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### Understanding Chinese Business Behaviour: A Historical Perspective

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**Understanding Chinese Business  
Behaviour: A study and interpretation of  
the Three Kingdoms novel**

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## ABSTRACT

The behaviour of Chinese business has been studied by a variety of Strategic management scholars (see in particular Hafsi and Tian, 2005; Peng, 2006; Peng and Heat, 1996). Most of these studies rely on traditional data gathering, either in the form of interviews or published data banks. Very little attention has been given to history as a determinant of strategic behaviour. In this paper, we propose that the cognitive orientation of Chinese managers is dominated by their knowledge and understanding of Chinese history. We take the Three Kingdoms historic novel as a proxy to history to derive basic behavioral norms and values, and discuss their implications for business behaviour. The paper is divided into six parts: (1) the history of the *Three Kingdoms*, and its importance for China; (2) methodological considerations; (3) roles, values and norms of behaviour of the key characters; (4) the importance of advisors to the kings; (5) general norms of behaviour; (6) consequences of these arguments for research about China and business relations in China.

**Key words:** History and Business Behaviour; Business in China; Leadership and History; Culture, history and business behaviour.

## RÉSUMÉ

Le comportement des entreprises chinoises a été étudié par beaucoup de chercheurs (voir en particulier, Hafsi and Tian, 2005; Peng, 2006; Peng and Heat, 1996). La plupart de ces études ont été faites de manière traditionnelle, en utilisant des données classiques, obtenues par entretiens ou à travers des banques de données. Peu d'attention a été accordée à l'histoire comme déterminant du comportement stratégique. Dans cet article, nous proposons que la structure cognitive des gestionnaires chinois soit dominée par leurs connaissances et compréhension de leur histoire. Nous prenons, comme représentant de l'histoire chinoise, le roman: Les Trois royaumes. Nous en dégageons les normes et valeurs qui influencent le comportement et discutons de leurs conséquences pour le comportement d'affaires. Cet article est divisé en six parties: (1) l'histoire des Trois royaumes et son importance pour la Chine; (2) considérations méthodologiques; (3) Rôles, valeurs et normes de comportement des personnages clés; (4) importance des conseillers aux rois; (5) normes de comportement général; (6) conséquences de ces arguments pour la recherche sur la Chine et pour les relations d'affaires en Chine.

**Mots clés :** Histoire et comportement d'affaire; Affaires en Chine; Leadership et histoire; Culture, histoire et comportement d'affaires.

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## INTRODUCTION

China is a country or rather a civilization that both fascinates and mystifies all who come in contact with it. The richness of this country's cultures and realities are like a kaleidoscope that shows different pictures each time one peeks into it. As an example, if one looks at the public media, it is amazing how many different opinions are expressed about China. The spectrum goes from admiration when referring to some achievements, to despise when addressing shortcomings. For example, in 2006, most observers were enthusiastic about the leaders' ability to manage the transition of such a large and complex economy to a market system (Hafsi et Tian, 2005). At the same time, many emphasized the considerable problems of an economy and a society that seems to defy all the canons of western science (see the 2005-2006 publications of BCG<sup>1</sup> or IXIS<sup>2</sup>).

In fact, China is unusual in many respects. It is widely diverse but the diversity has always been dominated by strong common history, values and institutions. History in particular seems to be a common good to which Chinese refer constantly to understand their own behaviour. For example, during the Mao Ze Dong era, Mao referred often to history to look for inspiration and to think the present. Similarly, Zhou En Lai, his prime minister and loyal companion, described his situation as being the same as that of another famous prime minister of the Three Kingdoms period, Zhuge Liang.

The Chinese civilization is centered on the myth of the emperor, son of Heaven. This myth has not really been affected by either the proclamation of the republic or the great communist transformation. Mao Ze Dong and before him Chiang Kai Chek or Sun Yat Sen were modern manifestations of the long tradition of central leadership that was literally worshiped beyond limits. The Chinese civilization rests also on important pillars that give shape to the emperor's powers. Among them one can mention: (1) the bureaucracy, designed from the very beginning about two-thousand years ago to be meritocratic, which manages operations and actions that are the results of the Centre's decisions; (2) an elaborate system of laws, rules, and procedures, which reinforces the Centre's legitimacy; (3) a set of values and norms of behaviour, which provide shape to the elites' education.

These civilizing characteristics have been amazingly similar in all the periods of Chinese history. We are suggesting that they influence similarly the behaviour of today's elites, most notably managers and business people. In this paper, we propose that there is a key, based on history, that can help decode the behaviour of business elites in China. The key proposed here is built from the facts of the historical novel, *Three Kingdoms*, written in the 14<sup>th</sup> century by Luo Guanzhong. The novel and the history it tells have been and still remain a major socializing instrument of all the elite groups in China. It is hard to imagine that a person in China, whether young or old, poor or wealthy, more or less

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<sup>1</sup> BCG, Boston Consulting Group, and many other major consulting firms publish regular studies about China.

<sup>2</sup> IXIS corporate investment bank is a subsidiary of NATIXIS, a French company of Groupe Caisse d'Épargne, and publishes several studies per week about China under the title: "Recherches économiques". It is one of several French banks who publish regular studies about China.

educated, does not know the protagonists and the multiples battles of that troubled period in the history of China.

As suggested earlier, all the Chinese leaders regularly refer to events or lessons described in the novel. It is no surprise that rulers would make interpretations of the novel events that favoured their goals and projects. For example, Cao Cao, the king and great strategist of the Wei kingdom was considered during the communist period a poor example to give to the young. In contrast, Zhuge Liang's loyalty and dedication were seen as representative of Chinese spirit, and a model to follow. Today, references to characters of the novel are common and the art of war is widely seen as being better described by the *Three Kingdoms* text than by the book of the famous Sun Tzu<sup>3</sup>.

This paper is divided into six parts. In the first, we present the history of the *Three Kingdoms*, and discuss its importance for China. In the second part, we provide the readers with some methodological considerations to help them assess the value of our conclusions. In the third part, we analyze roles, values and norms of behaviour of the key characters and highlight how they are being used by today's leadership. In the fourth part, we describe and discuss the importance of a group, critical for the management of things, the advisors to the kings. In the fifth part we discuss more general questions such as conditions of success in the conduct of war or in competitive rivalry. Finally, in the last part, we evoke the consequences of these arguments for research about China and business relations in China.

