

APPLE & CHINA

CEO leadership and strategic actions of an innovative multinational enterprise
approaching the Chinese market – A case study analysis



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ABSTRACT

Many multinational enterprises need to find new sources of growth, in particular by doing business with key stakeholders in emerging markets like China. Yet many 'Western' leaders struggle to sufficiently understand 'Eastern' leadership behaviors and mindsets. This thesis develops a case study for participants of Executive (MBA) programs at business schools. The case study unlocks a remarkable American-Chinese business case at the intersection of strategy and cross-cultural leadership: Apple in China. It includes a deep dive analysis and reflection on selected key leadership actions and inactions of two Apple CEOs with distinct characters, Steve Jobs and Tim Cook, in their relationship towards Chinese stakeholders from 2010 to 2013.

Key words Cross-cultural management, CEO personality, business negotiations, case study analysis

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1. INTRODUCTION

The vast majority of Western MNEs need to find and exploit new sources of growth, in particular by doing business with key stakeholders in other countries and emerging markets like China. This trend is aggravated by new technology; the amount of local Western managers interacting globally with stakeholders in emerging markets is rising at high speed. Meanwhile, international relations in public policy and non-governmental institutions are also 'shaken up', with emerging markets taking or asking for new positions, and changing balances of influence and power. China surpassed the US as the world's biggest trading nation in 2013 (measured by the sum of exports and imports of goods), and China is rapidly becoming the most important bilateral trade partner for many countries around the world (Forsythe, 2013). New relative power positions will shape a broad range of crucial negotiations in the 21st century.

As a result of these forces, the need for cross-culturally effective leaders increases, and when not consciously triggered to reflect on cross-cultural influences, the organizations and people involved risk losing significant organizational effectiveness and productivity opportunities, including employee energy and motivation. The ability to create good relationships with Chinese business partners is even becoming a powerful competitive advantage for Western companies compared to their competitors (Ambler, Witzel and Xi, 2009).

After working in international business and policy settings for years, I got the impression that there is a real need and beautiful opportunity to increase Western understanding of Chinese culture and perspectives and to learn from them. In my opinion, the potential impact of cross-cultural misunderstandings and (unconscious) acts of disrespect towards China will become more significant in the upcoming decade than often realized. Following one of Nelson Mandela's propositions, namely that education is one of the most powerful acts to change the world we live in, I decided to develop a first version of a case study for business school participants at multiple crossroads: business strategy & leadership, individual personalities & country cultures and lastly, the interaction between an American Silicon Valley organization & Chinese business partners.

The thesis is structured as follows. Chapter 2 introduces the research objectives, questions and scope. Chapter 3 highlights critical academic literature in the area of cross-cultural leadership and management, with a deep dive on Chinese business negotiation behaviors. Chapter 4 describes the arguments for choosing the case study methodology, as well as best practices for case studies, the research setting and data gathering method. The case study and a teaching note are presented in Chapter 5. Chapter 6 emphasizes limitations of this research and opportunities for future research, and Chapter 7 concludes this thesis with a brief reflection.

The research leads to a case study on cross-cultural leadership, which places Chinese concepts and theories as the center of learning instead of classical methodology, such as the often-referred to culture dimensions of Hofstede. As one example: Dynamic and paradoxical behaviors of leaders and cultures can be better understood, when applying a Chinese Yin Yang perspective on top of Western linear thinking. This may push leadership thinking further, especially practically, when leaders face a challenge or opponent. Secondly, leaders and scientists are inspired to go back to basic theories and the history of the country they work or negotiate with. A dynamic, ocean perspective on negotiation is taken, in which multiple streams can come to the surface – by recognizing and structuring several archetype negotiation behaviors, negotiation tactics can be better understood and unpleasant currents can be stopped, by knowing that another stream of energy is just around the corner. Lastly, the case study creates a novel perspective on Apple, by carefully presenting, which has not been done before, a selected set of actions and inactions that map out the challenges and strategy of the two Apple CEOs. Perhaps one could argue that the sample of these two CEOs at the negotiation table shows that those who have felt different or even witnessed severe discrimination early on in their lives appear more suitable as negotiation partners – even Jobs, who took probably the wise decision not to be the anchor man for the China negotiations. At least, the story illustrates the power of leaders stepping out of a comfortable (majority) seat. Jobs, Cook, as well as several Chinese counterparts, dared to not only think, yet also stand up for diversity and act different.

The case study is named 'CHINESE APPLE' for several reasons. Obviously, it focuses on strategic business actions of the multinational enterprise Apple Inc. in China. Yet, it is also a metaphor to a fruit (also known as

'pomegranate') with a tough skin and a soft, sweet fruit inside. This fruitful metaphor is to remember what many professors at INSEAD taught us during the Executive Master program: almost always when the *outside* of a person, team or organization seems tough, *inside* there is so much fruitful and interesting material to discover. In most situations, when one encounters a tough shield, it seems worth exploring further, since a fruitful thought or solution may already exist in a deeper layer, even though not yet visible.

2. RESEARCH OBJECTIVES, QUESTIONS AND SCOPE

This chapter discusses the research objectives, the research questions supporting those objectives, and the scope of this thesis.

2.1 RESEARCH OBJECTIVES

This thesis aims to develop a first version of a case study for participants of Executive (MBA) programs at business schools, investigating a remarkable and recent American-Chinese case at the intersection of cross-cultural leadership and strategy: Apple & China. The study includes a deep dive analysis and reflection on selected critical leadership actions of two Apple CEOs with distinct characters, Steve Jobs and Tim Cook, in their relationship towards Chinese stakeholders outside the Apple organization over the period 2010-2013, including reactions of key Chinese stakeholders. While Apple has been extremely successful in 'Western' economies, it has faced several challenges in achieving constructive business negotiation deals with Chinese stakeholders. Since Apple is not the only organization facing that challenge, this case can serve as an example with powerful parallels and applicability in other industries, organizations and situations. What can be learned from Apple's 2010-2013 China story by reflecting on key milestones in the Apple-China relationship, and how can publicly observed behaviors of two Apple CEOs be explained, reflecting on the multiple levels of their personal background as well as potential deeper country cultural influences? The case study shows the complexity non-Chinese CEOs may face when negotiating with Chinese business partners in this unique period during which the Chinese economy is growing fast, and the Chinese culture and business negotiation style are changing at

different levels with different paces. Practically, the thesis aims to create a better understanding of Chinese culture and a set of specific CEO behaviors and mindsets that seem helpful in developing strong relationships with Chinese counterparts, like in situations of negotiations for an American company like Apple anno 2014.

2.2 RESEARCH QUESTIONS

1. What are critical milestones, actions and inactions towards Chinese stakeholders of Steve Jobs and Tim Cook in Apple's business negotiations in China, in 2010-2013?
2. What are the key differences and similarities in leadership styles of Steve Jobs, Tim Cook and how do these match with behaviors preferred by modern-day Chinese business partners?
3. Considering Chinese business culture and negotiation literature, what key actions towards Chinese stakeholders of Apple CEOs may have contributed most to Apple's successful completion of the business negotiations?
4. What are important lessons for leaders that modern day young and senior talent could take away from the Chinese Apple case?

2.3 SCOPE

This thesis focuses on selected CEO behaviors of Steve Jobs and Tim Cook respectively, who have been leading a US innovative high-tech company, Apple, in their negotiations with Chinese business partners in the years 2010-2013. In order to fully grasp the broader context and deeper layers of potential motivators of their actions and inactions, the personal backgrounds of these two CEOs, a brief description of Apple's history and culture, and two Chinese business cultural and negotiation models, are also in scope.

The literature review focuses first on cross-cultural management and cross-cultural business negotiation theory, with a deep dive on selected Chinese models. The two most dominant country-cultures in this study are the United States (US) and China. Although they will be discussed as a background context variable, defining and describing exactly what is distinct about both cultures, in line with Hofstede's and the Global Leadership and Organizational Behavior Effectiveness Project, is comprehensively described in a broad set of other articles and

is not the purpose of this thesis. Therefore, it is out of scope. Yet, a special emphasis lies on understanding the cultural context in business negotiations.

The case study is developed by strictly using public sources, such as journal articles, newspapers, acknowledged technology blogs, press statements, videos and pictures. No Apple representative or employee was interviewed or consulted in setting up and doing this research.

This thesis analyzes a specific case to deeper understand underlying behaviors in that specific case. The case and discussions in this thesis can be used for education purposes, to improve managers' understanding of culture and leadership behavior in US-China negotiations, and as a starting point for further research in the field. Applying the case study in real life participant settings has been out of scope for the thesis research setting, yet an interesting next step to develop. One INSEAD professor already expressed interest to, together with the author of this thesis, test whether the case study can be implemented.

The case and discussions in this thesis specifically apply to the cultures of the US and China. Nevertheless, most of the discussion in this thesis may apply to a broader 'Western' context as well, although testing the general applicability of observations to other Western countries has not been the focus of this thesis.

Lastly, writing about cross-cultural leadership is at times sensitive and requires a lot of nuance. For example, writing about "Western" and "Eastern" cultures or leaders creates a superficial dichotomy, which does not reflect the complexity and heterogeneity within each cluster. Therefore, these terms are used heuristically and for communication convenience in this thesis. I have found that this necessity for nuance in language, which appears to result from the sensitivity of the topic, has been a boundary condition for this thesis. Considering the sensitivity of cross-cultural study, the author would also like to emphasize that this study has the objective to improve cross-cultural understanding for all cultures, and that the author does not mean to insult or harm anyone with the thoughts, ideas, generalizations and words represented and expressed in this thesis. If some of the passages or ideas in this thesis are considered inappropriate, insulting or incorrect to the reader, please forgive the author's lack of knowledge and sensitivity on that matter.

3. LITERATURE

This thesis examines leadership actions in a cross-cultural management and negotiation setting. Cross-cultural management research combines three overlapping areas of research, namely culture, leadership and more specifically also negotiations. Section 3.1 introduces the reader to the context and history of three areas of academic literature relevant for this thesis: it provides relevant terminology and discusses relevant articles within their respective fields. Readers already familiar with these definitions and background may decide to skip this section and move to Section 3.2, which dives deeper into the literature on US and Chinese negotiations and discusses the interface between US and Chinese negotiations. Section 3.3 discusses gaps in the literature and sums up why, how and where this thesis aims to contribute.

3.1 CONTEXT AND HISTORY

Section 3.1.1 defines 'culture' and discusses models to analyze culture. Sections 3.1.2 and 3.1.3 introduce the reader to cross-cultural management and cross-cultural leadership.

3.1.1 Culture

The actions and inactions of Jobs and Cook as CEOs of Apple are taken in the context of the cultures surrounding them, including Chinese cultural habits, as well as the cultures that influenced them 'at home'. Tung, Worm and Fang (2008) define culture as "an evolving set of shared beliefs, values, attitudes, and logical processes that provide cognitive maps for people to perceive, think, reason, act, react and interact" (p. 61). By using the term 'evolving', the authors underline the dynamic properties of a culture. Hofstede, pioneer in the field of cultural and country-cultural research, provides a multi-level conceptual definition of culture. Hofstede compares culture with layers of an *onion*, where the outer layers are most susceptible to change (characteristics displayed by members of a group) and the inner layers represent individual deeper ingrained values and attitudes more resistant to change (Tung et al., 2008).

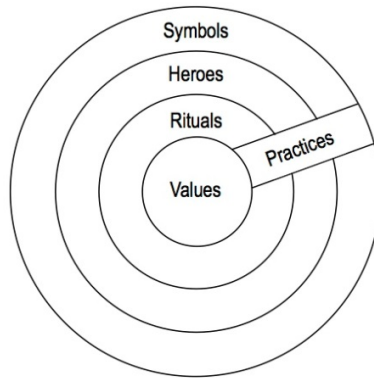


Figure 1: Hofstede's multi-level cultural model. [Figure source: Hofstede (2001)]

Such a multi-level cultural model is also presented in Schein (2010), who uses the levels 'Artifacts', 'Espoused beliefs and values' and 'Underlying assumptions'. Schein emphasizes that the essence of culture lies in the pattern of basic underlying assumptions, after you understand those, you can easily understand the other more surface levels and deal with them (Schein, 2010). This notion of complex cultures with deep underlying assumptions that explain behaviors at surface level, will be used to develop the case: to create a starting point for case participants to understand the modern-day Chinese cultural context of Apple 2010-2013, the case will introduce several models that originated in China, that likely have shaped the Chinese business partners of Jobs and Cook, and will help in understanding them.

A second important metaphor used in cultural research is presented by French and Bell (1995). The authors initiated the *iceberg* metaphor, attempting to differentiate between directly visible and deeper ingrained, invisible aspects of culture. As the visible portion of the iceberg accounts 15% of the total iceberg, leaving 85% uncovered, two distinct cultures can collide when the submerged elements of those cultures are ignored, leading to misunderstanding (Tung et al., 2008). A parallel is possible at a personal level: one may better understand the behaviors of Jobs en Cook once a larger part of their 'inner iceberg' gets uncovered and described.

As this thesis aims to focus on Chinese-based research as on Western-based research, the paragraph below discusses how seminal Chinese scientists have metaphorically described the concept of culture. Fang (2005) developed the 'ocean metaphor' of culture which aims to capture and even seems to emphasize the *dynamical*

property of culture and its ability to change over time. In this metaphor, the different aspects and properties that make up a culture are streams in an ocean and over time, *different streams can come to the surface*. This means that at any point in time, various streams can be suppressed, but at other points in time, these streams can re-ignite or resurface by external events or developments (e.g., globalization, the internet). A specific example is given by Tung et al. (2008), who pose that the entrepreneurial spirit of Chinese businesspeople is a stream in the Chinese cultural 'ocean' that is in recent decades being re-ignited. This Chinese model for culture seems to have strong ties to the concept of Yin Yang, which will be explained later.

Erez and Gati (2004) build on the importance of developing more dynamic perspectives on culture and offer a simple and intuitive, yet dynamic, multi-level model of culture. The model describes the interconnected levels of culture that influence a person: from a macro-perspective (e.g., global, national) to the micro-level (e.g., individual norms and beliefs) and vice versa, in which different levels within the model are reciprocally influencing each other. The levels presented are *global culture, national culture, organizational culture, group culture, individual*. Figure 2 depicts the model of Erez and Gati (2004), with the arrows representing waves of cultural change: top-down for more macro levels that influence more granular levels, such as an organizational culture that is shaped by national culture; and bottom-up for when a more micro level influences macro levels, for example an individual's norms and beliefs that influence an organizational culture (e.g., Jobs' personality influencing Apple's organizational culture).

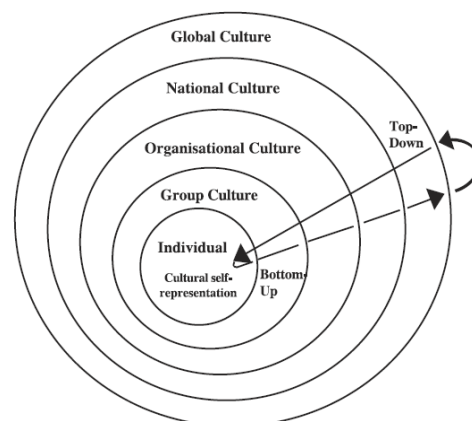


Figure 2: The different levels within the dynamic, multi-level model of Erez and Gati (2004). Changes within levels can affect other levels by top-down and bottom-up effects. [Figure source: Erez and Gati (2004)]

In the teaching note of the case study in this thesis, the author aims to apply the concept of Erez and Gati (2004) to the Apple case, to allow case participants get a comprehensive view into the characters of the most important players in the negotiations: the two Apple CEOs and their Chinese counterparts. In this way the concept of culture may become more alive and better understood ('more sticky') instead of theoretical and conceptual.

3.1.2 Cross-cultural management

Cross-cultural organizational behavior (or management) is defined by Gelfand, Erez & Aycan (2007) as "the study of cross-cultural similarities and differences in processes and behavior at work and the dynamics of cross-cultural interfaces in multi-cultural domestic and international contexts" (p. 480). Clearly, this area of research is strongly related to the research area of culture, yet more specifically tailored to the dynamics of organizations.

