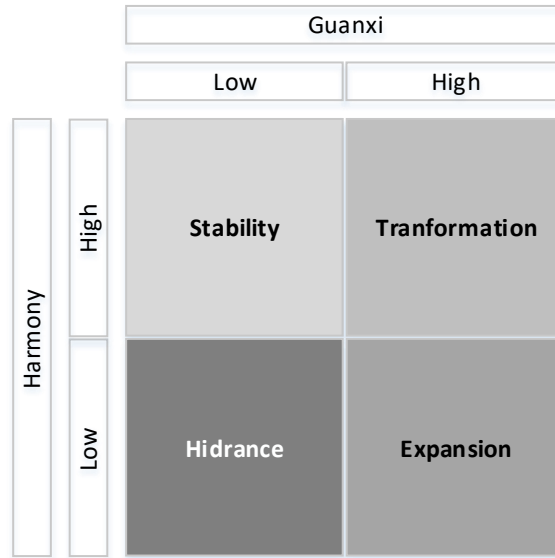


Figure 4 Potential relationships illustration

This graphic essentially translates into the following table as well. Do note that the table is only presented for the sake of visual aid. Furthermore before we begin describing each quadrant, it is important to note that someone’s position in the representation isn’t necessarily stale. As relationships develop they often transform the relationship itself or those involved, not to mention that a large part of this is also based on perception. Meaning that, should new knowledge of the other part arise, or if the situation changes, then one could move to a different section of the display. Hence why we call it dynamic. Furthermore, when we speak of this model we are both addressing a specific person to person relationship as well as the situation that comes with said potential relationships. Likewise, when we speak of relationships we try to limit the ideas to the interaction between only two persons at the same, whenever appropriate. This is done simply for the sake of simplicity, as including several different people in the same contemplation would simply be an exercise of putting together the several elements rather than productively forwarding our theory.

	Harmony	Guanxi
Stability	Strengthen or same	No substantial gain
Transformation	Strengthen with mutation	Positive advance
Expansion	Temporarily unstable	Positive advance
Hidrance	Potential instability	No gain and potential loss

Table 1 Summary and visually aiding representation of SET model

### 4.2.2 Stability

The stability quadrant, would represent a person that would bring very little to one's Guanxi, but allow for a stable Harmony. In other words, anyone that doesn't call for a significant change in our lifestyle or actions. Implicitly, one does not expect their reality to be changed or be affected in a meaningful way. It is implied this relationship has mutual effects.

This situation is mostly present in already established environments, such as possibly in a small company where everyone has had the chance to acquaint with the others. It is important to note that despite not gaining in Guanxi from this situation, this does not necessarily mean it is undesirable. One should keep in mind that Harmony and Guanxi are a two pronged strife, but reaching a relatively stable harmonious settlement is an ultimately desirable state.

Naturally, however should one find himself in a context that he wishes to see changed, then this situation or relationships do not forward that intent. With that said, even in such situation, one would only ultimately seek to reach another relative stability point in its own respective context. It is arguable, whether or not a situation that is not the ultimately desirable one seeks can be considered stable. The answer to this is simply a matter of relativity.

Allow the elaboration, even if one does not find himself within a context that forwards his most desirable goal or interests this does not mean the context is harmoniously unstable. In fact, more often than not the already established status quo is a relatively harmonious settlement. It is important to emphasise the word relatively here, as we mean that said context is more stable than, for example, a time that would call for considerable change. This does not mean that one given person in said context has no desire to change it, hence causing instability, simply that the relationship or situation being described, at its current form, is in fact harmoniously stable.

Similarly, one may simply be in a temporary state of stability until a new situation arises that could potentially lead to transformation, after the necessary period of expansion.

### 4.2.3 Transformation

The transformation quadrant, represents someone that would bring a great impact to one's Guanxi and require little change to one's Harmony. Transformation is when we find a situation of mutual gain, which allows both parties involved to progress their own agenda positively. It is implicit that both parties would mutate their context simultaneously, but not necessarily in the same individual direction.

This situation would normally occur after the set given parties have already identified what they might gain from each other and simultaneously reached consensus. As we have described before, consensus comes only after communication and compromise. This means that often, transformation comes after a period of expansion, which we will soon describe.

Transformation is, in a sense, the final step towards a goal that each part desired. As such, the period of instability of Harmony is not only ending but also bringing in a new harmonious settlement. In this case, both parts have already made the necessary compromises and are effectively building something new, or in other words are already cooperating. From this, one could expect a shift towards stability if the parts involved have either exhausted their potential or became temporarily satisfied with their situation.

#### 4.2.4 Expansion

The expansion quadrant, represents someone that would bring a significant impact to one's Guanxi but also destabilise one's Harmony greatly. The word expansion was chosen here because this implies a period of adaptation to a new substantially different reality, which ultimately brings one closer to their own ends. The expansion could have differing degrees of significance for each part, but it does imply change for both.

