IMPROVING JOINT VENTURE/ ALLIANCE SUCCESS THROUGH EFFECTIVE CONFLICT MANAGEMENT: THE CASE OF SINO-DUTCH PARTNERSHIPS

By

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Executive Summary

This study analyses Sino-Dutch partnerships and the impact of conflict management on these ventures. More than 50% of all Sino-Dutch partnerships lead to termination due misunderstandings, disagreements between parties resulting in conflicts, problems in daily operations and the allocation of responsibilities. The study analyzes this complicated form of market entry between Dutch and Chinese parties and strives to find fitting solutions for the high termination rate. By interviewing eleven experts on the field of Sino-Dutch partnerships substantial information was gathered regarding this subject. Examples of pitfalls and resolution styles were discussed as well as cultural barriers and communication forms to get familiar with the hurdles of Sino-Dutch partnerships and the associated conflict resolution styles. In the end we can conclude that the influence of effective conflict management has a substantial influence on the longevity of a Sino-Dutch partnership. It is this efficiency in solving conflicts which can effectively turn conflicts and pitfalls which hinder Sino-Dutch partnership's longevity into positive outcomes when dealt with collaboratively and professionally. Although there are many important elements for running a successful partnership, conflict management is often the last resort which defines partnership success or failure. In order to gain this effectiveness, both parties should focus on encouraging mutual openness and understanding, face value confirmation, private one-on-one conflict discussion and focus on creative win/ win conflict solving for both parties. Furthermore, the study found other important factors leading to partnership success: clear definition of plans of the foreign partner, putting substantial effort in finding the right partner, clearly defined partnership agreements which focus on mutual goals and objectives for the ideal win/win situation, clear communication which continuously insures that these goals are reached and clear solid conflict management methods in order to effectively solve any problems that might arise.

Keywords: <u>conflict</u> <u>management</u>, <u>culture</u>, <u>communication</u>, <u>Sino-Dutch</u> <u>partnerships</u>, <u>joint</u> <u>venture</u>, <u>alliance</u>, <u>collectivism</u>, <u>social</u> <u>harmony</u>, <u>conflict</u> <u>resolution</u>, <u>face</u> <u>value</u>

Preface

Being a child of a family with different cultural backgrounds, namely Dutch and Indonesian, always enticed me to have substantial interest in especially Asian cultures. My international journey began when I started my Bachelors degree in International Business and Management studies, where I shared the class with many Chinese students. Their different behaviour and cultural values interested me especially during project group work; they were very diligent but would not often speak openly in the group. Next to this China's economy was booming and a lot of investors, as well as me, saw opportunities in China/ Hong Kong. I started a business in the Netherlands specializing in importing musical instruments. Although this company was a great investment and a great success several deals resulted in a no-go, without having a valid reason in my perspective. The ways of the Chinese were somewhat mysterious and awkward to me. During my study on Business Administration in Sweden I was introduced to the subjects of cultural awareness and cross- cultural conflict management. The courses were of substantial importance to me and revealed much on dealing with other cultures. These factors became a considerable focal point in my business life as well as my normal life and I was willing to invest time and effort on this specific subject. It was especially interesting to dedicate my Master thesis to this subject which is so dear to me. During the past period of time I worked hard on the study which lays in front of you now. I enjoyed writing this thesis, meeting a lot of new interesting people which opened my eyes more and more concerning the behaviour of people from other cultures. During the process of thesis writing I was introduced to people who contributed substantially by guiding me through this study. I would like to thank the following people: First of all, I would like to thank my supervisors Dr. H. J. M. Ruel, Dr. Ir. S. J. de Boer and Mr. M.R Stienstra for informing and guiding me through the thesis process. Also Mr. S.J. Maathuis for giving me quality feedback on my ideas. Secondly, I would like to thank Prof. Dr. P. de Chauvigny de Blot for his time made available to guide me through the study at hand. I would like to thank Dr. J. van Elswijk for checking my study and giving me quality feedback and Louis Moné for graphically designing my thesis. In addition, I would like to thank Zhang Qi and Andy Wang for connecting me with business networks in China. Special thanks go to all respondents who were kind enough to give me the requested information which was needed to compose this study.

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1. Introduction

1.1 Background

Cross-cultural conflict awareness is highly important in today's society, where improved communication technologies and more efficient intercontinental flights result in a smaller world, hereby encouraging companies and individuals to operate across borders more often. These worldwide changes have also influenced the willingness of companies to locate themselves overseas for production, management or to support sales in a certain market. There are many forms of penetrating a foreign market, however from all the entry strategies international joint ventures (IJVs from now on), alliances and also mergers allow the visiting company to directly gain full market knowledge by working with a domestic partner who already holds this market knowledge. This study focuses on partnerships such as IJVs and alliances due to the fact that we would like to analyze how two independent parties work together through building a strong relationship, shared management and attaining one's own goals. Although good cultural preparation and communication is key in cross cultural management of an IJV or an alliance, conflicts are unavoidable and should be handled with care in order to obtain the best outcomes and partner relationships. Although many IJVs and alliances have been formed between Chinese and Dutch enterprises (so called Sino-Dutch partnerships) an astonishing 50% of all the IJV and alliances does not survive the struggle of joint cross cultural strategic management due to too much dependency on the other partner, cultural differences and unresolved conflicts (Kemp, 1999). This study will analyze the process of joint venture strategic management between Dutch and Chinese parties through the perspective of cross-cultural conflict management, it analyzes the problems encountered made and the steps which are to be taken in order to sustain IJV or alliance longevity.

1.2 Objectives

The objective of this study is to analyze the role of effective conflict styles in top strategic management within Sino-Dutch IJVs and alliances, and the effect this will have on the success and the performance of the ventures. Although the Chinese are known to value interpersonal harmony (collectivism), and to avoid conflicts, we are attempting to investigate how the Dutch approach these cultural differences/ conflict management

styles and how they bridge these difficult cross-cultural gaps (Triandis, 1990; Leung, 1997; Tang and Ward, 2003). Seen the failure rate of Sino-Dutch partnerships it is especially practically relevant for companies, which are willing to start a Sino-Dutch partnership to understand the tricks of the trade in order to avoid termination and losses. This study will attempt to find the gaps in the Sino-Dutch IJV and alliance process and will challenge to find fitting solutions to these problems in order to extend the longevity of the venture and to improve its performance. The study at hand is interesting for both companies willing to form a Sino-Dutch partnership and consultants supporting Sino-Dutch companies in establishing IJVs or alliances. In order to contribute to science, this study will attempt to analyze the elements which are key in setting up an IJV or an alliance with Dutch and Chinese counterparts in particular using conflict management styles in order to avoid or solve long lasting problems which will deteriorate or will end the Sino-Dutch cooperation.

1.3 Problem statement

The following problem statement assists this study in attaining the previously stated objective:

> *What factors play a substantial role in conflict management of Sino-Dutch partnerships in attaining partnership success?*

In order to strengthen this study in finding a relevant answer/ solution to the problem statement, the following sub-questions were generated, and will be answered in the latter section of the report:

- *Q1:*   *What are Sino-Dutch partnerships?*
- *Q2:*   *What is conflict management and which influencing factors can be found?*
- *Q3*:   *How can conflict management be utilized in order to attain partnership success?*

1.4 Research strategy

In order to efficiently answer the problem formulation, a so called deductive approach is utilized followed by an inductive approach. Deductive reasoning concerns working from

general to specific results, this top down approach comprises theoretical interpretation, problem statements or hypothesises, followed by an observation of the phenomenon and lastly a confirmation or disconfirmation of the hypothesises or problem statements. Inductive reasoning concerns working the other way, where individual observations are generalized into theories. Here observations are concluded in patterns and are submitted to hypothesises, where after theories are created. In our study the former involves a broad literature survey in order to strengthen the study's conclusion (Trochim, 2006). The latter encompasses an observation of the occurring conflict management styles in China, joint venture/ alliance experiences, communication and cultural differences. The theoretical framework will give us a fundamental understanding of the concepts to be discussed. The study will be based on information gathered from both primary and secondary sources. The former concerning information gathered interviewing Dutch and Chinese joint venture managers and consultants and the latter focusing on scientific literature: books, articles and publications regarding the concepts supporting the study. This information will be analyzed through acquiring primary data from field research. In the final section of this study the findings will be compared with the earlier stated theories and be further elaborated. Most of the literature supporting the study was derived from scientific databases and libraries. There was chosen for this combined inductive/ conductive approach due to the fact that both theories and findings can be thoroughly compared and discussed with one another. This comparison will allow us to construct a reliable generalized conclusion.

2. Theoretical Framework

2.1 Introduction FDI

One of the most important elements of the globalization process in recent years is the continuing increase of the amount of foreign direct investments (FDIs from now on) (Haskel *et al*, 2007). The concept of FDI is defined by The Business Dictionary (2010) as *"Ownership of a country's business or properties by entities not domiciled there".* FDIs come in all shapes and sizes depending on the percentage of ownership which is at play varying from wholly owned acquisitions with high levels of control to owning shares with little control. For this study we will focus on the following FDI forms, namely: IJVs and alliances. The motive behind this choice is because these two forms of FDI encompass collaboration of two international companies to strive for one or more mutually shared goals as well as individual goals. It is this composition of shared and individual needs which make partnerships such an interesting subject to investigate, where clear communication is key. These partnerships can consist of equal or unequal ownership rights, where communication between the two international parties is an important element for success, it is this extensive form of communication which we are focusing to analyze between Dutch and Chinese counterparts (Ball *et al*, 2007; Root, 1998).

2.2 Introduction IJVs and Alliances

Joint ventures and alliances comprise contractual agreements between two or more parties for the intention to execute a business venture, hereby aligning the companies' mutual goals in which both parties concur to share their losses and profits of the venture as well as contributing of operating costs and inputs, while minimizing the hazards implicated in full acquisitions or mergers (Ball *et al*, 2007; Root, 1998; Kemp, 1999). A formal contract is often utilized to implement what the percentage of ownership is by both parties, meaning which party has supplementary voice in the relationship (Ball *et al*, 2007, Ghauri, 2001). The focus of the partnerships stresses joint problem solving to be successful. The main differences between IJVs and alliances are: (1) IJVs are contractual, where alliances may not be. (2) In IJVs new separate legal entities are created, where this is generally not the case in alliances. (3) In IJVs the important matters are predetermined in contracts and are owned by the collective JV (operate as one) , in

alliances these matters can be contracted or not and are owned by both individual parties (operate independently). (4) IJVs have predetermined termination dates, where alliances have an indefinite or specific lifespan (D'Amico & Zikmund, 2001; Ghauri, 2001).

IJVs and alliances are very often utilized when entering an emerging market whose political, cultural, regulation and economic characteristics are significantly different. In this process the foreign company probes the market for a fitting partner who has the experience, skills and capabilities to aid the company in its venture (Meschi and Hubler, 2003; Ghauri, 2002; Kemp, 1999). Although finding a fitting partner could be a difficult process, the IJV and alliance entry modes accelerate entry by facilitating local environment knowledge, hereby reducing costs of transaction (Hamel and Doz, 1998; Hennart, 1988). Although IJVs and alliances grant a domestic company easy entrance and environmental knowledge, they offer many complexities, dynamics and challenges in managing these ventures cross border, resulting in a relatively high failure rate (Luo, 2003). Harrigan (1988) states in his article that in over more than 30% of the IJVs, the venture was disbanded or one of the partners was expelled. Kemp (1999) and Barkema and Vermeulen (1997) state in their studies that this percentage figure actually exceeds 50%. Kemp (1999) states that the most familiar reasons for termination of an IJV or alliance is the dependence of the parties on each other, disagreements resulting in conflicts regarding and the allocation of responsibilities. Another problem is that the partners pursue different goals which lead to conflict. Although many of these items will be recorded in contracts and agreements, changes in environment are unavoidable. It is up to the board of managers to efficiently handle these changes through effective communication with their partner.

Several variables are defined as being indicators of IJV and alliance successful performance. It is stated that the partner's satisfaction regarding the relationship is positively or negatively affecting the IJV's or alliance's performance (Osland and Cavusgil, 1996; Spekman et al., 1996). Lin and Germain (1998) state in their article that the level of partner's satisfaction is influenced by the quality of conflict management styles and conflict resolution: "the ability of the partners to supervise daily operations, solve inner conflicts and devise long term strategies". These conflict management styles can be utilized to effectively solve problems at hand, hereby satisfying the partners in the relationship, resulting in a boosted performance. When arising conflicts are not resolved

effectively, the partnership will deteriorate (Lane and Beamish, 1990). Lane and Beamisch (1990) state three variables as being determinants of conflict management in IJV and alliances, namely: (1) *Cultural similarity*: extensive partner diversity in behaviour, thinking and acting can lead to misunderstanding and will degrade performance, (2) *Power allocation*: relationships with equitable structures of management tend to be not as stable on the long term compared to relationships with one party dominating. (3) *Age of the IJV or alliance*: the longer the relationship, the more experience the IJV or alliance has and the better the partners can work together (Lane and Beamish, 1990).