It encompasses how culture is related to organizational phenomena on different levels: microlevel (e.g., individual emotions), mesolevel (e.g., group negotiation) and macrolevel (e.g., organizational culture)) and the interrelationships between those levels (Gelfand et al., 2007). This area of cross-cultural research is blooming and greatly expanding, making the literature gradually more global and less ethnocentric in its focus and providing knowledge that can help individuals navigate in an increasingly global context (Gelfand et al., 2007).

One of the pioneers in this field of research, already briefly introduced, is Dutch social psychologist Geert Hofstede, who developed the cultural dimensions theory, based on a large-scale cross-national employee database developed at IBM International (Hofstede, 1980; Hofstede, Hofstede, & Minkov, 2010). Key of this theory is that human behavior in organizations across the globe show significant differences in their behavioral patterns, which Hofstede synthesized in his original five dimensions model: Power Distance, Individualism, Uncertainty avoidance, Masculinity, and Long Term Orientation (Hofstede, 1980). Following Hofstede's initial model, the Global Leadership and Organizational Behavior Effectiveness Research Project (GLOBE) was founded in 1993, in which an international group of social scientists and management scholars studies cross-cultural leadership, partially to refine Hofstede's dimensions (House, Hanges, Javidan, Dorfman, & Gupta, 2004).

An interesting objection to the current state of cross-cultural management research, with its emphasis on defining country-cultural dimensions and a globally 'accepted' profile, is posed by Faure and Fang (2008) who state that, to understand modern day *Chinese* culture in business and organizations there is a need to move beyond the classical methodology. The authors emphasize the relevance of introducing more a Yin Yang perspective of culture to understand Chinese culture. The vast majority of international business and management literature investigates country-cultural dimensions "based on the bipolarization of national cultures measured along a continuum in which each national culture finds its fixed positioning" (Faure & Fang, 2008, p. 195). For example, the US is classified as an individualistic culture in these studies, while China is labeled with the opposite: a collective culture (Faure & Fang, 2008). Faure and Fang (2008) illustrate this bipolar, biased view that is encapsulated in this by stating: "Such methodology for study of culture rests on the assumption of linear rationality and the 'non-contradiction principle' " (p. 195). This perspective, which has Western roots, cannot explain Chinese culture well. The authors pose that China's single most important cultural characteristic is its ability to manage paradoxes. As such, Faure and Fang (2008) emphasize that in order to completely capture the mechanism of the Chinese culture, it is very important to think in terms of Yin Yang. Yin Yang is, as many will already have heard of, yet perhaps not reflected on in the context of business and organizational behavior: "a Chinese philosophy that views all universal phenomena as created by dual cosmic energies called Yin Yang" (Faure & Fang, 2008, p. 195). Hence, Chinese tend to have a world-view that is very much 'both-and' rather than 'either-or', which is a very Western line of thought.

The comments of Faure and Fang triggered me to develop a case study without the continuums and dimensions as the central teaching theory, which are highlighted by most cross-cultural management teachers.

3.1.3 Cross-cultural leadership

This thesis does not just examine general management, but an area more specific within that domain: CEO leadership actions and inactions in a cross-cultural setting. Of the 66 leadership theoretical domains and 23 leadership theories Dinh et al. (2014) investigated, cross-cultural leadership ranks 5th based on the frequency of

publications in ten top journals on leadership. This illustrates that, within the domain, cross-cultural leadership is becoming an established sub-field of research, which is confirmed by Dickson, Hartog, & Mitchelson (2003).

One of the primary focuses of cross-cultural leadership research is “hunting down” the overview of globally accepted good leadership practices and generally endorsed attributes (e.g., charismatic leadership and team-oriented leadership) (Gelfand et al., 2007). Secondly, the literature specifies leadership behaviors that have appeared more or less successful in different countries. These differences can have far-reaching impacts on CEO behavior - as the following example, described by Dickson, Castaño, Magomaeva, & Den Hartog (2012), shows. Even though he had no direct role in causing the accident, Shimizo stepped down as the CEO of Japanese utility company TEPCO after the nuclear accident caused by the Japanese tsunami in 2011. In contrast, many CEOs of Western companies had overseen similarly catastrophes with enormous environmental and social impacts, but *did not feel the need to resign* (Dickson et al., 2012). For instance, Tony Hayward, who eventually stepped down as BP's CEO following the major oil disaster in the Gulf of Mexico, but without accepting responsibility and only after resisting for a while (Dickson et al., 2012). The underlying rationale that may explain this difference in observed CEO behavior seems that leaders in more individualistic societies are less likely to be held accountable for an organization's failures, while in more collectivistic societies leaders are more frequently held accountable for the organization's failure (Dickson et al., 2012).

Again, one of the drawbacks of this area of cross-cultural leadership research that strongly relates to the call of Faure and Fang (2008) to use more Chinese models such as the Yin Yang model, is that most cross-cultural leadership research has a North-American bias. Due to this bias, it is not always straightforward that particular cross-cultural leadership theory and findings are generally applicable to all (incl. non-western) cultures (Dickson et al., 2012; Law, 2012). As a general example, most leadership theories and measures reflect individualistic values rather than collectivistic values; they emphasize assumptions of rationality rather than ascetics, religion, or superstition; focus on individual rather than group incentives, stress follower responsibilities rather than rights; and assume hedonistic rather than altruistic motivation (Dickson et al., 2012; House, 1995; Hofstede, 1993).

3.2 DEEPDIVE: US-CHINESE NEGOTIATION

3.2.1 Relevance of research on Chinese-American negotiations

As a final piece of literature review, this section presents a condensed and selected “deep dive” into research on Chinese business culture and negotiation styles in relation to foreign counterparts.

Negotiating with Chinese counterparts, a key element of the Sino-Western business relationship, is extremely complex and difficult (Ghauri & Fang, 2001). In the seminal work *Chinese Commercial Negotiating*, Pye (1982) identifies three major sources of the complexity in Sino-Western business negotiations: (1) problems due to the newness of the relations and lack of experience on both sides, (2) problems inherent in capitalist enterprises aiming to do business with enterprises in the Chinese socialist economy in transition and reform, and (3) problems that arise from differences between Chinese and Western cultures. In the case study analysis of Apple’s CEO behavior in China, all three elements will be relevant (e.g. (1) first Apple CEO visit to China, (2) negotiation with a *state-owned enterprise* China Mobile, (3) different standards in negotiation tactics), yet most emphasis will lie on the potential impact of cross-country cultural differences.

The Chinese culture is fascinating and complex: it’s often seen as the world’s *oldest culture*, yet several layers of the *onion* of cultures are perceived to be changing due to the enormous economic development and increased openness of the country. China is also the largest market in the world, with many very different submarkets, which further adds to the complexity. China is the world’s largest market and foreign direct investment partner of all emerging market countries. Within three decades, the People’s Republic of China (PRC) transformed from one of the world’s most isolated and backward economies into one of the most dynamic economies. Knowledge of the factors that could affect the success or failure of firms as they engage in international business negotiations with Chinese counterparts could help firms to achieve long-term successful commercial relations with Chinese business partners and strengthen the Sino-Western business relationships (Ghauri & Fang, 2001).

3.2.2 Introducing Chinese business culture and negotiation

This part of the literature review is included in the case study in Chapter 5. To prevent double use of print paper and allow the case study to be seen in its full shape, the reader is kindly referred for this part to paragraph 5.4 The décor: Introducing Chinese business culture and negotiation.

3.3 CHALLENGES AND GAPS IN THE LITERATURE

Below is a summary of the key challenges (or gaps) in the literature, and we will discuss in the conclusion how this thesis aims to contribute to these key challenges.

1. There is a need for non-US-based research (Dickson et al., 2012; Law, 2012).
2. There is a need for research on how people negotiate and manage cultural differences in ways that increase positive outcomes for individuals and organizations (Gelfand et al., 2007)
3. Research should move from a *static perspective* towards culture to a more *dynamic* perspective, i.e., incorporating dynamic elements of culture and showing how they change over time (Dickson et al., 2003; Dinh et al., 2014).
4. Cross-cultural leadership research should aim to explicitly connect the multiple levels of leadership with the various levels of culture. Culture by definition is a multi-level aspect, but leadership itself can be measured at different specific levels (individual, dyad, group, etc.) (Dickson et al., 2003; Dinh et al., 2014; Gelfand et al., 2007). Incorporating multiple levels explicitly helps in understanding the multi-layered complexity underlying cross-cultural leadership.
5. Current research has a too narrow focus, according to Gelfand et al. (2007). Research should shift from studying *one cultural value* to studying *multiple values*, including neglected sources of cultural differences like norms and beliefs. Also, the authors encourage including contextual factors in the study.

3.4 CONCLUSION

In sum, the area of cross-cultural research is maturing. A key challenge, especially given the country-cultural dimension of the content field itself, seems the need and opportunity to gradually de-bias American dominant

theories. This thesis is developed by a European employee of a large multinational that worked with both Chinese and American colleagues and travelled in both countries. As such, the author aims to incorporate a more neutral point of view. That is quite a challenging task. As the famous test known as the Michigan Fish Test test in psychology shows, culture shapes even how people perceive and remember different aspects of the same picture, so a conscious process of “de-biasing” should be employed (Iyengar, 2011). As a result of this, several Chinese models will be given a prominent place in the case study, such that discussions, that may tend to go towards continuum cultural dimension descriptions, get a ‘nudge’ towards Chinese perspectives and modes of thinking.

In addition, the literature suggest there is a ‘white spot’ for innovative research approaches that apply in-depth investigation, addressing a multi-layer perspective of culture and personality, incorporating contextual and rich situational aspects. The case-study methodology seems a novel (compared to the dominant used methodology of surveys), relevant and suitable technique in this area of research: without generalizing, it helps to highlight the richness of multiple levels at stake, to enlighten situations in which the interventions being evaluates have no clear single set of outcomes and thereby may stir many young talented participants of (Executive) MBAs reading the case to reflect on the specific situations in which they encountered cultural differences. The case study in this thesis incorporates a multi-layered view of leadership and culture to study negotiation behavior from the angle of country-cultures, social norms and beliefs, and contextual factors.

Gelfand et al. (2007) state there is a need for research into the cross-cultural interface in business negotiations. This thesis fills this gap by developing a case study that investigates the dynamics of cultural interfaces in US-Chinese negotiations between country-cultures, organizations and leadership mindsets. In addition, the case study incorporates a dynamic time element by (i) developing a multi-year timeline of events to analyze key changes in CEO negotiation behavior over time, and (ii) introducing several influential, accessible Chinese theoretical models with dynamic characteristics, opening up the solution space from one static answer, to the possibility of multiple contradicting perspectives at the same time and over time.

4. METHODOLOGY, RESEARCH SETTING AND DATA GATHERING

This chapter introduces the used methodology, research setting and data gathering. As this thesis develops a case study for Executive (MBA) students, Section 4.1.1 explains the relevance of a case study as a learning tool and Section 4.1.2 discusses best practices in writing a case.

4.1 METHODOLOGY

4.1.1 Relevance of case study as a learning tool

Case studies are used at INSEAD, Harvard Business School and other pre-eminent business school institutions for teaching purposes (Roberts, 2012). According to INSEAD, the case study method is the most effective way to teach on leadership, as it resembles problem solving and decision making just like in a real workplace and fosters teamwork, reflection and participation ("*INSEAD Cases...*", n.d.). Usually, participants first study the case paper individually. The case describes a business issue from the perspective of the executive decision-maker, the so-called "protagonist" (Roberts, 2012). In class, students will discuss the case, while the author of the case is probing for their ideas and insights. A case may pose a problem or dilemma and is often used as a metaphor for a larger and more general set of business problems (Roberts, 2012).

Roberts (2012) describes three levels of learning benefits that Harvard Business School aspires to achieve through using the case study methodology in their programs: (1) *knowledge of analytical tools and frameworks*, i.e., a base of knowledge in a specific area, (2) *skills to apply the knowledge*, i.e., skills to analyze a situation and form a point of view, and the ability to articulate, to defend and to inform it with views of others, and (3) *attitudinal objectives*, like learning to analyze and to take responsibility in complex situations like a top manager. Because participants of the case study identify with the case and its key decision makers, the above mentioned learning objectives are better attained through a case study than through a lecture, Roberts (2012) claims.

There are several types of case studies and several phases when constructing a case study. The case developed in this thesis is termed a *published information case*, as it is derived from published sources, such as newspapers,

magazines and journals (Roberts, 2012). It is also a *research case* as this thesis will develop analyses in the teacher's note based on the case description. Nevertheless, the case will be constructed in such a way that it comes as close to a *teaching case* as possible – with the intent to use it for business student programs.

4.1.2 Best practices in writing a case

Generally, good cases at pre-eminent business schools consist of the following four key characteristics:

1. The case writer thought through **questions, dilemmas or issues** the students will be asked to address, and **what analysis or frameworks** will be required to answer those questions. Moreover, the case should have a **good story** and pose an **action question** that triggers and allows the students to perform analyses to answer or reflect on the questions and issues raised. The case does not teach the techniques required for the analyses, but merely provides a 'situation' to apply learned techniques (Roberts, 2012).
2. Case studies provide **sufficient detail** to allow a realistic setting for participants. The case must present "the context and the CEO in a rich fashion" (Roberts, 2012, p. 1) to allow participants to identify with the decision makers, and to understand the complexity that accompanies 'real' business decisions.
3. Cases are frequently too long. Roberts (2012) highlights that **15 pages** in total is a short case, and **25 pages** is a long one – this considers single-line spacing. Extra length of the case in reality impacts students' preparation quality negatively. One of the hardest pieces for the writer is to make careful decisions about editing, in particular to delete pieces that students will not focus on.
4. As no complex business situation can be distilled to a mere 10 pages of text with some graphs and tables, the case author will always have to **abstract, distill and simplify reality** (Roberts, 2012). Case authors need to remove or simplify all dimensions that do not support or add to the case's central theme.

Finally, there is a significant amount of more practical characteristics that good cases share. However, there is no single truth. For instance, Roberts (2012) advises to write the case in **past tense**. It is also suggested to construct a timeline with relevant events over time and order this **chronologically**. Yet there may also be background information on the key person that you want to convey before starting the story.

According to a text about the case method on the INSEAD website: “simulations, role-play, video and group work may be used to optimize participation, with the aim of understanding the complex factors at play, the techniques to apply in analyzing the problem, and the skills and expertise required to deal with it” (“*INSEAD Cases ..*”, n.d.). It seems likely that in this thesis' case study of Apple in China, **interactive elements** like a simulation with role play and video of public CEO speeches is feasible and would increase understanding of (Executive) MBA participants of the dilemmas that Steve Jobs, Tim Cook and their Chinese counterparts faced.

The Case Centre is a non-profit organization promoting the case method and sharing knowledge and expertise in case teaching. It states that 95% of the 50 most popular cases in its database has an accompanying **teaching note** (Heath, n.d.). A teaching note is a document designed to give instructors insights into the case, the learning objectives of the case and references for students (Heath, n.d.). Teaching notes may vary from detailed and formal to broad and informal. The Case Centre prescribes that a teaching note consists of these six elements: (1) summary of the case, (2) teaching objectives and target audience, (3) teaching approach and strategy, (4) analysis, (5) additional readings or references for the participants, and (6) feedback on how the case worked with different student groups (Heath, n.d.). Florent-Treacy (2013) adds that it includes a description of the context and discussion of implications. Publication in The Case Centre database is not the purpose of this thesis. Nevertheless, if publication in the database should be an objective in the future, the developed case should first be tested in a learning environment and supported by proof that the case is pedagogically effective (Heath, n.d.).

4.2 RESEARCH SETTING

This research is conducted in the setting of the strategic leadership actions of two Apple CEOs in their negotiation with Chinese business partners over the years 2010-2013. This research setting is chosen for four reasons. (1) It very much appealed to the interests of the writer of this thesis: high tech companies in the cross-cultural interface of US and China. (2) The tech giant, Apple, has been tremendously successful in influencing daily life and making a good profit out of it. Considering their success, it is interesting to understand how this *number one benchmark* company approaches China, and what other companies can learn from it. (3) The fact that two relatively different CEOs were in charge of the company gives the opportunity to make interesting

observations on the different approach they may have taken. (4) There is a decent amount of information available to develop the timeline, CEO profiles and a good understanding of Apple's endeavors in China.