## THE THREE KINGDOMS STORY AND ITS IMPORTANCE FOR CHINESE

Here begins our tale. The empire, long divided, must unite; long united, must divide. Thus it has ever been (*Three Kingdoms*, Ch. 1).

### 1. The significance of the *Three Kingdoms* novel

These opening sentences of *Three Kingdoms* are a curt if brilliant summary of Chinese history. *Three Kingdoms* is an historical novel, which is generally based on events that took place during the three warring kingdom period in China (around 220 to 280 A.D.). Focused on the three kingdoms of Wei, Shu and Wu, the novel depicts the struggle for control of China at the close of the Han dynasty<sup>4</sup> domination. It vividly depicts the evolving struggles that shaped the Chinese history and behaviour later. Though the

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<sup>3</sup> While business elites take Sun Tzu's *The Art of War* as their "Bible" of Strategy, *Three Kingdoms* historic novel is regarded as a detailed application guide.

<sup>4</sup> Han Dynasty: 202 BC – 220 AD. Han dynasty is the longest-running and one of the mightiest dynasties in Chinese history. The dominant Chinese ethnic group, Han, is named after the Han dynasty.

author did invent events and attributed them to some characters to make them either heroic or evil, most Chinese people take the story as history<sup>5</sup>.

Even though the author tells us that history is as a river, it runs to where it must, not where people want it to go, in the story, all key characters believed that they were able to make the river of history flow in their favour and devoted their lives to ensure that it did. Drucker (1993; 2003) said that people can “identify only the future that has already happened”. Similarly, In China the contribution and influence of the novel are far beyond a literary masterpiece and probably give shape to Chinese cognition. It is a reference book for people of all strands of life, in political and military strategies, and in organizational strategic and HR management among others. In a brief check, which was designed to be indicative and not demonstrative, we asked a group of 72 managers to spell out the names of the *Three Kingdoms* novel characters that influenced them most and to state the reasons for which they chose them. They all did and came up with a set of answers in which patterns were clear and very similar to what is described in this article.

The novel details the competitive strategies and battlefield tactics, intrigues and ploys, and alliances concocted by the *Three Kingdoms*' leaders and their advisers. Meanwhile, the novel also provides an incisive analysis of human nature – be it virtuous or evil. Moreover, the book clearly points out to Chinese historically embedded values and norms that guide individuals' and groups' behaviours and actions. Taking history as a mirror, Chinese often speak of themselves and their lives in reference to the characters and events in *Three Kingdoms*, and it is well known that many a leader has frequently consulted *Three Kingdoms* to find guidance for behaviour and decision making. There is little doubt that the *Three Kingdoms* story is one of the most influential classic historical and literary piece in the Chinese history. To provide a meaningful description of the events that happened during the period, the author, Luo Guanzhong, provides a unique Chinese synthesis that combines learnings from many other important works such as Sun Tsu's *The Art of War* or the Taoists' *Thirty-six Stratagems*, and mirrors learnings that have been described in many other less strategy oriented works.

Today, in the corporate battlefield of China, *Three Kingdoms* once again becomes a must read strategic management text book. The dramatic posturings and righteous manifestoes, the unending intrigues and sudden changes/betrayal of alliances, the forays and retreats, battles and campaigns, even the actual tactics used – all have a familiar ring in the Chinese business context. While Chinese executives see *Three Kingdoms* as an important source of inspiration for survival and success strategies in an intensely competitive global market, MNCs' expatriates and managers in general, Chinese included, can use this novel as a historic filter to understand Chinese business behaviours and their offensive and defensive strategies in different situations or industries. It provides a rare showcase, especially for puzzled westerners, of how Chinese formulate their strategy with their originally developed strategic principles. In particular, using this as a historic filter, MNCs executives can better understand their local counterparts'

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<sup>5</sup> That is probably the reason why the most widely acclaimed translator, Moss Roberts, added the subtitle: “A Historic Novel”

competitive logics and mind-set, and may be better able to design strategies that are more tuned to the densely institutionalized context of China.

## 2. The Three Kingdoms Story

About two centuries AD, China had already been dominated for 4 centuries by the powerful Han dynasty. At the start of the fifth Han century, however, the emperor's powers dwindled and the unity of China was shattered by multiple conflicts among warlords competing for power and positions, but who all did it with the explicit and legitimate purpose of "giving back to the Han emperor the powers lost and re-unify the motherland."

Three lords dominated the free-for-all struggle which started around 184 AD, and signalled a long period of agony for the Han dynasty (Appendix 1 is a guide to the key Characters). The three lords succeeded in gained enough legitimacy and power to build three competing kingdoms: Wei, Wu and Shu. The Wei Kingdom was built by a formidable strategist Cao Cao (216 AD), who was the guardian of the imperial house and de facto sequestered the emperor. His son later deposed the emperor to replace him (220 AD). Cao Cao's legitimacy was bitterly questioned by the other two lords. First, Liu Bei, the "Imperial uncle," who built his Shu kingdom in the western Riverlands (221AD), and Sun Quan who dominated the South and became king of the Wu (229 AD).

Most of the novel is a description of the rivalry among the three kingdoms and provides a remarkable tale where leadership, power, loyalty, courage, righteousness, heroism, war strategy, administrative savvy, friendship, romance, and other basic human values, come to shape the building of a civilization. The novel written in the 14<sup>th</sup> century was also the occasion for Luo Guanzhong to show Chinese characters in their institutional context, using all the learnings of previous periods to build their empires.

The *Three Kingdoms* novel is dominated by three groups of characters: (1) the legitimate leaders or kings, (2) the advisers, and (3) the generals. None of these could function without the others. Kings succeeded only when they were able to identify the better advisers and generals, and advisers and generals acquired fame and recognition only when associated with the best kings. If the kings had the legitimacy "that comes from Heaven," the advisers were the links to the accumulated wisdom, and the general were the formidable individuals willing to be the heroes sacrificed for a greater good. For example, in the early part of the story, Yuan Shao, was a dominant lord. He had the most impressive army, the best advisers and the best generals. In addition, he had access to considerable resources. Facing him Cao Cao was seen as a minor competitor. But Yuan Shao was indecisive, and unable to differentiate good from bad among his advisers and generals. He could not provide the decisions and the guidance necessary in times of turmoil. He was defeated, and died shortly after. As he poorly prepared his succession, his two sons fought each other and were also destroyed by Cao Cao.



