

# Competing in the “Century of the Pacific”: Modern China and the Dialectic Mindset

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*Abstract:* The focal point of global economic power is shifting from western economies to those of the Far East. In light of this, western managers must view business challenges from alternative perspectives if they want to achieve and maintain competitive advantage. Frameworks or theories for pursuing this advantage have been motivated primarily by *formal logic*. However, eastern cultures tend to operate from a paradigm referred to as *dialectics*. In this paper we define each of these perspectives and identify some cautions that should be heeded when considering associations between these frameworks and the cultural trends of countries in the east and west. Despite these caveats, we contend that the competitive success of western firms in eastern markets may be increased when managers understand the dialectic viewpoint. Furthermore, we believe understanding both paradigms may enhance the domestic performance of western firms as well.

*Key Words:* China, Decision Making, Dialectics, International Trade, Logic, Management Philosophy

## 1 Introduction

A number of observers contend that the tide of global economic power is shifting from western economies to those of Asia. Supporting this view, the US Department of Commerce chronicled some of the dynamism of the Asian region. For example, from 1989 to 1993 American exports to the region grew from \$69 billion to \$135 billion, while US foreign direct investment there nearly doubled from \$56 billion to \$92 billion. These business reactions reflect the new economic reality: American and European economies are maintaining growth rates that match the 2%- to 3%-a-year global average, but Asian economies are expanding at two to five times that pace. This area continues to increase its wealth faster than any region at any time in history. Nowhere is economic expansion more dramatic than in China, which grew at a 10%-plus annual rate through the 1980s and early 1990s and, despite recent slowing, continues to expand at 7-8% per year [2]. Considering its 1.3 billion citizens, the

People’s Republic of China deservedly stands at the center of firms’ plans for global ventures.

However, Mainland Chinese do not represent the full extent of the economic influence wielded by the People’s Republic of China, its foundational philosophies, and its culture. Through an estimated 55 million Overseas Chinese, national economies around the globe have felt the impact of these highly entrepreneurial emigrants. As Chen [3] reports, their influence has been most notable in Southeast Asia, where their economic might is disproportionate to their numbers. He states that they represent “a mere 6 percent of the region’s 460 million people, [but] they dominate virtually every national economy” [3, page 82]. Other than in Singapore where Overseas Chinese represent approximately three-fourths of the population [8], they are minorities in these countries; nonetheless, they wield so much economic power that many local governments have taken measures to curb their influence.

They have progressed from common laborers in search of making a living to business leaders, dominating retail trade and expanding rapidly into industries such as mining, transportation, manufacturing, and finance [3].

Some observers contend that the regional economic transformation described above has "changed the calculus of global competition" [15, page 55]. In essence, *change* is the new reality for businesses around the world, but western firms often resist--rather than embrace--the transformations necessary to maintain their competitiveness. Henry Mintzberg has observed that American managers characterize the levels of change in current business environments as turbulent and chaotic; in contrast, Asians view these same business conditions simply as competitive opportunities [13]. As a result, progressive attitudes toward change translate into competitive advantage when east meets west in the economic arena. Since much of the anticipated economic growth will emerge in Asia, it is essential that western managers understand the fundamental philosophies and world views of the east in order to sustain their enterprises at home and abroad. That is, competing against Asian rivals locally and selling in their home markets will require western managers to think outside the paradigms that have subtly guided competitive engagement during the past century.

Ford & Ford [6] contend that examining logic paradigms reveals unintended, and sometimes unconscious, biases that may be guiding managerial research and practice. If we inadvertently or subconsciously follow one particular logic heuristic, by definition we rule out alternative perspectives that a different logic framework would purvey. To minimize that risk, we present major aspects of the primary change-oriented paradigms that have guided thinking in the east and west. Specifically, these are *formal logic* [6], a mindset that pervades much of western thought, and its alternative known as *dialectics*, which informs most

change-oriented thinking in the east [7][10]. For the western manager, we assert that knowledge of dialectics will facilitate the conduct of business in the Orient, and perhaps even in the Occident as well. Furthermore, we identify ways in which formal logic and dialectics differ when applied to the management of organizations. Finally, we highlight some cautions that should not be ignored when assessing the philosophical frameworks of Chinese managers.

## 2 Formal Logic

The inception of *formal logic* can be traced to Aristotle [6]. In its simplest form, this is an "either/or" framework, identifying an entity or notion as *either* being of one form *or* another. That is, it can only be one of two mutually exclusive *things* [5]. Entities or notions have stable boundaries that allow for their clear delineation. Organizational change occurs only through replacement where "A" (the former state) is exchanged with "B" (the new state). This new state has clear boundaries and can be identified as a discrete entity or notion. To illustrate, we can see this in organizations as they make choices to pursue strategic planning in a top-down or bottom-up manner, to establish a culture where the leadership style is autocratic or democratic, or where the structure is centralized or decentralized. The organization is driven toward making choices between selections "A" or "not-A" and seeks to reduce ambiguity by settling for a bounded choice. This selection provides the basis for what organizational members perceive to be rationality.