All information used to develop the case study is public, and the author is no part of the Apple organization. The research context (characters, background and story) are an important part of the case study. Hence, it is further elaborated in the case study chapter, Chapter 5. For this reason, this section is intentionally left brief..

4.3 DATA GATHERING

The case study in Chapter 5 is developed with public sources. In developing this thesis and the case study, the author used scientific journal articles, books, course material from the CCC course curriculum, case studies from The Case Study Centre's database, newspaper articles, press releases, reporter blogs, videos, pictures, etc.

As this thesis investigates specific country cultural characteristics, it is important to not be biased towards the author's own 'Western' culture and obtain a good view of both cultures by specifically searching for Chinese sources in this context. This has resulted in much scientific work from Chinese authors being included in this thesis, and the inclusion of English-written blogs by Chinese tech-followers.

This thesis has used an authorized biography of Steve Jobs (Isaacson, 2012) and several other books on Apple and doing business in China. To develop the timeline of key events for Apple CEOs in China, newspaper articles were an important additional source. In the search for reliable works, there was a strong focus on obtaining news reports from reliable newspapers or online news providers, such as Reuters, Time, Associated Press, CNN, The Wall Street Journal, Bloomberg, etc. Several of these newspaper articles were written by Chinese reporters. In some cases, well-known blogs, often noted of being the first to report on new Apple products or developments, were used, such as Tech In Asia and Mac Rumors. Uniquely, this thesis also analyzed videos of speeches by Steve Jobs and Tim Cook to further add information.

Well-known databases, such as ScienceDirect were used to find scientific articles. Key search words were 'US', 'China', 'Business', 'Negotiations', 'Culture', 'Cross-cultural', and 'Leadership'. Through this procedure, a foundation of articles was found and read to establish a good understanding of the field. In a second search,

more specific articles were discovered, also by searching in works that were referenced in initially found articles. The approach described in Florent-Treacy (2013) was used to read the articles and structure them.

To develop the timeline, a press-search is performed through Google. By using the additional features of selecting a particular time period for the search, I was able to develop a comprehensive timeline of strategic actions by Apple CEOs in, or in relation to, China. It is by no means meant to be exhaustive, but to give a representation of the key events that are remarkable from a strategic and leadership point of view (considering all my knowledge from the literature review, class and various books I read on the topic). In this thesis, I made sense of the enormous amount of news items and blogs, by first concentrating on the most reliable sources (existing newspapers) and for blogs, I focused on the most important Asian tech blogs. The search was done by using search words such as the CEOs' names, 'Apple', 'China Mobile', etc. In some cases, when finding an article from a reliable source, other relevant articles on the same topic were easy to find on the same website as well.

5. CASE STUDY: CHINESE APPLE

5.1 THE OPENING

Apple. Who did not use a product of this company or one of its following competitors that improved daily routines for the better? Through CEOs Steve Jobs and Tim Cook, this high-tech company from Silicon Valley played, and still plays, a catalyzing role in the technology wave that is changing our world at the beginning of the 21st century. Yet, the business world meanwhile faced another revolutionary change: the tremendous resurrection of the Chinese economy and the low economic growth levels in other areas, like the US and Europe, following the financial crises at the beginning of the 21st century. Many Western multinational enterprises (MNEs) need to find and exploit new sources of growth, and many growth strategies, including the one of Apple, heavily rely on success in the Chinese market. While Apple has been extremely successful in 'Western' economies, it has faced several difficulties in its relationship with China. And Apple is not the only one. China is for many multinationals like a Chinese apple, a pomegranate: a delicious fresh fruit from the inside, a symbol for

fertility even in China, yet challenging to truly access without the right tooling and knowledge, due to its tough to perforate external skin. Building sustainable relationships and negotiating with Chinese counterparts has proven to be perceived as complex and difficult for many non-Chinese companies. Differences in negotiation styles (e.g. detailed versus high level agreement), societal context (e.g. capitalist versus communist society) and cultural backgrounds (e.g. US versus Chinese culture) create a complex, underlying dynamics and provide a major challenge for Western MNEs doing business in China.

The following case study describes some of the dilemma's Apple's CEO faced in doing business in China in the period 2010-2013, a period during which Apple's growth strategy highly depended on obtaining an agreement on the distribution of iPhones in China via the largest Chinese network carrier, China Mobile. The case will focus on carefully selected remarkable actions *and* inactions towards Chinese stakeholders of Steve Jobs and Tim Cook as sequential CEOs and thereby sketches an image of their approach in building long-term relationships to achieve favorable negotiation outcomes and public image in China. It explains the key characters (Jobs and Cook), the decor (Chinese cultural context for business negotiations), and the story (key milestones and dilemmas Jobs and Cook faced in 2010-2013 in China, zooming in on actions and inactions of Jobs and Cook towards Chinese stakeholders). The case study, in combination with literature on leadership, cross-cultural management and US-Chinese negotiations, is the foundation to answer the questions of the assignment. In the spirit of Jobs' entrepreneurship and Cook's quest for openness to diversity, you are probed to *think different*.

5.2 THE MISSION

Envision you are the CEO of Apple, or his trusted advisor, and that you are trying to approach potential Chinese key business partners *or* that you are the CEO of China's largest network supplier and the CEO of Apple enters your boardroom. What actions and attitude would you bring on stage to achieve success in what could be the most important market for Apple? How would you use your knowledge on (country cultural) diversity and personal strengths and weaknesses in negotiations? From now on, you will be asked to imagine that you are one of the key stakeholders of this case. So to read the case with the eyes of your stakeholder and to find additional

information about this person, if you are new to the topic. The total group of 30 participants will be divided into six groups of five participants. Each group will be asked to think, feel and act as one stakeholder, respectively:

1. Steve Jobs
2. Tim Cook
3. CEO of Chinese largest carrier
4. CEO of Chinese upcoming and competing smartphone producer
5. Steve Jobs' trusted strategic advisor and business coach
6. Tim Cook's trusted strategic advisor and business coach

As you will receive and read the story of events in three Acts with intermediate assignments during class, fully step into the shoes of the person you have been assigned to be and identify with. Imagine what it would have felt like being Apple's CEO (Jobs resp. Cook), his primary trusted advisor and coach, and a critical Chinese business stakeholder. And, perhaps half as important: what are the leadership strengths and pitfalls of Jobs and Cook you would want to take into account and manage well? Come prepared to class with a solid perspective of the behaviors and mind sets that you think fit your character.

5.3 THE CHARACTERS: COOK AND JOBS – THE APPLE AND THE TREE

People are for a large part “products of their past”. That is one of the key premises of the clinical lens, with which CEO leadership actions can be reflected on and better understood, or as Kets de Vries (2006, p. 17) states this: “All of us are nothing more than a developmental outcome of our early (and later) environment. ... And because of the heavy imprinting that takes place at earlier stages of life, we tend to repeat certain behavioral patterns”. With this premise in mind, the actions of leaders Tim Cook and Steve Jobs as CEOs of Apple and their behavior towards Chinese stakeholders can be better understood and coached when we picture the different ‘layers’ of the past that construct their personalities. In the following CEO profiles, a set of potentially critical personality layers are described. These descriptions do not aim to be complete. Yet they try to map out a character, as in an opera or classical Greek tragedy, such that you understand them sufficiently to ‘further color to the sketch of the painting’. To understand more about their organization, Apple, Appendix 5 provides a background.

5.3.1 Sketch of Tim Cook's personal background and leadership style

Not far from where I lived, I remember very vividly witnessing a cross burning at such a remarkable family. This image was permanently imprinted in my brain, and it would change my life forever. For me the cross burning was a symbol of ignorance, of hatred, and a fear of anyone different than the majority. I could never understand it.

-- Tim Cook, Speech at the United Nations (2013)

Tim Cook was born in a small town in the south part of the US, Alabama, in 1960. He was the second of three sons of Donald, a shipyard worker, and Geraldine, who stayed at home and took care of Tim and his two brothers. Cook graduated second in his high-school class in 1978 ("Tim Cook", 2014). At a conference in 2012, Cook told that he worked in a paper mill in Alabama and an aluminum plant in Virginia. He referred to this when explaining that (and maybe implicitly explaining why) according to him, Apple cares about the employees in the Chinese factories: "Apple takes working conditions very, very seriously. Whether workers are in Europe or in Asia or in the United States, we care about every worker. I spent a lot of time in factories, personally, and not just as an executive" (Elmer De-Witt, 2012). Cook's parents are said to live modestly in the house Tim grew up in. His dad said that when Tim was young, he used to deliver newspapers (Amy, 2009).

In a memorable 2010 Commencement Speech at the Auburn University, where Cook received a Bachelor of Science degree in Industrial Engineering in 1982, Cook highlighted the tremendous relevance of Apple for meaning in his life by stating that his "most significant discovery so far in my life was the result of one single decision, to join Apple" (Cook, 2010). In this speech, Cook revealed a lot of his perspectives on wise choices in careers and good leadership. On the one hand, he is a 'left-brained' cognitive analytic operations guy, promoting logic cost-benefit analysis and execution excellence. Cook's strong operational 'spike' was one of the reasons Jobs hired him, and also, interestingly for this case study, made Cook closely tied to China, which will be elaborated on in a moment. Yet besides this analytical side, Cook's Commencement Speech also reveals the importance he places on intuition. Referring to this, he does not mean luck or faith: "even moments in which you trust your 'gut feeling' can be prepared", according to Cook. Cook invigorates this point by quoting Abraham Lincoln: "I will prepare and someday my chance will come" (Cook, 2010). Thirdly, the speech highlights the

importance Cook places on innovation. He urges students not to be afraid to take risks and quoted a sentence, often attributed to Einstein: "Insanity is doing the same thing over and over again" (Cook, 2010).

Yet for years, Cook was primarily known for his expertise as an Operating Officer. Before Cook arrived, Apple had production facilities and warehouses spread all around the world, from California to Ireland, yet, Cook decided to close all factories and copy Dell's strategy of outsourcing production (Lashinsky, 2012): "He installed logistical discipline which gave Apple inventory management comparable with Dell's, then the gold standard for computer-manufacturing efficiency" (Lashinsky, 2008). This drive for operational excellence, also closely ties Cook to China. Cook was a driving force of the strong emphasis and dependence, on Chinese suppliers. Lashinsky (2008) describes Cook in a meeting with his team about a problem in Asia: "'This is really bad", Cook told the group. "Someone should be in China driving this." Thirty minutes into that meeting Cook looked at Sabih Khan, and abruptly asked, without a trace of emotion, "Why are you still here?" Khan [...] immediately stood up, drove to San Francisco International Airport, and, without a change of clothes, booked a flight to China with no return date, according to people familiar with the episode" (Lashinsky, 2008).

For a long time, outsiders to Apple did not really know what to think about Cook. Cook had this strong reputation as a "business operations maestro". Yet, few people outside of Apple had any sense of whether Cook would be a good CEO. Even careful Apple watchers didn't quite know what to think, according to Lashinsky (2008). Cook was long typed as the 'under the radar guy'. The most common observation about Cook was how temperamentally different he was from Jobs. Cook is cool, calm, and never raises his voice" (Lashinsky, 2008). Compared to Steve Jobs, many character traits appear more 'moderate', yet quotes as the one above on China seem to suggest that Cook also had a tough part: demanding and almost without emotion (Lashinsky, 2008). It is stated that Cook can be tough in meetings: "He asks you the questions he knows you can't answer, and keeps going and going. It isn't fun." according to an executive at CNN (Lashinsky, 2008). Yet, the China story can also be read as a spark of cultural intelligence: Cook realized that presence in a local country is important to realize change and efficiency. Cook self probably seems to dislike the 'emotionless' perspective, as he emphasized in an interview that he did not think he was perceived correctly in all media. "The person you read about is robotic.

There are some good things about that, perhaps. Discipline comes to mind. But it sounds like there is just no emotion. People that know me, I don't think they would say that" (Prigg, 2012).

After Sheryl Sandberg started as COO at Facebook in 2007, she wanted to connect with other COOs and called Tim Cook, according to Gupta and Henderson (2013). Cook explained her that the job of the COO was to do the things the CEO does not want to spend his/her time or focus on. By having this COO role under Jobs for a long period of time (from January 2007, until 2011), and coming from another role in the Apple company, Senior Vice President Worldwide Operations, Cook was used to having a subordinate role compared to Jobs. On the other hand: Cook already replaced Jobs in 2004 for two months as a CEO, so within the broader board, Cook would have had a respectful position. In total, Cook's selfconfidence could be seen as 'balanced', since Cook was successful, yet still 'grounded'.

It is interesting to note that Cook is said to receive more space and freedom under Jobs than any other executive. Jobs approved Cook becoming a Nike director in 2011, while nobody else except Jobs – Jobs was director at Disney – was on the board of any external company until that time (Lashinsky, 2011). Moreover, although Cook has this modest and humble appearance, Cook's total compensation package of US\$378 million made him the highest paid CEO in the world in 2012. Even in the period that Jobs was CEO and Cook COO, Cook earned more than Jobs (Lashinsky, 2011). Interesting in that perspective is that Cook appears to be living in an average four-bedroom condo in Palo Alto, California, with a small yard in the front. Supposedly, Tim Cook once said that it reminds him from where he is from. Cook says that monetary success does not motivate him (Lashinsky, 2012).

Two inspiring role models for Cook are Robert Kennedy and Martin Luther King. Treating people fairly is a strong underlying value or theme in his life that surfaces time and again. Cook admires Kennedy's way of relating to people of all walks of life and he admires the way Kennedy "was comfortable standing in his brother's shadow and doing what he thought was right" (Lashinsky, 2011). This obviously is exactly what Cook did when Jobs was CEO. Early 2012, according to the magazine The Verge, Cook held a town hall meeting at Apple in which he spent "quite a bit of time focusing on Apple's charitable contributions" (Patel, 2012), which heavily contrasted from Steve Jobs position towards philanthropic efforts. According to Lashinsky (2012), Jobs thought

that the most philanthropic act Apple could do was to increase Apple's shareholder's value, such that shareholders could support charities *they* found important, not Apple.

Remarkably little is known about Cook's life outside Apple. Described by many as a lifelong bachelor, he apparently lived for a long time in a rented house in Palo Alto, according to Lashinsky (2008). Cook's determination for his work is often quoted in media: "He often begins e-mailing the executives who work for him at 4.30 am; worldwide conference calls can take place at any time of day. For years, Cook held a standing Sunday night staff meeting by telephone in order to prepare for yet more meetings on Monday morning" (Lashinsky, 2008). The fact that Cook is never married led to speculations that he is gay. Although Cook has never confirmed this publicly, he is regarded by several sources as one of the most influential gay men in the US, for instance in 2012 when the magazine 'Out' placed Cook No. 1 on the list of most powerful gay men and women ("The Power...", 2012). Cook is known to be a promoter of equal rights across the board. On December 15, 2013, Cook explicitly positioned himself as a champion of equal rights, speaking about gay rights, racism and discrimination at Auburn University. As reporters note: "The statements are remarkable for the notoriously private Cook because they strongly imply personal experience with discrimination" (Vella, 2013). In the context of the negotiations with China Mobile, Cook has publicly also stated this during a visit to China that he has a Chinese in-law, loves Chinese culture and had already visited China 20 times since 1996 (Shu, 2013a; Williams, 2013).

Like Jobs, Cook faced health issues: in 1996 he was told he had multiple sclerosis, which turned out to be a misdiagnosis. "You see the world in a different way after such an experience", he told the magazine of Auburn University. The health shock ignited Cook's passion for cycling; he regularly competes in fundraising rides for MS, according to Lashinsky (2008).