2.3 The Netherlands and China: IJVs and alliances

The amount of outward Dutch FDI has been in a downward slump from 2001 to 2003 (Vos and Sanchez, 2003). However, during the 90s the Dutch worldwide stakes increased dramatically until 2000. The Netherlands being a small country, reliant on foreign trade, had a strong domestic economy and growing ambitions to go global, these being the influencing factors for much of the outgoing FDI (Belderbos, 1998). By especially focusing on competitive emerging economies, the annual outflows were boosted from 10 billion Euros in 1990 to 80 billion Euros in 2000 (Vos and Sanchez, 2003). The five Dutch industrial giants Philips, Shell, DSM, Unilever and Akzo-Nobel accounted for the biggest share of these annual outflows (Belderbos, 1998). However due to the Dutch economic slowdown in 2001, profits were squeezed, worldwide stock markets collapsed resulting in a drop of outward FDI in 2002 to 28billion euros, resulting in a decrease in international FDI patterns (Vos and Sanchez, 2003). However, many companies switched to other entry strategies such as joint ventures and alliances with partners from other countries to enter their markets. Much FDI to foreign continents decreased dramatically, such as USA and Latin America investments. However, investments to Asia, and especially China were increasing due to their booming economic growth (Vos and Sanchez, 2003). From the year 2003 until 2007 trade and FDI outflows from The Netherlands to China and vice versa started to rise again, leading to an increase of 96% from beginning 2003 until end 2007. From the year 2007, figures began to drop again due to the global economic recession (CBS, 2010).

China is one of the youngest countries open to IJVs and alliances market entry strategies, this due to strict market protection until 1979. It was this year in which China officially opened its gates to foreign capital and investments, by introducing the Joint Venture law

(Meschi and Hubler, 2003; Luo, 2003). In 1998 the total investments made through IJVs were 24.5 billion dollars (US$), a total of 46% of the full amount of incoming FDI, with a total of 13.958 joint ventures. Being the only possible entry modes initially accounted for 70.54% of all foreign investment in 2003. China especially attracts a lot of western capital, due to its economic growth and low costs of labor (Meschi and Hubler, 2003). In most Sino-foreign joint ventures and alliances the Chinese often provide the facility, networks and manpower, while the foreign investing company provides the technology and the expertise (Meschi and Hubler, 2003; Luo, 2003). These figures do prove that there is an increasing trend towards Dutch firms investing in the Chinese economy, especially through joint ventures and alliances.

Concluding, IJV and alliances are very often used (especially in China) entry strategies. However as mentioned earlier in the report, the percentage of IJV and alliance failure is substantial, namely 50% (Kemp, 1999). Most IJVs and alliances are terminated due to partner dependency and disagreements, and such issues need to be dealt with effectively in order to stay successful. Next to that, the role of different cultural perspectives may complicate this process substantially (Barden *et al,* 2005; Choi & Beamish, 2004). It is up to the board of strategic managers of the IJV or alliance to apply effective conflict resolution styles in order to solve these arising problems which may hinder the Sino-Dutch IJV or alliance in its path to success.

2.4 Conflicts in day to day strategic management of IJV and alliances

Conflict management is essential in IJVs and alliances due to the fact that managers need to solve daily conflicts with their co-workers who are from another culture. By applying effective conflict management in IJV and alliance management substantial misunderstandings related to cultural differences can be avoided, and performance can be improved (Zhang *et al, 2005*; Miller *et al,* 1997).

When one looks for the definition of conflict, one finds the following: *"an active disagreement between people with opposing opinions or principles"* (Cambridge dictionary, 2009). It starts when a person has an imagined or real grievance/ complaint against something or someone else (Merry 1979; Nader and Todd 1978). Nader and Todd (1978) have labelled this phase the "preconflict" stage, which has a potential to develop into an open conflict. When the grievances are expressed by the individual

through physical action or verbal communication, the conflict enters the open conflict stage. It is this stage in which problems are to be solved in a correct manner, when not dealt with efficiently the conflict can become public, drawing more and more third parties to the situation either as supporters or as settlement agents (Morrill, 1989). It is most of the time the task of the team of strategic IJV and alliance managers to handle this inevitable situation and to find a fitting solution by balancing the interest of the company, the parties and one's own interest. Although many perceive conflict situations as negative, the actual outcomes depend on the manner of conflict management with which the conflict situation is solved. When managed effectively, a conflict can have positive consequences by opening opportunities to creativity, innovation, improved partner satisfaction and quality of decision making (Chen & Tjosvold 2005; Zhang *et al,* 2005).

Strategic management is defined by David (1989) as "*the conduct of drafting, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives".* This very complicated and vital process becomes even more complicated when there are two international parties which both have the shared authority to decide what the venture has to do in the near future to obtain its goals (Choi & Beamisch, 2004). Two forms of relationships can be defined in strategic control of the IJV or alliance, namely shared control perspectives and dominant control perspectives (Barden *et al,* 2005; Choi & Beamish, 2004). The basis of shared control implies the willingness of the IJV to equally divide the control amongst the partners to foster a fairness environment, mutual trust and fairness. The dominant control perspective implies an unequal level of power between the partners, so that one partner is dominating the other, which saves times and resources. However, by choosing this last style, partners will focus on their individual goals and objectives, in which the level cooperativeness falls and the level of autonomy tension increases (Barden *et al,* 2005; Choi & Beamish, 2004). However none of the two methods has been proven best in every situation, however it is important to focus on trust and effective conflict resolution styles to solve any conflict that will arise in the partnership. Important is the level of evenness among the relative offerings of valuable scarce resources as well as knowledge by each partner, and the level of each partner's control in the process of decision making related with these individual contributions. Especially conflicts in the mature stage of IJV and alliance development tend to have a severe impact on international partnership

failure (Barden *et al,* 2005). By solving the problems at hand together, in line with the mutual goals, organizational justice is created, where trust and partner satisfaction is improved as well as the level of familiarization among partners.

IJV and alliance managers must dedicate much effort to solve conflicts between their IJV or alliance partners and themselves in order to uphold the IJV or alliance performance. Every person acts differently in conflict situations, this could be due to situational factors (factors prior to the conflict situation, and background of other parties etc) or through cultural backgrounds (Ma, 2007; Wilmot and Hocker, 2001). Lin and Germain (1998) state four conflict management styles in IJVs and alliances, namely: Legalistic, problem solving, compromising and forcing. (1) The *Legalistic* approach can be introduced by IJV or alliance managers whom fall back on predefined contractual agreements or informal binding agreements in order to attain the outcomes which are desired from a conflict. (2) The *Collaborating* (Problem solving) approach is perceived as being both an assertive and cooperative style, where an individual in cooperation with the other party tries to find a fitting solution which satisfies the need of both parties through good collaboration. It often involves a form of analyzing a disagreement in order to learn from both parties` perspective (Zhang *et al, 2005*; Thomas and Kilmann,1974; Lin and Germain 1998). (3) The *Compromising* approach: It explores the solution alternative and seeks for the most mutually acceptable middle ground solution which satisfies both parties` needs partially (Zhang *et al, 2005*; Thomas and Kilmann,1974; Lin and Germain 1998).   (4) The *Competing* (Forcing) approach*:* This approach implies that personal interests are pursued at the other party's expense by using whatever power which seems appropriate to win one's position (Zhang *et al, 2005*; Thomas and Kilmann, 1974; Lin and Germain 1998). The original conflict management work of Blake and Mouton (1964) add two conflict management styles, namely: The *Accommodating* approach: one satisfies the concerns of the other party at the cost of one's own concerns (Zhang *et al, 2005*; Blake and Mouton, 1964). The *Avoiding* approach: one does not deal with the actual conflict itself but withdraws from it (Zhang *et al, 2005*; Blake and Mouton, 1964).

Good conflict management is crucial in IJV and alliances, where managers from different cultures are dependent on each other in achieving shared goals, objective and to build trust and relationships among the partners (Brockner et al, 2000. Fields, Pang, and Chiu, 2000). The Cambridge Dictionary (2009) defines resolution as *"to solve or end a problem*

or difficulty". Conflict resolution is dependent on the conflict behaviour of the conflicting parties as well as in which manner the conflict is managed (Chang & Ng, 2005). So we can say that different conflict behaviour styles do lead to different conflict resolution styles and in the end lead to different outcomes (Ma, 2007). Chen and Tjosvold (2005) especially lay focus on *cooperative conflict resolution styles (Accommodating, Collaborating and Compromising)*: in which concern is shown for others due to the fact that reaching shared objectives are in the best interest of the IJV or alliance. These cooperative styles generally yield a positive outcome in the workplace. On the other hand we have *competition conflict resolution styles, (Avoiding, Competing and Legalistic)* which are less suitable in partnerships due to the fact that solely one person's best interests are strived for (Meyer, 2004; Wieder-Hatfield & Hatfield, 1996). In order to ensure partner satisfaction and so satisfactory IJV and alliance performance the managers should resolve the conflicts effectively, by solving them in a cooperative manner focusing on attaining the shared goals and objectives of the partnership. These cooperative approaches towards conflict management build up productive conflicts which lead to top management effectiveness, hereby promoting organizational innovation and creativeness (Chen & Tjosvold, 2005). Argyris (1993) concluded that the executives in the strategic management team must step away from values such as unilateral control and constant winning in order to accept values which mutually influence and benefit the partnership, which can help them to put together their ideas to resolve intransigent partnership problems. However, before a top management team of an IJV or alliance can reap the benefits of cooperative conflict resolution, one must know how to work together and cultural differences should be known and accepted.

Concluding, it is essential in IJV and alliances where day to day joint strategic management decisions are made, to manage conflicts effectively. In these partnerships where both parties have individual and mutual goals, the level of partner satisfaction is important. When this level of partner satisfaction is low the partners will loose sight of each other and eventually the partnership will deteriorate dramatically. This is why conflict management in partnerships should be focused on more cooperative conflict management styles, where attention is paid to obtain shared goals and objectives instead of individual goals.

2.5 Partnership Success

As mentioned earlier, partnerships are FDI forms which do come with substantial complications, however a successful partnership can grant the visiting parties major benefits. When we take a look at the factors which make a partnership successful, we see that partner fit plays a significant role. When partners share the same goals and objectives (strategic symmetry) (Barney and Hansen, 1994), complementary skills or resources (Geringer, 1991) and are able to share this intelligence effectively partner fit is created, having a positive influence on partnership performance (Yadong Luo, 1997). In the end the fit depends on how the partners are able to transform from two individual companies into one body with similar goals and objectives. This is done through extensive communication, absorption capacity of both firms and their product relatedness (Yadong Luo, 1997). Attaining partnership fit starts during the selection phase, Zeira and Shenkar, (1990) state that especially in hostile, complex and dynamic environments, such as the Chinese market, partner selection is crucial. In the end partnership performance can be rated through market power, gained experience, knowledge or resources, size of the workforce and the efficiency of organizational collaboration (Yadong Luo, 1997).

Conflicts could offer companies substantial problems; however, conflicts between two cultures for example in IJV and alliances are even more complicated to solve (Choi & Beamisch, 2004). The bigger the cultural gap between the two parties the harder it will be to understand each other's perspective. Cultural similarity being one of the defining factors in successful effective conflict management, is a subject which should be approached with attention before creating an IJV or an alliance (Lane and Beamish, 1990). So before we venture forth on our journey in cross cultural conflict management we should first pay attention to the concept of culture in order to comprehend the behaviour of our IJV or alliance partner.

2.6 The Netherlands and China: Culture

Culture is defined by Hofstede & Hofstede (2005) as being: "...*the collective programming (thinking, feeling and acting) of the mind which distinguishes the members of one group or category of people from another.*" Hofstede & Hofstede (2005) elaborate

that culture is largely learned and somewhat inborn, it is build up through one's interaction with one's social environment and is created by national societies.

It are these different types of learned thinking patterns which may hinder smooth conflict resolution in international negotiations and partnerships. Since diverse national cultures have deviating signalling languages, problematic misunderstandings are easily occurred seen the cultural differences in handling conflicts and styles of negotiating (Morris *et al* , 1998, Hofstede. 2005). Davidson (2002) adds that an individual's national culture must be taken into account to solve interpersonal conflicts efficiently due to the fact that one adopts its norms and values of behaviour from national culture and the society one is living in. Furthermore Hofstede (2005) and Chen and Tjosvold (2002) highlight the importance of one's national cultures' individualism/ collectivism dimension on the concept of conflict management behaviour. Seen the substantial importance of the influence of national culture on individuals and their conflict management behaviour, we like to investigate the Dutch and Chinese culture more thoroughly.