## 3 Dialectics

Dialectics has its roots in early Greek and Chinese philosophy and has been extended more recently through Hegel, Marx, and Mao. Fundamentally, it is a perspective that embraces paradox and contradiction. That is, paradox and contradiction become the very vehicle through

which positive change and growth in the organization occur. In fact, strategic change is motivated by the internal tensions that exist between opposing forces [11]. Tension in the firm that may result from differing and even contradictory viewpoints is viewed as positive, since it leads the firm toward change and growth.

### **3.1 Axiom 1: Dialectic Change Is Self-Generated**

Engels [4] outlined three basic principles or axioms that provide a framework for understanding dialectics. According to the first principle, dialectics involves self-generated change caused by tension between opposing internal forces. Although it may often appear that external forces bring about change, the dialectic perspective suggests that external forces serve only as conditions for change. It is the contradiction between *internal* forces that actually brings about change [10]. From a strategic perspective, this focus on the internal aspects of the firm is consistent with the resource-based view of the firm. That is, change ultimately needs to be initiated through the firm's unique resources and capabilities, not as reflex reaction to the moves of competitors and other macroenvironmental forces.

### **3.2 Axiom 2: Dialectic Change Is Developmental**

The second principle indicates that change is developmental--i.e., the resolution of opposing forces (contradictions) tends to yield new contradictions. For example, this perspective is consistent with the most recent treatment of organization learning as a guide to strategic change through a continuous process of learning and unlearning. It follows that the absence of contradiction would delimit growth and development. However, the dialectic perspective suggests that the resolution of opposing forces

(contradictions) yields new contradictions or paradoxes, resulting in a system that is rarely stable [12][16]. New contradictions represent positive change for the firm, but they can also produce further contradictions, and so on. Thus, change occurs through the resolution and confrontation of contradiction, rather than the avoidance of it. In fact, the very presence of contradiction is a measure of positive change, while its absence represents the opposite.

Dialectic change occurs, then, when the resolution of contradictions is more encompassing than the component parts [9]. There are many contradictions in the process of development or growth of a complex *thing*, and one of them is necessarily the principal contradiction whose existence and development determine or influence the existence and development of other contradictions. Therefore, in studying any complex process in which there are two or more contradictions, every effort should be devoted to finding the principal contradiction in order to understand the basis for change and development.

### **3.3 Axiom 3: Dialectic Change is Initially Evolutionary and Eventually Revolutionary**

The final principle describes two kinds of change: evolutionary and revolutionary. Dialecticians suggest that as changes occur in an evolutionary manner, they approach a critical mass, and the momentum generated by the collective evolutionary shifts (in quantity) yields sudden revolutionary changes (in quality). More specifically, the summation of successive evolutionary, incremental changes in the firm provides the platform from which revolutionary or radical change occurs [6]. This phenomenon has been observed through empirical studies that focus on competitive repositioning. We can recognize alternating periods of evolutionary and revolutionary change. As this is explored further, we may find that when evolutionary and

revolutionary change are coaligned (as suggested by dialectics), higher performance is observed. For example, gradual increases in a firm's market share over time (quantitative change) eventually bring about abrupt shifts in organizational structure, policies, and procedures (qualitative change). This principle is based on the notion that in fact nothing is perfectly at rest--the struggle of opposites is ceaseless. As a result, the future is full of many possibilities, not just a predictable extension of the current order [1]. Thus, theories of equilibrium, or even development, oversimplify reality. Organizations may appear stable, however, they change constantly as thoughts and ideas shift continuously between and within individuals [12]. It is important to recognize this change as ceaseless and to factor it into organizational theories.

#### 4 Cautions About Dialectics in China

It is commonly presumed that the management literature has given scant attention to philosophical issues. To assess this conclusion, we searched a popular database (ABI/Inform) to see how often philosophy and the philosophical terms we use are mentioned in journals. We searched what are widely considered to be *premier* management journals (eight in total), examining articles published between 1985 and 1999. These parameters yielded a total of 5,677 articles. However, a search on the word "philosophy" identified only 17 articles (one-fifth of one percent of the articles published in included journals) and a search on the word "dialectics" produced only one article. Forty-two articles mentioned the word "logic," but of these, only one addressed dialectic and formal logic. Taken together, this evidence lends credence to the view that the philosophical concepts shaping management thought have not been thoroughly explored. And this paucity of research impedes our understanding of the finer points of the dialectic and formal logic

frameworks and the role they play in the east and west.

#### 4.1 Formal Logic in the East

When assessing the philosophical underpinnings of managerial practices in China, it is important not to view this culture as monolithic. In fact, a *strict* demarcation of logics between east and west may go well beyond what research and experience will support. Indeed, our study of the subject and recent conversations with Chinese nationals have revealed that easterners do *not* always operate from a dialectic logic perspective, especially in those countries that have been influenced by connections with the west (e.g., Hong Kong, Singapore, Japan). While we would argue that the literature maintains the use of dialect frameworks is *prevalent* in the east--especially where Taoist philosophy dominates [7][10][11]--alternate logics are also represented in the region.