Expansion is the phase present when one finds a new, seemingly positive, element. This phase coincides with the need for greater communication, which in its time will allow the two parts to reach a compromise. This implies that both parts have something to gain from each other, which they have already identified. Similarly, both parts are actively moving towards a mutually beneficial situation, which will require agreeing to a compromise. Compromise is, in turn, necessary simply because the two parts are invariably giving away something, such as their Harmony, on behalf of another desirable gain.

It is in this situation that one must pay very close attention to the codes of conduct and proper way of doing things within the Chinese context. Both parts must move towards mutual understanding and trust, which can only be reliably achieved through the customary and necessary procedures.

In this same sense, none of our interviewee reported any particular difficulty in engaging communication or connections with their Chinese co-workers. They mentioned the customarily long process of opening up before any significant connection could be established. However in their view not any more complicated than it would be for another Chinese, provided respect



and humility is shown. It is important to note that, when it comes to forming bonds and attachments with other Chinese, our western interviewees reported that having someone to make the bridge was immensely helpful. This was so in the sense they could be their intermediaries, as well as assist them with understanding or dealing with more delicate matters.

#### 4.2.5 Hindrance

The hindrance quadrant would represent someone that would both bring very little to one's Guanxi and also seriously destabilize one's Harmony. In other words, someone that forces a change in our lifestyle or way of doing things while, in the end, not helping towards one's own personal goals. This could also be either mutual or one-sided.

Hindrance can be present in any situation, although always being undesirable. Generally speaking, both parts will either avoid or circumvent hindrances as best possible. However, should the situation be unavoidable and both persistent as well as relevant, it could lead to a situation of conflict. As we have seen, these cases are rare simply due to the way things should be done within the Chinese mentality.

To further emphasize this idea of just how rare conflict can be in the Chinese context, we have the input of Guetta Xavier, who acted as a manager for a service company working with CEM. In around 14 years of work experience in Macao, dealing with human resource and technical components, did not once have to manage a conflict between native Mandarin speakers. Regardless of how well established the workforce might have been, or how competent and capable everyone in the teams was (even assuming it would be the same people together over these years, which was not the case), 14 years is a long time with no significant conflict to speak of. The same however, could not necessarily be said of relationships between native Mandarin speakers and foreigners, in the same set. Be it because they handled whatever conflict themselves or because there really wasn't any, what matters is there was no conflict relevant enough to be managed. Rather, the approach Xavier had was one of allowing for freedom of maneuver. Taking responsibility himself for whatever shortcomings might happen, while giving credit to his employees whenever possible. Likewise facilitating the sharing of information and knowledge for a continuously improved work experience. It would seem that, indeed, approaches of this type are the most appropriate for a manager in the Chinese context. Chen, Liu and Tjosvold would agree, as their work strongly emphasizes how important top-down leadership is in the Chinese context, to achieve a long-term sustainable growth and innovation of working practices in the Chinese context.

Depending on the magnitude of the conflict, one could take two different actions. If the conflict is serious and difficult to resolve but simultaneously calls for its resolution, then one should use the model given to us by Tachia Chin and Ren-Huai Liu. If however the conflict is solvable and perhaps arose simply from miscommunication, then one could solve it by having both sides see what they could gain from each other. In other words, to view the positive side in the situation. In this way, we would be turning the hindrance into a potential situation for transformation. Notably, hindrance could refer to a person as well as a problematic event or situation.

The resolution of a hindrance could be performed by either side, or potentially an external party. This could be, for example, the role of a manager when faced with two employees that seem to be unable to relate with each other. However, it is more appropriate to simply set up the mechanisms and opportunity for the employees themselves to deal with the more delicate matters.

### 4.3 Dynamic of the model SET

Taking from the previously explained concepts we can represent these interactions as follows:

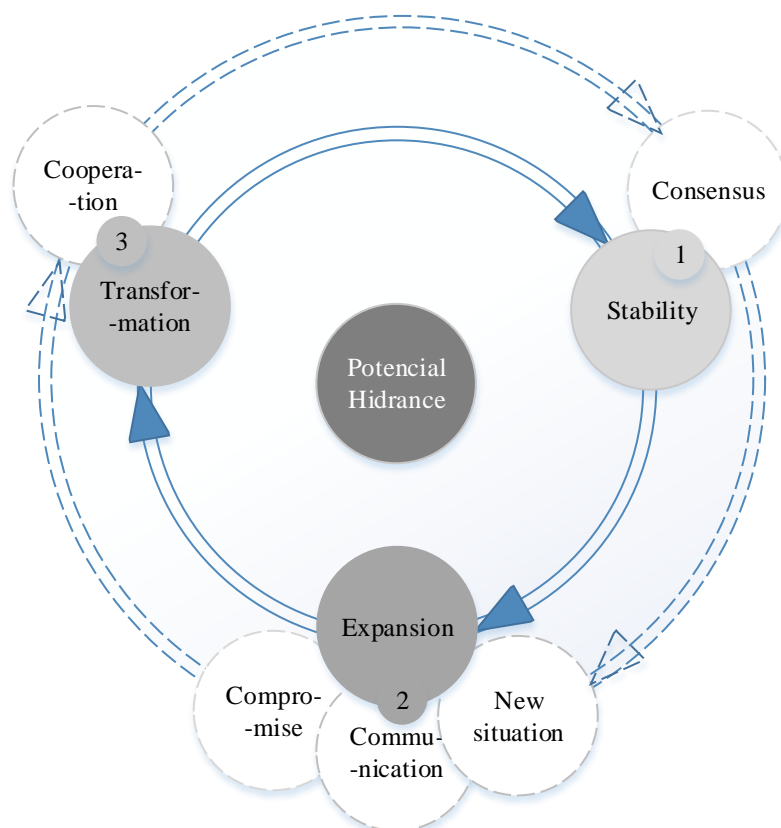


Figure 5 SET model dynamics

In this sense, the model incorporates the concepts of negotiation in the Chinese context that we previously described and how they interact with each other. It is a dynamic model in the sense that one can continuously arrive at new situations that will propel the following elements. These elements in turn lead to the next element and so forth. This dynamic is essentially why Harmony and Guanxi are said to be apparently contradicting elements. Hence why it is often described as a tentative balance towards harmonious settlements.

In fact, we can arguably derive that there is always a certain degree of Harmony. That is, even though we might change and suffer period of relative instability, the process in which we attempt to arrive at a new consensus is in itself harmonious. This comes as little surprise, as in a culture where the concept of Harmony is so intrinsically present, one could expect such manifestation in the sociological dynamics. In that sense, one can also understand why we can only describe changes in Harmony as relatively more or less stable. The Harmony is essentially always present, simply mutating to different shapes and degrees.

Likewise, even in the event of a hindrance, regardless of the solution taken one would strive towards consensus. This in turn would simply reset the balance in the situation, reaching the point of stability. Even if one opts towards circumventing or avoiding the hindrance, if one is successful in that, then we are simply moving forward to whichever situation is appropriate. A clear example of this comes from the already state example of the French investors in CEM. Having turned themselves into a hindrance for both the Chinese and Portuguese investors, as well as, indirectly, the government they were progressively casted out until stability could be achieved again. In fact, the main issue was they presented only new complications and brought instability to the long worked over Harmony that was established. As they shown a lack of both knowledge and respect for the local traditions and way of doing things, they could not be seen as a positive element of transformation. Transformation is possible and even common, but not if that transformation endangers the basic values of the culture or people involved.

#### 4.4 Notes on BATNA

As far as BATNA goes, while usage and examples of it can occur, the mentality and methods are considerably unique. Due to the nature of how negotiations occur in China, generally speaking the concept of BATNA is not perceived or used in the way one could expect. Since negotiations are a subject that requires careful balance of interests and saving face, it is complicated to have a clear BATNA or for it to realistically exist at all. Of course, physically

speaking the concept would apply, there is always a next best alternative, but this implies a degree of flexibility and adaptability that will often not be present in this sense.

Especially when it comes to negotiations between companies, but also between people in general, the need to form a personal and deep connection is necessary before negotiations can be initiated. Meaning that, in the Chinese context, for you to have a BATNA you need to have prepared before-hand, since the process before negotiations can easily take several years. Furthermore, if you have reached the point of negotiations and you wish to back away you must still respect the integrity of the others Mianzi. If you fail to abide to this proper conduct, you may easily harm the other party's Mianzi as well as your own. Even if you yourself would not have lost Mianzi, other people would be hesitant to deal with anyone with a history of damaging other's Mianzi. In that sense one could say that although the concept is present, it is best be extremely careful with its implications.

Likewise, attempting to use your BATNA aggressively in a negotiation is ill advised and should be avoided, bar specific exceptions. The main thing to keep in mind during negotiations or conflict, should be the proper mentality more than anything else. This is not to say that one should not attempt to negotiate or bargain, when appropriate. There is an aspect of bargaining in Chinese business, but it is mostly oriented towards reaching a conclusion where none of the parts came out as the "loser". Interviewee Coimbra Domingos further stated that "when it comes to purchases they must always have the last saying". This is doubly important in negotiations between companies, because one will be saving not only his own face but also that of the company. Coimbra Domingos further emphasised that Chinese can be extremely sensitive when it comes to negotiations, in the sense of both perceiving and sending out signals for the other part to ultimately not only save their own face but also that of the other.