Brief introduction into the Chinese culture

One of the most powerful drivers behind the traditional Chinese culture are the deeply rooted values and beliefs of the famous Chinese philosopher Confucius (who lived from 551 – 479 B.C). Confucius laid substantial importance on the harmonization amongst members of the Chinese society and the act of decent behaviour. He stated that by doing so, troubles like conflicts and wars were to be avoided. A guide was introduced by Confucius of moral conduct (consisting out of a framework of four fundamental concepts: hierarchical relationships, family ties, Jen (self discipline) and the important value of education) on how to behave and how to deal with crisis in life. He presented how these hard times could be avoided, by constantly continuing to attain one's personal goals in life. These values and believes have supplied China with a clear and strong foundation of moral discipline which still is present in nowadays society (Hofstede & Hofstede, 2005; Tang and Ward, 2003).

Two often quoted topics when discussing Chinese culture and business life are "*Guanxi*" and "*Face*". These values originated from the ideas of Confucius and are currently still key factors in the Chinese culture (Fox, 2008). *Guanxi* encompasses a fundamental and especially deep rooted driver in creating and developing contacts (relationships and

connections) which are beyond family relations within the Chinese society. It is mainly based on shared mutual benefits, trust and interest among two people or parties by means of favours and/ or services. These services or favours can be family or business related between members of different or the same status, nationality, sex or age. The Chinese do to a large extent value Guanxi as very important in doing business, where setting interpersonal relationships is key (Hofstede & Hofstede, 2005; Tang and Ward, 2003). The concept of *face* is related to Guanxi. Face is directly associated with values such as dignity, honour and a sense of pride. Goffman (1967) defines face as being a representation of the self defined in terms of accepted social characteristics. When faults are made for example in offering services or favours (See Guanxi) one can lose face. Although this offense could have been unintentional, it could have a huge negative impact on the relationship one has. Family is interlinked within this concept, losing face directly relates to losing face for the individual but also for his family, friends, company and other relations. Ohbuchi *et al* (2001) state that there are two ways to address another person with regard to the face issue, namely confirmation and disconfirmation. Confirmation involves showing the other person respect in which their positive self representation of being strong and capable is accepted by the other party. Disconfirmation encompasses the rejection of the other's self representation of being strong and capable.

Brief introduction into the Dutch culture

The Dutch culture has been very diverse for many ages, this due to the imported foreign influences through the extensive exploring and merchant spirit of the Dutch. It has been this process as well as the substantial inflow of foreigners (especially from the Dutch colonies such as: Surinam and Indonesia) which gives The Netherlands such a varied culture (CBS, 2009; Spicer, 2004). Although The Netherlands is seen as a small country with 16 million inhabitants, it plays a vital role in international trade, namely, it is the centre for European trade. The Dutch were one of the first and one of the most successful in international trade and exploration (CBS, 2009). During the 17th century Dutch trade, science, art and military power reached its peak, these so called "Golden Ages" have been of vital importance for the Netherlands (Spicer, 2004). Nowadays Dutch art and trade are internationally well known. Being the so called "Gateway to Europe", the Dutch harbour is most of the time the first destination of transcontinental goods

when shipped to European countries. It is this extensive international trade as well as the religious reformation (Calvinism) in the 17th century which resulted in the Dutch being a very tolerant society with an open perception towards foreigners and people who follow other religions (Spicer, 2004). The Dutch have a no nonsense culture and they tend to get down to business straight away. When comparing the Confucianistic teaching systems of Chinese schools with the Socrates teaching systems of Dutch schools, we can see that instead of a focus on collectivistic teaching, the Dutch focus on interaction between teacher and student, where the students are encouraged to give their own individual opinion and criticize the teacher. Whereas in China, opinions are given collectively, the learning style is more absorptive, where students memorize and copy the teacher resulting in less creativity (De Man, 2005; Chen & Tjosvold, 2005).

Hofstede's dimensions: China and the Netherlands

In order to get a clear perception of a specific culture Hofstede & Hofstede (2005) have developed a cultural dimension framework in which five main criteria describe a culture and makes comparison possible. The so called five dimensions (all rated 0 – 100, where 0 scores lowest and 100 scores highest) are: Power distance, Uncertainty Avoidance, Individualism/ Collectivism, Masculinity/ Femininity and Long Term/ short term orientation. When comparing the allocated scores along these cultural dimensions, we can see a vast difference among The Netherlands and China. (See Table 1)

	The Netherlands	China
Individualism (IDV)	80	20
Power Distance (PDI)	38	80
Uncertainty avoidance (UAI)	53	30
Masculinity (MAS)	14	66
Long term orientation (LTO)	44	118

Table 1 Cultural differences between the Netherlands and China in Hofstede's (2005) dimensions

IDV: The Dutch society is more individualistic compared to the collectivistic society of the Chinese. The Dutch focus more on their personal interest, where the Chinese focus on satisfying both personal as well as group related needs. The concepts of "face" and "Guanxi" are good examples of collectivism, where harmonizing relationships are key (Tang and Ward, 2003; Hofstede & Hofstede, 2005). **PDI:** the high score in PDI in the Chinese society is a result of the taught Confucius philosophy of attaining one's personal goals, if done so one will be rewarded with respect and status. Authority and respect are founded early in life, Fathers/ Teachers and managers are perceived as role models by their children/ students and subordinates (paternalistic) (Tang and Ward, 2003). **UAI:** The Dutch tend to imply more rules and regulations in order to protect themselves from risks and uncertainties. **MAS**: The Netherlands (14) being one of the most feminine societies in the world values well developed working relationships, cooperation, working areas and employment security. In China people value: higher earnings, recognition, advancement and challenges more. Examples which we can find between the Chinese and Dutch business culture are: Chinese management is aggressive and decisive, as where the Dutch tend to focus more on intuition and consensus. Conflicts in the Netherlands are mostly overcome through compromising and negotiations, as where in China the strongest wins (Hofstede & Hofstede, 2005). **LTO**: China being the most long term oriented society, fosters virtues oriented in future rewards, where carefulness and perseverance are of key importance. The Netherlands, being a short term oriented society builds more on nurturing of virtues linked to the present and past, where social obligations and respect for tradition are important. A good example is the Guanxi concept in China, where relationships are build in order to create lifelong personal networks.

Concluding, we can state that after analyzing both cultures at hand, there are substantial discrepancies which can be found, especially while cultural similarities are seen as main influencing factors in effective conflict management styles in the joint strategic management process. Different cultural beliefs and values can offer considerable difficulties in managing these Sino-Dutch partnerships. However cultural awareness and cultural value system understanding can be created in order to overcome these cultural barriers and forms of misunderstanding (Tang and Ward, 2003; Hofstede & Hofstede, 2005).

2.7 Research Model

The following model (see figure 1) has been introduced in order to give us an understanding of which variables are utilized and how these are coherent. Prior studies inform us that conflict management behaviour is influenced by the variables: national culture and situational factors (factors prior to the conflict situation, and background of other parties etc) (Ma, 2007; Wilmot and Hocker, 2001). This study will focus more on the cultural aspects than the situational factors which are different in every occasion and so, difficult to take into account. When it comes to the stage of conflict management and resolution, partnership characteristics, factors such as power allocation, cultural similarities and age of the venture do have substantial influences. The conflict outcome is influenced by the partnership characteristics, national culture, the manner of how the conflict is resolved and if both parties are satisfied with the outcome or not. Therefore both conflict management and IJV and alliance success are influenced by the concept of culture. We assume that when conflict management is dealt with correctly and effectively (focusing on cooperative conflict resolution) it will have a positive effect on partner satisfaction, directly improving IJV or alliance success.

The following paragraph will portray how the indicators at hand from the theory will be measured to find out a fitting answer for the problem statement. *National Culture:* National culture is measured using Hofstede's (2005) cultural dimensions framework. The dimensions IDV, PDI, UAI, MAS and LTO define what kind of national culture one is living in. For this study we especially take a look at the IDV and PDI dimensions due to the fact that these are key representative factors which influence the Chinese individual's conflict management style (Hofstede, 2005; Chen and Tjosvold, 2002). Furthermore these factors do also contribute to their openness in conflict resolution and the willingness to discuss conflict situations. *Conflict management:* Conflict behavior in partnerships will be measured using the theories of Lin and Germain (1998) completed by the theories of Zhang *et al* (2005). The former states four conflict management behavior styles namely: legalistic, problem solving, compromising and forcing. The latter adds accommodating and avoiding to the conflict management behaviour equation. Regarding conflict resolution we used the two conflict resolution styles of Chen and Tjosvold (2005) which elaborate further on the previous stated models. They portray two resolution styles namely: cooperatively conflict resolution styles comprising

accommodating, collaborating and compromising and competition conflict resolution styles comprising avoiding, competing and legalistic. National culture, partner characteristics and situational factors influence conflict resolution. *Partnership characteristics:* are measured utilizing the theories of Lane and Beamisch (1990) stating that the international partnership characteristics are build up from power allocation, cultural similarities and the age of the partnership. These factors contribute to the efficiency in which partners are able to discuss problems or how efficiently they can communicate with each other. *Partnership success:* is measured by the longevity of the fit of the partnership, the achieved goals and objectives, the partnership dependence for success, the increase of the workforce, market power, scarce resources or capital.
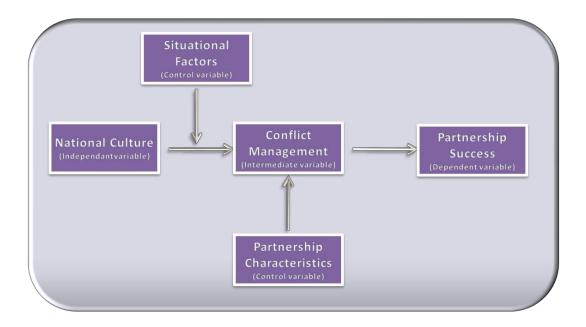

Figure 1 Thesis Model of Conflict Management in IJV or alliance success

2.8 Literature Summary

IJVs and alliances are often preferred entry modes, which grant the visiting company relatively easy entry to a foreign market. However, figures regarding IJVs and alliance failure rates still are disappointing with an astonishing high failure rate of over 50%. IJVs and alliances often are terminated as a result of inefficient cross cultural communication and understanding, dependency on the other party and disagreements resulting in conflicts. It is cross cultural conflict resolution which plays such a vital role in the success of IJVs and alliances. Several factors such as *age of the IJV or alliance, power allocation and cultural similarities* are important for conflict management to succeed. Culture is

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directly influencing conflict management behaviour in societies, and therefore highly important to investigate. Especially in IJVs and alliances it is vital to understand your partner totally in order to strive for IJV or alliance success.

This study aims to find out if the role of effective conflict management can contribute positively on the longevity and the survival of IJVs and alliances between two partners from different cultures (in this case China and the Netherlands). The next part of the report, the methodology will take a look into the methods and approaches utilized in order to get primary information from various sources available.

3. Methodology

3.1 Introduction

The methodological part of the study will give us insight on the methods utilized in order to gather primary data regarding the IJVs and alliances between Dutch and Chinese partners, conflict management and cultural differences. By executing this exploratory study, a study which seeks new insights regarding subjects (Robson, 2002), we will investigate the fundamental factors which make partnerships between Dutch and Chinese parties a success. This study comprises a qualitative research approach (Saunders *et al*, 2007), by introducing a main qualitative information gathering method in order to gain rich primary information regarding the subjects. This approach will give us substantially more information in order to better evaluate our research findings for answering the problem statement (Tashakkori and Teddlie, 2003). Semi structured qualitative interviews among several Dutch and Chinese strategic IJV/ alliance managers and China experts have been introduced in order to gather in-depth information regarding the topics. The methodological part comprises the research design, the respondents, the procedure and the utilized instruments.

3.2 Research Design

The objective of this study is to supply explorative information regarding the topics at hand to the readers. In order to get a full understanding of Sino-Dutch partnership strategic conflict management and cultural differences a qualitative approach has been utilized. The qualitative part is based on semi-structured interviews among several Dutch

and Chinese strategic IJV and Alliance managers and consultants who hold relevant field experience. The research part of the study will be focusing on acquiring data regarding the variables influencing the effectiveness of partnership's conflict management with regard to partnership success. It will give us an in-depth understanding of the topics, where underlying reasons and motivations are shared and noted. Shadish *et al,* (2001) state that the qualitative interview method will supply us with information regarding motivations and underlying reasons, due to the fact that the information gathered is richer and broader compared to quantitative and experimental research. A case study: Interview approach was chosen, which will grant us a rich and clear understanding of the research context and the process behind it (Morris and Wood, 1991). This method offers us a substantial higher validity compared to experiments or surveys; we tend to acquire as much information as possible in order to attain a high validity (Babbie, 2006). This study is using a multiple case research method, hereby offering higher validity than single case studies and possibilities to generalize from the findings (Yin, 2003).