In total, 1191 historic figures with their full names were mentioned and had a role in this historic epic. These included 436 generals, 451 advisers, and 128 lords, royal family members and their servants. In this paper, we shall mention only key figures in the novel, in particular four leaders: Cao Cao, Liu Bei, Sun Quan and Yuan Shao; 2 advisers: Lu Su of the Wu kingdom and Shu's Zhuge Liang; 7 generals: Lord Guan, Zhang Fei, Zhao Yun, the great generals of the Shu, Zhou Yu and Lu Xun, the young and genial generals of the Wu, Sima Yi, a cunning general of the Wei who ultimately would lead his family to build the next dynasty, and Lü Bu, a loner who had no particular loyalties but tremendous warring abilities.

At the end of the novel, as many key Shu characters disappeared and the Wu and Shu Kingdoms weakened each other, the Wei kingdom succeeds in subduing them and unifying China. The Cao family, which identified to the Han dynasty, would however be later displaced by Sima Yi's son and the Sima family to create a new dynasty: The Jin.

In the following sections, we provide some information about our approach to this article. Then we draw on the novel to highlight the values and practices that seem to dominate today's Chinese behaviour. We discuss separately four issues relevant to our purpose. First, we examine the lords' values and norms of behaviour then we examine the roles of advisers and their contributions. The third component of the discussion is the conduct of war, with an appreciation of the role and interactions among the three types of actors, thus including the generals. Finally, we propose a view of the context that seem to come out of the story and which is probably a part of what the Chinese see as a normal setting for all activities. We shall conclude with a discussion and a summary of our findings, and their significance for managing in China, and dealing with Chinese managers.

## METHODOLOGY CONSIDERATIONS

This paper is based on a detailed study of the 14<sup>th</sup> century *Three Kingdoms* historical novel, written by Luo Guanzhong and translated in English by Moss Roberts. The novel is supposed to be describing history, although admittedly loosely. The author himself recognizes that he has at times attributed some disputed events or decisions to specific characters to make the story interesting, but overall it is accepted that the events described correspond to real events and the main characters are real. We compared Luo Guanzhong story to the authoritative accounts of the French history school's "Histoire de la Chine," and found no significant discrepancy (Michal, 1976).

The book was read by the two authors, with the explicit purpose of extracting knowledge that could be used in the strategic management of organizations. One of the authors is of Chinese stock and the other although familiar with Chinese history, is only marginally socialized to the lessons that Chinese are exposed to in school and in general education. The research process then included the following steps:

1. The two authors decided to first conduct the same task after reading the novel, which included three components: (1) identify key characters, (2) describe

- interesting aspects of their behaviour, and (3) highlight interesting methods and practices in managing organizations or what could be assimilated to organizations of the three dominant kingdoms. The authors confronted their responses and found them almost identical. A test of correspondence revealed about 95% agreement.
2. The authors then tried separately to identify the values and norms of behaviour that were seen as important for each group of characters. Three groups were identified as significant: Leaders, Advisers and Generals. There again, the agreement was highly significant, but with a little less correspondence, about 80%. The author of Chinese origin identified more values and norms than the other author.
  3. At this step, another indicative test was conducted with two groups of EMBA participants. Participants came, in one of the group from Central China and in the other from the remote region of Inner Mongolia. These were generally middle to high level managers of private or public sector firms and organizations. The test was simple, and asked the participants (1) whether they were familiar with the historical novel. The answer was a 100% yes. Then they had to respond to two questions: (a) Identify three characters in the novel that you like most and three that you dislike most? (b) Explain why? Summarizing the results, we can say that the two groups share an identical “like most” list and the “dislike most” list is also almost identical. Furthermore, the participants mentioned the same characters that the authors had identified and gave reasons that emphasized either agreement with values or effectiveness. The typical reasons for the choice of Guan Yu, the character most cited and most liked, were: “Righteousness, Loyalty, care for people, courage.” The typical reasons for the choice of Lü Bu, another frequently cited character, but most disliked, were: “Selfish, disloyal, poor judgement.” Overall, the reasons mentioned for all the character correspond, with one exception<sup>6</sup>, to the authors’ own assessments.
  4. The third step was focused on the systems described and how they were maintained. This was compared to traditional Chinese practices as highlighted in various writings, in particular in a series of articles (Fairbank & Reischauer, 1991; Hafsi and Tian, 2005; Lieberthal, 1995; Peng & Heath, 1996; Xin and Pearce, 1996; Yan & Gray, 1994). Here again, the authors did separate assessments and compared their results to observe very similar results.
  5. Given the broad strategic patterns sought by the authors, it was decided that no formalized text analysis was necessary. Rather, the process included systematic reading and examination of the events, their authors and their meanings, then summaries using extensive notes, then comparing notes and making joint decisions about what additional study to pursue.

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6 Liu Bei assessment showed a wide variance.

6. Finally, the patterns were written into a coherent story, before using them to discuss the implications for the practice and research about management in countries such as China.

The detailed study of the book is consistent with practices in the social sciences as described and practiced by Homans (1957) and as recommended by Fielding & Fielding (1986). Further, we looked at our work here as being mostly constructivist (Mir & Watson, 2000), in the sense that the authors were not here digging data as would a miner, but rather shaping a story as would a sculptor. We believe the results to have external validity, at least in view of the indicative test that we conducted and internal validity as most of what we describe is consistent with the broad strategic management framework (Schendel & Hofer, 1979).

## **LEADERS, VALUES AND NORMS OF BEHAVIOUR**

Of around 100 potential leaders described in the book, only a handful succeeded in achieving their objectives and left an imprint on the Three Kingdoms history. They all share values and behavioural patterns which are described in this section. In particular, we emphasize seven dominant patterns:

1. Some values appear to dominate all others. These are :
  - A. Loyalty
  - B. Family
  - C. Friendship and brotherly ties
2. Emotion is an important part of behaviour. Sometimes it is good, sometimes bad. In all cases, it had to be controlled.
3. Legitimacy is related to deeds not to words.
4. Being able to identify the best advisers and provide them with a space within which they can safely and freely give their opinion, while being aware of the inevitable competition among them.
5. Being hospitable.
6. Being faithful to the promises made. Keeping one's words. And
7. Being grateful to those who do you good. Accepting debts of good deeds.