Lastly, yet not unimportantly, Cook is an American citizen, who regularly refers to his roots in "the South". Cook grew up, just like Jobs, in post-World War II America. In his opening statement to the US senate before the permanent subcommittee on investigations, Cook confirmed the strong tie he sees between Apple and the American culture: "I'm often asked if Apple still considers itself an American company. My answer is always an emphatic "yes". We are proud to be an American company, and we are equally proud of our contributions to the

US economy" (Cook, 2013). In comparing Jobs and Cook, Gartner analyst Milanese says "Cook is a gentler being in terms of how he projects himself. That's partly of necessity - few people would tolerate Jobs-like arrogance in a new CEO — but it's also a reflection of Cook's personality" (Svensson, 2012). Cook was born in the southern state of Alabama and at his current age seems still very much a "southern gentleman" (Svensson, 2012).

5.3.2 Sketch of Steve Jobs' personal background and leadership style

"All external expectations, all pride, all fear of embarrassment or failure - these things just fall away in the face of death, leaving only what is truly important. Remembering that you are going to die is the best way I know to avoid the trap of thinking you have something to lose. You are already naked. There is no reason not to follow your heart."

– Steve Jobs, Stanford Commencement Speech, June 12, 2005 (Stanford, 2005)

Steve Jobs was born in San Francisco in 1955 and adopted by Paul and Clara Jobs, who named him Steve Jobs. Jobs' biological father was Syrian-born and his biological mother was Swiss-American, yet Steve Jobs himself was American. Jobs parents also adopted a daughter, Patty, when Jobs was two years old. Later in life, Jobs found out that he had a biological sister, Mona Simpson, who he became closer friends with (Isaacson, 2011). When asked about his adoptive parents, Jobs said "they were my parents 1,000%" (Isaacson, 2011, p.5). When speaking about his biological parents, Jobs stated: "They were my sperm and egg bank. That's not harsh, it's just the way it was, a sperm bank thing, nothing more." (Isaacson, 2011, p. 79-80). Dan Kottke, a good friend of Jobs, highlighted the profound impact these early childhood experiences had on Jobs: "At some deep level there was an insecurity that Steve had to go out and prove himself" (Huy, Jarrett & Duke, 2013). Isaacson (2011) similarly noted about Jobs: abandoned early on, yet also 'the chosen one' and 'special', seeds for rebellion and self-assertion were planted early.

Famous is Jobs' 'stay hungry, stay foolish' Stanford 2005 Commencement speech. It contains many stories, among which the story that Joanna Schieble, Jobs' biological mother, required that Jobs would be adopted by college graduates. After Schieble learned that Clara Jobs did not graduate, and Paul Jobs only attended high school, she refused to sign the final adoption papers until the parents promised her that the child would be encouraged and supported to attend college (Jobs, 2005). Jobs did go to college, yet dropped out of Reed College,

a for his working class parents very expensive school, after six months. The 18 months following that, Steve attended several classes that would be fundamental in his Apple life, such as courses on calligraphy (Jobs, 2005).

Being born and raised in the area of Silicon Valley, Jobs was influenced early in his life by the “tech-geek culture of the Valley”. The South Bay of the San Francisco Bay Area was and still is home to the world's largest technology corporations as well as thousands of startups. Obviously, Jobs showed some characteristics that could be seen as overlapping to the Valley culture, like being entrepreneurial (Jobs at Stanford speech (Jobs, 2005): “have the courage to follow your heart and intuition”) and being extremely fascinated and passionate to develop new products using technology (“we wanted to build the product ourselves, we *wanted* a computer”). Kets de Vries (1996) identifies a number of themes common among entrepreneurs, such as the need for control, a sense of distrust, a desire for applause and a flight into action: most of these seem to apply to Jobs. In recent years the culture of the Valley has matured and several recent articles written in, among others, The Wall Street Journal and Huffington Post sketch the risk of the Valley getting too proud and self-centered, some even sketching the image of a superiority complex (Manjoo, 2013). Interestingly, similar characteristics have also been attributed to Jobs in his authorized biography (Isaacson, 2011).

Jobs' strong drive and tenacity were appearing from an early age. When he returned home after dropping out of college, he applied for a job at Atari (Huy et al., 2013). Atari's chief engineer says that the HR director asked him if he could reason with this 'weird guy' who refused to leave the building until Atari hired him. A later employee at Apple discusses this vision and tenacity as well: “When Steve believed in something, the power of that vision can literally sweep aside any objections, problems or whatsoever” and “The key thing was that we weren't in it for the money. We were out to change the world” (Huy et al., 2013, p. 4). People saw Jobs as “a global cultural guru, who “changed the game for entire industries” (Huy et al., 2013, p. 1). Stated differently, Atari's chief engineer said: “There was some spark” and “inner energy, an attitude that he was going to get it done. And he had vision too. You know, the definition of a visionary is ‘someone with an inner vision not supported by external facts’. He had those great ideas without much to back them up, except that he believed in them” (Huy et al., 2013, p. 2).

It is well-known that Jobs got influenced by spiritual books and made a spiritual guidance trip to India with Daniel Kottke, after reading '*Be Here Now*'. The seminal book '*Be Here Now*', written in 1971 by spiritual teacher Ram Dass (a Western-born formerly named Richard Alpert), discusses spirituality, yoga and meditation.

Yet what is perhaps less emphasized, but worth elaborating in the context of this case study, is Jobs' great admiration and deep respect for Japan and Zen philosophies (Nobuyuki, 2011). Jobs started to practice Zen meditation at the San Francisco Zen Center. There he was introduced to the monk Kobun Chino Otogawa, who would become his mentor and friend. Jobs became really devoted to it. He became one of Kobun's disciples that spent most hours meditating and also went on personal retreats to Tassajara, the first Zen temple in United States (Isaacson, 2011). Kobun was even leading a key moment of Steve Jobs life: he was in charge of celebrating the wedding ceremony of Steve Jobs and Laurene Powell according to the Sōtō Zen ritual (Isaacson, 2011). Kobun was like a father to Steve, and during the year Steve was away from Apple and started NeXT, Kobun accepted to be in a 'spiritual advisor' role. He stayed until NeXT was bought by Apple (Gilgoff, 2011).

In the speech Jobs gave at Stanford, he touched upon his illness (cancer) revealing that he asked himself the same question every morning: "If today were the last day of my life, would I want to do what I am about to do today?" It was a question that pushed him to make tough decisions. This point of view had much in common with Zen dialogs (Nobuyuki, 2011). Other influences of Zen on Jobs' leadership style are said to be sharp focus ("he relentlessly filtered out what he considered distractions" (Isaacson, 2011)), simplification ("conquering, rather than merely ignoring complexity" (Isaacson, 2011)), perfection ("as walking in one of the Zen gardens of Kyoto that Jobs loved" (Isaacson, 2011)) and intuition ("instead of relying on market research, .. an intimate intuition about the desire of his customers" (Isaacson, 2011)) (Allen, 2012).

A second major Japanese influence on Jobs was Sony. Jobs' admiration of Akio Morita, the Japanese company's cofounder, is well-known. At a major new product launch in 1999, Jobs delivered a tribute to the recently deceased Morita and the innovation that he delivered with Sony: "*they invented consumer electronics*" (Hayashi, 2006). Jobs' famous attire of jeans and black turtlenecks was also inspired by Sony. Morita informed Jobs that after World War II no one had clothes in Japan, and Sony had to provide its employees with a uniform to wear

each day. After hearing the story, Jobs wanted to introduce the same uniform at Apple, but his employees did not like the idea. Nevertheless, Jobs asked Japanese fashion designer Issey Miyake to design some shirts for him, and he kept wearing those for the rest of his life (Isaacson, 2011; Nobuyuki, 2011). So Jobs, contrary to Cook's China love-story, was an explicit Japan-lover, the country that has a complex relationship with China.

Jobs became an award-winning American CEO for many people over the whole world, an intriguing 'pupil' of the American dream, invited by Obama for dinners. By 2010, Jobs got externally awarded for his revolutionary impact with Apple's products. He became an icon, even well before his death. In a well-known and 'image printing' cover of *The Economist*, Jobs was pictured as a prophet from the Old Testament. In the way Moses is often painted carrying stone tablets, Jobs is carrying an iPad ("The book," 2010). Although Jobs has always received significant criticism, an at least equally dominant leadership image in Western media seems to be one of an exceptional innovator, inventor and entrepreneur.

Jobs handed over the day-to-day running of Apple to Cook on January 17th, 2011 and the full CEO role on August 25 that same year. The following quote suggests that Jobs did guide Cook towards the CEO role, and tried to be open for input of Cook, yet also to be still influential after his death. Cook highlighted in an interview with NBC that Jobs told him in multiple occasions: "I never want you to ask what I would have done. Just do what's right. I hope you listen to my input if I want to input on something" (Tyrangiel, 2012). Jobs died on October 5, 2011.

5.4 THE DÉCOR: INTRODUCING CHINESE BUSINESS CULTURE AND NEGOTIATION

"Mr. Jobs was a great man. He did brilliant things. He changed the world and was a huge inspiration to Xiaomi. But to use him as a point of comparison for myself is completely inappropriate."

– Lei Jun, CEO and founder of Chinese smart phone competitor Xiaomi on CNN (McKenzie & Riley, 2013)

Chinese business culture is in our current decade as much fascinating as it is complex: it's often seen as the world's *oldest culture*, meanwhile the country is perceived to be changing significantly due to its enormous economic development and increased openness to foreign trade. China is also the largest consumer market in the world, with many, very different submarkets, which further adds complexity for non-Chinese. Negotiating

with Chinese business partners, a key element of the Sino-Western business relationship and also critical for Apple’s ambitions in China, is perceived to be extremely challenging (Ghauri & Fang, 2001). To sketch the décor of Apple’s story in China in 2010-2013, the following pages will sketch a selection of scientific frameworks and findings on modern day’s Chinese business culture, with a strong focus on negotiation habits. Where applicable, Chinese culture will be compared to US culture, although no single case study can capture all layers. This section is not aimed to be complete, but to give initial ‘sketches’ to start your own reflections on effective CEO leadership and strategic action in the Chinese context.

5.4.1 The Ping Pong model - negotiation styles in modern day China

There is no single “Chinese negotiator”, just as there is not one “American negotiator”. Still, this does not mean that scientists have not found specific behavioral patterns that appear more often in certain countries than in other countries. Ghauri and Fang (2001) present the Ping Pong Model of Chinese business negotiation culture, based on a large number of previous studies of international business negotiations and Chinese business negotiating style. The model presents two major constructs: (1) the stages in Sino-Western business negotiations, and (2) dimensions of Chinese business negotiation culture. Using the “Ping-Pong” metaphor, the authors emphasize the continuous back and forth bargaining feature perceived as typical in Chinese negotiation style and therefore in Sino-Western negotiations (Ghauri & Fang, 2001).

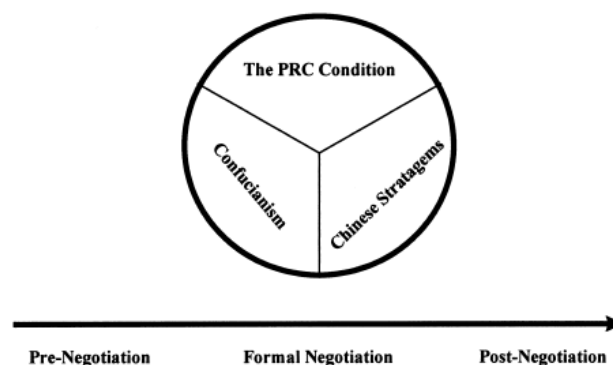


Figure 3: Ping-Pong Model (Ghauri & Fang, 2001)

The authors define three phases in the negotiation process (pre-negotiation, formal negotiation and post-negotiation), yet perhaps most thought-provoking is that the model highlights that a Chinese negotiator can play three different, at times competing 'roles' in Sino-Western business negotiations (Fang, Worm & Tung, 2008). Each of these roles relates to an important background condition that impact modern day Chinese negotiators. Fang et. al. (2008) call these three roles the People Republic of China (PRC) condition, Confucianism role and Chinese Stratagems role. The Chinese negotiating style is shaped by both current day environment factors (the PRC condition) and old traditions (Confucianism and Chinese stratagems). Below, each of the three role influences is briefly summarized.

1. The PRC condition

Chinese government's policies and plans to do business play a critical role. China is a socialist state and its ruling party is the Chinese Communist Party, which has an all-pervasive influence on every aspect of business. Ghauri and Fang (2001) state that Chinese enterprises essentially should not be seen as independent economic entities in the American or European definition of the word *enterprise*, but rather as "factories" of the Chinese government. China aims to attract foreign technologies to modernize China and enhance the people's living standard. China has set ambitious goals to become a technological leader and to open the large Chinese market for advanced foreign technologies (Fang et al., 2008; Ghauri & Fang, 2001). Chinese decision making requires consensus at various levels crossing various government departments and awareness of eight elements: *Chinese politics, economic planning, legal framework, technology, great size of the country and population, backwardness (part of population still relatively poor), rapid change and bureaucracy*. These eight concepts together create "the modern day PRC condition" influence on negotiation (Ghauri & Fang, 2001).

2. Confucianism

Chinese negotiation behavior may also show characteristics related to Confucianism, a 2500-year-old Chinese philosophical tradition that has had a fundamental influence on the Chinese way of thinking and behaving (Ghauri & Fang, 2001). It has six basic values: (1) *moral cultivation*, (2) *importance of interpersonal relationships*, (3) *family and group orientation*, (4) *respect for age and hierarchy*, (5) *avoidance of conflict and need for harmony*

and (6) *the concept of Chinese face (mianzi, lian)*. From the Confucian perspective, there is a strong emphasis on lifelong learning, trust and sincerity (Ghauri & Fang, 2001). "A ruler should govern his state and people by means of moral persuasion and rules of propriety instead of law" (Ghauri & Fang, 2001, p. 309). Relationships are important, and the family is the most important social foundation. Age stands for wisdom and must be respected. Hierarchy is respected via ordered relationships, in which every person "does his duty to contribute to social harmony and stability" (Ghauri & Fang, 2001, p. 309). This need for harmony is further explained by: "Confucius says that a gentleman has no squabbles. When a gentle man is forced to compete, he will compete like a gentleman" (Ghauri & Fang, 2001, p. 309). The Chinese concept of face is a self-regulating mechanism, and behind it lies the Confucian notion of shame. Chinese negotiators that are described as "Confucian gentlemen" are known for their focus on long-term relationships rather than one-off legal deals. When Confucian gentlemen negotiate in their family's or group's interest, they may appear strong negotiators (Ghauri & Fang, 2001).

3. Chinese Stratagems

The origins of the 36 Stratagems, called the 36 *Ji's*, may have started in the late Ming or early Qing dynasty (Ghauri & Fang, 2001), but are not exactly known (Tung, 2010). Some say, that some of the stratagems are derived from the 2300-year old book *Art of War* by the most famous ancient Chinese military strategist Sun Tzu, although not all agree on the exact source of the 36 *Ji's* (Ghauri & Fang, 2001). The 36 stratagemens create a third pillar of observed Chinese negotiation behaviors and mind sets within to the Ping Pong model. The 36 *Ji's* can be seen as carefully thought-through Chinese approaches to deal with various kinds of situations and to gain advantage over one's opponents, according to Ghauri & Fang (2001). They are grouped into six categories, like what to do when being superior, when facing confrontation, when gaining ground and when being put in an inferior situation. Written in a popular form they have a rhythmic effect, being easy even for school children, who learn the *Ji's* at school, to remember (Chu, 1991; Ghauri & Fang, 2001). An important aspect of this approach is that it regards human wisdom superior over engaging in battles to conquer opponents (Ghauri & Fang, 2001): "This traditional Chinese strategic thinking is diametrically different from its Western counterpart, as shown in von Clausewitz's *On War*, published in 1832. Whereas the Chinese Stratagems advocate gaining victory without fighting, von Clausewitz's *On War* teaches winning by applying 'absolute forces'". The 36

Stratagems are summed up in Appendix 4 and provide a guide for Western business people to analyze Chinese negotiating tactics (Ghauri & Fang, 2001). This type of negotiator is keen on 'psychological wrestling' to create a favorable situation to influence his counterpart into doing business his way. Concepts such as *conquering by strategy*, *creating a situation* and *flexibility* are part of this Chinese negotiating style (Ghauri & Fang, 2001).