3.3 Respondents

Information was gathered through semi-structured face to face interviews. The units of observation will mainly be strategic managers from companies which have pursued IJVs and alliances with Chinese partners or from companies who have been supervising or supporting the IJV and alliance process. Eleven experts were interviewed, specializing in the field of international IJV and alliance management (See table 2). Interviewing experts in the field regarding the topic at hand is one principal way of conducting explanatory studies (Saunders *et al,* 2007*).* The eleven experts were selected from eleven different companies in order to gain an unbiased view regarding the role of conflict situations in the process of managing IJVs and Alliances. The experts were selected from a list of companies, both small to large sized companies from various industries. This broad perspective in selection has been used in order to get as much information as possible on the topics discussed. The focus was on companies from the Netherlands who have actual partnerships with China through IJV and alliances. The experts interviewed were people who have experience in IJVs or alliances between Dutch and Chinese partners. There was a focus on getting a diverse sample in order to gain as much varied information as possible. It are these boundaries which form the context of this research (Yin, 2003). Interviewing eleven experts in the field will not give us enough information to create

generalized conclusions; however, we believe that it will give us unbiased indications of what happens in actual IJV or alliances with Dutch and Chinese partners.

Company	Specialisation	Time	Medium	Male/ Female
IRINSIDE	China Consultant for Dutch Firms	1 hour	Phone, China	Female
Dragon Business Club	Bringing Chinese and Dutch business together	45 min	Face to face	Male
China Consult	China Expert	40 min	Phone, China	Female
DDMA	Chinese- Dutch consultant partnership	1 hour	Face to face	Male
Chinese project realisation	Chinese and Dutch partnership consultant	40 min	Face to face	Female
Cross Oceans	Sino-Dutch partnership manager	35 min	Phone, The Netherlands	Male
Springermail	Sino-Dutch partnership manager	40 min	Phone, China	Male
Eusino	Consultant supporting Sino-Dutch projects	55 min	Face to face	Male
Hong Kong Jockey Club	Dutch manager in Chinese organisation	45 min	Phone, Hong Kong	Male
CMS Derks Star Bussman	Chinese law and Sino-Dutch partnership consultant	45 min	Phone, China	Male
Schadebo	Dutch manager with Chinese partner	35 min	Phone, The Netherlands	Male

Table 2 Interview candidates per company

3.4 Data collection protocol

The qualitative part of the study comprised face to face interviews with managers from companies in the Netherlands with partnerships in China or from companies who have been supervising or supporting the IJV and alliance process. The interview encompassed 17 questions regarding the concepts of the IJVs and alliance process between Chinese and Dutch partners, strategic conflict management and culture differences and took about one hour to gather the information (See APPENDIX I). The information was recorded by means of notes and audio records in order to minimize the loss of information.

3.5 Measurements

The qualitative part of the study comprised out of the concepts of the IJVs and alliance process between Chinese and Dutch partners, strategic conflict management and cultural differences. The interviews are semi-standardized; a list of questions and themes to be covered will be used to get the requested information, next to this approach there will be room and time for some improvisation in order to get varied and specific data. The semi-structured interview questions are based on the constructs used in the theoretical overview in order to give a clear answer to the problem statement. By

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introducing these questions in sequential order it will be clearer for the person who is interviewed, and more useful information will be easily gathered in order to answer the problem statement. The focus of this explorative study is to acquire as much information as possible regarding this topic. In order to gather this rich and broad information we have implemented a question list comprising out of open ended questions, statements and real life experiences (Babbie, 2006). In order to avoid any misunderstandings, the subjects will be defined and explained to the people who will be interviewed.

3.6 Data processing and analysis

Analysing the data started during the interview process, where the obtained data was compared with the information given in the theoretical framework and previous interview candidates. This data analysis continued afterwards, when the conversations were written out from audio recordings on paper. This has been done in order to avoid biases which could have influenced the data, due to the researcher's own perception of the conversation and the answers that were given. These manuscripts were analyzed and compared by usage of coding to find groups of similar items and to get an overview of the patterns which were observable in the process of Sino-Dutch partnerships. The statements were scored on originality and occurrence rate with "+" and "-"and were later on compared regarding their relevance for this study. The selected statements of the respondents were grouped into categories, where after relationships were established and conclusions were drawn to answer the problem formulation.

4. Research Findings

4.1 Results

This study attempts to answer the following problem statement, namely: *What factors play a substantial role in conflict management of Sino-Dutch partnerships in attaining partnership success?*

This part of the study comprises the actual research findings concerning the qualitative research method covering 11 interviews with professionals. These findings will give us insight in answering the research questions regarding the topics, *Sino-Dutch partnerships, joint strategic conflict management* and *cultural issues*. During discussion of the research findings we will recap the sub-questions stated in the problem statement. By doing so the reader will be able to easily find the answer to the related sub-question. In the conclusion the overall problem statement will be answered.

4.2 Sino-Dutch partnerships Characteristics

Partnership characteristics do play a substantial role in conflict management and resolution, the better the relationship and understanding, the better both parties are able to solve conflict more effectively. In this section of the report the findings will be discussed regarding the interview questions of: partner selection, input, power allocation, age of the partnership and cultural similarities. APPENDIX II shows us the overall driving forces and reasons for Sino-Dutch partnerships.

All respondents pointed out that finding a fitting partner is one of the key important issues in starting a successful partnership. Especially a lot of attention must be paid to the initial selection stage in order to avoid future partnership related issues. Although finding a fitting party is a very important process, it can be very difficult for a Dutch party to find the right partner in China and vice versa. Important partner characteristic information such as financial wealth, credit history, tax rapports, logistics, management fit and strong internal market knowledge/ connections is hard to obtain when limited knowledge regarding the Chinese market is at play. Several sources are available in China to aid foreign companies in their search for partners. Sources such as the government, the chamber of commerce and other governmental institutions will aid the searching

parties partially by offering them services such as lists of viable companies in a certain region, sector etc, but cannot give detailed feedback on important company characteristics defined above. In order to obtain this information detailed research has to be done, through own attempts or through hiring a consultant specializing in this area. Conducting this research yourself can be a very difficult and complicated process when not having the knowledge or the network to aid your search, the vital information which is requested is most of the time very hard to obtain. A consultant on the other hand, has the knowledge of the local market, has the ability to gain easier access to this information through his/ her business network and is able to mediate in the process of initial partnership agreements. The majority of the respondents did use consultants to successfully find the fitting partner they were looking for.

One consultant elaborated on the selection process in which they aided a Dutch party to find a fitting Chinese partner: "*We have introduced our client to numerous partners in the Chinese market through international projects and fairs. We consulted several governmental sources such as the Chamber of Commerce in order to acquire a list of viable companies and did additional research to find a good fit looking at goals and objectives and partner characteristics. Afterwards we mediated in the initial agreement discussion process in order to help set up a successful partnership.*"

Although a consultant can give you that initial open door situation, they are not able to grant success and trust. Especially that last issue requires a lot of time and effort in order to be established from the initial partnership agreement discussions to the actual implementation of the plans. In order for trust as well as Guanxi to be built the foreign party must invest a lot of time in physical and non physical social meetings with the other party at hand. The issue of trust and mutual understanding is defined by the respondents as one of the most important issues in setting up a successful partnership.

One respondent quoted: "*We do not directly mediate in the consultancy process between partners, we only support parties when agreements are made and e.g. breached. However most of the time we advise the foreign company to look for a party within China which is trustworthy. The concept of trust is essential in China, through building guanxi and creating reliable social networks, however it can be perceived very differently from culture to culture. So be specific, critical, apply a lot of research and start building a good relationship from day one. Make well defined agreements, when you discuss these issues*

you can always analyze if the partner is to be trusted and what you can expect from them."

The sector one is operating in, the relationship one has with its partner and the sizes of the companies in the partnership defines the balance of power/ authority in the partnership. The majority of the interviewed experts stated they were active in or supporting partnerships with a 50/50 authority allocation, with exception of partnerships in protected markets where the foreign party was not allowed to have a majority or equal share. In open market sectors it is normal to have 50/50 balance of power relations, however, if the foreign party is able to get more than the 50% authority, it often strives for the maximum share achievable. Although we interviewed respondents from both shared control perspective and domination control perspective, we could not define one of these perspectives being more successful than the other.

When we take a look at the overall input both parties offer the partnership we can conclude that these inputs differ between partnerships and sectors. From the responses of the interviewed candidates we can conclude that in most production situations, the Chinese party offers the workforce, capital, the facilities, market knowledge and the business network for domestic selling. The Dutch party on the other hand brings capital into the venture, management skills, technology, knowledge and expertise. However, this trend is changing rapidly, where the Chinese are getting more and more technological advanced and are getting more economical powerful so need for capital is not substantially important anymore.

One Chinese consultant specializing in Sino-Dutch Partnerships confirms this statement quoting: *"China is growing rapidly economically as well as technologically, the foreign party has to offer a resource which is scarce and necessary for the Chinese party to create this mutual win/win situation. Money, technology and management styles are resources which China already owns and which are not necessarily needed. "*

Another China consultant working in a Sino-Dutch partnership explains this win/ win situation from his company's point of view (service): *"This partnership is focused on a mutual exchange of services, the partnership is based on network sharing and mutual information gathering. The Chinese partner is getting information access to the Dutch market, hereby they are better able to assist their Chinese clients with business plans in*

the Netherlands. And vice versa for the Dutch company. Furthermore, the Dutch company offers management training and knowledge to the Chinese partner, where the Chinese offers new employees. By creating this partnership both parties benefit from each other, without each other's aid the individual party's offered quality and business would be substantially less than now. It is partly this win/ win situation which allows our partnership to be successful."

When we take a look at the age of the partnerships of the interviewed candidates we do see a considerable discrepancy in findings. Because the study also includes partnerships that were disbanded it is hard to draw generizable findings. However, we do see similarities in answers regarding the process of setting up Sino-Dutch partnerships. The majority of the candidates explain that setting up a partnership especially in the beginning phase requires remarkable input and effort. However, when time progresses and the age of the partnership increases, the amount of trust and mutual understanding also grows. These relationships especially in China strengthen over the years. Most partnerships reaching termination are in the beginning stages, where trust and mutual understanding is still lacking.

A Sino-Dutch IJV manager of ship container transport company explains the successful business model of his long-lasting partnership with his Chinese partner and demonstrates the importance of offering each other scarce inputs: " *Our company has been in this 50/50 Sino-Dutch partnership since 1981. The main knowledge centre is our office in the Netherlands, the Chinese partner is more focused on business related issues. The Chinese party brings the ships, the systems and the goods. Furthermore the business comes from the Chinese, making use of the networks and clients of the partner. The Dutch offer the knowhow, communication, rules and regulations. The reason why this IJV has been so successful are the mutual goals we defined in our business model and the partnership itself generates the business. Both parties in every partnership should benefit from their IJV or alliance, there should be a win/ win situation in the end, by means of attaining money, partner network usage or other business related outputs. "*

When it comes to cultural similarity, theories of Hofstede (2005) and our findings do prove that the Chinese and Dutch national cultures do vary enormously. The cultural section of the interview will elaborate on the topic of culture in more detail. The respondents, both Chinese and Dutch do portrait large differences between both

cultures, although these differences may cause problems, it should not be perceived as an impossible project. When both cultures do pay attention to cultural awareness and understanding the venture should not be limited by these factors. The Chinese parties which were interviewed living in the Netherlands with partners in China do not share these feelings. In the end we can draw the following conclusion, the better the cultural understanding and awareness the better both parties are able to collaborate together.

Summary

When taking a look at the issues discussed in the first section of the interview we can state that finding the right partner is of key importance in building a solid and strong relationship. A consultant can offer services which may aid this process, although one can grant some security, issues such as trust are hard to assess. Furthermore we do see a substantial discrepancy in power allocation within our sample. The majority utilized an equal share perspective, however, we cannot draw a generalized conclusion which perspective is best in Sino-Dutch partnership situations. However, when not limited by local ownership majority restrictions, the foreign party tends to gain as much of authority and ownership in the venture as possible. The age of the partnership is of substantial importance when it comes to mutual understanding and conflict resolution. The more years the partners have been in a partnership, the stronger the relationship, the more they understand each other and the better they are able to deal with or solve conflicts which arise. Regarding cultural distance we do see a substantial discrepancy between both national cultures, although this could result in some complications, it should not be a reason not to undertake this venture.

4.3 Sino-Dutch Conflict situations

The second section of the interview focuses on Sino-Dutch conflict situations, how they originated, how they are solved and the perceived differences by both parties. When asking the respondents for the most impressive or memorable conflict situation they encountered, a large variety was found in the answers that were given. Although some answers covered identical issues, we have classified the data into three subjects based on rate of occurrence. By doing so the reader will get familiar with the most occurring and most experienced conflicts in Sino-Dutch partnerships. These types of conflicts are:

Different views in running a company, different perceptions in agreements and Social face saving.