## **A. Dominant values**

Loyalty is at the top of everyone's behaviour. The most despised character in the Three Kingdoms history is Lü Bu. Handsome and gifted warrior, he was known to have killed his master Lord Ding to serve his opponent Lord Dong. But then, in love with his new lord's beautiful concubine, he killed him to marry her. Liu Bei tried to enlist his services, but Lü Bu, selfish and unfaithful, was always on the look for what was in his interest. Even people in his own team saw him as untrustworthy. When Cao Cao had a chance, he did not hesitate to have him executed. Actually Cao Cao had no tolerance and no respect for those who were not loyal to their masters, even when they offered to serve him. Many of them died in his hands, just because he saw them as evil to be uprooted. In contrast, he showed the greatest respect for those advisers and generals who, even though enemies, were faithful to their commitments. When in his hands they stuck to their commitments, he would treat them well, but even when he felt that he had to have them executed, he would grieve their death and take care of their families. Most of the other lords believed and behaved the same way.

Another important value put family and filial feeling above all else. Sun Quan could not do anything that his mother rejected, and is seen in Chinese traditional imagery as the ideal son. Cao Cao, who was the most rational and the most professional of all the lords described, still put his family in front and considered as the most severe punishment to get at someone else's family. Liu Bei's oath brothers are given as the epitome of family feelings. When Liu Bei was beaten by Cao Cao and on the run, Lord Guan accepted all sacrifices to protect his oath brother's family. His behaviour is still today cited as a reason for his demi-God standing in Chinese feelings.

The relationship between Liu Bei, Guan Yu and Zhang Fei is also a great example of how much friendship is valued in China. The love of friends and loyalty to such a love dominate behaviour throughout the history of China. Friends are often more important than relatives. They are sought for and treasured. The relationship with friends involves trust, admiration, loyalty, and unfailing support, even in dire circumstances.

## **B. Emotion is part of leadership and charisma**

In China, emotion is always related to losing face. Both lack of emotion and excessive emotion leads to losing face. However, for the elites, emotion is regarded as a part of leadership and a key ingredient of charisma. The leaders that were respected and admired always stirred a delicate balance between the extremes. Most of the leaders who succeeded were liked and sometimes also disliked because they were emotional about things. Even though inspired by Heaven, this was probably their claim to being human. They cried often when losing close friends and associates. They cried when others misbehaved. They applauded with energy and enthusiasm to their associates successes. They believed in emotion as an energy that stimulates human relationships. Sometimes, the same energy could be destructive. Cao Cao would have everyone killed when feeling betrayed, to regret it later. Liu Bei was driven by his strong emotions in dealing with

friends and foes. He could not forgive Sun Quan for killing Guan Yu, even though the latter repeatedly made contrition about it and offered to pay tribute for it. Liu Bei was too emotionally involved to be reasonable, and he probably felt that it would have been an unbearable loss of face if he did not behave emotionally in such circumstances. Similarly, Cao Cao made many mistakes when emotion generated fury or excessive fondness.

### **C. Deeds rather than words**

Words are insignificant in Chinese traditions. They have value only when one demonstrates his ability to stick with one's words. Deeds are the key to anybody's credibility and legitimacy. For example, all generals would say that they cared about the population, but when under duress they would forget and devastate whole regions, killing and destroying everything and everybody. Some kings, like Liu Bei and officials, like Zhuge Liang were however trusted and became more popular because in their behaviour they practiced what they said. In particular, Zhuge Liang, in a south-western expedition against first nations' insurgents, resisted repression to induce cooperation. With a lot of patience and energy, he succeeded. Today, he is still remembered among ethnic minorities as "Grandpa Zhuge"!

Also, in a very strong statement, Liu Bei receiving his baby son from some of his best people who had been protecting him without consideration for their own safety, chided them for taking so much risk and threw the baby away, nearly killing him, to state that he cared more for them than for his own son.

### **D. The Choice of Advisers**

If we focus on the three dominant characters in the novel, the kings of each of the three kingdoms, they have been better able than anybody else to identify the best advisers and to induce them into service to their cause. They all wanted to be known for their ability to value and welcome good people. Cao Cao was better able to attract good generals than good advisers, especially toward the end of his life. He was sometimes upset by the whimsical behaviour of great scholars. The behaviour of a very talented adviser, Mi Heng, highly recommended to Cao by his trusted friends, was so upsetting and conceited that Cao Cao had him killed before making any advice. Such decisions cast a shadow on his ability to accept advice from independent-minded scholars. Following the death of Mi Heng, many of them actually moved away to the other kingdoms.

Sun Quan, king of the southern Wu was less tyrannical than Cao Cao. Though very good at power delegation, he was not good enough at recognizing unusual talents, except in times of duress. He was also unable to distinguish between specialized talent and the ability to see the broader picture. For example, his most successful choice of an adviser was Lu Xun, a young scholar who eventually led a successful offensive against the Shu kingdom. Lu Xun was a genius in warfare tactics. He was able to defeat the most formidable generals of Shu. But he was so specialized that neither he nor Sun Quan were

able to see how much he was weakening the ability of Wu to resist the formidable machinery of Cao's Wei dynasty. In general, Sun Quan seemed dominated by his generals, and he chose those advisers that they suggested.

As to his ability to choose and use the best advisers, the most impressive king was undoubtedly Liu Bei, of the Shu kingdom. Liu Bei was insecure about his own ability to rule, and so was always on the look for good people. He explicitly searched for scholars. He bowed to great scholars and showed open and sincere admiration of their abilities, even when others were more critical. In particular, to get his best adviser, who also became his prime minister and arguably the prime minister most admired in Chinese history, Zhuge Liang, he did not hesitate to plead, beg and cry for help, even if that seemed inappropriate to his two trusted generals and oath brothers, Lord Guan and Zhang Fei. More importantly, Liu Bei was also able to recognize great ability when in action. Even in difficult situation, he never questioned Zhuge Liang's judgement and always applauded to his successes and rewarded him generously. Moved by Liu Bei's unflinching trust, Zhuge Liang, eagerly sought for by the other kings, was the most faithful servant of the Shu kingdom, long after Liu Bei's death.

