



12 April 2013

### The mindset in practice

Applied imaginatively to complex East-West business challenges, the Chinese idea of The Middle Way encourages a mindset where:

- Opposing perspectives can be harmonised through exploring complementary strengths
- 'Mutual advantage' can be understood in a context of change and complexity. At different times, one party's preferences may be adopted, then another's or a third approach may be created to suit the context
- Multiple perspectives, relationships, compromise and balance are overarching principles informing behaviour

But a Middle Way approach also enables parties to avoid the potential weakness of each world view.

- If a strength of the Western style is independent thinking, a weakness can be short-term opportunism.
- If a strength of the Asian perspective is building trust-based relationships, a weakness can be an unwillingness to challenge seniors.

The Middle Way allows parties to leverage their strengths, as business assets, and mitigate their weaknesses, as business risks.

## A MINDSET FOR THE ASIAN CENTURY

### *Where are we now?*

Recent surveys show that business leaders are increasingly looking towards Asia to offset slowing growth at home. For example, the Deloitte CEO survey highlights that, for the first time, Asia now features prominently in the business plans of ASX 200 companies. In contrast, just two years ago, with some notable exceptions, there was far less commitment to the region. But experienced executives are also sounding a warning. Given our location and the importance of Asia to us, we need a much better understanding of the region.

A number of high level business delegations have tried to put this right. For instance, there have been several to China in recent months. Founder of transport group Linfox, Lindsay Fox, stresses the critical importance of building relationships and showing commitment. "Australia needs more from China than any other country. Without them we would be up the creek," he commented. Perhaps a useful way to summarise the current reality would be to give ourselves 8/10 for improved motivation but a much more modest 5/10 for actual capability.

### *Given the level of motivation, why are things often so hard?*

In a study of JVs in China, Western and Chinese executives were interviewed about how they felt. Here are some typical comments captured in the study. A Western executive complained, "Chinese managers are reluctant to speak up and take responsibility. In fact, I've met few that are actually capable of doing the job." The Chinese held similarly negative views of their Western counterparts. One commented, "The Chinese have an old saying, 'If the vinegar bottle is half full, it makes the most noise.' People who come here, thinking they know how to do things in China, tend to be those who know the least and complain the most!"

### *Trouble often sets in after the honeymoon!*

For the past five years, UGM has been collecting data in East-West teams here and across the region. Our findings are similar to those in the study mentioned above. People usually begin their collaborations with the best of intentions. There are shared goals and a motivation to make things work. But, after the honeymoon, difficulties emerge. Miscommunication and misunderstanding can lead to a sense of frustration and the erosion of trust. Business success is put at risk, despite the mutual good will and shared objectives.

None of this should surprise us. Radically different histories and traditions have produced quite different societies. In a nutshell, a country such as China scores low on individualism, high on hierarchy and shows a preference for indirect communication in many (but not all) settings. In contrast, Australia is

among the most individualistic and egalitarian societies studied by cultural researchers. Therefore, Australians show a preference for a direct, straightforward approach to getting things done.

This means that Chinese and Australians, as an example, bring different ways of thinking to their business engagement. These cognitive style differences are inseparable from the way people have been brought up. It's been shown that people hold the beliefs they do because of the way they think – and they think the way they do because of the nature of the societies they live in. Each side tends to see their way as natural, obvious and, indeed, superior.

For these compelling reasons, we employ a suite of bridge building skills that help well-intentioned parties to succeed not just in spite of their differences, but because of them. In other words, people learn how to lean into the strengths each party brings to their joint enterprise. The key is adopting a mindset where difference is an asset not a liability. In this, we've found the Chinese intellectual tradition of the Middle Way functions as a rich resource for successful global teams.

### *What is distinctive about the Chinese idea of the Middle Way?*

While Western logic systems are linear, analytic and rule-based, Chinese have a long intellectual tradition focused on contradictions and how they can best be resolved. Three principles are at the heart of this system. The first is change. Reality is seen as constantly evolving, so there is an endless need to adapt. The second is the principle of contradiction or paradox. Change continuously creates oppositions and paradoxes: old and new, strong and weak, dark and light, good and bad. These can exist in everything. In fact, opposites complement and complete each other. The third principle is relationship. Nothing exists in isolation. There is always a network of complex connections and linkages among things, issues, events and people.

The Yin-Yang symbol, where complementary opposites are held in a dynamic balance, captures this way of thinking. In turn, the principles have led to the Chinese insistence on finding 'The Middle Way', or an approach where apparent paradoxes can be integrated and balanced.

Applied to business, it leads to fresh ways of combining the respective strengths of East and West. It's an integrative framework that allows people to move beyond the limitations of the typical Western 'either/or' way of thinking, towards a more Eastern 'both/and' approach. It is an essentially practical frame of reference, focused on finding common ground and interdependence. In fact, the Chinese tradition of managing paradox through finding 'The Middle Way' could prove to be a characteristic of success in the Asian Century.