Different views of running a viable business

One conflict which is often encountered after closing the partnership agreement are the different views of running a viable business. The Chinese do tend to think differently regarding commercial aspects compared to their Dutch counterparts. Discussions regarding selling prices and future prospects are often reasons for conflict escalation. Dutch people are planners, focus on long term strategies in order for their company to be successful. Focusing on the long term the Dutch rely on investments and turnover in order to achieve a solid return on investment. One key focal point of the Dutch business viewpoint is to get their investment back and focus on profit when this breakeven point is met. This is mostly done focusing on a substantial profit margin which can realize this return. The Chinese however are more short term focused, where the Dutch focus on long term return on investment building with substantial profit margins, the Chinese focus on cutting edge prices, ad-hoc decisions, cut throat competition and quick market coverage. The Chinese have a reluctant perception towards making costs and setting up a solid business but focus more on getting quick profits and getting in and out the market fast, especially in the bigger cities there is a lot of focus on fast making money.

One consultant gave a good example regarding the reluctant viewpoint of the Chinese towards making costs: *"The Chinese are not often focused on making long term financial investments to create long term success. For example: Many Chinese companies only invest in marketing when sales have already been made. Where the Dutch see marketing as an initial investment which generates sales. It often happens that Chinese companies exit partnerships with Dutch firms due to the fact that the IJV or alliance did not make profit on the short term."*

Another China expert explained the origin of this short term business focus: *"This difference is linked to culture. The Chinese do think differently about commercial aspects compared to the Dutch. 30 years ago China wasn't a market economy so the knowledge of running a viable business is still in a developing state. Their perception of running a business is very short term oriented, and the focus is not on getting your return on investment but on profit instead of what was invested."*

The Chinese being familiar with this short term business orientation, made the market very competitive and rapidly changing. The Chinese are well known for their ability to perceive market changes and directly adapt their company to these changes, making them dangerously flexible competitors in the field of business. We can see a lot of this ad-hoc decision making in the top layers of Chinese companies. The enormous power distance between top level managers and lower level employees grants the top managers autonomy and authority. This authority creates a fast and flexible ability to adapt compared to the Dutch way of working. These ad-hoc changes while not planning in advance as the Dutch tend to do, can result in enormous production bottlenecks, where overtime work is a consequence. Although these ad-hoc changes can offer substantial benefits, it can also prove to be a disadvantage. When ad-hoc decisions are made by one person, not involving a lot of planning, mistakes can be made easily.

One Joint Venture manager elaborated on his experiences regarding this statement: "*In China status and authority are perceived differently compared to the Netherlands. When something is decided by top management it is always carried out, there is not a lot of bottom up communication which limits creativity. The Chinese tend to have a lot of respect towards others, especially people from higher layers of the society such as managers, bosses, parents and teachers etc. This way of respecting people of higher classes makes the Chinese also result driven. Furthermore, they are very timid and do not like to be the centre of attention, they are very sincere, kind, ambitious, respectful and tend to do everything to grow personally.*"

The conflict situation regarding the different perception of running a business can be a hard issue to efficiently tackle. Most of the time when this situation is at play the conflict is already in such a mature stage that it is hard to solve due to the fact that the individual parties' perception of running a viable business are incongruent. The consultants responded that when business models and way of working differ too much between partners it often leads to termination of the venture. This is often a sign of bad communication, bad agreements and a lot of ambiguity in the initial stages of setting up the partnership.

One respondent elaborates on this issue: *"The conflict at hand often leads to termination, due to bad communication when the joint venture was created and the individual party's expectations. In order to avoid such complicated situations, a*

preventive solution would be to pay substantial attention to the partnership collaboration and perception of attaining mutual goals during the initial partnership meetings. By aligning the expectations and goals and by continuously communicating these values throughout the company mistakes are avoided. These differences in perceptions of running a business are often seen as hindrances complicating joint collaboration. However, the planning business ethic of the Dutch combined with the flexibility of the Chinese makes them a substantially versatile unit."

Different perception in agreements

Another often mentioned difference between the Dutch and the Chinese are the differences in perception of agreements such as legal documents, contracts etc. Dutch people tend to draw a lot of power from signed contracts, it gives them security in their home market because all rules and regulations are fixed and any misbehaviour is penalized. The Chinese however, do have a different perception of contracts, where after closing the contract, contract rules are changed through oral discussion and oral agreements. In most Western culture contracts are binding in however China contracts are perceived as bureaucracy, they believe in relational trust, agreements they made orally and to be far more pragmatic. This difference in perception can lead to substantial misunderstanding and often partnership termination.

One Sino-Joint venture manager explained his conflict experience regarding this subject: *"The biggest conflict we encountered was with a Chinese party, with which we were working together for a long time. We found out that they had stolen a big client from us, without telling us, which resulted in severe financial damages for our company. The Chinese managing director tried to convince us that he didn't know about this action. However the real reason behind it was that, they wanted a bigger percentage from the Dutch party so they decided to go for it by themselves."*

One of the more well-known contracts to be breached is the intellectual property right contract. The same can be said here as in normal contractual agreements, the contracts are signed but still the agreement is breached due to the fact that the contracts are not perceived as binding.

One consultant specializing in Chinese law explained *"A conflict which often arises are the consequences of intellectual property rights protection, it often happens that a*

partnership is established and agreements are signed, but several months later more companies in the direct neighbourhood produce the same products as the Chinese partner. This is stealing of intellectual property rights." If agreements are breached it is often not solvable through effective conflict management styles because damages and distrust are often consequences of these actions. Most of the breached contracts result in partnership termination and law suits.

The Sino-Joint venture manager experiencing the agreement breach with its Chinese party over a big client explains this issue in more detail: *"This action resulted in financial damages and a substantial loss of trust from our side in the Chinese partner. They did not keep their promise hereby violating partnership rules. In the end we tried to resolute the problem in a professional manner, however, the Chinese party was not willing to solve the conflict. Eventually, the partnership was disbanded"*

Although the perception of agreements are different in China, there are several reasons why one should always focus on closing contracts. One import reason of working with contracts is that you will get all the agreements in detail on paper and because during this process you will get familiar with the expectancies of the other party, creating familiarity. Regarding law suits a contract can be a significant contributing factor in gaining victory.

A consultant specializing in Chinese law elaborates on this issue, he states: "*A contract gives you substantial power in court. Make sure that when going to court that you do not go to a Chinese court, but use international arbitrage. In the big cities of China normally you can get more support from the court as a foreign party, but in smaller towns there is more local Guanxi so the vote can be substantially influenced by the Chinese party which is taken to court."*

Regarding the issues of intellectual property infringement, the same can be said, namely make sure you close good contracts. Make sure you protect your intellectual property rights, if not you will not have a foot to stand on. The actual copying of the goods cannot be prevented, however when you have good contractual agreements you will have a substantial chance you will win the case. Make sure you state in the contract that the intellectual property stays in the hands of the Dutch firm but that the Chinese company

can utilize it for production or can license it, so that the ownership remains in the hands of the Dutch party.

Social Face saving

Many respondents elaborated on the fact that differences in social face saving can often result in conflicts. The Chinese being a collectivistic country in which relationships often prevail over job related issues, make it sometimes hard for foreign parties to be understood. Especially in the initial meetings, the Chinese tend to be somewhat more unemotional, because the relationship building is still in a childhood stage, trust and full cultural understanding are not fully build. It are these initial meetings in which both parties discuss goals, objectives and company conditions in detail. However many foreign companies visiting China have experienced a cultural barrier which is hard to comprehend namely, the Chinese's reasons of saying "yes". Because the Chinese wants to save face for its Dutch counterparts, it often happens that the Chinese says "yes" to a certain proposition, even if the proposition is far from realizable or is not accepted by the Chinese. In the end the Dutch party is dissatisfied due to the fact that the Chinese party did not deliver as expected. The Chinese act in such a way because they value social face and relationships over business performance, however this can result in substantial issues for the foreign party which is not familiar with these Chinese cultural differences.

One consultant specializing in Sino-Dutch partnerships, described how this issue resulted in total misunderstanding for one of its clients: *"One conflict I remember best was a conflict in which a partnership shared the same goals and objectives, but due to cultural perception differences there was a substantial misunderstanding between the two parties. In China the Power distance in combination with the social face saving can offer some problems for foreign parties when talking about e.g. sale volumes. In China it is hard to say "no" due to social face values and relationship building. So when the Dutch party's top management requested monthly output to be 10.000 units, the Chinese party's representatives said "yes", however this output was far from realizable and even declared outputs to exceed 15.000 units. This social face saving and also the importance of satisfying social relations (Guanxi) over business performance can create sincere misunderstandings for foreign parties. These cultural differences should be taken into account, otherwise these will create loss of face and severe friction between parties."*

The social face saving problem can be more easily solved than the problems stated above. Although conflict management regarding this issue is already a step too far, the parties should pay attention to efficient communication and expectations. Although clarity is often difficult to obtain due to these social face saving complications, there are however communication tactics applicable in order to find the actual reason behind the "yes" answer. In order to find out the actual reason behind the Chinese's his answer, it is wise to micro manage the process by asking indirect questions regarding the topic. Another solution can be, talking about other issues in order to release pressure and come back to the conflicting issue on a later point in time. The best solution is to build strong business and personal relations with the partner, by doing so, the Chinese party will become more open, because a substantial level of trust is established. By doing so more and more information will become available if the proposition was realizable or not. The combination of the Dutch party looking for security and the Chinese party not willing to say "no" in order to save face often results in misunderstandings. Most of the time Dutch businessman and women tend to act too direct, hereby confronting the Chinese party too directly. Such direct actions can come over as insults hereby affecting the Chinese's face value negatively. However, when the Chinese is not able to meet the promised expectancies, he or she is willing to do everything in his/her power in order to correct the mistake to re-establish the relationship.

One China expert specializing in Sino-Dutch partnerships explained how the Dutch party should approach this issue: *"When the Chinese party is unable to meet the promised agreements, most of the time the Dutch party will confront them regarding this issue. The Chinese will explain why they were not able to meet these expectations, hereby losing face value. In order to re-establish his value the Chinese will do everything in his power to do so. The Dutch party normally wants a fitting solution to the problem at hand, and the Chinese will try to arrange it as soon as possible, hereby trying to soothe the feelings of its counterpart. In order to smoothen this process several tips can be given, always confirm the social face value of the Chinese party. The Dutch party should not act too pushy in order to avoid any insults complicating the relationship. Don't be too emotional but focus on making solid agreements where all details are thoroughly discussed. Because communication is culturally biased, both parties can learn substantially from each other, the better you know your partner the better you will learn to work with each other."*

Summary:

When recapping the conflict part of our findings we draw the conclusion that among the answers given by the respondents there were three conflict situations which occurred the most. These situations are: (1) Different views in running a viable business: both the Dutch and the Chinese have their own ideas of running a viable business and the related business strategies. The largest difference is that the Chinese make ad-hoc decisions and focus on quick market coverage through sales, where the Dutch focus on the long term investment to set up a strong foundation. (2) Different perceptions in agreements: The Chinese perceive contract and legal documents as bureaucracy and normally make verbal agreements on trust and relationships, where the Dutch get their security through signed contracts. (3) Differences in social face saving: Due to the collectivist culture of the Chinese, face value is seen as a very important concept. We see a considerable focus on satisfying relationships over job related issues. This focus on social connections can lead to awkwardness for the Dutch when not aware. When it comes to conflict resolution, it is in the best interest of the partnership when the conflict is solved using a cooperative resolution style. By doing so the best interests of the partnership will be strived for creating more partner satisfaction. In some scenarios cooperative resolution is unachievable due to the conflict has gone substantially out of hand. Make sure you always have an authority figure in your social network who can aid you in solving conflict, especially when these conflicts are solved in court. We have seen that going to court still remains a gamble in China. Due to the fact that documents and contracts are not seen as legally binding but bureaucracy, going to court often results in losses for the foreign party. Next to this reliance on binding documents, often lack of knowledge of the Chinese justice system as well as lack of authority figures in one's social network can hinder a positive outcome. Going to court for a foreign party is not advisable reply several China experts, because nine out of ten cases against a Chinese party result in losses. Next to these issues, Chinese law outcomes are easily influenced through social networks and sometimes bribery is at play, which makes it a very insecure way to solve conflicts. Therefore find an international arbitration source which will solve your problems at hand effectively.

Overall findings conflict management and resolution

These examples give us a clear view of the differences in conflict management between the Dutch and the Chinese. When comparing these examples with the previous findings regarding conflict management we do see substantial similarities. The main difference between both cultures is that both cultures approach and deal with conflicts in an entirely different way. The Dutch prefer openness, clearness and prefer handling conflicts directly on a consensus basis. The Chinese however, value social face over business related matters, tend to deal with conflict indirectly, prefer to avoid conflict related issues in order to save face and they often overpower others when in higher positions in the hierarchy. However, when working together in a partnership it is vital that the conflicts are solved in a cooperative fashion in order to strive for the best interest of the company. Both parties must realize that conflicts must be solved cooperatively instead of competitively in order to run a successful partnership and to achieve substantial longevity.