## **5 Discussion and applications**

### **5.1 Basis**

It is important to keep in mind Harmony and Guanxi are so important because, essentially, they are the main tool one has to impact his own Context most efficiently. They allow for the shaping and creation of a positive Context. Which in turn, defines how one must act to reach the desired goals and whether or not these are feasible.

The most obvious implication here is that extreme positions in a relationship or negotiation are eliminated. There is no room for attempts of dominating another's decision, or ignore our own interests in favour of others. This in turn, describes accurately what we have observed in this context. While there are several reasons for this, it becomes easier to understand it when taking Mianzi, Harmony and Guanxi into account. One cannot afford a loss of face, nor will he willingly damage another's. Likewise both Harmony and Guanxi are pillars for anyone's social living. Without these pillars, existence is simply not sustainable and any threat or damage to them can lead to severely undesirable consequences.

Interviewee Joao Travassos tells us of a particularly disturbing example of said consequences. Recently, a deputy in Macao had taken up an active role against the Portuguese management. This deputy became entangled with accusations of favouring family related companies and misuse of funds. Sometime after his disappearance he was found in a hotel in Zhuhai, where he had hanged himself out of shame. Our interviewee further remarked "when it gets to this point, you should take steps around the issue or suffer severe consequences".

### **5.2 Compromise and cooperation**

One very important implication of this is the significance and meaning of compromise and cooperation. As we have seen, in the western model section, compromise is usually understood as a lesser evil, where we sacrifice something on behalf of an agreement. However, in this context compromise is often, not only essential but even desirable at times.

Compromise implies that to some degree we are placing our faith in the other party. In turn putting our own Mianzi on the line, on behalf of this relationship. Hence one could say compromise is a show of trust and commitment, both of which are highly valued and indeed essential to take any relationship to the next stage in the Chinese context.

Cooperation, in turn, often comes after trust has already been established and both parts fully understand (either explicitly or implicitly) the goals and limits drawn by one another. “Fundamentally the most important thing is trust, with that we can overcome most problems while displaying our own competence and skills” as an interviewed, Marcolino Gomes, summarized.

### 5.3 Proper pace

Hence, relationships and especially business must be given their own time to grow and mature first, before any meaningful decision or effect can take place. Depending on the scale or the situation, a new relationship or deal may have implications on other parts, be them involved directly or indirectly. These are aspects that are constantly considered and taken into account. An effective change can only be brought about after all parts involved have had their chance to consider their own stance with all others, and have agreed with said change.

This in turn means things have their own way of being done, both in pace and form. One of the most repeated sentences in interviews was “there is no such thing as time for the Chinese”. Whether something takes one year or 20 to be done is not important, what matters is that we are working towards our goal that will be reached in due time. As an interviewee, Marcolino Gomes, said “it doesn’t matter how distant tomorrow might be, the day will come when the matter will be resolved, while never giving up on the objective or goal.” And as interviewee Coimbra Domingos dully mentioned, the Chinese performed an extremely responsible 10 yearlong power transition plan in Macao, to ascertain laws and agreements between all affected parts. Everyone knew what was happening now or going to in the future, so that when change did come it was simply “business as usual”. As most interviewees pointed out, there is much the western world could learn from the Chinese and the long term planning and strategic thinking was one of the most emphasised aspects.

While at first this might sound odd, or exaggerated, for one observing from a different perspective, it becomes much more clear when we consider all the checks and balances created by society and culture. Haste is simply not possible when one must consider a wide array of consequences to several different people. In the same sense the matter of scale is critical here as well. The sheer numbers of people in country, city or company, enhances the need to contemplate and respect the many different elements in stage.

## 5.4 Values

“I arrived in Macao as if thrown to the wild beasts, it was a very different culture with several cultures and I had to lead them. In the end what saved me was my values and principles” said interviewee Vitor Cordeiro<sup>4</sup>. He goes on to emphasise how leading in China was a learning experience, of what how to deal with them or what was important for them. Learning especially how understanding was critical because “as people felt understood, communication became much easier and with that so did negotiating”. This comes very much together with that with described in the processes of expansion, Vitor Cordeiro successfully managed to have his colleagues expand to include him. He further adds that when decisions had to be made, it always first came the need to understand the situation and explain how and why something should change. Emphasising how “those that did not follow this attitude would usually fail”. And so even after having established himself, the care to continuously move with a sustainable transformation process was needed. From this example we could see clearly the dynamic in affect, a new situation arose with his arrival, expansion was conducted successfully and so the context was transformed into another set of Harmony. Having these foundations built, as new situations would arise the process begins again, in similar fashion but with different actors at play.