### **E. Being hospitable and Keeping one's words**

When a promise made, it is the worst of behaviours to break it, and renege on one's words. Cao Cao was keen on having Lord Guan serve him rather than Liu Bei. When he overwhelmed the latter's scattered forces and captured his family, Lord Guan who could escape, instead presented himself to Cao Cao alongside his oath brother's family and was ready to die to protect them. Rather than killing him, Cao Cao treated him handsomely, as an honoured guest. He understood his commitment to serve oath brother Liu Bei, and promised that if the latter was still alive, he would accept that Guan Yu decide to join him again. In the mean time, he wanted to have him at his service. Guan Yu accepted. When Liu Bei later resurfaced, Guan Yu decided to join him. Against all his advisers' opinions, Cao Cao let him go to keep his words.

Similarly, Liu Bei was known for his strong commitment to his own words. He protected even those who were his obvious enemies to keep his words. Even when weak and desperate for a land base, and despite his advisers' prodding, he refused to take advantage of Liu Biao, the Lord protector of Jingzhou, who had in the past shown him respect, care and friendship, and accepted to occupy the city only when the lord died and his wife tried to have him killed. Another most significant example was his oath to Guan Yu and Zhang Fei. They promised to die together. When Guan Yu was killed by the Wu offensive, Liu Bei conducted a disastrous and costly campaign, which could be seen as a suicide campaign to keep his words. A more reasonable campaign would have brought him both success and revenge, but his words to Guan Yu kept ringing and preventing reason from coming in. Liu Bei is liked among Chinese and western people today for his ability to keep his words even at his own expense. He was the epitome of what a noble and gentlemanly behaviour should be.

## **F. Remembering ones' debts and being grateful**

Forgetting what good others have provided you is seen as a major sin. When someone does something in your favour, this should one way or another be reciprocated. Failure to do so is seen as a major character flaw. Lü Bu was and still is despised for it, and the leaders who succeeded were keen on remembering their debts. Cao Cao, Sun Quan and Liu Bei returned handsomely any good that was done to them. Liu Bei was particularly steadfast when facing situations in which he was to do things disgraceful. In particular, he resisted with all his energy the wisest of behaviours when this conflicted with his sense of gratefulness.

The most spectacular example of such a behaviour was Guan Yu's after the battle of the Red Cliff. In that battle, Cao Cao's troops were routed by Zhou Yu and Zhuge Liang's incredibly shrewd strategy. Cao Cao retreat route with about 500 warriors was precisely predicted by Zhuge Liang. Guan Yu volunteered to intercept Cao Cao and bring him as a prisoner to Liu Bei. Zhuge Liang doubted his ability to do so given his prior debt to Cao Cao. Guan Yu protested and said that he would accept to be executed if he did not achieve the task. He was therefore given the responsibility to arrest Cao Cao. In fact, he could not do it. He remembered how graciously he had been treated by Cao Cao and instead of arresting him, he let him go and accepted to be executed for not doing so. Liu Bei and Zhuge Liang knew that he would not be able to make the arrest but accepted the outcome to give Guan Yu the chance to pay his debt.

## **ADVISERS AND THE SYSTEM**

It is interesting to note how important advisers have been in China. Rulers' success is generally associated with their ability to choose the best advisers. They were generally the medium through which leaders had access to knowledge and learnings from history, about both strategy, and general behaviour that had been fruitful in the past. Advisers were scholars of talent and charisma, conscious of history and of their contribution to it.

They were often highly committed to their lords and to their knowledge. They were often opinionated, believed very strongly in lessons from history and could show extreme frustration when their masters did not take their advice into account. In many instances, the inability to convince the lords led to suicide or rebellion. Shaped by their knowledge of history, the advisers knew the importance of the values and factors mentioned earlier and lived by them more forcefully than the average person. For example, loyalty was a key value. Many an adviser died to follow his master into defeat. Zhuge Liang kept serving the kingdom of Shu long after the death of Liu Bei, out of deep commitment and loyalty to him. Zhou Yu, the commanding general of Wu tried something quite unusual: try to kill his ally Zhuge Liang, out of concern for his lord, because he saw Zhuge Liang as being so smart and so loyal to rival Liu Bei, as to be a deadly future threat.

Sometimes, the advisers did not fit with the masters that they chose. In those cases, they either accepted their fate and disappeared with their lord, or they rebelled and openly

plotted to force their masters' demise. In so doing, they also created the conditions that would allow them to join other more appropriate masters. Cao Cao uncovered many of these rebellions and destroyed the advisers concerned. Following some of these revenge killings, Zhuge Liang convinced Pang Tong, a gifted scholar who was in the general service of Sun Quan, to join him. These were rare circumstances and had to be justified loudly for the adviser to continue to be functional.

The advisers were often the guardians of institutions, in particular of rules and norms of behaviour. They opposed anybody, including their own masters when these were evaded. Most of the advisers to the Han emperor found themselves in conflict with Cao Cao, who slowly stripped the emperor of all his powers. Most of them died in resisting the process. This also says something about the sense of responsibility of the advisers. They generally always felt obliged to defend, sometimes against their own lords and at the expense of their own safety, the integrity of the imperial or royal system that they supported.

In general, the advisers were very important in the history of China. They were the guardians of the temple, as well as expert thinkers, providing guidance and stability to the whole imperial system. Although competing with each other, in war and peace, they also held each other in great respect. As a result, they were also the conduit for negotiation and for compromise, when reason made these necessary. Rarely, in the history of China, advisers were ideological. Rather, they tended to be very pragmatic, problem-solvers. They never hesitated debating amongst themselves in front of their masters, confronting ideas and rebuking each others' arguments. They provided the lords with very useful clarifications, alternatives and rationales for action in new circumstances.