One China expert elaborates of these issues, stating: "*Conflict management styles often clash due to fact that the Chinese most likely choose for competition and avoidance conflict management styles, whereas the Dutch prefer consensus. Although these differences exist, it is in the best interest of the partnership when both parties focus on the mutual objectives, and to solve these issues in such a matter that both parties are satisfied in order to strengthen the relationship and to establish higher levels of trust.*"

Another China expert adds: "*The Chinese are very open and willing to help, when problems arise, they are always willing to solve the problems from their side. The Chinese are indeed able to discuss problems as discussed in your findings. This to save face but also to keep the other party satisfied and secure the longevity of their business relationship. However in order to do so the Chinese must have his or her face value confirmed by the opposite party. Furthermore these issues should be discussed behind closed doors, because a Chinese's social face will be damaged when he will be asked to discuss conflict related issues out in the open.*"

When it comes to solving conflicts several issues must be addressed regarding the differences between the two cultures. In negotiations, the Dutch tend to be very direct and emotional, especially when there is not that much security as expected. Showing

emotions in the Netherlands is absolutely normal. Expressing emotions in the open and at work is culturally accepted and encouraged because an individual's opinions especially in business life is highly valued and is seen as creative co-working. However, in China is learnt that expressing emotions is in most situations a sign of weakness or frustration. These teachings result in awkward situations for foreigners in business negotiations. The Chinese are seen as hard to asses negotiators due to the fact that they possess negotiation skills which are unfamiliar to most of the Dutch individuals.

One China expert stated: *"The Chinese can be very aggressive when in a negotiation / conversation. During the discussion of conflicts: Chinese can walk away, raise their voice or hold out information. The Chinese do tend to have special communication strategies such as being silent in the conversation so that the opposite party will start saying things to break the silence. Or to provoke certain emotions from the other party. The Dutch being very emotional, show their emotions really rapidly e.g. they become angry, cross their arms, are too helpful and show facial expressions very easily."*

Now that we have defined the differences in conflict management styles, some important issues should be mentioned regarding the resolution of conflicts. Like stated earlier, the focus should be on cooperative conflict solving, where both parties' interest is taken into account. In order to do so there must be an open atmosphere which enables conflict issues to be discussed more effectively. Because the Chinese tend to be very indirect and avoiding when it comes to conflict discussion, it is vital that their face value is confirmed by the other party and that trust is established. Next to confirming face value, the Chinese also respect it when the Dutch counterpart highlight the benefits of the proposition for the Chinese company. A strong partnership relation can contribute substantially in order to create this openness and trust. Furthermore, it is advisable for the Dutch party to create strong Guanxi relations with the partner as well as third parties preferably from higher status, who can also aid in conflict resolution. Always discuss the conflicts one on one, avoid conflict discussion in situations where more people are present due to face value loss. An open conflict is never good for business. Dutch people need to be less direct, in dealing with conflicts and should become more unemotional during this discussion phase. The Dutch should learn how to interpret the Chinese counterpart, and should try to open them up to consensus conflict management solving

through discuss issues one by one, indirect questioning, asking for opinions and looking for solutions.

The respondents labelled the concept of conflict management as being of vital importance in the longevity as well as the success of Sino-Dutch partnerships. Although clear communication and clear agreements are key in preventively solving conflicts, conflicts are never avoidable, this is why both parties must be able to effectively solve these issues in the best interest of the partnership. Because conflict management styles do vary between cultures it can complicate conflict resolution, when not culturally aware of the differences. Mutual understanding is needed in order to effectively solve conflicts. Resolution styles which solely satisfy one party's best interest should be avoided, in order to avoid deterioration of the relationship. When conflicts are not efficiently dealt with, the Dutch party as the visiting party is normally the one who suffers the consequences when both parties go their separate ways. This due to the fact they have made the biggest investment in time and effort planning and going to China, and security is obtained through the Chinese partner. Although many perceive conflicts as bad, effective conflict resolution can offer innovative and beneficial outcomes for both parties. Conflict management when managed correctly can bring both parties closer together, will strengthen relationships, create openness and comfort, increases mutual understanding and will build trust among members. Important is to create an atmosphere in which the Chinese party is open, willing and encouraged to express one's opinion and view.

One consultant elaborates in this issue stating: *"Conflict management in partnerships is very important. If the Dutch partner solves the problem using one's own methods of problem solving and the Chinese party does the same frictions will originate in the relationship. Both parties when working together in the partnership must try and must be willing to understand each other. They should not only focus on their way of solving things but on the overall mutual shared objectives of the partnership. So that both parties will be satisfied with the end result. It is a take and give situation, the Confucian way of working also puts substantial importance on this topic. Both parties do have their individual goals but should strive for the win/win situation to strengthen the collaboration between both parties. The Dutch are well known for adjusting to the other's situations and often rely on consensus based conflict management resolution styles."*

Summary

After analysing the differences in conflict management styles we can conclude that there is a substantial difference between Dutch and Chinese perceptions. It is vital for partnerships that both parties understand each other's viewpoints. When taking a look at the solutions available we see that a partnership must focus on cooperative conflict resolution in order to obtain the best win/win situation for both parties, and even more important to obtain the best mutual outcome of the partnership. Although conflict solving is very important, it is also of equal importance to solve these issues preventively by clear initial agreements and open communication. However, if these two forms of resolution are not applicable, one can seek aid from high valued members in one's guanxi relationship network, or take the other party to court. All in all, conflict management perception differs substantially between the two cultures. The Dutch tend to be open, direct, clear and prefer to handle conflicts using consensus based solutions. The Chinese on the other hand, value social face over business related matters, deal with conflict indirectly, prefer to avoid conflict related issues in order to save face and they often overrule others when in higher positions in the hierarchy. The Chinese must be motivated to openly discuss their grievances, by confirming their face value and keeping conflict discussions in public. Effective conflict management is of essential importance in the longevity of a partnership. When conflicts are not able to be solved effectively, the partnership will deteriorate with often termination as an end result.

4.4 Sino-Dutch cultural differences

Culture plays a main role in conflict management and conflict origination. This is one of the reasons why conflict management tends to be so diverse across the globe. Conflicts often originate through different perceptions toward a certain issue, influenced highly by one's culture. The method which is used by the parties are also culturally biased. E.g. The open and consensus driven Dutch are used to openly discussing issues in business life, this is why they normally utilize full top to bottom company creativity to solve the problems in the best interest of the company at hand. We can see this method also in the Dutch school systems, where creativity is encouraged and rewarded. In China however, people focus on relationships over business related issues, saving face and decisions are taken by authority figures that hold substantial power over their employees. In the Chinese school systems the focus is more focused on adopting

knowledge instead of creative thinking. The teacher is seen more as a role model with substantial authority than a discussion partner. The conflict issues discussed above are all culturally influenced e.g. the Chinese method of running companies, the power distance, the habit to avoid conflicts, trusting on relationships over contracts and saving face in negotiations.

One joint venture manager elaborated on this statement: *"Dutch people are more planners, and use the creativity of the employees also to fuel their ideas, hereby the Dutch are able to predict future actions more. The Chinese are more hierarchical, all the decision come from above, which leads to ad-hoc decisions, in which employees follow. The responsibilities in the Netherlands are spread throughout the organization, employees have substantial responsibilities and creative input. The Chinese are more focused on pleasing the boss and creative inputs are only coming from the top of the hierarchy. The Chinese culture is slowly changing due to the influence of western education and business."*

In a partnership, there must be cultural awareness coming from both parties. Culture must be perceived as broad as possible and should not become a hindrance in the success of the partnership. When both parties are willing to understand each other, mutual understanding will be established enhancing levels of trust and communication. For this understanding, good research should be done prior to the venture and parties must build good relationships through private and business related meetings. The stronger the Guanxi the better the cultural understanding will be. Being not open for cultural differences will obstruct the partnership's success dramatically. E.g. many companies perceive their own business model as superior compared to their partner's, this perception will only hinder the partnership in obtaining its goals. When blaming an extensive amount of issues to cultural differences, one will not be able to give the partnership a chance in attaining its goals. Although culture is the most influential factor in conflict management, it also can complicate other business related issues for example the communication process between parties. When analyzing the complications culture has in communication, we can define several issues namely, language, body language and relationship building.

Language and body language

Being a very complicated language to learn, the Chinese language can offer substantial misunderstandings when not fully mastered. In the Netherlands many institutions teach the Chinese language, however it is a language which is very hard to learn. Most countries rely on English in international business meetings and such, in China however, this will be not often the case because the majority of Chinese individuals do not often speak English very well. Due to their extensive reliance on foreign investors and business partners to keep the Chinese economy running, the government is starting large projects to change China's international profile. Newer generations Chinese students now learn the English language and make fully use of opportunities to study abroad. Furthermore many projects have been set up to give China a more international face e.g. Projects have been implemented in which Beijing will be the first fully English speaking city in China. By doing so, Chinese business life is slowly getting more and more internationally oriented and less protective. The Chinese however, do appreciate it a lot when the foreign partner has some Chinese vocabulary available, one will be perceived as being diligent and professional.

One China consultant stated: "*Newer generations of Chinese are seen taking over the family businesses of their parents. They are seen as more internationally oriented, they speak the English language and are also more open to foreign investments and interests. Management styles, while still Chinese slowly tend to become more and more internationally oriented. China is developing rapidly, relying more and more on their international skills to encourage and to ensure international business. The government is influencing these processes, international education systems are offered, schools are focusing on teaching English. Beijing is now focusing to become the first international Chinese city, where the majority of the inhabitants are trained in English.*"

Both parties' languages differ to such an extent that mistakes and misunderstandings are not easily avoided. It is advisable as not vital for both parties to bring a translator or intermediate to the negotiation process in order to make the communication more understandable and to avoid misunderstandings. The translator or intermediate knows how to communicate, understands the culture one is operating in and dependent on his skills can also have some market knowledge. A translator or intermediary can become a vital asset in the relationship to gain trust and understanding between the parties. Most

of the time the Chinese do have a representative who speaks English well, but one's rank or status in the hierarchy must be taken into account when discussing deals such as closing contracts. Although translators do offer more clearness in communication, mistakes are often unavoidable due to the fact that all sentences must be translated twice. The translator is not free from face value and can also lose face as well as for his represented party when making sincere mistakes. The Chinese body language is often hard to be read, due to the fact that the unemotional behaviour during negotiations is also not visually expressed in their body language. Showing or expressing too much emotions is seen as a weakness in China, it can be perceived in business life as being desperate when too eager or not fully in control of the situation when mad. Security is not easily won in China as emotions are not easily expressed and confirmations may be hard to access due to social face saving, which may complicate business decisions for Dutch parties. The older generation Chinese businessmen and women do still rely a lot on unemotional behaviour in business negotiations, however newer generations adopted a more open and direct style of negotiating. Especially the majority of Chinese students educated in the west tends to be more open in negotiations compared to their Chinese counterparts. The more years of doing business with the Chinese partner, the stronger the relationship, the more the Chinese party will open up emotionally.

When it comes to effectively reading the Chinese's body language and underlying values, it tends to be very difficult to assess someone's feelings. One answer to the problem is to be pro active and to encourage the Chinese party to elaborate on the proposition from his or her opinion. By doing to the Dutch party will be able to assess the situation of mind of its Chinese counterpart.

Long term relationship building

Where the Dutch rely on security through contracts and agreements, the Chinese rely on relational trust and on their Guanxi network. This long term concept op strong relationship building gives them a network which grants them security based on mutual trust. This trust, especially for foreign parties is in the beginning not easily established, investments must be made in order to gain trust. The Chinese believe that personal relations must be created between both parties before venturing forth in business agreements. This pleasure before business perception requires in a lot of visits and contacts from both parties, where dinners, pub visits, factory visits and other sorts of

relationship building activities are strategically important before discussing business deals. Although the system of business relations and performance are not the same in the Netherlands, the Dutch manager must be willing to invest in relationship building, if not his or her business venture in China is bound to fail.

One consultant states: *"Personal and business life are seen as interlinked by the Chinese. Chinese people, first focus on the relationship and then they focus on business. A motto "if I can have fun with you, we can also do good business together".*

A Dutch manager must accept the point that relationships are key in China and must start building relationships from day one in order to be successful. One must be active, culturally open, willing to adapt to the Chinese way of doing business and must understand that in this culture personal relationships are more valuable than business related issues. A Dutch businessman/ woman should not expect to be fully operational in the market in several weeks. It takes substantial time to set things up and be prepared to invest a lot of time in personal relations. So let yourself be guided through the Chinese world of relationship building, act pro actively, don't be too direct and welcome all invitations to build a strong relationship. When the Chinese party is inviting you to more personal aspects of his life e.g. dinner at his house with his family, a strong relationship is established. Declining such personal invitations can result in shame and insult, hereby damaging the relationship. One must always keep one's eyes open to find out how one can give the company he or she is working, oneself or others in his/ her network more face value. By doing so one will gain more face, create more trust, will be taken more seriously and is able to understand the Chinese better, hereby bridging cultural barriers more easily.