When trust among negotiators is high, Chinese will likely negotiate as a 'Confucian gentleman', which means they will adopt a cooperative, win-win strategy and pursue long-term interest. If trust is low, Chinese will likely negotiate as a 'Sun-Tzu-like strategist', meaning they will use a competitive, win-lose strategy and pursue short-term profit (Fang, 2006; Fang et al., 2008). Within a negotiation process, the three different roles of Chinese negotiators in the Ping Pong model can emerge to a larger or smaller extent (Ghauri & Fang, 2001). Appendix 1 summarizes concrete distinct behaviors that are regularly perceived by non-Chinese in negotiation with Chinese as a result from each of the three driving forces as described by the Ping Pong model, that will help you to get to culturally sensitive strategic actions in this case. In Appendix 2, you will find three context variables that often appear important influencers of the behavior that can be observed.

5.4.2 The Yin Yang principle

Faure and Fang (2008) pose that, to understand modern day Chinese culture there is a need to move beyond classical methodology to study culture towards a more dynamic, Yin Yang perspective of culture. The vast majority of international business and management literature investigates country-cultural dimensions "based on the bipolarization of national cultures measured along a continuum in which each national culture finds its fixed positioning" (Faure & Fang, 2008, p. 195). For example, the US is classified as an individualistic culture in these studies, while China as a collective culture (Faure & Fang, 2008). Faure and Fang (2008) illustrate this bipolar view by stating: "Such methodology for study of culture rests on the assumption of linear rationality and the "non-contradiction principle" " (p. 195). This perspective, which has Western roots, cannot explain Chinese culture well. The authors pose that China's single most important cultural characteristic is its ability to manage paradoxes. As such, Faure and Fang (2008) emphasize that in order to completely capture the mechanism of the Chinese culture, it is very important to think in terms of Yin Yang. Yin Yang is "a Chinese philosophy that views

all universal phenomena as created by dual cosmic energies called Yin Yang" (Faure & Fang, 2008, p. 195). The image of Yin Yang (Figure 4) suggests that there exists no absolute borderline between black (Yin) and white (Yang). "Opposites contain within them the seed of each other and they together form a changing unity" (In-text quote from Chen (2001) in Faure & Fang, 2008, p. 196). Hence, Chinese tend to have a world-view that is very much 'both-and' rather than 'either-or', which is a very Western line of thought. Many Chinese paradoxical behaviors concepts that look puzzling, inconsistent and strange to Westerners, such as the concept of a 'socialist market economy', can be explained by the Yin Yang principle which is deeply rooted in Chinese culture (Faure & Fang, 2008).



Figure 4. The image of Yin Yang

Faure and Fang (2008) explain how eight of these by westerners often perceived paradoxical behaviors, coexist simultaneously in modern day Chinese culture. They are summarized in Table 1. It seems that we can extrapolate Faure and Fang's proposition to the area of CEO leadership action: instead of a tendency to place CEOs on a continuum, and think 'black or white' (good or bad) about them – can both be true if we reflect on Jobs and Cook's actions towards China? We ask you to reflect on that while reading the story.

1	Guanxi	vs	Professionalism
2	Importance of face	vs.	Self-expression and directness
3	Thrift	vs.	Materialism and ostentatious consumption
4	Family and group orientation	vs.	Individuation
5	Aversion to law	vs.	Respect for law practices
6	Respect for etiquette, age and hierarchy	vs.	Respect for simplicity, creativity and competence
7	Long-term orientation	vs.	Short-term orientation
8	Traditional creeds	vs.	Modern approaches

Table 1. The eight Chinese paradoxical values (Faure & Fang, 2008)

5.5 THE PLOT: APPLE CEOS INTERACTING WITH CHINESE RELATIONS, 2010-2013

5.5.1 Act one

Early 2010 - China Mobile and Apple have 3 times broken down negotiations Apple and China Mobile have held lengthy negotiations over bringing the iPhone to China. China Mobile's president in 2009, Wang Juanzhou, revealed that negotiations broke down three times over a period of one and a half years (Slivka, 2009). A source spoke about the details of the broken down negotiations and claimed that both Steve Jobs and Tim Cook were involved in the negotiations. The first time negotiations were stalled, Apple had requested to have China Mobile give 20-30% of their monthly revenues from iPhones to Apple. This business model had worked in the USA and Europe before, but Apple moved away from those models towards subsidies per sold iPhone. Both companies could not agree, and China Mobile was not willing to pay a required \$600 per iPhone. Subsequent negotiation efforts mainly stalled over who would control the App store. While Apple insisted to sell its applications over the Apple App store, China Mobile CEO Wang claimed that this was a threat to China Mobile's dominance of the mobile internet industry in China. China Mobile insisted on managing the online mobile payments themselves to keep their strong advantage. In addition, China Mobile said that Apple's credit card model for the App store would not work in China (Slivka, 2009).

May/June 2010 - Media attention around labor conditions at Apple supplier in Shengzen Apple came under scrutiny in China after a string of suicides at major manufacturing contractor Foxconn. Foxconn is the world's largest maker of consumer electronics that serves among others Apple, Dell and Nokia, and employs 800,000 workers, mostly in China. The suicides had put a spotlight on working conditions at the factory, where workers are said to work up to 12 hours a day, six days a week.

BREAK OUT WITH QUESTIONS TO PARTICIPANTS

- **TEAM JOBS, COOK AND COACHES:** You are Apple CEO Steve Jobs, COO Tim Cook (responsible for Apple's manufacturing operations at the time), or their coaches, and asked to act on the labor conditions in China – what would you do and say?

- **TEAM CHINESE COUNTERPARTS:** What reaction of Apple would you expect and find appropriate? In what way do you want to receive that message (via who, in what forum, etc.)?
- **ALL TEAMS:** What are the key differences and similarities in leadership styles of Steve Jobs and Tim Cook and how do these relate to behaviors preferred by modern-day Chinese business partners?

END OF ACT ONE THROUGH CALLING OUT JOBS' REACTION (TEACHER CAN RECITE THIS):

June 2010 – Steve Jobs reacts on Foxconn labor conditions On June 1, 2010 several sources, including CNN, published an e-mail conversation of Steve Jobs with an Apple consumer in which Jobs states “Although every suicide is tragic, Foxconn’s suicide rate is well below the China average. We are all over this.” In follow up e-mail conversations with a client Jobs responds: “You should educate yourself. We do more than any other company on the planet” (Elmer-De Witt, 2010a). Jobs further reacted at an 'All Things Digital' conference to questions from journalists. He again underlined that "Foxconn is not a sweatshop. We're all over this." Furthermore, Jobs defended the working conditions at the Foxconn factory by stating the facts as he saw them when he visited the site: "You go in this place and it's a factory but, my gosh they've got restaurants and movie theatres and hospitals and swimming pools. For a factory, it's pretty nice" ("Apple boss..", 2010).

The rational reactions of Jobs to the conditions in the Foxconn factory in Shengzen and the suicides evoked intense and at times even furious reactions from the broader public in the US and China. The arguments used in Jobs' responses are fact-based and very rational, and may have been perceived as insensitive by the public.

5.5.2 Act two

July 2010 – Apple aims to further develop a relationship with China Even though the media attention around Foxconn stirred a lot of attention, Apple was also widely admired for its products in China by 2010. The company only slowly cultivated the Chinese market up until that time: there were relatively few sales outlets in China and only one modest Apple store in Beijing. Most fans had been buying their Apple products from smugglers who operate through underground electronics markets. There is a shift change in 2010, when Apple

starts to increase its focus on the Chinese retail market. The company opens a new flagship showroom in Shanghai and states its intentions to open 25 retail stores in China over the period 2010-2012.

In an extensive online search for articles in that period, no further remarks of Steve Jobs about the Chinese market were found. Not Jobs, but Apple's senior vice president of retail, Ron Johnson, opens the Shanghai flagship store in person and appears to be the key spokesman about other Apple's store openings in China. In a press conference, Johnson says about the 40-foot glass tower, which is one of the largest stores in Asia: "We believe that if we build it, they will come." and: "We view this store as a kind of launching pad." (Elmer-De Witt, 2010b; Barboza, 2010). An immense line of Chinese customers waited for the opening in 2010 and Apple had shirts designed for the store employees that showed the text: "*Designed in California, Made for China*". According to Chinese blogger Chris Chang and fan website Cultofmac.com, the text is an important play on Apple's credit line, which says: "*Designed in California, Made in China*." Chang: "The statement is appropriate ... I can't say that Apple has an exploitative relationship with China, but according to Ron Johnson's speech in the Shanghai Apple store, I believe that Apple is trying to build up a relationship with China." (Cultofmac.com, 2010)

2010, Summer – Steve Jobs visits Japan for a family vacation

2011, February 17 – Jobs tells Obama that Apple remains to be produced in China When President Obama dined with important business leaders in February 2011, he had a question for Steve Jobs: What would it take to make iPhones in the United States? Jobs' answer was clear: "Those jobs aren't coming back" (Duhigg & Bradsher, 2012). The president's question touched upon a central conviction at Apple, according to an article in the New York Times (Duhigg & Bradsher, 2012). It's not merely about the low labor costs why Apple is choosing China. China has a more flexible and better suitable work force, and huge factories that can start producing right away. The whole supply chain is in China, so this offers companies, a very convenient and easy manufacturing solution. A former Apple executive underlines this flexibility and Chinese supply chain merit by saying: "You need a thousand rubber gaskets? That's the factory next door. You need a million screws? That factory is a block away. You need that screw made a little bit different? It will take three hours." (Duhigg & Bradsher, 2012).

2011, March 17 – Jobs explicitly supports Japanese employees after Fukushima Steve Jobs sends out an e-mail message to support the Apple’s team in Japan after an energy accident at the Fukushima's nuclear power plant, initiated by the tsunami of the Tōhoku tsunami on March 11th, 2011.

“To Our Team in Japan, We have all been following the unfolding disaster in Japan. Our hearts go out to you and your families, as well as all of your countrymen who have been touched by this tragedy. If you need time or resources to visit or care for your families, please see HR and we will help you. If you are aware of any supplies that are needed, please also tell HR and we will do what we can to arrange delivery. Again, our hearts go out to you during this unimaginable crisis. Please stay safe. Steve and the entire Executive Team” -- The message was first published on Macotakara, a famous Japanese blog (Kim, 2011).

2011, June 22 – Cook spotted at China Mobile headquarters for the first time A reporter from Chinese newspaper First Financial Daily reported seeing COO Tim Cook in the lobby of China Mobile's headquarters. According to the reporter: “This morning, around 10am, Apple COO Tim Cook is spotted in the lobby of China Mobile’s HQ, accompanied by 7-8 people. Both China and America flags are seen in the lobby, and Cook seems to be happy” (in-text quote from M.I.C. gadget reporter, in Slivka (2011)). Reporters highlight that Cook probably is talking with executives from China Mobile to discuss cooperation (Slivka, 2011).

2011, July 24 – Tourist stumbles upon a fake Apple store A tourist stumbled upon a fake Apple store in the city of Kunming, China (Chang, 2011). Eventually, the Chinese authorities found 22 unauthorized, fake Apple stores in Kunming (“Chinese authorities..”, 2011). The shops sometimes look so real that even the employees did not know it was a fake store (Thornhill, 2011). Yet Apple's immediate reaction is not public and fierce. The fake store infringe the company’s copyright on logos, but are also a driver of additional sales in China – Forbes reporter Gordon Chang claims (Chang, 2011).

2011, August 18 – China Mobile announces it met Jobs secretly several times China Mobile revealed that it met several times with Steve Jobs to talk about Apple making an iPhone that would support China Mobile's 3G standard (Elmer-De Witt, 2011). Officially, Apple sells iPhones in China only through China Unicom, China's second largest carrier. China Mobile is the China and the world's largest mobile phone operator with more than

600 million subscribers, and even without a deal with Apple, it claims already having 7.4 million iPhones in its network (Elmer-De Witt, 2011). Public reactions on the reporter's story are diverse. A commenter, who seems Chinese, states: "As for Steve's involvement, it's impossible to say if this is recent or in the past, without an actual quote. As you know, we've heard China Mobile state before that they are negotiating with Apple on bringing an iPhone, officially, to its network. ... Apple knows all about dealing with China and their lax oversight of copyright laws, etc. They've had offices in Hong Kong and Taiwan since the 80s" (Elmer-De Witt, 2011).

2011, Oct 5 - Death of Steve Jobs

END OF ACT TWO -BREAK OUT WITH QUESTION TO PARTICIPANTS

- **TEAM COOK AND COACH:** You are now formally Apple CEO and asked to fully take charge of Apple's strategy for China from now on. What new strategic actions would you take?
- **TEAM JOBS AND COACH:** You should try to think in line with the legacy of Steve Jobs. What would Jobs have done and said if he was still CEO?
- **TEAM CHINESE COUNTERPARTS:** What actions or attitude of Apple would you find appropriate towards China Mobile? In what way do you want to receive that message (via who, in what forum, etc.)?

5.5.3 Act three

2012, March 26 - Cook visits China, being first active Apple CEO to visit China publicly According to online sources, Steve Jobs never visited China as Apple's CEO. Tim Cook made his first public visit as a CEO to China in March 2012 (Chao, 2012). While his visit is mainly for a dispute over the iPad trademark which Apple says it bought from a Taiwanese company in 2009, and to discuss the criticism over working conditions at the Chinese suppliers, it sparks speculation if Apple is considering further investment in China (Chao, 2012).

2012, Dec 6 - Cook announces that Apple will move production line from China to US At the end of 2012 Cook announced that part of Apple's production was coming back to the US. "The glass is made in Kentucky, and next year we are going to bring some production to the US on the Mac. We are really proud of it" according to Cook (Tyrangiel, 2012). It is expected that the US manufacturing line is only a minor part of overall Apple

production, as iPhones and iPads make up the large chunk of its production nowadays. Cook underlined that companies like Apple choose to produce in China not because of lower labour costs, but because the manufacturing skills required are not available in the US anymore (Fowler & Svensson, 2012).

2013, Jan - Cook expects China to overtake US as biggest market and expresses love for China Although at that time Apple's revenues in China were approximately \$5.7B and in the US approximately \$14.4B, Tim Cook stated that he believes China will be Apple's biggest market (Lococo, 2013a). Cook said he would love to introduce new products to the Chinese market and aims to open many additional stores over the next few years. Apple's growth in China has been limited because Apple is only working with smaller network carriers in the country (Lococo, 2013a). Cook also said on Chinese television that he loves China, already visited the country 20 times since 1996 and that he has a Chinese sister-in-law (Williams, 2013).

2013, Jan - Cook visits China again to speak with China Mobile CEO and the government Cook emphasized again that China will be a bigger market than the US one day during his second trip to China within a year, in which he also met with China Mobile's CEO to discuss cooperation (Lococo, 2013a). Cook was optimistic about the meeting, but did not give any details. Cook also met with the Chinese minister of information technology to secure a license that will speed up the launch process of Apple's products in China (Shu, 2013a).

2013, April - Apple issues an apology letter to Chinese customers signed by CEO Cook The apology letter is written in Chinese and posted to Apple's Chinese website. It clearly underlines the increasing importance of the Chinese consumer in Apple's second-largest market. Cook said in the letter that Apple "deeply reflected on recent 'feedback' on its warranty policies and apologized for misunderstandings created by poor communication with customers" (Mozur, 2013). Tim Cook further stated "We are aware that a lack of communications led to the perception that Apple is arrogant and doesn't care or attach enough importance to consumer feedback ... We express our sincere apologies for any concerns or misunderstandings this gave consumers" (Mozur, 2013). One week before Apple submitted the apology letter, a Chinese regulator said it would increase supervision over Apple's consumer rights practices, a signal that the government was taking real steps to respond to criticism through the media (Mozur, 2013).

2013, July 30 – Cook visits Beijing again to speak with China Mobile CEO Xi Guohua Cook visits China again to “discuss matters of cooperation” according to a statement the Chinese company made to Reuters (Carsten & Lee, 2013). Apple did not comment, but a partnership with China Mobile could mean big numbers for Apple, officially opening up the China Mobile enormous subscriber base (~700 million users) to Apple products (Heater, 2013). Cook also visited China Unicom and China Mobile executive leaders during this trip to China. In this and earlier visits Cook also met with executives of the Ministry of Industry, China Telecom, China Mobile and China Unicom. External bloggers take notice of a different approach during the Cook-CEO period: “Since Cook served as Apple CEO, Apple’s emphasis on the Chinese market gradually improved” (Padilla, 2013).

