

# **THE APPLICATIONS OF ANCIENT CHINESE MILITARY STRATEGY IN A NEWLY FORMED CHINESE ENTERPRISE: THE DYNAMICS OF E-SUPPLY RELATIONSHIPS**

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## **Abstract**

This study examines the dynamics of electronic supply relationships (e-supply relationships) in a newly formed large Chinese telecom enterprise by employing an interpretive case study approach. This paper illustrates the importance of national and corporate cultures in shaping the relationships within the technological and wider cultural supply network context. It conceptualises the transformation process as interactions between managerial actions and social structures.

**Keywords:** supply relationships, Chinese culture, use of e-technology

## **Introduction**

Increasingly more and more global organisations form business relationships with Chinese enterprises. These relationships enable the organisation to grow and develop and at the same time are a constraint on their development and activities (Ford et al., 2002). It is claimed that supply chain management is becoming more important as a result of dynamic inter-organisational co-operation to maintain organisational global competitive advantages. However, the strategies used to develop business relationships in the Chinese-based business vary from Western countries (Pang et al., 1998). The Chinese cultural context is not represented well in the literature. This is a limitation for Western organisations building business relationships with Chinese enterprises. Whereas, a growing body of organisational studies with different perspectives have been contributed to the explanation and analysis of inter-organisational relationships (IORs) (Oliver, 1990; Grandori & Soda, 1995). From an economics view many of the earlier studies are based on transaction cost economics (Williamson, 1975) and resource-based theory (Pfeffer & Salancik 1978; Barney 1991). In the area of supply chain management, different conceptual models are developed and suggested as different ways for management of business relationships (Lamming et al., 1996; Cousins, 2001). However, Cousins

(2001) argues that a relationship should be viewed as an intra- and inter- organisational process which is referred as a 'quasi firm' (Blois, 1972) sitting between the two organisations (see Ford et al., 2002; Lamming, 1993a). Therefore, it is essential to develop a conceptual framework focusing on the dynamics of business relationship formation and transformation process. Moreover, there are only a few large scale in-depth case studies on electronic technology (e-technology) enabled business relationship management (Kim et al., 2002; Yao et al., 2002). From the Information Systems' (IS) perspective, despite the recognition of the importance of the wider organisational and cultural issues associated with the IORs many of these studies ignore aspects beyond the technological issues. These studies attempt to identify factors leading to system implementation success or failure and new models have been proposed to confirm e-technology as one solution for organisational formation and transformation (Al-Mashari, 2000; Boudreau & Robey, 1999). This paper therefore seeks to address some of these limitations by presenting the findings from an in-depth case study research on the dynamics of e-supply relationships in a newly formed large Chinese telecom enterprise. The study focuses on the implementation of a customer service system (CSS), which is understood as a specific e-technology enabling organisational relationships.

### **Theoretical Foundation**

A review of current literature suggests that a multi-perspective study focusing on the dynamics of the formation of e-IORs is an appropriate approach to develop a conceptual framework (Boudreau & Robey 1999; Xu & Nandhakumar 2003). Thus, this study draws on mixed theoretical perspectives: *relationship*, *cultural*, *technological* and *structural perspectives*. From a relationship perspective, the Industrial Marketing and Purchasing group offers a useful understanding on the nature of mutually beneficial relationships by providing the Interaction Model (Hakansson, 1982) that characterised the short-term exchange episodes and long-term aspects of a relationship between buying and selling companies. Recently, there has been an increasing recognition that culture is playing a crucial role in the management of business relationship. It is claimed that different national cultures make different demands on organisations and offer them different opportunities (Gabriel, 1999). Walsham (2002) focuses on the link between structural contradiction

and conflict, cultural heterogeneity, and the dynamic and emergent nature of culture. A deeper examination of cross-cultural working and IS context is provided in his study. More recently, there is a growing body of work which considers information technology as a social construction, designed and used by humans (e.g Walsham, 1993). Orlikowski (2000) views technology in use as an emergent technological structure. These studies imply that it is very important to study the technological context in which the e-IORs take place. Structuration theory (Giddens, 1976, 1982, 1984) provides a meta theoretical perspective to integrate the above views. Structuration theory can be viewed as a process-oriented theory that treats structures as both a product of and a medium of human action. As Giddens (1982) emphasises, “man actively shapes the world he lives in at the same time as it shapes him”.