Although governing was shared among lords, advisers and generals, the advisers played a central role of preparing all decisions and administering their implementation. In so doing, some other important patterns of the Chinese system come out:

1. The law was important and legitimacy was a must: No action could be undertaken unless a law was approved by the emperor or the king. The law provided legitimacy as did the leaders' adherence to generally accepted norms. When leaders were inconsistent or did not uphold the law, they were bound to be resisted or opposed. Prior to the Three Kingdoms period, the advisers were also the king makers because of their role as guardians of the law, and of *mores* and traditions. In some cases, they could easily discredit even an emperor and have him or anybody else removed and sometimes destroyed. The emperor was in particular legitimate as long as it was seen as keeping with its heavenly mandate of taking care of the people. When their behaviour cast a shadow on that, they lost legitimacy and opened to door to what was seen as legitimate action to remove them.
2. Courage is an attribute of leadership: Adviser, leaders and generals, were all expected to show courage in all circumstances. No leader was seen as acceptable if he/she could not stand in front of his troops in all circumstances. At a point in time, Cao Cao was pressed by his advisers to remain at the back of the battlefield.



They were concerned that if killed the whole empire would be jeopardized. He replied that he would never be able to control his generals or lead the empire if he did so. He kept doing it until very late in his life.

3. Ploys and deception: China is the country of ploys. Even if there was a great deal of respect for competing forces, and a concern for behaving according to civilized norms, tricking the opponent was always seen as acceptable and even became a dominant game. A most famous book in Chinese history, *Thirty-six Stratagems*<sup>7</sup>, is well studied by all concerned about rivalry and war. In the Three Kingdoms story, these ploys were very precisely understood and used whenever possible. Zhuge Liang in particular was a genius at designing new ploys and tricking the enemy. In the famous Red Cliff battle, when Cao Cao's formidable force of about a million soldiers was defeated, Zhuge Liang tricked his own army's into believing that heaven itself was on their side, to build its self-confidence.

Frowned upon by the most steadfast among the players, deceiving the enemy was also seen as a normal game. Two examples could be mentioned. The first is the method used by Zhuge Liang to deceive Sima Yi, when the latter was close to finally defeat him. When Sima Yi reached the town gate, he was surprised to see it open. Zhuge Liang's soldiers were cleaning the road, and Zhuge Liang himself could be seen playing music on the defence wall. The town was actually empty of soldiers. Miscalculating, Zhuge Liang was completely in Sima Yi's hands. He simply could not defend the town. But, he was very well known for his very careful planning. He knew that Sima Yi, "an old fox" would not believe that the town was without protection. That was exactly what happened. Fearing a trap, Sima Yi quickly retreated from "The Empty City". Although resented strongly by Liu Bei, it was also a master trick that allowed Lu Xun to kill Lord Guan and recover the city of Jingzhou by "Crossing the Yangtze River in Disguise"..

## WINNING THE WAR

The Three Kingdoms story is dominated by battles, warriors and war. The author describes in great details the battles and the parts of each of the main protagonists. Looking back at the whole story, some interesting factors seem to be associated with success. These are: (1) the ability to see the whole and in general have a larger perspective, in particular having a clear objective and remaining focused on its achievement; (2) having dedicated generals that function well in teams, and (3) being able to manage carefully the logistics required to smoothly move things and people during war and peace.

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<sup>7</sup> Better known in China as « The Wiles of War ».

## A. Strategic Vision

Cao Cao was constantly assessing how his competitors were doing, what were their strengths and weaknesses, what was the situation in their part of the Empire, what generals were facing him, how the enemy's generals cooperated or competed with each other, what was the food supply situation, what was the leader's health, what were all the possible targets. He also constantly assessed how his own troops were doing: Who was the most motivated by a specific battle? Which generals functioned best together? the state of the army's own supplies? its physical status? Etc. He systematically gathered as much information as possible to make these assessments. As a result, he was better able than most of his opponents to make the most appropriate decisions. He was a formidable war strategist. His tactics were quite elaborate and he would sometimes accept to sacrifice part of his army to win the war. As a result, he was feared by all his opponents.

His nemesis was Zhuge Liang, who was even more forward looking and had an even better ability to see the whole. In addition to a similar strategic outlook, Zhuge Liang had a better understanding and a deep respect of human nature, which provided him with an unusual ability to foresee the consequences of everyone's behaviour. His most significant achievement was his patient and respectful pacification of the South-western ethnic minority tribes. This stands as a remarkable example of foresight and of how a careful handling of a minority can have a lasting influence on their behaviour. Even today, 18 centuries later Zhuge Liang is still "Grandpa Zhuge!" for many minorities. Cao Cao saw him as his most exciting contender, from whom he could regularly learn. The death of Zhuge Liang was disastrous for the Shu kingdom and led ultimately to its submission into the Wei.

Sima Yi of the Wei kingdom, although only a general at the beginning was the most forward looking. He saw battles and war as only instruments in a long and patient exercise of power building. He did only those things that would ultimately lead to improving his own power. When faced with a situation like the one described earlier when he was tricked by Zhuge Liang, the most plausible interpretation is that he preferred retreating to taking even a small chance of being routed and losing power within his own kingdom. In the end, this careful consideration of possible consequences of his actions, put the Sima family at the heart of the next Chinese dynasty. All the others had an overwhelming objective which was unifying the Empire, but with time the objective lost its edge and its appeal among followers. In the case of Sima Yi, his personal objective gained momentum as he was gaining power, and kept him focused for an unusually long time.

In contrast, neither Yuan Shao nor Sun Quan, nor even Liu Bei's son, after Zhuge Liang's death, had the outlook required to finally succeed in the war among kingdoms. They lacked the ability to see the whole and were often immersed into details and idiosyncratic issues that diverted their attention from their ultimate objectives and wasted their followers' energies.

## **B. The Importance of Good Generals**

At the time, generals were critical for success. They had to be the best warriors and show the way to their troops. Often a battle started with a match between leading generals. Sometimes, the whole confrontation would end with a clear defeat in that early match. A general losing in the preliminary combat often meant panic among the troops, disorder and defeat. Generals were also well versed into the lessons and tactics of war from the past. So they were also the source of knowledge about war strategy. They could be supplemented by advisers, but the best general could do without them. Sometimes they even competed successfully with them. Zhou Yu and Lu Xun of the Wu kingdom were both great generals and men of ideas and knowledge.

Generals that had only courage and fighting abilities often lost to the strategists. Zhang Fei, one of Liu Bei's oath brothers was a courageous man and a great fighter but was instrumental in many defeats because he had also many common weaknesses like being too emotional and drinking a lot. Sense of pride, conceit and an inability to learn from others, often were the hallmarks of poor generals.