2013, July – Apple replies it will investigate reports of bad working conditions At the time of the visit, Apple said it will investigate allegations by the group 'China Labor Watch' that announces that a Taiwanese supplier allowed bad working conditions by using underage workers, paying insufficient wage and forcing overtime (Lococo, 2013b).

2013, August – Xiaomi is beating Apple in China Businessinsider.com, a New York-based business blog takes notice of Apple’s worsening competitive results in China, especially comparing Apple to Xiaomi: “Suddenly, Xiaomi is beating Apple in China. During the second quarter of 2014, Xiaomi shipped 4.4 million phones (5.0% market share) to Apple’s 4.3 million (4.8% market share). On the one hand, that’s impressive, considering Xiaomi only launched in 2011. On the other, Xiaomi should be outselling Apple in China. Its phones are much cheaper. Xiaomi sells them at a discount and hopes to make its money back through e-commerce and selling services” (Carlson, 2013). Interestingly, Xiaomi and Apple seem to be of top interest to the US-based blogs, while the real top 3 in the smartphone market in China in Q2 2013 where: Samsung (South-Korean, shipment of 15,5 million units, 17.6% market share), Lenovo (Chinese, 10.8 million units, 12.3% market share) and Yulong (Chinese, 10.7 million units, 12.2%) (Canalys, 2013).

2013, October – Xiaomi’s CEO Jun does not want to be compared anymore with Jobs Lei Jun, CEO and founder of low-price smart phone competitor Xiaomi expresses dissatisfaction with being compared to Steve Jobs: “Mr. Jobs was a great man. He did brilliant things, he changed the world and was a huge inspiration to

Xiaomi. But to use him as a point of comparison for myself is completely inappropriate. Xiaomi and Apple are two totally different companies. Also, during a lot of interviews, reporters will set up traps that I can't defend myself against. Often reporters will ask me questions like: "How is Xiaomi better than Apple or Samsung?" How am I supposed to answer this? There's no way I can give the right answer to this question" (Horwitz, 2013). Lei Jun founded Xiaomi three years ago in China, and already sells more smartphones in China than Apple. Xiaomi is relatively unknown outside Asia, yet has been quietly building a business worth \$10B. Xiaomi also has a deal with China Mobile, something Apple would like to secure as well. Lei Jun observes an interesting difference between Apple and Xiaomi, in essence the difference between 'push' vs. 'pull' (McKenzie & Riley, 2013): "Apple is a group of geniuses making a good product together. They don't really care about what the users want. They imagine what the users want. You will only know what you will get at the moment of the product launch. Xiaomi is different, Xiaomi collects opinions of millions of users online. We create the product together."

Lastly, Jun explains that Xiaomi is not just targeting the Chinese market and has employed a pre-eminent foreign employee for its international business development: "In early September, Vice President of Google Android, Hugo Barra, announced that he is joining Xiaomi. He will be the first true foreign employee of Xiaomi. We hope that, together with us, he can experience the Xiaomi culture, the Xiaomi model and grow with Xiaomi. Then he will be in charge of the entire international business development of Xiaomi" (McKenzie & Riley, 2013).

2013, Oct 22 - Cook joins advisory board of prestigious Tsinghua SEM in Beijing Tsinghua is one of China's most prestigious and renowned universities. Its advisory board meets annually "to offer advice on the development of Tsinghua SEM ("Advisory board," n.d.). As bloggers at TechCrunch note: "It's unclear how joining the SEM's board could potentially help Apple's business in China, but it's another way for Cook to cultivate closer ties to the country that he has said will soon become the company's most important market" (Shu, 2013b). By joining the board, Cook surrounds himself with several key Chinese politicians, including Wang Qishan, the Secretary of the Central Commission for Discipline Inspection; Chen Yuan, the Vice Chairperson of the 12th National Committee of the Chinese People's Political Consultative Conference; and Ma Kai, one of China's four vice-premiers (Shu, 2013b). Also, the board constitutes several key business leaders, including Terry Gou, the CEO of Apple's key supplier Foxconn and Nobuyuki Idei, former chairman of Sony Corporation (Shu, 2013b).

Since Cook became CEO of Apple, he clearly has made China a top priority. Yet maintaining good relationships in China is also important in case of PR crises.

2013, Nov 7 - US senate approves anti-discrimination bill endorsed by Tim Cook Early November 2013, Tim Cook publicly spoke out in support of the Employment Nondiscrimination Act in an opinion article in The Wall Street Journal (Cook, 2013). The legislation prohibits discrimination on the basis of gender or sexual orientation in hiring employees for many US employers. In his article, Cook describes how Apple created "a safe and welcoming workplace for all employees, regardless of their race, gender, nationality or sexual orientation", and he also emphasized the rights of employee to express identity at Apple (Cook, 2013). Cook emphasized that adopting nondiscrimination policies is not only "a matter of basic human dignity and civil rights" but also "great for the creativity that drives our business." Apple found that "when people feel valued for who they are, they have the comfort and confidence to do the best work of their lives" according to Cook (2013). The act was also supported by President Obama, who had written an opinion column of his own in The Huffington Post.

2013, December 15 - Tim Cook speeches on equal rights On December 15, 2013, Tim Cook received a Lifetime Achievement Award from his alma mater, Auburn University, at the United Nations in New York. Upon receiving the award, Cook holds a speech, in which he explicitly positions himself as a champion of equal rights, talking about gay rights, racism and discrimination (Kovach, 2013).

2013, December 18 - Rumors about China Mobile-Apple deal, yet still no deal Both China Mobile and Apple are not releasing details about the negotiations. Nevertheless, China Mobile started to take pre-orders for a "mysterious unnamed 4G smartphone" (Song, 2013). Also, Xi Guohua, the chairman of China Mobile, has asked customers to have patience: "China Mobile has yet to reach agreement with Apple, but good news deserves to be waited for, and we expect to release related cooperation information soon" (Song, 2013). One China Mobile employee said "the big picture of the cooperation between the Chinese carrier and the American electronics giant has been settled, and only details are still under negotiation" (Song, 2013).

2013, December 22 – Apple and China Mobile close deal, after 6 years of negotiation

After six years of negotiations (2007-2013), Apple and China Mobile have officially closed a multiyear partnership deal. The deal allows China Mobile, China's largest wireless carrier with 760 million users, to sell iPhones in China (Gustin, 2013). The partnership gives Apple better access to the world's largest mobile phone market, with an estimated 1.2 billion users. Financial terms of the deal were not disclosed (Gustin, 2013). This deal is a major achievement for Cook, as he faced pressure from Wall Street and shareholders who perceived a lack of innovation since the death of Steve Jobs (Gustin, 2013).

Quotes from Tim Cook and Xi Guohua, the Chairman of China Mobile, show mutual respect, cultural awareness of Cook towards China and also highlight the importance of the deal to make the iPhone available for the Chinese via 'the world's largest network', which signals the establishment of China as the largest carrier country. In a press statement on Apple's website, Xi Guohua, China Mobile's chairman spoke of great respect for Apple: "Apple's iPhone is very much loved by millions of customers around the world. We know there are many China Mobile customers and potential new customers who are anxiously awaiting the incredible combination of iPhone on China Mobile's leading network" (Apple, 2013). Tim Cook said about the deal "Apple has enormous respect for China Mobile and we are excited to begin working together. China is an extremely important market for Apple and our partnership with China Mobile presents us the opportunity to bring iPhone to the customers of the world's largest network. iPhone customers in China are an enthusiastic and rapidly growing group, and we can't think of a better way to welcome in the Chinese New Year than getting an iPhone into the hands of every China Mobile customer who wants one" (Apple, 2013).

END OF ACT THREE – FINAL BREAK OUT AND QUESTIONS TO PARTICIPANTS, ALL TEAMS:

- What is the single most important lesson about leadership in a global economy with diverse cultural footprints you draw from this story?
- What would you personally *do* differently if you would encounter a long-term negotiation process with people from a totally different culture than your own, or to use Apple's famous commercial and way of phrasing it: what would you *think* differently?

5.6 CASE TEACHING NOTE AND FINDINGS

5.6.1 Summary of the case

This case study can be used to teach a reflective American-Chinese business case at the intersection of strategy and cross-cultural leadership: Apple in China. While Apple has been extremely successful in Western economies, it has faced interesting challenges in its relationship with China at the start of the 21st century. The case study zooms in on specific 'milestones' in the period 2010-2013 during which Apple tried to set a firm foothold in the Chinese consumer market. The case study can be used to show important dilemmas CEOs with diverse personalities face in their interaction with business counterparts that have significant different country roots. Overall, the story seems to confirm that Tim Cook applied many of the classical Chinese business negotiation lessons: showing respect, acting humble, with patience, creating strong ties by becoming board member, etc. His own humble No. 2 profile, used to being thoughtful and understanding to the No. 1, as well as his balanced background and character sketch, calm yet pragmatic, seem to match more with Chinese business customs than Jobs' approach. Yet that seems almost too much of a linear thinking on a continuum (Jobs: bad cop, Cook: good cop) in itself, while we also try to apply the Chinese Yin Yang perspective here. So, there are more nuances to this story.

The case is constructed along the lines of the building blocks of a traditional Greek tragedy or Aristoteles' drama: it contains a description of the plot in three acts, two main characters (Steve Jobs and Tim Cook), and a brief description of the décor, a symbolic combination of what Aristoteles called diction, thought, spectacle, and song. That European-rooted perspective aims to take into account both the American focus on the agents, as well as the more holistic approach Chinese tend to take in problem solving (Iyengar, 2011).

The two main characters zoomed in on are Steve Jobs and Tim Cook. Their personality profiles have strong overlaps, yet also quite significant differences. At one level, participants in your class will be asked via this case to reflect on leadership. Via a Venn Diagram analysis or level of analysis / cultural 'onion', they can show that these personalities seem to show structural patterns, that can be traced back to experiences they faced earlier in their lives.

The story is divided in three acts, each ending with an open question to the case study participants. Sections 5.1-5.4 as well as Appendices 1-5 can be distributed in class a week before the session as pre-read material.

Act 1 starts with briefly describing the challenging situation Apple faced early 2010: Apple's growth strategy highly depended on obtaining an agreement on the distribution of iPhones in China via the largest Chinese network carrier, China Mobile. Yet at the end of 2009, beginning of 2010, it became apparent that China Mobile and Apple had broken down negotiations three times over a period of one and a half years. On top of this, Apple received significant negative media attention around poor labor conditions at its major manufacturing contractor in China. What would Apple and its CEO Steve Jobs, do? Jobs gets public about the working conditions in China, via an e-mail conversation that is both direct and an example of factual-linear Western thinking.

In Act 2 it becomes apparent that Apple aims to further develop its relationship with China. At the background of the business story, Jobs health condition is worsening. Jobs does visit Japan, the country of which he admires many persons and cultural elements, including Sony executive and inspiration Akio Morita, for a family vacation in the Summer of 2010 and writes an e-mail message to the Apple Japan team after Fukushima. Meanwhile, Cook takes over the day-to-day running of Apple. In the autumn of 2011, Cook becomes CEO of Apple and Jobs dies.

Act 3 starts with Cook being publicly spotted for the first time and as first CEO of Apple in China and at China Mobile headquarters. Cook even expresses his love for China and that he believes China will overtake US as the biggest market for Apple. Also, Apple issues an apology letter to its Chinese customers, signed by CEO Cook. Meanwhile, Cook's position is not without criticism: Apple is being 'beaten' by many providers in China, including new kid Xiaomi, who's CEO asks for an own identity, not wanting to be constantly compared with Steve Jobs. To what extend is Cook able to further develop the visionary dreams Jobs started? Can Cook still defend the dependent relationship with Chinese counterparts he personally once started, when he just arrived at Apple and lead the strategic initiative to close several production locations in US and Europe and started to outsource critical production facilities to China? Just before Christmas 2013, the story closes with a series of successes for Cook. Cook has joined the advisory board of the Chinese prestigious Tsinghua business school in Beijing. He gets a lifetime achievement award from Auburn University at the United Nations in New York. He

writes an opinion article in the Wall Street Journal about equal rights, “to create a safe and welcoming workplace for all employees, regardless of their race, gender, nationality or sexual orientation”, after which the US senate approves the anti-discrimination bill Cook endorsed. And last, but not least, after six years of negotiations, Apple and China Mobile close a breakthrough deal.

5.6.2 Learning objectives and target audience

The three main learning objectives for participants of this case study are:

1. Build **knowledge of analytical frameworks** to study CEO behavior in a cross-cultural management context. In particular: the Ping Pong model on potential Chinese negotiation styles and the Yin Yang principle as new perspective of culture as a complement to more well-known classical Western frameworks (e.g. Hofstede’s/ GLOBE’s dimensions of culture, the onion metaphor to describe cultures).
2. Build **skills to apply this new knowledge in practice**, in particular the ability to articulate a point of view on how a top manager can create effective cross-cultural relationships (e.g. what behaviors and attitude are helpful), reflecting on the case example of a highly innovative American tech company that, for its ambitious growth ambitions, heavily depends on critical stakeholder management and negotiations with Chinese business partners.
3. Build **an attitude of reflectiveness**, in particular (a) learning to analyze diverse situations from multiple perspectives (vs. one perspective), opening up for multiple ‘truths’ and (b) starting to see that all managers (and countries) are a product of their past experiences, a lens that can help the participants to better understand behaviors they observe in the organizations and systems in which they work themselves.

The case is originally written for business school participants of a diverse range of programs, either in the area of strategy, leadership or more general business administration (e.g. MBA or Executive MBA programs), to touch upon psychological topics in a way that appeals and seems relevant for a broad audience. The case will likely lead to most insightful class discussions when the class contains a diverse set of nationalities, country-cultural backgrounds, and/or participants who have experience in global business dealing with several nationalities.

Probably classes with Chinese students will still detect unconscious Western biases in the case, which may increase the likelihood of in-depth learning. The learning experience of the group discussions can be enhanced by dividing the teams in such a way that country-cultures are spread over teams (vs. clustering). In any case it seems advisable to first test the case in small-scale setting to further finetune the case. Ideally, the case is further refined by a Chinese expert at the cross-section of corporate strategy and leadership, to further enrich the current story with sources written in Mandarin.

5.6.3 Teaching approach

The case study is written in such a way that it could be taught in multiple ways, depending on teacher's preference. One option is to let participants read the opening, assignment, characters, décor and appendices as a pre-read, and the full story is not shown before the class starts. Class starts with a video (see below few examples) and instruction for a multi-group class simulation that consists of three parts, and in each part, the players receive a new Act. In the simulations, players are asked to reflect on the position of six different stakeholders. In plenary class discussions after each Act, the different perspectives are expressed, followed by an open class discussion. Given the sensitivity of some of the topics involved, respect for diverse opinions and openness for each other's thoughts and feelings seems an important precondition for effective learning.

Several visuals and videos can animate the discussion, a selection of which is presented here:

- Apple 'Think Different' campaign [Video file]. Retrieved from:
<http://www.youtube.com/watch?v=E2qxVhP46Yk>
- Tim Cook on leadership: Cook, T. (2010, May 14). Auburn University Spring Commencement, Tim Cook, Apple COO [Video file]. Retrieved from <http://www.youtube.com/watch?v=xEAXuHvzjao>
- Steve Jobs on leadership: Jobs, S. (2005, June 12). Stanford University Commencement Speech [Video file]. Retrieved from <http://www.youtube.com/watch?v=VHWUCX6osgM>

Furthermore, the teacher can tailor the case and make it more or less interactive. An important visual element that can be added is a picture analysis exercise. Appendix 6 sums up a selection of illustrative pictures that were found online, and seem to have symbolic or iconic value or expression participants could reflect on or could be

used in a beam presentation of the teacher. Participants can be asked what they 'observe', or the teacher can use these pictures to emphasize specific personality traits of both CEOs, in relationship to the case and Chinese business partners.