However as important it might be to respect their values, it is also important to show our own, having an understanding stance towards difference does not mean one should forget his own roots. This also goes to show the other both what they can gain from us, as well as how trustworthy one is. Values transpire trust, especially in the Chinese context. Although, this should of course be done with care as to not setting them as opposing forces, but rather look at expansion possibilities towards a mutually beneficial end. Our interviewees have consistently described the Chinese they worked with as flexible and adaptable, “able to present an alternative solution that doesn’t damage the other and where everyone wins” as said Vitor Cordeiro. This is important, to remind the reader of how in the end the goal is for everything to work in Harmony.

## 5.5 Reading between the lines

Reading between the lines is relevant in any context, but especially so for the Chinese context in many ways. Both in terms of the stage of expansion, as well as of transformation much of

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<sup>4</sup> 1983-2000 support to production director and director of project management for large constructions

the communication done between both sides will be indirect. Being able to give and perceive signals, such as of interest in discussing a certain matter or act towards a certain issue can be sensitive and thus carefully introduced whenever speaking with a new element. For example, if one were to receive an invitation to discuss a potential change within the company, it is implicit that if you accept it you are already showing interest in that change. It is however possible to back away, if done early and with care as to the way the message is conveyed.

Similarly, the word “no” is rarely used in negotiations as João Marques stated. It can be impolite to directly deny or object to someone. This works in tandem with the issue of Mianzi. One can expect a Chinese negotiator to simply reply “yes” or some iteration of “we understand”. Here, as João Marques emphasises, it is simply meant the speaker is being listened to and that the input will be considered, very rarely meaning any real commitment. Our interviewee further emphasises how this can often lead to illusions of believing the deal or situation is working out and moving forward. Rather, there is a state of permanent negotiation, even after signing any document, this is simply an indication the negotiations have begun. If anything a spoken commitment, even if small, is worth more of a “yes” than any given document, as our interviewee outlined.

This continuous process of negotiation occurs in the fashion outlined by model SET, with continuous prompts of new situations that lead to new level of harmonious transformation. In this sense, João Marques also emphasises how everything must be done in Harmony. Change is possible, but only through the process of developing towards a long term goal with the means of different states of Harmony. All elements must be in agreement, so that when change occurs it is always positive movement. João Marques, further emphasis how critically different and important the Chinese mentality moves forward. It should be a collective gain, for all parts, for any loss for one part would equal in disrespect.



## **6 Conclusions, limitations and future studies**

We have found the Chinese context has its own specific rules and intricacies, which cannot be ignored when dealing with it. The context is not necessarily more closed or hard to reach, it is simply different and requires appropriate response. Most significantly the understanding of time and how relationships require considerable investment and commitment, more so the more is at stake. As well as, the proper mentality and respect for their values such as Mianzi or the implications of a leadership role.

While the study was largely successful in its aim of illustrating and simplifying the complex Chinese context, it is important to note the very own scale of this context. It was simply not feasible for us to study and analyse all of China, with its own many different regions. What we present is a generalisation, with its own limitations. To fully understand a specific context one must study it in itself, with more and different data. Our sample size is decisively small for such a large scale country, with billions of inhabitants and specific mini culture regions within. We lack in both total numbers and inclusions of different regions. The example of Macao is good in the sense of illustrating how relations between foreigners and Chinese can go. However it can only be used as a general example of how relations could go.

Hence, future studies on the matter should attempt to include other examples of different regions and perhaps bigger sample size. Realistically, this is a research that cannot be fully completed by few researchers, it will require several years of investigation and different experiences to truly have a complete model for all of China. In that sense, it may be advisable to attempt to separate key regions and investigate them one at a time to progressively lead towards the bigger picture. It is also important to keep in mind that, although these concepts are intrinsic to Chinese themselves, the way the concepts or the Chinese people will interact with outsiders is another matter. Not only it requires its own evaluation, but it is also limited to whatever people or companies have already attempted to negotiate within the Chinese context. In that sense it is also important to keep in mind the fast pace development of China. Be it intentional or otherwise, while the country's economy changes so do people within it and our interviewee that spend considerable amount of years in China have too reported they noticed this change. Particularly, the new generation of Chinese people seem be growing differences with their more conservative counterparts, although retaining still the main strains of their culture.

It is not unreasonable to assume that some of these practices might see changes in the near future, as the country and its people mutate. Nonetheless these changes will likely occur to specific practices, rather than for the core values, at least within our lifetime. In any case, this matter is difficult to assess, as we have not seen any previous case of change or development in this way, in China. In the end what this means is that we cannot take our findings for granted and be aware of the potential volatility it may have. Similar studies should be conducted through the years, in different regions, while continually counter checking findings both to solidify them and be aware of potential changes in the context itself.