### **Data Collection**

An interpretive case study approach (Orlikowski & Baroudi, 1991; Klein & Myers, 1999; Walsham, 1993) is employed to study the e-IORs in a Chinese telecom enterprise - TelcoX (pseudonym). It mainly focused on the Customer Service Department (CSD) and also pursued some practices of national and TelcoX’s corporate cultures emerged under these particular circumstances. Data collection involved semi-structured interviews of key players and observations of supply network members of TelcoX. Thus far, thirty-nine interviews of sixty to ninety minutes in length, in seven organisations have been conducted with managers representing various processes including customer service management, information system management, fulfillment and procurement management. The research commenced in the summer of 2002, and most of the interviews were tape-recorded and transcribed and then translated into English for analysis. The functions represented by those interviewed included customer service, service operation, network management, accounting, product development and project procurement (see Table 1). These key members were involved in the adaptation of new system and related business operation processes. Informal conversations and discussions with the interviewees and other staff of the companies were held during each visit. The daily work and activities in the office were observed before, during and/or after each interview. File notes, documents and related materials were very useful to verify the

collected data and gain more detail and ‘behind scene’ information in this organisation and the wider supply network context.

**Table 1 - Details of data collections**

<b>Semi-structured Interviews</b>			
Firms	Positions of Interviewees	Number of Interviews	
TelcoX	Directors	10	
	Senior Managers	9	
	Managers	6	
	GMs, Regional Office, CSSD	3	
	Senior Manager, Regional Office, CSSD	1	
Suppliers	Directors	2	
	Senior Managers	3	
Customers	In China	Directors	2
	In UK	Director	1
		Senior managers	2
Total		39	
<b>Field Notes</b>	<b>Documents</b>	<b>Other Materials</b>	
Interview notes	Emails	Posters	
Observation notes	Internal training materials	Brochures	
Conversation summaries	Internal operation documents	News from Websites	

## **Analysis and Discussion**

To understand the strategies used by Chinese people in developing their business relationships, ‘the thirty-six stratagems’ (or ‘*the 36 Ji*’ in Chinese) written in the most famous ancient Chinese military strategist Sun Tzu’s work - *The Art of War*, offer a solid foundation. ‘*The 36 Ji*’ (see Appendix 1), in a 2300-year-old Chinese treatise on warfare compiled in that historical era, are ancient Chinese military strategies and tactics for triumph and survival. According to Ghauri and Fang (2001), these stratagems can be understood as carefully devised Chinese schemes that deal with various kinds of situations and gain psychological and material advantage over one’s adversary. This long-lasting cultural tradition has had a tremendous influence in shaping the Chinese business behavior; nowadays many people still continue to turn to these stratagems when conducting their business. The data analysis demonstrates how these wisdoms were used for the formation and transformation of e-supply relationships at TelcoX. The analysis of the data involved a critical examination of large amounts of qualitative data from four theoretical perspectives discussed above, whilst simultaneously allowing the concepts to emerge from the empirical data.