5.6.4 Analysis and findings

Given the learning objectives of the case study, there is not such a thing as one 'right' answer key for this case study. In the spirit of innovation and diversity, yet also in the spirit of the INSEAD Executive Master program this case study has been written for as a thesis project, the richness of the case study class discussion will depend on openness to alternative perspectives as well as individual knowledge levels of the different cultures, personalities and theories involved that participants bring to class (e.g. Chinese business culture, Silicon Valley culture, Apple culture, etc.). That in itself is one of the key points that should be surfaced by the teacher in class.

Secondly, reflections on the success of Apple in China and the impact of contributions to this by Steve Jobs and Tim Cook will evolve over time. The answers to the questions in the case given below, are written early 2014 based on a limited set of data points, so should not be taught as 'a truth', but rather as 'a perspective'.

1. What are the key differences and similarities in leadership styles of Steve Jobs, Tim Cook and how do these relate to behaviors preferred by modern-day Chinese business partners?

It is proposed to structure the answer to this question by developing a Venn diagram of Jobs' and Cook's leadership styles and then highlight which of the often observed characteristics are probably most impactful and relevant in negotiations with modern-day Chinese business partners.

A first important perspective to highlight is that these perceptions of leadership behaviors will likely contain biases based on the specific personal backgrounds and cultural fingerprints of the participants. As stated by INSEAD Cross-Cultural Management Affiliate Professor Erin Meyer, cultural comparisons are often relative, rather than absolute. From the perspective of a Dutch citizen (one of the most direct country cultures in the world), both Steve Jobs and Tim Cook will be perceived as communicating relatively *indirect* when giving

feedback. Yet from the perspective of China, both CEOs will likely be perceived as being relatively *direct*. In class it may be helpful to let two participants with distinct country cultural backgrounds answer the question and then discuss what country-cultural biases could be observed in their different ways of answering the question.

Figure 5 shows a Venn Diagram that could be embraced by a large group of country cultures showing typical “Jobs” characteristics on the left and “Cook” characteristics on the right and their overlapping characteristics in bold in the middle.

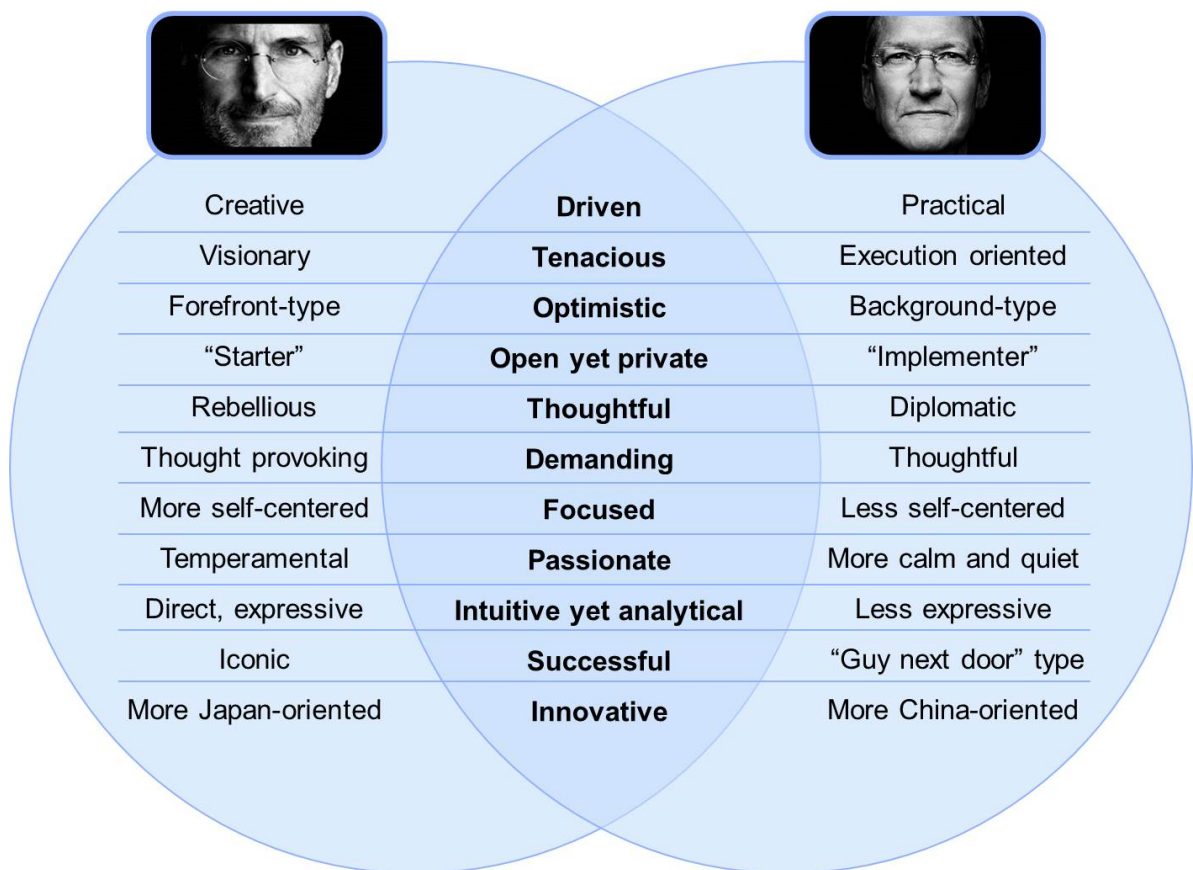


Figure 5. Venn Diagram with similarities (middle row) and differences in characteristics of Jobs and Cook.

To relate this to the Chinese concept of Yin Yang: Jobs and Cook are almost like Yin and Yang themselves: complementary (instead of opposing) forces interacting to form a dynamic system in which the sum is greater

than its parts. Acting the same, yet also completely different – a dual truth. Although Jobs was showing a dominance of visionary and rebellious, temperamental behaviors, there is no doubt that the smartness of their combined forces could lead in a more modest ‘Jobs’ during the actual (behind the scene) negotiations.

One apparent crucial important difference between Jobs and Cook that stands out and deserves specific attention in class discussion, reflecting on general Chinese business customs, is Jobs’ **relative directness and expressiveness** compared to Cook’s relatively more modest and ‘reserved’ profile. Jobs reaction on the labor conditions challenges in 2011 are exemplary for this linear, fact-based way of arguing (see Act 2, June 2010) without much reflection on the broader or long term impact of this remark, which seems to contrast with the Chinese holistic approach to business challenges and relations (Tung et al., 2008). Yet, given the intellectual capabilities of both leaders, it could also have been a conscious strategic leadership choice for Apple to create a kind of “good cop, bad cop” cast: Jobs *never* visited China as CEO, while Cook was *regularly* in China. Jobs expressed strong admiration for the *Japanese* culture and the Japanese CEO of Sony, while Cook expresses his strong “love” for *China* and emphasized that his in-law is Chinese.

This ‘direct and expressive’ picture of Jobs fits quite well in several traditional American cross-country cultural dimension descriptions (e.g., Hofstede) in which American culture is perceived to be more direct, individualistic and short term-oriented, while Cook’s quiet, yet with diplomatic action impregnated behaviors as CEO seem to be focused on respecting Chinese deeper feelings of proud, and even equality: At a subconscious level, Chinese citizens may feel that China deserves a more equal power position in the world compared to the US, versus the position of a developing country in some western views. Moreover, Cook seems, with his career-long “second man”, “operations guy” profile, more used to listening to the other person at the table and cooperating with ideas of others, while Jobs, as an “iconic genius and rebel” was more used to being the guy who talks and gets listened too in board meetings. Since the qualities Cook must have developed while being COO - listening, having patience, being thoughtful, respecting the other, finding compromises – are useful in negotiating with Chinese counterparts, Cook’s “negotiation muscle” may have been stronger than that of Jobs in the Chinese context.

Furthermore, it seems that Cook starts to remarkably focus on standing up for equal rights in 2013. In the US, Cook publicly advocates equality, regardless of e.g. race or nationality. As a CEO he would lose credibility if he would not respect country-differences in the Apple-China negotiations by making direct and linear remarks about e.g., suicide rates. So by becoming an icon of diversity and equality, Cook almost explicitly commits himself to being more culturally sensitive.

Also, it is interesting to reflect on a potential hidden commitment of Cook towards the Chinese market. When Cook joined Apple, *he* was the person who led the transformation of Apple's operations: from production facilities in many countries, towards outsourcing of production in China. This created a significant dependence for Apple on a good relationship with China and therewith Cook may have implicitly committed himself to prove that China is a good country to do business with.

There is another interesting paradox reflecting on the dyad relationship between Jobs and Cook, even after Jobs' death. Cook always strongly supports and further builds on the legacy of Steve Jobs and the innovative 'American dream'-like Apple culture, that does feature a significant amount of Japanese characteristics. Sony was via Jobs a huge source of inspiration for Apple and the fundamental idea to combine design and technology stems from Sony. As a result of this, we may now come back to the Yin Yang principle: maybe Jobs as well as Cook have a dual energy modus towards China. Jobs approved the famous "Think Different" campaign in 1997, a campaign that is all about those who change the world to the better, those who 'dare to' revolutionize, which is in a way what China is doing these days: starting a revolutionary driving force to innovate world powers again. Meanwhile, Cook stands for operational efficiency in China, but then why did Jobs needed to react on that topic? Was it Jobs objective to protect Cook, knowing that Cook would soon take over given Jobs' illness in those years and made it more sense for the 'rebellion crazy one' Jobs to take the blame such that Cook got easy leeway? A significant amount of critique has been raised about Jobs on how he treated his employees, and also how he reacted on emotionally sensitive topics, like the labor conditions. Yet, can we read those behaviors differently if we see them as an act of protection of Cook? And is Cook really standing up for those conditions to its fullest? Here the case instructor can refer to the Yin Yang model and bring up relevant questions about leadership:

Aren't we bucketing leaders too much and easily into either the 'bad' or the 'good' guy, while each leader has multiple sides of a coin and it just depends on effective public imagery who is perceived as the diplomatic one?

The above text gives one potential answer to the question, yet obviously more discussion topics and reflections are possible and relevant. An interesting and challenging task for the teacher is to help the group to step back at the end of each discussion and reflect on the thought pattern of comments made: to what extent are cultural biases present in the class discussion and definitions of leadership? Is there a pre-eminent focus on the individuals and their responsibilities or is there significant focus on the broader context (referring to the Michigan Fish Test)? This other level of discussing the case will increase learning, since the participants become aware of own unconscious biases.

A final perspective worth investigating if time allows, is performing a deep dive on Chinese culture, for instance using Appendix 3: what areas of China are involved in this case and given that context variable: are there other perspectives on how the actions of resp. Jobs and Cook could be perceived by their Chinese counterparts? Or the 36 Stratagems could be discussed: to what extent are they universal or China specific, can we recognize Cook or Jobs by applying any of the Stratagems? It is worth to test these perspectives in the presence of several Chinese case-participants or at least one Chinese teacher, given the complexity for non-Chinese to fully understand Chinese culture and specific regional, generational and organizational cultural differences.

2. Considering Chinese business culture literature, what key actions towards Chinese stakeholders of Apple CEOs may have contributed most to Apple's successful completion of the business negotiations?

The following six examples could be highlighted:

- Contrary to often expressed stereotypes, **innovation and creativity** are becoming respected skills in modern China. For many Chinese younger generation stakeholders, Jobs' and Apple's unique and enormous creativity and drive were well admired and a source of inspiration. Related to this, Apple is a high tech-

company and dealing with leading IT-firms fits in China's 12th Five Year plan, in which 'moving up in the value chain' is marked as being important, and 'new IT firms' are a priority industry.

- Under the CEO leadership of Jobs, Apple did not fiercely attack the fake stores in Kunming, which was potentially a good read of Chinese culture. A strong public lawsuit around the fake stores may appear very American to do, while the Chinese often find **avoidance of conflict** and **search for harmony** important as prerequisite for staying in a trust-oriented business relationship, as the Confucianism perspective of the Ping-Pong model explained.
- Cook's **visits to China**, especially his visits to the ministers and government are very important in the context of the PRC condition (Ping-Pong model) which observes all 'companies' in China as factories operating under the Chinese government. Cook's visits to the government showed that he greatly respected that and helped him to use these relationships in securing a deal with China Mobile.
- Building on that: Cook's **apology letter** can be interpreted as an acknowledgement of the power of and respect for the Chinese government (as Chinese media started the accusations of bad customer service and a regulatory governmental organization said it had its eye on Apple). In the perspective of the Ping-Pong model it is also an act of **avoidance of conflict** and a **search for harmony**. The apology letter differed from Apple's earlier approaches that focused on the more Western perspective of a rational explanation and a more defensive approach. In a way it could be seen as a tipping point in the Apple-China relationship.
- Cook's **seat on at the Board of the prestigious Chinese Tsinghua University** School of Economics and Management is another key symbolic achievement and probably has been a powerful contribution to the final deal closure for two reasons: (1) it provided strong respect and acknowledgment for the University and therewith the Chinese government, who owns it and sees its educational system being respected by an American CEO of a major company, (2) it got Cook more deeply involved with Chinese politicians, helping him in getting a network – not yet real *guanxi* perhaps, but closer to it than any other Apple executive got.
- In the six years of negotiation, there were many accounts that the negotiations were close to being successful. The pattern of negotiation seems to fit the description of typical negotiations with Chinese business counterparts: Compared to the US behavior, Chinese negotiators are more focused on reaching a

high-level agreement and then figuring out the details – this could have resulted in positive news, while the important details were not yet agreed on and still provided an obstacle for securing the deal. Apple's **patience**, spanning both Jobs' and Cook's CEO years was probably an important necessary strength contributing to closing the deal.

- Cook's **public statements on equal rights** (e.g., opinion article supporting new law and his speech at the United Nations) certainly confirmed his sensitivity to the topic, other people's feelings and minority 'voices'. In another story, Cook showed his understanding of the intercultural differences when he understands that he needs a local representative in China to resolve a particular issue. These personality traits may be signs of cultural intelligence, a key predictor of intercultural negotiation effectiveness (Imai & Gelfand, 2010).

3. What are important lessons for leaders and for leadership development that modern day young and senior talent could take away from the Apple-China leadership case?

- Western leaders do well by starting to read more and understand better Chinese leadership and cultural perspectives and theories. A specific example for this is given through the Yin Yang principle, which serves as an example: a valuable push of this perspective could be to challenge one selves when facing conflict or opportunity: what opposing energy would the other person or culture also embody and how can we find, based on that, common ground to build on? And even broader: what complementary energy and motivation flow within yourself as a manager can be cultivated more? Both professors and teachers at universities, practical leaders in organizations and scientists in the area of leadership development should realize that de-biasing from 'traditional linear' views and solutions provides a huge opportunity, that should not be missed. Culture is a multi-layered concept, just as leadership. While 'splitting' is a well-known defense mechanism (Kets de Vries, 2006) and probably difficult to fully avoid, it is risky to judge a leader as either 'exceptionally good' or 'exceptionally bad' (similar argument accounts for groups of people, like countries): the story of Jobs and Cook shows that both leaders have their great and less great performances and characteristics. One gets easily biased towards leaders who show characteristics similar to yours, yet since diversity creates a broader set of ideas on the table, it is valuable to consciously safeguard alternative views.

Building on this: our frameworks of understanding 'the world' could be enriched by trying to apply fundamental different world perceptions.

- The majority of cross-cultural differences are unobserved and unconscious. Whenever you encounter a person who is different, be aware that there are multiple 'archetypes', even within apparent homogeneous groups like the 'country of China'. In order to understand a group or person well, and find proper interventions for challenges, you do wise to 'dig deeper', which is not always easy in the case of China, due to its complex culture and also due to practicalities, like distance and language differences. Although every leader consists of many layers and influences (see the diversity of influences in the profile descriptions of Jobs and Cook), early childhood experiences are proven to be an important trigger for later perceived leadership behaviors. It is useful to try to understand the inner theatre of the people you work with, especially when they are members of different cultures. Remarks as "that's beside the point", "that person never 'gets' it", should trigger the question "are we observing the same facts and the same problem? Plus, what can we learn from the other's view?" In general there is the practical lesson that it helps to listen to and analyze the other negotiation party's underlying reasons and reflect on it a bit longer (with patience), before judging or acting boldly.