In the same sense, the model itself we created lacks extensive testing. We simply derived our model from our findings, hence lacking practical testing, since not only it was not part of our scope. To some extent, it can be said the mechanics of the model are partially tested, since it was built from years of personal experience. Nonetheless, we did not test it ourselves directly and hence, it should be taken into consideration regardless and future studies should attempt to find proper situations to test it and take appropriate conclusions. This testing should manly be aimed towards practical implications and adding to the mechanics of the model, since the values and their role in the Chinese context are things that simply exist and have existed for most of their history.

Nevertheless, this study can be helpful in the way of having an overview or template, to ease further studies. When it comes to the Chinese context, understanding and respect are foremost important. Specifically, for both the culture and people themselves. It is critical to have at least a basic understanding of Chinese culture and perhaps history, at least ideological history. One could easily obtain an overview of China and its delicate mechanics with this study. Of course, it is highly advisable one should investigate more deeply into many topics to reach a full understanding. While this study can provide an overall description, there are many details that could only truly be assimilated with either several readings, personal experience, or both. In that sense, one should note how important it is to truly live the experience of China to understand it, rather than just study it. Many details both in their daily lives as well as the role, or implications of a foreigner is only truly understandable after having experienced it.

In any case, we fulfilled both the personal objective as well as the objective of the model. The research and output of this study presents significant knowledge of the Chinese context. Many intricate details of the culture and how people deal with important notions for daily life, workplace or negotiations are explained and expanded upon. Using this model, one can

understand the Chinese mentality and how it functions to great extent. Hence, although with room for improvement the study produced the results we wanted to achieve. Allowing for a clear perspective and easy to follow line of thought and analysis for future studies or situations.

It is worth noting that, regarding the research process, the face to face interactive interviews together with background research proved critical. Many interviewees were able to provide us with detailed and informative examples they experienced themselves within their long experience in China. In many cases, the interviewee would progressively open themselves to more or different experiences, depending on how the conversation was developing. If we had attempted a stricter, question and answer, type of interview most of these inputs would have been lost as the interview simply would not lead towards them.

In fact, it would seem that questionnaires would generally be unsuitable for this kind of investigation, as often the elaborations and first hand experiences shared helped shed light on the many concepts and further understanding. While questionnaires could be used to broaden the sample size, one would easily and severely sacrifice depth. As we said, in order to understand and develop our knowledge of how it is like to negotiate in the Chinese context or deal with Chinese people, we need to have personal experiences and input. That could naturally be achieved either by the investigator himself, or by using the experience of others willing to share, hence the personal interviews. With that said, when it comes to testing or applying a specific component it would be entirely feasible to use questionnaires.

It does seem to be possible to develop on this model, simply with more time and resources, although it could suffer changes or modifications depending on findings (especially for specific regional customs). Even then, one should remain ready to adapt and, should one find himself within the Chinese Context, keep in mind the wise words of our interviewee Coimbra Domingos “just try to behave appropriately and humbly seek to learn”.

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## 8 Annex

### 8.1 Annex 1- Conflict management Falcão P., (2015)

Conflict style	Situations where appropriate	Situations where inappropriate
Integrating	<ol style="list-style-type: none"> <li>1. Issues are complex;</li> <li>2. Synthesis of ideas is needed to come up with better solutions;</li> <li>3. Commitment is needed from other parties for successful implementation;</li> <li>4. Time is available for problem solving;</li> <li>5. One party alone cannot solve the problem;</li> <li>6. Resources possessed by different parties are needed to solve their common problems.</li> </ol>	<ol style="list-style-type: none"> <li>1. Task or problem is simple;</li> <li>2. Immediate decision is required;</li> <li>3. Other parties are unconcerned about outcome;</li> <li>4. Other parties do not have problem-solving skills.</li> </ol>
Obliging	<ol style="list-style-type: none"> <li>1. You believe that you may be wrong;</li> <li>2. Issue is more important to the other party;</li> <li>3. You are willing to give up something in exchange for something from the other party in the future;</li> <li>4. You are dealing from a position of weakness;</li> <li>5. Preserving relationship is important.</li> </ol>	<ol style="list-style-type: none"> <li>1. Issue is important to you;</li> <li>2. You believe that you are right;</li> <li>3. The other party is wrong or unethical.</li> </ol>