Indeed, Chinese life is heavily influenced by Confucian thought, but our research indicates that this way of thinking is *not* dialectic. The period designated the Chou dynasty (1122?-256 BC) was clearly dominated by dialectic formulations derived from observations about nature. For example, the *Book of Changes* (author[s] unknown), a prominent work during this era, contended that everything seen in nature is the result of opposing forces. And Lao Tzu (born c. 600 BC) is one of the most noted thinkers of this period, having captured his thinking in the popular notion of *yin* and *yang*, representing the positive and negative forces that come together in nature. This is obviously a dialectic formulation.

Though he lived during the dialectic-dominated Chou dynasty, Confucius (c. 551-497) took a very different approach as he set out to restore traditional social order in China. As one indication of his unique orientation, his writings reflect a major theme known as the *Rectification of Names*. This doctrine asserted

that the properties of a name assigned to a person constrained his or her conduct, and thus he or she should act according to the role implied by that name. Regardless of the changes in society or in an individual, the rigid pattern of interpersonal relations established by names should be preserved at all cost. This is clearly non-dialectic thinking, and the Confucians were sometimes criticized as a result of their unorthodox (i.e., non-dialectic) perspective. In order to harmonize these discordant views (i.e., to function in a predominantly-dialectic culture while holding a non-dialectic view), Chinese would sometimes practice Confucianism in their secular lives while maintaining a more Taoist or Buddhist approach (where dialectic themes are pervasive) in their spiritual lives. This may best explain the relationship between our formal logic-dialectic model and the inherently Confucian philosophy of China.

## 4.2 Dialectic Logic in the West

It is also noteworthy that much of the discussion about dialectic logic derives from western sources, indicating that this perspective is not unheard of in the Occidental world. Indeed, Rychlak [14] points out that Anaximander of Miletus (c. 611-547 BC) highlighted the value of oppositional forces, contending that these hold the universe together (e.g., air is cold while fire is hot). This stream of thought continued in the work of others during that general period of time. For example, Heraclitus (540-480 BC) said that opposition is fundamental to all of life, Empedocles (493-346 BC) noted that the opposition of "love and strife" is the lever that moves events, and Plato (427-346 BC) believed that all meanings are tied together dialectically into the totality of seemingly unrelated significations. To the Graecian mind, all things were dialectically related so that knowledge, understanding, and intellectual perspective were "all of one piece." Of course, Aristotle (384-322 BC) clearly diverged from the dialectic model

when he developed his system of reasoning and thinking, emphasizing a focus on identity (i.e., the determination of what something "is" and what it "is not"). Nonetheless, the dialectic perspective was well represented early on in western thought in the writings of a number of his contemporaries.

Further buttressing this point, the more recent and perhaps best known writing outlining the dialectic perspective has emerged in the west, not in the east. The Marxian formulation of the dialectic principle is one of the most influential philosophical frameworks of our time, and this work is clearly a recasting of the work of Hegel and his dialectic (thesis-antithesis-synthesis) model. Marx simply added an economic/class struggle dimension to what Hegel established as a framework of contradiction between individuals across history. Of course, philosophical thought in the dialectic concept had already blossomed in the modern age with the foundational work of others (e.g., Immanuel Kant), and the stream continued to emerge in the works of influential minds (e.g., in the psychological theory of Jung).

## 4.3 Recent Developments In China

Some contend that dialectics cannot be the guiding paradigm in China since ideas are not tolerated when they stand in contradiction to the official position of the government. However, to conclude that *all* contradiction in China is suppressed is a mistake. For one, political thought in China is not monolithic. The political terrain in China includes multi-party representation and dissenting voices. Secondly, the shift in government following the formation of the People's Republic of China in 1949 could be viewed as an aberration of history. The philosophical underpinnings of dialectic thinking in China date back more than three millennia, and this trend is not likely to be overwhelmed in the long run by the political winds of the last half century. Though the government of the last 50

years has been dominated by the thinking of Mao (whose practices set the tone for intolerance in modern China), they cannot disaffirm the enduring dialectic tradition of Chinese philosophy. Indeed, the freedom movement emerging in China today and the popularity of the progressive party there may reflect a revived interest in the dialectic perspective that is fundamental to Chinese thought.

## 5 Conclusion

To conclude, the management of strategic change from a dialectic perspective involves not only managing contradiction, but recognizing its positive contribution to the change process as well. Managers should view change as a developmental process which can establish continuity between evolutionary and revolutionary adjustments. By doing so, managers can learn to identify and reframe tensions so that they can intentionally control contradictions and reap associated benefits, rather than allowing contradictions to control them (Morgan, 1998). Such insight may very well lead to improved business decision making in the east and in the west.

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