### ***Relationship perspective - Emerging communication patterns with the use of e-technologies***

According to *'the 36 ji'*, CSD people were using the stratagem 7 called "Create something out of nothing"<sup>1</sup> to set up a call centre. While, the internal and external business partners were following the prescription of the 9th stratagem, which says: "Watch the fires burning from across the river"<sup>2</sup>. The manager of CSD said: "*At first they [business units] doubt what the call centre will be? How can we set it up with nothing? ...From 'sit and watch', then to 'understand' till 'support', we are recognised and highly expected now.*" Apparently, CSD people worked closer with internal business units than before. In the past, sometimes, CSD lost customer inquiries or problems during their handling due to non-systematic follow-ups, which was called the 'casual way' within TelcoX. In contrast, CSS with the functions of customer call handling, including customer inquiries, checking, fault reporting and customer complaints, and data recording, dispatching and reporting, which was called 'manageable co-handling', helped CSD make good progresses with monitoring and coordinating. It was faster than before, from days cycle time to hours; it was a more controlled way to handle customer issues, a more managed way for data reporting, and a better image for the company. Customers found it more convenient to reach TelcoX than before. With the implementation and use of CSS, TelcoX's senior managers were paying more attention than before to effective communication and good organisational relationships. Consequently, new communication patterns were produced in this organisation.

### ***Cultural perspective - Emerging national and corporate culture at TelcoX***

TelcoX has a mix of traditional Chinese and Western cultures that made it different from the more typical Chinese state-owned-enterprises (SOEs). This unique cultural context seemed to have a positive influence on the evolution of e-relations with both customers and suppliers. TelcoX was founded by bodies that are affiliated with the Chinese government and its regional structure provided a degree of decentralization for operating units that is not common in more typical Chinese businesses as described by (Redding, 1984; Whitley, 1992). With the use of CSS and other information systems within TelcoX, the process management and cross-functional business units

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<sup>1</sup> The key of this stratagem lies in the change between genuine and fake, which makes the enemy confused. It advises the captain must hold and defeat the enemy by a rapidly attack at the proper time.

began to show a degree of differentiation that was rare in traditional Chinese SOEs (Westwood & Kirkbride, 1998). There were no non-Chinese staff working in this organisation, but senior managers came from various backgrounds. A few of them had experience of working in the West or in foreign enterprises. For those people, they emphasized ‘ownership’ and adopted Western-like professional working styles. On the other hand, some of them had been working in Chinese SOEs for many years. They were used to work collectively and to do business in a relative flexible way. For example, Chinese people are very familiar with doing business via ‘*guanxi*’ which means human relationships or personal connections (Pun et al., 2000). Ahmed and Li (1996) explain *guanxi* as fundamental in directing social and personal behaviours in China. It is characterised by implicit rules, both of obligation and reciprocity (Luo, 1997a). People usually used to establish relations simply through social activities, such as inviting people to a dinner. Therefore, the use of *guanxi* is the quickest and surest route to accomplishment. However, in the recent years, as business relationships developed, the new practices emerged through new experiences gained in business developments in some new Chinese enterprises such as TelcoX. It was understood as ‘*a scientific network embodying value, equality and respect*’. Not only did they create opportunities for companies to communicate horizontally by classification, but also provided scope for intercommunications between individuals. Over time, different departmental cultures existed within TelcoX, which contributed to TelcoX’s corporate culture that integrated subcultures into the mainstream in a harmonious way and also reproduced the new organisational structure.

### ***Technological perspective - e-Technologies-in-use***

The emerging communication patterns enabled new forms e-IORs and shaped the new technological and cultural structure within and around TelcoX. Communication and information flows took a variety of forms, which had different effects around TelcoX. Employees influenced and were influenced by these emerging organisational structure. People who tried to avoid misunderstandings relied on traditional ways like face-to-face contacts and memos. However, those people who preferred the advantages of the technologies frequently used email, Intranet and Internet

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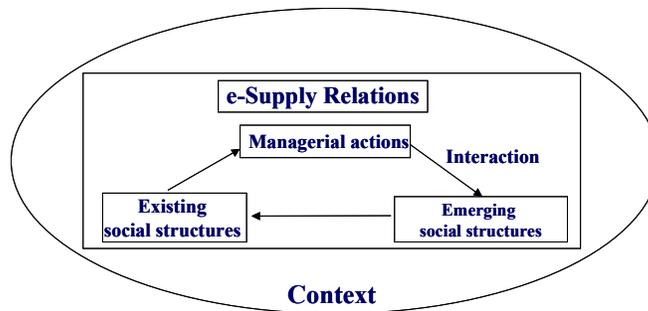
<sup>2</sup> This idea encourages the force to attack the enemy from ‘sits and watch’ once the conditions are ripe.