Annex 1- Conflict management Falcão P., (2015) - continuation

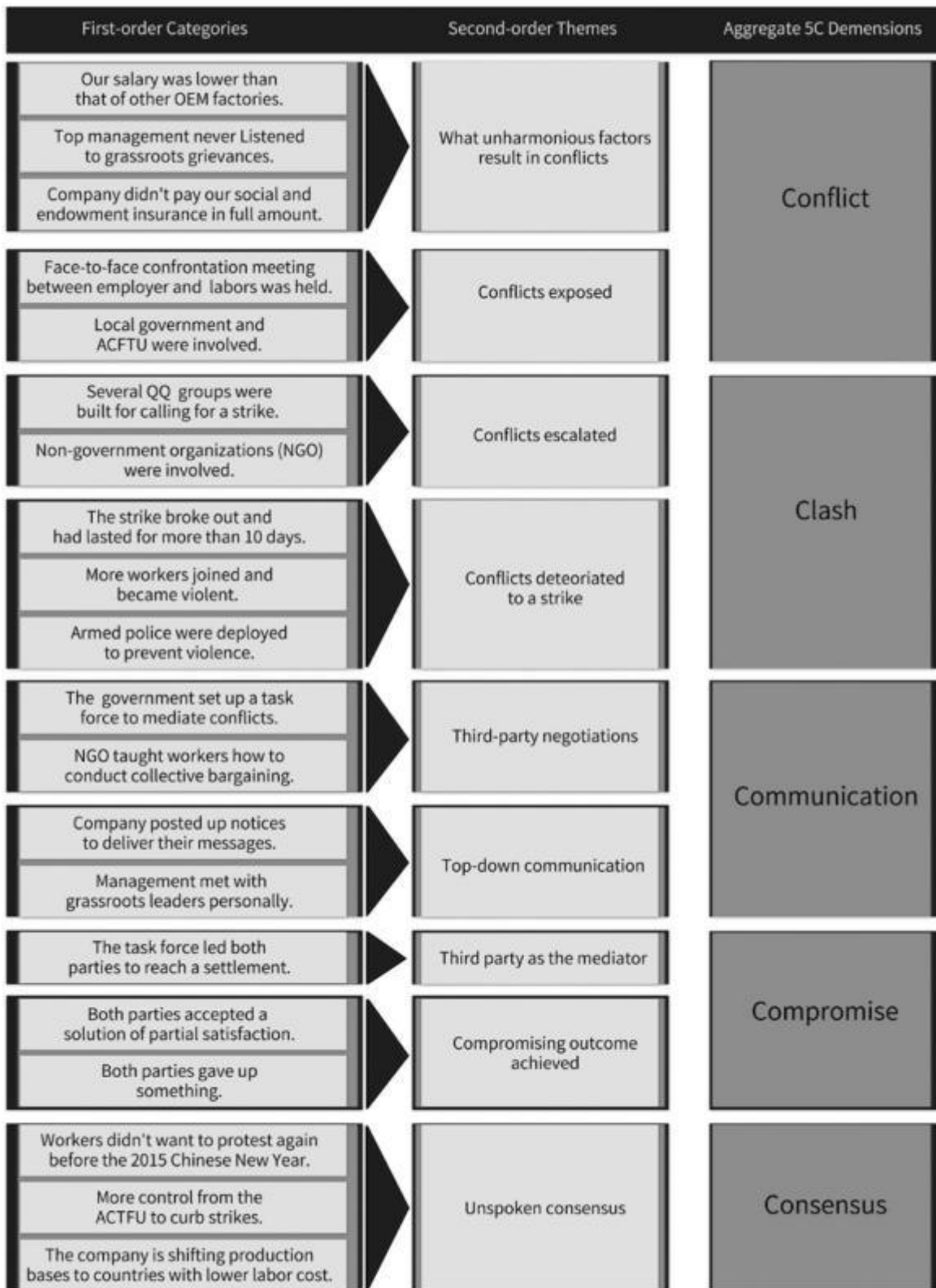
<p>Dominating</p>	<ol style="list-style-type: none"> <li>1. Issue is trivial;</li> <li>2. Speedy decision is crucial;</li> <li>3. Unpopular course of action is implemented;</li> <li>4. Necessary to overcome assertive subordinates;</li> <li>5. Unfavorable decision by the other party may be costly to you;</li> <li>6. Subordinates lack expertise to make technical decisions;</li> <li>7. Issue is important to you.</li> </ol>	<ol style="list-style-type: none"> <li>1. Issue is complex;</li> <li>2. Issue is not important to you;</li> <li>3. Both parties are equally powerful;</li> <li>4. Decision does not have to be made quickly;</li> <li>5. Subordinates possess high degree of competence.</li> </ol>
<p>Avoiding</p>	<ol style="list-style-type: none"> <li>1. Issue is trivial;</li> <li>2. Potential dysfunctional effect of confronting the other party outweighs benefits of resolution;</li> <li>3. Cooling off period is necessary.</li> </ol>	<ol style="list-style-type: none"> <li>1. Issue is important to you;</li> <li>2. It is your responsibility to make decision;</li> <li>3. Parties are unwilling to defer, issue must be resolved;</li> <li>4. Prompt attention is needed.</li> </ol>
<p>Compromising</p>	<ol style="list-style-type: none"> <li>1. Goals of parties are mutually exclusive;</li> <li>2. Parties are equally powerful;</li> <li>3. Consensus cannot be reached;</li> <li>4. Integrating or dominating style is not successful;</li> <li>5. Temporary solution to a complex problem is needed.</li> </ol>	<ol style="list-style-type: none"> <li>1. One party is more powerful;</li> <li>2. Problem is complex enough needing problem-solving approach.</li> </ol>