Summary:

Culture plays a vital role in conflict management and conflict origination. Next to this, culture can also lead to differences in business behaviour as well as communication. Several examples which we can find in the Chinese culture which differ substantially from the Dutch, are issues such as power distance between lower level workers and managers, face value, Guanxi and the way decisions are made. The power distance is substantially larger compared to the Netherlands, making bottom up communication difficult and slow, which can clash with the flat hierarchy of the Dutch. Due to this

extensive authority of high ranked people, company decisions tend to be ad-hoc, due to the fact that lower level workers do not have any influence. In the partnership with the Chinese face value must be confirmed in order to create openness. Relations must be strong and focused on trust in order to establish security and partner reliance. Furthermore, the communication is key, especially in international partnerships between two cultures. However, the Chinese language is a very difficult one to master, on the other hand the Chinese do not speak well English and Dutch, which makes reliance on the English language complicated. A translator or intermediate forms a very important asset for both parties to support to negotiations and meetings in order to create better understanding and avoiding big lingual mistakes. Body language is another issue which makes getting security difficult. The Chinese are trained in not showing their emotions, where showing emotions is seen as a weakness. A visiting businessman should always be prepared, one should have done his homework, should be culturally aware and open and should allow himself to adapt to and partially adopt Chinese values. Without cultural awareness and openness, one is unable to do successful business in China.

4.5 Successful Sino-Dutch Partnership Characteristics

As the introduction of this research states, over 50% of all the Sino-Dutch partnership do not survive the partnership struggle. However after interviewing 11 respondents which worked in or had supported both successful and non successful Sino-Dutch partnerships, we can define which variables in these cases contribute to Sino-Dutch partnership success and longevity. Several indicators show us if a partnership is successful or not, these indicators are the longevity in years the partnership has been active, the level of partner satisfaction and lastly power allocation. When analyzing these partnership cases in which partners were still together and satisfied we can define the following five important issues which must be taken into account in order to set up a successful partnership. (1) *Clear defined goals and agreements:* In most of these successful partnerships the decision to manufacture or sell abroad through a partnership have not been taken rapidly or lightly, but required extensive input and attention. The party has analyzed the option of going to China compared to the other alternatives and come to the conclusion that this is the best option available. Furthermore plans have been made which defined the company's objectives and goals in China. It is advisable to create

scenarios in which outcomes are predicted in order to support expectations of the venture.

One consultant supporting Sino-Dutch partnerships quoted: *"The party deciding to look for a partner with which to do business, must be fully aware of all the consequences this relationship can bring. The party should indeed be fully aware and prepared to deal with cultural differences and conflict management it will encounter, but first it must be clear why the party is going for this partnership, and what they expect from it. If these plans are not clear or not fully supported, do not make the decision to realize them, cause bad planning and expectations result in failure often. Starting a partnership is a process which demands a lot of effort. Make a venture plan and create scenarios which detail what your party want to achieve from the planned venture."*

(2) *The right selection:* The companies who have been successful in their partnership had put substantial time and effort in finding the right partner, through extensive research and hiring consultants to help them in the process. Being labelled as the most crucial part in partnership building, these companies were looking for the perfect fit, were selective and didn't go with the first option which was available. Some consulted Chinese government and chambers of commerce to aid them in this process. Most of them relied on consultants to obtain vital partnership information such as financial wealth, credit history, tax rapports, logistics, management fit and strong internal market knowledge/ connections.

One joint venture manger quoted: *"The importance of finding a fitting party is crucial, and can be the difference in success or failure of your venture. Hire a consultant specializing in Sino-Dutch collaborations who has substantial market knowledge. This party will help you find a partner company and are able to fully analyze this party on credibility, debts, etc. Find out which company has the best characteristics, contacts and assets available and start negotiating. These figures are hard to find by a Dutch company by itself, the consultant can enter different channels to gain this information."*

(3) *Clear mutual agreements between partners:* Clarity is key in creating agreements with your partner. Respondents state that it is vital that both parties know what is expected from them and what they are striving for in order to become successful. These mutual expectations in combination with a clear allocation of power should be clear from the

start for both parties in order to avoid future conflicts. Although many power allocation structures are available, in this sample there was no certain power allocation which resulted in success or failure. More important is that both parties do achieve a win/ win situation from the agreements made and that clear communication is strived for in order to avoid any misunderstandings. If one finds out during initial discussions that the other partner is not able to fulfil your demands then it is advisable to withdraw from the deal and look for a more fitting partner. Put all important issues as detailed as possible on paper as backup and develop a business plan which theoretically maps out all the plans and objectives.

One respondent quotes: *"It is vital to offer your partner the asset they absolutely need in order to make the relationship attractive on a long term. Offering something crucial and scarce will make the partner do everything for the relationship to keep the relationship running. E.g. Giving the partner access to your business network and hereby offering them new clients or offering them training and technological development encourages the partner more to work together effectively instead of giving them an initial amount of money."* The same respondent elaborates on his experiences in a joint venture which didn't start off as planned due to this reason: *"I assisted in one joint venture where a Dutch party wanted to buy a part of a Chinese company for a certain amount of money. It would have been a 50/50 alliance in which the Dutch partner would share costs and profits. The reason why it didn't work out, was that the parties could not agree on the conditions of the venture. In the end the parties both withdrew because the win/win situation was not as brightly as pictured and the inputs of both parties were not special and vital enough to realize a partnership."*

(4) *Effective communication:* Clear agreements and expectations are the foundation of a good partnership, however these foundations must always be strived for in order to achieve the predefined goals and objectives. Communication is of vital importance to secure that everybody in the organization and especially in the boardroom is fully aware of what is happening and what is expected from them. Good communication has a substantial influence on partner satisfaction as well as partnership longevity. The longer the partners know each other the better they are able to communicate and work together. The more they learn to understand each other's viewpoints and the better the team play is in strategic management the more satisfied the partners are about working

together. The companies who were successful, acquired full understanding of their partner's cultural differences and focused on strict and clear collaboration in the board room. Several recommendations were given by respondents, namely: be open and aware, be able to see the other's viewpoint as well as a helicopter view instead of only your own, create strong daily management, take time to communicate and put substantial efforts in creating strong relationships.

One respondent elaborated on the importance of being active in the building relationship process: *"The start phase of a joint venture or alliance is always hard, but both parties need to put in 100% effort to make it a success, the key importance especially lies in clear communication. The cultural distance as well as the geographical distance are remarkable which can form a huge problem when communication is not arranged effectively. A Dutch representative should be located at the IJV or an intermediate should be in the nearby area, otherwise communication will go too slow and will eventually fail."*

One respondent collaborating with a Chinese partner since 1990 stated: *"Our collaboration with our Chinese partner has been ideal, no severe conflicts were encountered and when there is an issue the Chinese party is very collaborative and eager in solving problems resulting in a high level of partner satisfaction. What makes our communication effective is due to the fact that we have an intermediate located in region where our Chinese partner is active. The intermediate is aware of both parties goals, expectations, cultural differences and is normally utilized for communication or to solve problems and difficulties. If conflicts would escalate a director or another authority person from the Netherlands is send to the Chinese partner to solve these problems in collaboration with the intermediate."*

(5) *Effective conflict management:* When conflicts arise, the board of directors of the partnership must rely on communication and their conflict management skills to solve the problems. Due to the fact that conflict management contributes to partner satisfaction and the longevity of the venture it is labelled by the respondents as vital and indispensable in the process of attaining partnership success. The respondents all state the importance of striving for the win/win situation in partnerships and in conflict management. These collaborative conflict resolution styles in China, require good and open communication, trust, reliance, confirmation of face and closed conflict discussion,

hereby not bringing conflicts out into the open. When conflict are solved focusing on mutual satisfaction, the trust and relationship among partners will get stronger in which more and more openness will be created for future conflicts. Although conflicts are perceived as negative they can hold substantial benefits when solved correctly for the venture and the conflicting parties.

Synthesis

The synthesis part of the study recaps our findings and elaborates on the relationships between the elements of the study portrait in the research model found in chapter 1. The study explores influencing factors in Sino-Dutch conflict management and the effect these have on partnership success. When we take a look at our findings we can specify the relationships defined in the model underneath in more detail (See figure 2). From our findings we conclude the following relationships: (1) National culture is one of the most influential factors when it comes to an individual's conflict management style. Because norms, values and communication signals are created through societal interactions and national culture it is an element in this study which cannot be avoided. Culture influences individual's conflict management behaviour as well as conflict resolution choice. (2) Situational factors are factors which take place prior to the conflict. The situational variables are hard to assess due to the fact that every conflict situation has different preceding origins and influences. (3) Partnership characteristics are factors which define the relationship of a partnership. These factors such as: power allocation, cultural similarities and age of the partnership define how well the partnership is able to understand each other and how conflicts are perceived and handled. (4) Conflict management being the intermediate variable in this study is influenced by the prior three variables and defines in the end if a partnership is able to deal with problems efficiently or not. The better the conflict is solved for both parties the more partners will be satisfied, the better amount of satisfaction the better the partner relationship and chance for success.
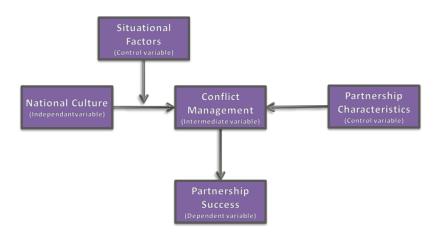
Figure 2 Overview synthesis study relationships

5. Conclusion

The study attempts to answer the following problem statement:

What factors play a substantial role in conflict management of Sino-Dutch partnerships in attaining partnership success.

The findings of the qualitative research methods does provide us with the requested information to answer the problem statement. From our findings we can conclude that conflict management is indeed an essential element in the partnership process. Although there are many important elements for running a successful joint venture or partnership, conflict management is often the last resort which defines partnership success or failure. Although conflict management is important several factors should be taken in account making conflict management between the Chinese and the Dutch effective. In order to gain this effectiveness, both parties should focus on encouraging mutual openness and understanding, face value confirmation, private one on one conflict discussion and focus on creative win/ win conflict solving for both parties. In the beginning these elements will be hard to be obtained, so trust must be created through intensive relationship building. Conflict management will become more and more effective in Sino-Dutch partnerships when the (1) parties become more culturally aware of each other, hereby understanding each other better. (2) Parties working together longer, through strengthening the relationship as well as mutual trust, more openness and understanding will be created. (3) Clear definition of authority distribution, defines which party has the upper hand and avoids mistakes in problem solving.

5.1 Discussion

As the research findings give us good answers to our problem statement and sub questions we do see similarities with different studies available by other researchers. Regarding our findings we do find similar resemblances with the theories used to support this study. We do see a significant resemblance between our sample findings and the theories of Kemp (1999) stating that approximately 50% of the partnerships fail. Concluding that partnerships are indeed a complicated entry strategy resulting in success. We do see similarities in the fact that the quality of conflict management does contribute to the successfulness of a partnership (Lin and Germain, 1998). The study

shows also likeness when it comes to the three key indicator variables of successful conflict management in partnerships namely, cultural similarity, power allocation and the age of the partnership. However we have not found any similarities between certain forms of power allocation and partnership success. This study also approves the conclusion of Ma (2007) stating that partnerships do have best outcomes when conflicts are solved using cooperative conflict management styles. Regarding culture, this study does approve that face value must be confirmed in negotiations, openness and relationship building practices are most important. Although both cultures are very different from each other (Hofstede, 2005) the results of this study do prove that Chinese and Dutch joint collaboration can be very strong and successful.

5.2 Reflection

Although the research at hand gives us the requested results, there were some issues which could be done differently. First of all I would like to remark that the study is limited by the sample and the operations of this study. Regarding the research methods used in the study, we can state the following limitations. Being a Dutch interviewer could have offered some difficulties and lead to some biases, for the following reasons. Due to the fact that the interviews were held in English or Dutch, could have complicated this process, due to the fact that some of the Chinese respondents were not able to use their native language, hereby maybe not giving them the full opportunity to fully express themselves. Furthermore some questions in the English interview were complexly formulated which could have created misunderstandings. Although an independent viewpoint was continuously taken into account, the interview examiner could have unconsciously perceived a Dutch oriented viewpoint during the discussions. Some of the interviews with respondents from mainland China and Hong Kong were executed through telephone, which made the conversation audio recordings somewhat noisy and hard to assess. Furthermore, interesting and often occurring answers were selected from the large variety of answers to represent the findings part. Although paying a lot of attention to this process, it can be the case that some answers which were labelled not as important, were of importance for the study. Although the sample of N=11 respondents is not substantially generizable, it will give us a good indication of how these practices tend to be in real life situations.