systems. Also, an ERP system was used as the core of the IS in TelcoX. Concerning the use of e-technologies, the director of CSD said: *“Both of us [suppliers and customers] share the same view that e-technologies will be very much helpful for both sides in co-operations in the near future...”*

**Structurational perspective - The dynamics of e-supply relationships**

The analysis of the data indicates that changes in the CSD’s job flow and TelcoX’s work process and the consequences were triggered by CSS implementation. Use of CSS and other information systems in TelcoX provided a new set of features, which both enabled and constrained managers’ actions for forming e-supply relationships. Two interacting elements that were shaping the transformation of these relationships within TelcoX had been identified: managerial actions and social structures. These relationships were enacted in the emerging cultural and technological context by managerial actions, at the same time, these actions and interactions were shaped by these constitutions. By drawing on Giddens (1984) and Orlikowski (2000) the process (see Figure 1) can be seen as circuits of interactions between managerial actions and social structures.

**Figure 1 Interactions between human actions and social structures**



Managerial actions were perceived as planned and unplanned actions taken by managers involved in decision-making, leadership behaviours, intra- and inter- organisational interactions. With the CRM idea and CSS support, TelcoX, a newly growing enterprise was seen as well managed under the leadership of its senior management group. CSD team leaders expressed: *“...We gain strong trust from our boss and we’re getting confident with his great support...”* *“Each team member is a pearl; our target is reached by stringing all these pearls together...each departmental change leads to the change of entire workflow.”* These comments illustrate the applications of the

19th stratagem, “Remove the firewood from under the cooking pot”<sup>3</sup>, the 4th stratagem, “Relax while the enemy exhausts himself”<sup>4</sup>, and the 30th stratagem, “The guest becomes the host”<sup>5</sup> by the managers in developing their business relationships.

## **Conclusion**

This study focuses on the dynamics of e-supply relationships in a Chinese telecom enterprise by using an interpretive case study approach. The findings indicate that new Chinese telecom enterprises seem to have a higher tolerance for cultural differences and a willingness to accept alternative viewpoints, but when different national and industrial factors are taken into account, wide variations exist in developing and maintaining business relationships. In particular, the key variation with respect to e-supply relations is rooted in the Chinese cultural norms that have important impacts on the success of the telecom enterprises in the ever-changing Chinese environments. A better understanding of China’s unique strategies in doing business will not only help many Western companies enter one of the largest emerging markets - China, but also enable China’s telecom industry and companies to make significant changes in the near future. In this research, the conceptualisation of the emergence of e-IORs in TelcoX represents circuits of interactions between managerial actions and social structures, and the particular cultural and technological context within which the interactions take place. The reciprocal interaction offers insights into the role of national and corporate cultures both inside and between organisations in shaping e-supply relationship in this specific context. The findings imply that the extent and effectiveness of the use of e-technologies depends on several issues, which can have both direct and indirect influences on managing e-IORs. The empirical understanding generated in this context has implications for managing organisational inter-dependency of e-technology enabled business relations. For managers, these insights not only open up cultural aspects of IORs but also suggest that emergence of different cultural norms may accompany the enactment of e-IORs. The insights would be particularly valuable for Western organisations forming alliances with Chinese enterprises.

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<sup>3</sup> This is a psychological tactic to attack the enemy’s weaknesses.

<sup>4</sup> The rule is to cope with the great changes by slight changes, or with shifting events by sticking to fundamental policies.

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<sup>5</sup> It utilizes the principle that to take the advantages, one must change the passive situation to initiative domination.