Annex 1- Conflict management Falcão P., (2015) - continuation

	<b>Avoiding</b>	<b>Accommodating</b>	<b>Competing</b>	<b>Collaborating</b>	<b>Compromising</b>
<b>Avoiding</b>	Both parties avoid pursuing their goals on the issues and do not take any action to endanger the relationship	Accommodator shows strong concern for the avoider, particularly the relationship; avoider attempts to minimize interaction.	Competitor will dominate or avoider will escape. Avoider attempts to minimize interaction, while competitor tries to “engage”.	Collaborator shows strong concern for both issues and the relationship while avoider tries to escape. Collaborator may give up.	Compromiser shows some concern for both issues and relationship; avoider tries to escape. Compromiser may give up or avoider may engage.
<b>Accommodating</b>		Both parties avoid pursuing their goals on the issues, give in to the others goals, and try to smooth over relationship concerns.	Competitor pursues own goals on the issues, while the accommodator tries to make the competitor happy. Competitor usually wins big.	Collaborator shows strong concern for both issues and the relationship; accommodator tries to make the collaborator happy. Relationship should be very strong, but the collaborator may achieve better outcomes.	Compromiser shows some concern for both issues and relationship; accommodator tries to make the compromiser happy. Relationship will improve, compromiser may entice the accommodator to pursue some issue focus.
<b>Competing</b>			Both parties pursue their goals on the issues and ignore any concern for the relationship; create conflict, mistrust, hostility.	Collaborator shows strong concern for both issues and the relationship, while competitor only pursues issues. Competitor usually “wins” and both parties become competitive.	Compromiser shows some concern for both issues and relationship, while competitor only pursues issues. Competitor usually “wins” and both parties become competitive.
<b>Collaborating</b>				Both parties pursue their goals on the issues, show strong concern for the others’ goals <i>and</i> sustaining trust, openness and a good relationship.	Compromiser shows some concern for both issues and relationship. Collaborator shows strong concern for both issues and the relationship. Minimally, good compromise or better.
<b>Compromising</b>					Both parties pursue their goals on the issues in a limited way and attempt to “do no harm” to the relationship.



## 8.2 Annex 2 Tachia Chin and Ren-Huai Liu 5C model for their case study



### 8.3 Annex 3 Written interview format

“Thank you for taking your time to answer this brief questionnaire. I am currently developing a master degree thesis on Chinese conflict management, with the aim of creating a model, oriented to outsiders, that simplifies and illustrates this complex reality. Feel free to answer in this same document, there is no limit to how much you can write. If you wish to submit an anonymous answer, please do let me know.

感谢您抽出宝贵时间填写这份问卷。我正在进行一项中国冲突管理的硕士论文研究，旨在以外来文化者角度建立一个简化的描述这一复杂现象的模型。请自由回答以下内容，无任何篇幅限制。如有匿名提交问卷的需求，敬请告知。

Generically, how do you set a new relationship with a boss or colleague?

一般来说，您是如何与您的新上司或同事建立一段新关系的？

How would you deal with a contradicting opinion?

您是如何处理相左的意见的？

How would you deal with a toxic person in your workplace?

Please name 2 to 3 elements or characteristics that, for you, would strengthen trust in a colleague.

请列举出2到3个您认为可以提高同事对您的信任度的因素或性格特点。

Does context (people and circumstances surrounding you) influence your actions?

外界因素（他人和周围环境）会影响您的行为吗？

### Annex 3 Written interview format - continuation

Could you outline what aspects (3 at most) you consider to be the most important when dealing with other colleagues?

您能否列举出您认为与同事相处中最重要的方面（最多3个）？

Any further remarks?

您有其他想法可以分享吗？

Thank you

谢谢”

#### 8.4 Annex 4 All not directly quoted interviewees

It would be at the very least unfair if we did not pay mention to all the interviewees that contributes greatly to our study, despite not being directly quoted. Thank you very much for your time and cooperation:

Bruno Travassos;

Cheng Wai Ming;

Cid Torres;

Hao Zhang;

Lao Weng Hou;

Ma Shangzhong;

Peres Diniz;

Pimenta Castro;

Rui Albuquerque;

Vitor Freitas;

Xinong Niu;

Yan Hua.