5.3 Recommendations

For potential candidates of Sino-Dutch partnerships we would like to highlight the following recommendations. First of all we must clearly state that the process of setting up a successful partnership is difficult, requires a lot of time and effort but is not impossible. Make sure that the choice of partnership is the best choice available, APPENDIX III shows us the reactions of the respondents regarding the efficiency of partnerships in nowadays Chinese markets. When there is chosen for a Sino-Dutch partnership the parties should keep the following in mind: (1) Make sure your party has defined its goals and agreements well enough and is certain that a partnership is the best option of entry. (2) Partner selection is crucial, put substantial effort in finding the right partner. Use consultants and other external parties to ensure that the best partner is chosen. (3) Set clear mutual agreements between both parties so that is clear what both parties can expect from each other, the more detailed the agreements the better. (4) Use effective communication to make sure these agreements and expectations are communicated throughout the organization at all time and mistakes are avoided. (5) When communication fails and conflicts are created, the partners must rely on conflict management to solve these grievances as effective as possible. Focus on for cooperative conflict resolution to keep on striving for that win/ win situation for which the partnership was created. When these steps are narrowly followed, a clear and strong foundation will be made. When it comes to conflict handling effectiveness, it is influenced by the age of the partnership, the power allocation and the cultural distance. If the steps above are followed effectively trust, security and understanding should be build more easily leading to an increased longevity of the partnership. The power allocation should be defined in a clear contract and should always be communicated throughout the organization. Lastly, make sure both parties pay substantial importance to cultural awareness and understanding. When these three elements are taken into account partnership satisfaction will increase leading to an increased willingness to solve conflicts and in the end an enhanced partnership success. Few remarks when dealing with conflicts in China, make always sure that face is saved, motivate conflict discussion however not in the open, focus on cooperative conflict resolution and motivate creative inputs throughout the organization.

5.4 Recommendations for future studies

The study gave us a general view of how important conflict management is in Sino-Dutch partnerships, we do have some additional recommendations for future studies in order to make this study more interesting. Knowing that conflict management is highly influenced by both culture as well as situational factors, we do know that this last factor was not taken into account in this study. It would be very interesting, although not a real achievement for the generalizability of the study, to act as an observer in the whole Sino-Dutch partnership process from the beginning to the end. It would be interesting how companies use different strategies in this process and to see what outcomes these actions would have for the partnership. Furthermore regarding conflicts it would be interesting to investigate where the grievances come from, how they are expressed and solved in practice. By observing these processes one will be able to get the real in-depth practical information which would be of crucial importance in defining which actions do lead to partnership success and longevity.

5.5 Practical implications

When successfully implemented in real life, this study could have significant implications for structuring Sino-Dutch partnerships, in order to obtain partnership success or longevity. Due to the internationalization more companies rely more and more on successful entry strategies to enter new markets. Although partnerships is solely one entry strategy to choose from, it requires substantial intelligence and information to make a partnership work. The study can give the company looking for a partnership information for potential pitfalls and can even give several points of attention when creating a strategy. More detailed, this study gives the parties some issues to think about such as, how to deal with cultural differences, conflict management styles and split management strategies. All issues which are of vital importance in partnership collaboration, where many pitfalls do complicate this process. We must emphasize the importance of the following points when it comes to successfulness: Define your goals well beforehand, lay substantial importance in selecting a partner, build solid and well defined agreements, communicate as effectively as possible and build an atmosphere which encourages parties to always strive for win/win situations in conflict management.

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APPENDIX I: Interview questions qualitative part

- Welcome and thank you for cooperating
- Introduction to my study at hand →
- In the past there have been established a lot of so called Sino-Dutch partnerships
- However more than 50% of these partnerships were terminated because of disputes, dependency on the other party, and cultural differences.
- My research focuses on how we can improve the longevity of these partnerships, hereby focusing on the elimination of communication failures, cultural differences and conflict situations in IJVs and Alliances..

Introduction

1. What is the foremost reason why the Joint venture or Alliance was established?
2. Why China?
3. How long ago was the partnership established?
4. Which partnership characteristics were utilized to find the right partner at hand?
5. How is the balance of power between partners in percentages?
6. What did you and also your partner contribute to the whole of the Joint venture or Alliance?

Conflict management:

1. What kind of conflicts did you encounter with your Dutch Partner? Which conflict do you remember best? And why?
2. How did you eventually solve this conflict at hand? (Contracts, consensus, etc)
3. Using the above stated conflict as an example: How much did your perception of conflict resolution in the conflict at hand, deviate from your Dutch partner? (Discuss answers from the quantitative part)
4. How important is in your eyes the process of conflict management in the longevity of an IJV or alliance with Dutch and Chinese partners?

Culture:

1. To what extend and how did cultural differences play a role in the conflicts you experienced and the associated conflict resolution styles?
2. What are the foremost cultural differences you encountered in communication between Dutch and Chinese counterparts?
3. Which barriers have obstructed the communication processes and how did you bridge these gaps?
4. Which recommendation would you give combined Chinese and Dutch Joint ventures, how to deal with cultural differences in cooperation, regarding the management of conflicts?

Conclusion:

1. As I mentioned in the beginning of this interview, more than 50% of the Sino-Dutch IJVs and alliances do not survive the struggle. What would you recommend future Chinese and Dutch companies to do in order to avoid this faith?
2. *Seen the current conditions of the markets and market mechanisms, would you recommend companies to go for an IJV/ alliance or would you recommend them to go for a Wholly Owned Enterprise?*

APPENDIX II: Driving forces and reasons for Sino-Dutch partnerships

The first questions from the interview were related to the issue of characteristics and driving forces of Sino-Dutch partnership. The experts were interviewed regarding their experiences with managing or supporting Sino-Dutch IJVs or alliances. As stated earlier in the theoretical framework, there is a substantial interest coming from Dutch enterprises to invest in Asia and especially in China. The research findings do contribute to this statement, telling us that Dutch enterprises are interested in China for two main reasons namely: (1) to expand their market and (2) to expand their output by producing locally.

The Chinese economy is booming (1), by attracting more and more foreign investment China is fuelling its internal economic system, resulting in more wealth fare for middle to low income class groups. The middle class is growing rapidly, hereby creating a substantial demand for various consumer products and items to satisfy this enormous need. This substantial demand for certain consumer products attracts considerable foreign as well as domestic investors willing to profit from this growth, resulting in a severely competitive market environment.

One China expert quoted *"The consumer market is quickly adapting to consumer products in China, however the demand is still not adapted to demands as in other western countries."*

However, China being perceived as an enormous consumer market for foreign investors with hundreds of millions of middleclass potential consumers can be deceiving. The consumer market system is substantially different from what people are used to, for example in the Netherlands. The expenditure pattern in China is based on the long term, where money is not easily spend. The same expert also stated that there is a new trend of the Chinese consumer focusing on domestic produced / marketed consumer products. A trend which can form serious barriers for unprepared foreign investors. She stated that several big international players such as Yahoo, Google and Ebay have not been able to successful settle themselves on the Chinese market due to bad anticipations. Their focus on marketing and profiling themselves as being international organizations, hereby utilizing business strategies which have been applied and seen successful in other

countries led to demise in China. Smart successful foreign companies disguise themselves as being a Chinese brand, most of the time through extensive support from other Chinese companies, hereby adapting to the Chinese system, using Chinese strategies and marketing texts. Companies such as Coca Cola have already made use of these strategies and have proven to be successful in this very competitive and rapid changing market. The Chinese market is so amazingly competitive due to the fact that the Chinese are very flexible and able to shift business strategies and methods very fast. The investing Dutch companies must hold the reigns tight on the market development and must be able to cope with these changes in order to remain successful in China

The other most familiar reason why foreign companies are investing in China is due to the fact that production in China is perceived by many as more efficient as in their domestic countries. (2) The focus of producing in China is normally on gaining higher outputs while saving substantial costs. One IJV manager stated that the main reason why his company has taken its production process to China is due to the fact that production is more efficient compared to production in The Netherlands. He also stated that the Chinese are very business driven, work oriented and that the technological gap which was seen several years ago is closing rapidly. Due to this technological advancement and this strong working ethic China has become one of the leading countries in efficient production and especially assembly. Another consultant added that China is perceived as being the workplace of the world, where wages are low, outputs are high and enormous competitive advantages can be achieved compared to competitors from domestic countries. However, due to this trend of producing in China by foreign firms, the competitive gap has been become smaller and smaller due to the fact most major players are already producing in China. Dutch Firms tend to choose or consider a partnership when entering China instead of other FDI styles. The interview candidates explained that entering China through a partnership entry styles, enables the foreign company to enter a new market with direct accessibility of foreign market knowledge. This enables the company to start doing business rapidly after entering, using the social network of the partner company from China.

One China expert affirms this statement by stating " *The foremost reason why a party chooses for IJV or alliance when entering the Chinese market is because they are unaware*

of the local market mechanics, social networks and cultures. They prefer to find someone who can aid them in this venture and can support them along the way."

Especially utilizing the social network enables the visiting company to quickly gain face in the foreign market by rapidly building a solid core of connections/ Guanxi with other interesting and useful parties. Another China consultant who aided several parties in Sino-Dutch partnerships stated that one familiar reason for choosing IJVs or alliances is due to the fact that the Dutch party wants to have more control over the value chain process. One of their clients wanted to make the change from buyer/ importer to partner in order to stay ahead of domestic competition, to develop new products and to get hold of scarce resources.   A lawyer specializing in Chinese business law adds that there are certain sectors protected by the government which are solely enterable through certain entry strategies. He quoted the following three different in sectors *"(1) Many sectors in China are protected, meaning the government limits foreign companies entering these sectors, or prohibits other entry forms than joint ventures and alliances. (2) Several sector such as media are completely inaccessible by foreign companies. (3) Some sectors are only accessible with a joint venture partner where the Chinese partner has the majority of the authority (51/49) such as wealth fare services, raw materials processing and banking services. (4) Lastly there are sectors where 100% authority can be achieved by the foreign company, but often is chosen for a partnership due to the fact that market experience and knowledge is obtained as well as the learning process."*

APPENDIX III: Are partnerships the right choice in nowadays Chinese society?

Now that we have seen the benefits and the threats of Sino-Dutch partnerships we do question ourselves "Is entering China through a partnership the best option available?". Although the respondents do state that this question is of course dependent on variables such as: which sector to enter, which goals are strived for and available capital, we can draw generalized conclusion of entering China through a partnership or not. We know that joint ventures and alliances were encouraged and favourable by the Chinese government around the 1980's, being it the only entry modes available to enter China. However nowadays the market is less protected by the government, only several sectors do remain protected and are solely accessible through joint ventures or alliances. May one wants to do business in these sectors, then partnership entry mode is the only available option. However, when focusing on a free market/ sector, most respondents recommended not to go for the partnership entry mode, stating it being too old fashioned, too complicated and losing its benefits over other styles. Also seen the fact that the Chinese market is a market focused on cut throat competition and where flexibility is needed in order to survive. Although Chinese aid is needed to operate in China, it is not necessary to split management, investments and profits with a Chinese party. The potential threats of starting a partnership and resulting to failure are too extensive in the eyes of the respondents, hereby keeping the failure rate of 50% in mind. The investments for a joint venture or alliance are normally higher than when accessing through a wholly owned company, because investments cannot be clearly depicted beforehand. Next to this an IJV with split management requires a high level of intensive communication from both sides, which can often result in misunderstandings or problems. Concluding, the respondents recommended going for a partnership only when entering a protected market, because the IJVs and alliances require a lot of constant investments from both parties in order to make a partnership successful. And unfortunately the likelihood for a partnership to fail is substantial.

Although partnerships do grant access to market knowledge and social networks, they often tend to be overrated because other entry modes can also give you this information without the complications of split management. Most respondents recommended parties going to China using wholly owned entry strategies such as acquisitions or

mergers. The problem of acquiring access to market knowledge and social networks can be tackled through internal or external sources. The first can be achieved through acquisition of a company where this knowledge is already available or by selecting a workforce which is composed out of experienced personnel. Furthermore, there are various external sources, from consultants to contract partners who can build a strong relationship with you without sharing profits and management. Because in wholly owned companies there is only one party covering the management operations, there is clear internal communication, viewpoints are similar and conflicts are more easily solved. The workforce should be balanced, with both experienced personnel and managers from both China and The Netherlands, where openness and bottom up communication is encouraged and rewarded.

One consultant stated: *"I recommend Dutch businesses to set up a new company in China without focusing on partnerships, instead focus on contract support from external Chinese parties. Trust will be created through good relationships. Partnerships are too complicated due to intensive communication from both sides. Use e.g. a company in China who can focus on the recruitment, marketing and other supporting business activities."*

Another respondent adds*:" Use Chinese consultants who can help you on your venture, and hire also Chinese personnel in both higher and lower ranks of the hierarchy so that they can aid you in your business. Create openness and allow others to bring in creativity, ideas and opinions. Do not use the Dutch way of doing business, not the Chinese way but use best of both worlds."*

Summary:

Partnerships do give companies substantial benefits when entering a foreign country, however they also have proven to be very complex and tend to lead to failure very often. Because the threats of working with a partner are so substantial we question ourselves if a partnership is still a good entry strategy seen the current market situation in China. The overall conclusion that can be drawn was that wholly owned companies can achieve the same benefits e.g. social network and market knowledge, but then acquired through other sources than a partner. This knowledge can be won by acquiring a skilled workforce internally or through externally looking for contracted business partners which

do not share management or profits but do grant you the access to the requested information.