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### Appendix 1 The Thirty-Six Ancient Chinese Stratagems

	In English	In Chinese
The first category: When commanding superiority		
Stratagem 1	Cross the sea by fooling heaven	<i>Man Tian Guo Hai</i>
Stratagem 2	Besiege Kingdom Wei to rescue Kingdom Zhao	<i>Wei Wei Jiu Zhao</i>
Stratagem 3	Kill with a borrowed knife	<i>Jie Dao Sha Ren</i>
Stratagem 4	Relax while the enemy exhausts himself	<i>Yi Yi Dai Lao</i>
Stratagem 5	Loot a burning house	<i>Chen Huo Da Jie</i>
Stratagem 6	Make a feint to the East while attacking the West	<i>Sheng Dong Ji Xi</i>
The second category: For confrontation		
Stratagem 7	Create something out of nothing	<i>Wu Zhong Sheng You</i>
Stratagem 8	Pretend to take path A while secretly taking path B	<i>An Du Chen Cang</i>
Stratagem 9	Watch the fires burning from across the river	<i>Ge An Guan Huo</i>
Stratagem 10	Conceal a dagger in a smile	<i>Xiao Li Cang Dao</i>
Stratagem 11	Sacrifice the plum tree for the peach tree	<i>Li Dai Tao Jiang</i>
Stratagem 12	Lead away a goat in passing	<i>Shun Shou Qian Yang</i>
The third category: For attack		
Stratagem 13	Beat the grass to startle the snake	<i>Da Cao Jing She</i>
Stratagem 14	Borrow a corpse to return the soul	<i>Jie Shi Huan Hun</i>
Stratagem 15	Lure the tiger out of the mountains	<i>Dia Hu Li Shan</i>
Stratagem 16	Snag the enemy by letting off the hook	<i>Yu Qian Gu Zong</i>
Stratagem 17	Cast a brick to attract a piece of jade	<i>Pao Zhuan Yin Yu</i>
Stratagem 18	Catch the ringleader to nab the bandits	<i>Qin Zei Qin Wang</i>
The fourth category: In confused situations		
Stratagem 19	Remove the firewood from under the cooking pot	<i>Fu Di Chou Xin</i>
Stratagem 20	Muddle the water to catch the fish	<i>Hun Shui Mo Yu</i>
Stratagem 21	The golden cicada sheds its shell	<i>Jin Chan Tuo Qiao</i>
Stratagem 22	Shut the door to catch the thief	<i>Guan Men Zhuo Zei</i>
Stratagem 23	Befriend distant states while attacking the nearby ones	<i>Yuan Jiao Jin Gong</i>
Stratagem 24	Borrow the safe passage to conquer the kingdom Guo	<i>Jiao Dao Fa Guo</i>
The fifth category: For gaining ground		
Stratagem 25	Replace the beams and pillars with rotten timber	<i>Tou Liang Huan Zhu</i>
Stratagem 26	Point at the mulberry tree but curse the locust tree	<i>Zhi Shang Ma Huai</i>
Stratagem 27	Play dumb while remaining smart	<i>Jia Chi Bu Dian</i>
Stratagem 28	Take away the ladder after the ascent	<i>Shang Wu Chou Ti</i>
Stratagem 29	Deck the tree with bogus blossoms	<i>Shu Shang Kai Hua</i>
Stratagem 30	The guest becomes the host	<i>Fan Ke Wei Zhu</i>
The sixth category: In desperate straits		
Stratagem 31	The beautiful woman stratagem	<i>Mei Ren Ji</i>
Stratagem 32	The empty city stratagem	<i>Kong Cheng Ji</i>
Stratagem 33	The counter-espionage stratagem	<i>Fan Jian Ji</i>
Stratagem 34	The self-torture stratagem	<i>Ku Rou Ji</i>
Stratagem 35	The interrelated stratagem	<i>Lian Huan Ji</i>
Stratagem 36	Running away is the best stratagem	<i>Zou Wei Shang Ji</i>

Source: adapted Ghauri and Fang (2001, p. 311)