The best generals were in fact potential emperors, especially when they had the dual capability of an unusual strategic outlook and an ingenious war conduct. Cao Cao became a king after being an excellent general. He was defeated when his own capabilities prevented him from using properly and listening to his sometimes very good advisers. Occasionally, some advisers became also great generals, but they generally lacked the personal fighting abilities and had to compensate by an unusual strategic outlook. Zhuge Liang and Lu Xun were in that respect typical.

## **C. Logistics**

Winning the war was often a technical prowess, and involved a lot of fine logistical achievements. Displacing large numbers of soldiers, on land and on water, ensuring speed of movement when required, developing and making use of sophisticated machinery and weaponry, feeding soldiers and keeping them happy, ensuring intelligence and a timely flow of information, all these required a high level of logistical sophistication that had to be achieved with the technology that was available at the time.

Failings during a war were often logistical failings first. For example, when Cao Cao was able to defeat the enemy, it was often because he had resolved better the problems of feeding and arming the troops. He introduced in particular what became later a warfare principle, which was the involvement of the troops in growing and harvesting crops. In long-lasting campaigns, this had the advantage of keeping the troops busy while generating an important source of food. It was also popular among peasants who, as a result, were not forced to donate all their crops to war purposes.

## **WHAT DO THESE PATTERNS TEACH US ABOUT TODAY'S BUSINESS BEHAVIOUR?**

Although the above patterns are self-explanatory, in this section we intend to focus on how they can be used to drive research and inform practice

### **1. Research about Chinese management**

The most significant part of any research is the interpretation of data to develop theories. Theories may be misleading if they do not take into account the cultural-cognitive context within which the data and information are collected (Shenkar, 1994; Shenkar & Von Glinow, 1994). For example, it has been reported that Chinese business partners are not to be trusted, because they are essentially self-centered and egotistical. This is generally asserted on the basis of a binary relationship, say because Chinese managers more often than usual renege on deals. Although the behaviour described may be accurate, it still does not say much about the reasons for such behaviour (Tung, 1982; Walder, 1989; Xin & Pearce, 1996). The study conducted here may be used as a guide for general values and mindsets underlying Chinese businessmen's behaviour, which may then lead one to evaluate it not only at its face value but in relation with the partner's own behaviour and the dominant cultural-cognitive constraints. For example, a Chinese manager may renege, not because he or she is untrustworthy, but because the relationship with the partner struck sensitive cords that led to general mistrust or lack of comfort.

The statement that Chinese refer to history in search for meaning is a clue that researchers cannot overlook if their work is to be valuable. The most important elements to take into consideration are:

1. The key actors are not the leaders alone. Identifying the set of people who play the roles of advisers and generals in actual business conduct is essential in any assessment of a Chinese organization's behaviour.
2. The nature of the relationship among partners is an important key to Chinese business behaviour. Whether there are feelings involved or not, the relationship can be transactional and thus open to all possible tricks, or relational and thus first subject to the test of values such as friendship and loyalty, before the test of effectiveness or efficiency.
3. Understanding history provides a clue about strategic behaviour. Chinese tend to search in history for answers to today's problems. This is a key institutional behaviour.
4. Emotion is an important determinant of behaviour, especially in tense situations. According to history, Chinese can go to extremes when they lose confidence in their partners.

5. The system can be more important than the interests under consideration. As a result, sometimes the clues about a specific situation are in the system and how it is managed, rather than in the situation or the actors themselves.

## **2. Doing Business in China**

Doing business in China involves interaction with many partners, some at the government level, others at the business level, still others when buying needed services. Each of these is socialized to the values and practices that come from the past. We expect their behaviour to be, if not completely determined, at least largely influenced by what has been described earlier. We shall organise this section into three parts: (1) Understanding how Chinese organizations function, (2) The general behaviour of the key officers, (3) the Chinese expectations when doing business with others.

### **a. How do Chinese organizations function?**

The structure of Chinese organization is often opaque to the common observer. It is easy enough to see the top leader but then it is very hard to understand the roles of each of the other people surrounding him or her. What we have described earlier suggest that one should always expect three types of key people:

1. The leaders themselves. These can be identified as being the holders of some legitimacy, either through property or if in a state-owned organization through nomination to a specifically stated important position. The top leaders are never in the business of conducting the war, or in the case of business of developing actual business strategies. Rather, they are more concerned with broader issues, all related to the long term health of the organization. Depending on their personality, they may look sometimes forceful, but most of the time they tend to be low key, leaving the floor to other actors that we have defined to be Advisors and Generals. In the case of a business, leaders are rarely involved in actual negotiation. They simply signal their willingness to conduct business and let others work on it. They however tend to appoint specific advisers to conduct the business talks.
2. The Match-makers (the equivalent of the advisors in the Three Kingdoms) are in fact those who have a better understanding of the broader issues than the business managers, but also a better understanding of the field's realities than the leaders. They provide the leaders with the levers by which business strategy can be kept consistent with the overall strategy. Their experience and knowledge of organizational dynamics makes them key to global integration. They can be compared to Bower's integrators (1972).
3. The Business managers are the generals of the kingdom. They are often the more visible and the more forceful. Once strategy is defined they generally have a free

hand in conducting business, but one should remember that they tend to refer constantly to strategic principles and frameworks defined by advisers and leaders.

Each time, one deals with a Chinese organization, it may be useful to identify those three groups as their behaviour is highly institutionalized and it may be a serious mistake to mix one group with the others.

## **b. General business behaviour**

What comes out of the study of Chinese history is:

1. The importance of values. Chinese are more comfortable functioning when they can preserve their identity. They are sensitive to three sets of behavioural traits:
  - a. Loyalty: This is a critical value in Chinese behaviour. If someone is not trusted to be loyal, then that makes in return the most dishonest behaviour legitimate.
  - b. Hospitality and gratitude: Chinese are always grateful for what good is done to them. They value remembering it. They would be most uncomfortable doing harm to those who have been good or hospitable to them. They expect the same from their partners, and even if their general behaviour is quiet and without overt reaction, they would still judge them harshly if disappointed.
  - c. Friendship is highly valued, but real friends are rare. Chinese, when having friends are totally devoted to them. But friendship comes also with a code of behaviour that puts the other to the test constantly.
2. The importance of emotions. Chinese are more comfortable when they can feel free to be themselves. But at the same time, Chinese feel ashamed when losing composure. A dignified, noble, even stoical behaviour is seen as an indication of a person's real value. Here, the difference between men and women can be substantial. But, anyone in business is supposed to remain in control of his/her emotion.
3. Decentralization. In China, decentralization is a way of life. It is not incompatible with strong central power. At first sight, the centre has such a control on the choice of officers that it may seem a highly centralized system. But the fact is that throughout history an officer when selected enjoys a lot of freedom, and lives or dies by his own choices. As we described earlier, the top leaders have relatively little knowledge and understanding of the field, and rely completely on their generals to do whatever is perceived to be good. What makes the system function is that there is little harsh punishment going around. Except in unusual circumstances, where the punishment may serve as an example, failing officers are simply recycled, and given other chances to show their value. As a result, in

China, there is a lot of individual initiatives, which generate new ideas and innovations and keep the system overall healthy. The system breaks down mostly at the top, when top leaders lose credibility or legitimacy.

4. The importance of implementation. Chinese are very practical. They tend to give a lot of attention to what makes success possible. As in the conduct of war, they would ensure that enough preparation is provided for major moves. They would probably feel uncomfortable with opportunistic and hasty behaviour. The need for decentralization is related to this concern for implementation. More importantly, even when they do not prepare enough, they tend to judge their partners by how well prepared they are.
5. The importance of an orderly state of affairs. The Chinese are highly organized people. They hate being pushed without having the time to consider all alternatives. First, they would want to make sure that in any action their system is preserved, and that would probably be the key preoccupation of what we called the match makers. Then they would want to understand the steps involved in achieving things. This is part of business managers' preoccupations. And finally they would want to ensure that the decision is consistent with their broader vision of things, which is always taken care of by top leaders.

The value of stratagems and other business tricks. The Chinese consider that "it is normal to trick others, except when they become part of us." Using complicated schemes to trick those with whom they are competing is seen as normal behaviour and perhaps even a valued skill. This is applicable to competitors, but not to partners. But there are degrees in partnership too. Some are superficial with specific goals, others are more generalized. Only the latter are compatible with friendship and loyalty, and likely to escape trickery.

## CONCLUDING COMMENTS

In this paper, we have argued that in China history is the shaper of today's social and business behaviour. We have used the very well known historical novel, *Three Kingdoms*, to suggest the values and behaviours from the past that still dominate today's values and behaviours. History stages only key people, in particular leaders, their advisors and generals. Commoners are brought to the stage only as they are promoted to these key positions. Otherwise, they have traditionally been spectators and occasionally victims in the give and take among key players. The natural outcome of such a situation is that Chinese are very practical and have learned very early that fighting against the people in power is a dead end.

Advisors are an interesting factor in China. Leaders have always functioned with the help of independent minded, learned people that were constantly scrutinizing the past for lessons about the present. These advisors were not only sources of information and ideas, they were also mediators between leaders and very talented and committed generals who played the operational role. Sometimes generals and advisors competed, especially when generals were themselves scholars of good stature.

The dominant values are predictable. Chinese value friendship, emotion, loyalty and mutual support and reliance on each other. These dominated history and we believe that they are also critical to understanding today's behaviour. However, Chinese are also practical and they tend to mimic easily other cultures when forced to do so. As a result, they may provide westerners with a mirror with highly isomorphic behaviour. Their perception of western values is of course often oversimplified, and may thus generate behaviour that borders on the caricature. To avoid the destructive effect of such oversimplifications, especially in business, we believe that managers dealing with Chinese partners should genuinely penetrate the Chinese culture, show genuine desire to do good, and then generate reciprocal behaviour that would then pull on fundamental Chinese values. To do so, one needs to understand these values and develop the patience required to live with the rather long process by which the partners attract and seduce each other. This paper is a first guide when trying to do so.



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### Appendix 1 - Principal characters in Three Kingdoms

Kingdom	Name	Title	Note
Last years of Han Dynasty	Yuan Shao (Benchu) (? – 202)	Leader of the Confederated Army (against Cao Cao)	The strongest warlord in the last years of Han Dynasty
	Lü Bu (Fengxian) (? – 198)	Imperial Corps commander	Self-centered general, generally despised. Tendency to betrayal and dishonesty
Wei Kingdom (220 – 265)	Cao Cao (Mengde) (155 – 220)	Prime Minister of Han (208 A.D.) King of Wei (216 A.D.)	Ruler of Han Dynasty since 196 A.D. Founded kingdom of Wei
	Sima Yi (Zhongda) (179 – 251)	Chief Commanding Officer Imperial Guardian of Wei	Famous general then Ruler of Wei Kingdom starting from 249 A.D.
Shu Kingdom (221 – 263)	Liu Bei (Xuande) (161 – 223)	King of Hanzhong (219 A.D.) Emperor of Shu Han (221 A.D.)	First oath brother Founded kingdom of Shu Han
	Zhuge Liang (Kongming) (181 – 234)	Prime Minister of Shu Han	The most talented adviser of the Three Kingdoms and history of China
	Lord Guan Yu (Yunchang) (Around 160s – 219)	Marquis of Hanshou Taoism: Saintly Emperor Guan Buddhism: Sangharama Bodhisattva	Second oath brother, No. 1 in five tiger generals An Icon held in high esteem in Confucianism.
	Zhang Fei (Yide) (? – 221)	Leading commander of Shu Marquis of Xixiang	Third oath brother No. 2 in Five Tigers
	Zhao Yun (Zilong) (? – 229)	Leading commander of Shu	No. 3 in Five Tigers
Wu Kingdom (222 – 280)	Sun Quan (Zhongmou) (182 – 252)	King of Wu (221 A.D.) Emperor of Wu (229 A.D.)	Described as the best son in Chinese history because of devotion to his mother
	Zhou Yu (Gongjing) (175 – 210)	Commander-in-chief of Wu	The youngest military commander in three kingdom period
	Lu Su (Zijing) (172 – 217)	Chief staffing officer Commander-in-chief of Wu	Presented as the most honest and cooperative character in Three Kingdoms
	Lu Xun (Boyan) (183 – 245)	Commander-in-chief of Wu	A scholar who became a general, to replace Zhou Yu, then an adviser.