5.6.5 Additional readings or references

The bibliography of this thesis contains a rich set of additional readings and references that can be selectively used for teaching purposes. To motivate cross-cultural learning, the case study focuses on articles written about this topic by (primarily) Chinese scientists. It could make sense to let participants read the full versions of the selected articles to obtain a Chinese perspective on culture and negotiation practices:

- Ghauri, P., & Fang, T. (2001). Negotiating with the Chinese: a socio-cultural analysis. *Journal of World Business* 36(3), 303-325.
- Faure, G. O., & Fang, T. (2008). Changing Chinese values: keeping up with paradoxes. *International Business Review* 17, 194-207.

5.6.6 Feedback

The case study needs to be further refined based on initial trial class room usage and experience. A key attention point is to further test and develop the understanding of Chinese stakeholder behavior in negotiations, since the author of the case study is European, and although travelled thoroughly through Asia and co-worked with several Chinese, the influence of American culture on the author is probably more significant, for instance via movies, television shows, and the Dutch educational system.

6. LIMITATIONS AND FUTURE RESEARCH

The teaching note in the previous chapter described the main findings and addressed all research questions. This chapter discusses limitations of this study (Section 6.1) and opportunities for future research (Section 6.2).

6.1 LIMITATIONS

In developing the case study, public sources were used and no Apple representatives were interviewed or consulted. Also, this case study is a specific study of one company and business situation under specific circumstances. Any findings or discussions may not immediately be applicable in other situations. The case is developed by a European author, providing a more or less neutral perspective. Nevertheless, the European perspective is likely closer to the US point of view, potentially resulting in a small 'Western' bias in the case.

In developing the case study, mostly top quality news sources are used, leaving out reports of local newspapers. Nevertheless, reporters may have claimed things that were untrue, and there may be a media or opinion bias by the reporter. Were possible, the author used an authorized biography, Apple press releases and public speeches.

Roberts (2012) points out that even though a case is a good business simulation, it does have few limitations. Obviously, the participants do not have real responsibility during the case. There is a big difference between talking about it and actually doing it. Secondly, information gathering skills are not tested or developed in the case study, since it typically includes enough data for the student to analyze the situation and develop a plan.

6.2 FUTURE RESEARCH

The methodology and approach used in this case study could be transferred to other cases involving companies going into Chinese business negotiations. When multiple of such cases are developed and analyzed, mutual findings among the cases could be more extensively tested and developed into generally applicable theory.

Obviously researching country-cultural differences is a risky endeavor. First, truly understanding country cultures is difficult. Many wars have started because there were misperceptions of the perspectives and values of countries. Second, it is challenging to write truly "country-cultural neutral". During the writing process of this thesis, the author spoke with several Chinese friends and acquaintances, trying to de-bias and understand China as good as possible, yet a full, deep understanding is very complex to achieve. In a future, final design of the case study, after a selection of real class simulations, the writing team could include Chinese and American authors as well, as it would allow to fully include Chinese (and American) sources and sentiments.

7. CONCLUSION

"Here's to the crazy ones. The rebels. The ones who see things differently. They invent. They imagine. They create. They inspire. They push the human race forward. While some see them as the crazy ones, we see genius. Because the people who are crazy enough to think they can change the world, are the ones who do."

– Excerpt from Apple Inc., Think Different advertisement, 1997

Although the human brain uses heuristics and is programmed to organize according to "my tribe-not my tribe" classifications, stereotyping is risky and costly. Especially, but not only, in the context of doing business in the Chinese culture, which according to the Yin Yang principle can have multiple, for Westerners 'opposing', views in coexistence. Country-cultural differences are often not fully grasped since the majority of these differences are unconscious and deeply encapsulated. As invisible as the pattern of our clothes in our shadows, not easy to

observe, unless you get a “helicopter” viewpoint or investigate the specifics with a flashlight, just like the case study developed in this thesis aims to inspire participants to do.

The rise of new technology will facilitate more structural observation of human behavior. I hope that this tendency creates an important upside for minority groups: it may allow them to support their ideas, thoughts and feelings more easily with convincing fact-based proof points, which may facilitate them when they ask for justice, equal rights, or just to be heard. Often, I have seen innovative and valuable ideas of those who form a minority group, whether it is based on gender, race, religion or another characteristic, end up not utilized to its full potential – and this frequently occurs unconsciously, for instance through group think. How even more beautiful the world could be, when those ideas and perspectives get heard and developed, just like the Apple CEOs unfolded their iconic products? It is exactly that reason, that makes both Jobs’ and Cook’s stories - as well as the story of Lei Jun of Chinese competitor Xiaomi - remarkable and a source of inspiration. No personality style is without its flaws, yet these CEOs do set an example for those who think differently. Jun asks for a distinct identity, for a separate position for his ideas that have Chinese roots. He is not Steve Jobs, he is different. These leaders change the world in which we live. For those who recognize being in the comfortable seat of a majority, whether it is at a family kitchen table, political negotiation table of a threatening war conflict, or in a business meeting: if you want to, dare to get out of it, try to understand more of the person sitting in front of you and open up to stand up for a new perspective, since this will almost certainly enrich the world with unique new flavors and solutions.

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9. APPENDIX

APPENDIX 1. CHINESE PREFERENCES IN NEGOTIATIONS

In practice, international experienced negotiators have noticed several practical behavioral and mind set differences between Chinese and non-Chinese, that may occur as a result of either of the three negotiation styles described in the Ping Pong Model. Since many of the observed behaviors relate to one another, they have been clustered in two large tendencies: (1) relative preference for and tendency towards a holistic and intuitive-pragmatic approach and (2) tendency to place relative significant value to *guanxi*, face and hierarchy.

(1) Tendency towards a holistic & intuitive-pragmatic approach: According to Tung, Worm and Fang (2008) the “traditional Chinese worldview is characterized by ‘holism’. In general, the Chinese tend to adopt a holistic approach, whereby inter-linkages are discerned where none appears to be readily apparent from the western perspective” (p. 71). Western negotiators “on the other hand, are more interested in disaggregating the decision into more finite components, such as governance structure, technical and market details” (Tung et al., 2008, p. 71) Chinese tend to focus on the general, holistic view, on the decision in its broader context (Tung et al., 2008).

This basic difference in perception and problem-solving perspective has various far reaching consequences. As a first practical example regarding preparation, a Chinese executive explained in interviews with Tung et al. (2008): “When Americans negotiate, they prepare a lot of charts. In comparison, the Chinese only have notes and overall objectives, but no details. The Americans have more specifics and details. The Chinese cannot understand why they should spend a lot of time on details as long as the objective is clear” (p. 71). According to the authors, many expatriates in China were unaware of these differences and unconscious differences in the unobservable parts of the *icebergs*, a metaphor often used for cultures: cultures can collide if members of one culture overlook the submerged, underlying elements of another culture, leading to misunderstanding and potentially disappointments and frustrations (Tung et al., 2008; Ghauri & Fang, 2001).

Secondly, holism impacts the by Westerners often perceived high level of flexibility in the negotiation style of Chinese (also phrased as ‘unstructured’). When Chinese know where they want to go, the rest may just evolve as

they go along, as recorded by Tung et al. (2008): “Perhaps it is erroneous to characterize the Chinese as being unable to plan. Rather Chinese action appears to be guided more by pragmatism and intuition” (p. 72). Tung et al. (2008) explain that this type of present-day Chinese flexibility and pragmatism can be traced back far in time. One of the most famous quotes that is part of the Deng Xiaoping Theory (developed by Deng Xiaoping, regarded as the principal architect of China’s open door policy and based on which students get a mandatory university class since the 1980s), is: “It does not matter whether a cat is black or white, as long as it catches mice” (Tung et al., 2008, p. 72). According to Tung et al. (2008) flexibility in planning is closely related to the importance of intuition, as they are two sides of the same coin. The Chinese holistic approach at times “stands in sharp contrast to the linear logic characteristic of the West” (Tung et al., 2008, p. 72).

Negotiations in China tend to take more time. Next to that, negotiators from Western countries, like the US perceive a relative lack of finality of Chinese business negotiations (Tung et al., 2008). As a result of this, the character trait patience seems relatively important. Tung et al. (2008) quote a western Executive: “when you think that you have reached an agreement..., it is not unusual for the Chinese partner to say: “Oh, by the way we have one more thing.” And then you go back and forth” (p. 69). To quote an executive interviewed by Tung et al. (2008): “If they [Chinese] feel that there is an overall benefit, they will proceed first and then discuss the details afterwards” (p. 71).

(2) Important role of *guanxi*, face and hierarchy

The Chinese economy has been characterized as “network capitalism”, given the importance of networks and relationships (Tung et al., 2008). However: since personal relationship exist across all societies worldwide, the accent on relationship building is rather a matter of degree and focus. “In general in China, relationships tend to precede business, whereas in the west it is usually the reverse, i.e., relationships follow as a result of the business” (Tung et al., 2008, p. 69). Chinese like to get to know their business partners before concluding the deal – they seek to “unravel their counterpart’s “true personality”, to determine whether they can trust them and hence make worthy business partners” (Tung et al., 2008, p. 69). “It is always taken into account that somehow the relationship is going to be more than a single transaction” (Tung et al., 2008, p. 70). Tung et al. (2008)

compare *guanxi* with a balance sheet, where a person keeps track of concessions and favors that he or she makes and received from others. More specifically, Fang et al. (2008) find that “sincerity” is the most important success factor in business negotiations with Chinese. If the foreign party is perceived as sincere towards the Chinese, the Chinese will likely reciprocate by being sincere towards the foreign party – in this way, trust can be created. This highlights the role of trust in negotiating effectively with Chinese counterparts. In general, research found that *guanxi* relationship building tends to be more personal and enduring than Western equivalents of relationship building, which again links to the relative long term-orientation of Chinese business men and women, compared to for instance American negotiators (Tung et al., 2008). Practically, socializing has been traditionally a concrete way of building relationships, and dinners with ‘plenty of liquor’ were very popular in earlier decades. Yet in modern day’s business landscape, especially in the main business cities in China this has changed: increasingly, more Chinese prefer to socialize through sports and recreational activities, such as golf and tennis (Tung et al., 2008).

Tung et al. (2008) explain the concept of face via a quote of an executive: “When you negotiate in China, you have to give them face. You should never ‘corner’ a Chinese counterpart. Always give them a chance to get out of the mistake or situation” (p. 70). As with relationship building: face-saving is a universal phenomenon, yet it appears more salient in China, especially when dealing with government officials (Tung et al., 2008).

Chinese organizations are characterized by pyramid structures (which create a tendency for hierarchy), whereas these pyramids are less common in ‘western’ multinational companies (Tung et al., 2008). Tung et al. (2008) highlight a quote of a western manager who lived over 5 years in China: “The Chinese used to be educated in a planned economy where everything was based on directives from above. At the negotiation table, it’s only the boss who speaks while all the others keep silent, no matter how much more expertise they have on the subject” (Tung et al., 2008, p. 67).

APPENDIX 2. WHAT TO EXPECT? CONTEXT VARIABLES THAT MATTER

The extent to which Chinese characteristics play a dominant role or not, depends on the exact context and personalities involved. In China, in general three context layers are most important to reflect on, which are

summarized in three key questions (Tung et al., 2008): from which region, which generation and which type of enterprise are the Chinese negotiators?

Which region in China? In China regional differences can be more significant than in other countries, since there are dialects specific to various parts of the country. There are four major commercial hubs in China with distinct cultural characters: Beijing, Shanghai, Guangzhou/Shenzhen and selected cities in western China, like Chengdu. Due to the significant size of China, according to Tung et al. (2008) most Chinese feel a close affinity to those who come from their same ancestral village, city or province. “Even today, when two Chinese first meet, they exchange information on their ancestral village very early on, even though they may not reside there” (Tung et al., 2008, p. 62). There is a strong sense of belonging to a particular city or province, which can be seen as a type of “patriotism” (Tung et al., 2008). Appendix 3 summarizes the generalized characteristics that a large group of Chinese and non-Chinese negotiators summed up for each of the four areas. In sum, the Beijing area is seen as the ‘center of political power in the country’, and the people from this area are often more politically-oriented, bureaucratic and more holistic. Shanghai is seen as the commercial center, where people are more tactical and calculating, as well as confident (at times even arrogant), with greater admiration of Western countries than in Beijing. Guangzhou and Shenzhen, the southern cities close to Hong Kong, are more entrepreneurial-oriented – many prefer to start up their own business as opposed to working for established corporations – and less concerned about politics. Cities like Chongqing and Chengdu in Western China have been more difficult to reach by influences from other areas, and people’s mentality is seen to be comparable to the mentality of the other regions 5-6 years earlier: slightly more conservative, clannish and traditional behaviors can be observed when meeting people from these cities (Tung et al., 2008). Obviously, these brief profiles may lead to stereotypes that vanish over time, so the use of this information is more one of ‘guidance’ and ‘to be verified’: just as in the US or France, not all New Yorkers and Parisian are the same.

Which generation? Older generation Chinese are more likely deploying traditional Chinese stratagems. According to Tung et al. (2008) older Chinese “are often more conditioned by the deeper layers of Chinese culture, such as Taoism and the works of Sun Zi. This may explain, in part at least, why both the younger Chinese and the expatriates have more difficulty dealing with the older Chinese” (p. 67). The authors highlight the

relevance of the Chinese stratagems. Secondly, many Chinese executives educated later than China's open door policy (1977) have been exposed to a more "western" or "western-style" education, including studying or working abroad or completing an MBA in China. Chinese who have received a "western-style" education tend to be less bureaucratic and less hierarchical (Tung et al., 2008).

Which enterprise type? The style of state-owned enterprises is often perceived to be more political and they speak more formally. Behavior in state-owned enterprises seems to be closely linked to the behavior observed in the area of Beijing.

APPENDIX 3. REGIONAL DIFFERENCES CHINESE CULTURE

Beijing (capital city, center of political power in the country)

- Politically-oriented—everyone talks about politics
- Bureaucratic—given the prevalence of state-owned enterprises (SOEs) in Beijing and surrounding areas, people tend to be more bureaucratic
- Emphasis on integrity—people place more emphasis on trust and honesty in business dealings
- Highly educated—many of the bureaucrats are highly educated
- More relationship-focused, face comparatively more important
- More fluid perception of time
- More holistic in approaching issues
- Focus on general principles
- More diversified cultural life
- More direct and straightforward

Shanghai (commercial center)

- Business savvy—they are known for their business acumen
- Bottom-line oriented
- Focus on details—they perform due diligence before meetings and because of this, some people find it difficult to transact business with Shanghainese because they tend to argue over trivial matters
- Confident and arrogant—because Shanghai has been an important economic center and is the trendsetter in fashion, Shanghainese tend to look down upon people from other cities, referring to them as "villagers"

- Materialistic—Shanghainese are more concerned with brand names and one-upmanship
- Greater admiration of the West
- More tactical, i.e., calculating
- More younger people who have attained high positions
- Obsessed with career progression

Guangzhou/Shenzhen (southern city close to Hong Kong)

- Hard working and highly efficient—in the 1980s, Guangzhou/Shenzhen was recognized for its efficiency in building one entire floor of a skyscraper in three days
- Larger concentration of mass assembly manufacturing
- Entrepreneurial—many prefer to start up own businesses as opposed to working for established corporations
- Pride in cuisine and more exotic cuisine
- Greater deviation from the norm
- Less concerned about politics
- Identify more closely with Hong Kong
- More concerned with work-life balance issues
- Superstitious—because many businesspeople there are entrepreneurs, they tend to be more superstitious
- More informal in protocol and clothing, but more risk taking

Western China (cities like Chongqing and Chengdu)

- People’s mentality more like Beijing, Shanghai, and Guangzhou/Shenzhen 5–6 years ago
- More conservative, traditional and/or clannish
- Particularistic—emphasize knowing your counterpart first before doing business
- Socializing (eating, drinking, and smoking) is very important
- Greater emphasis on personal relations, i.e., rely on people more than laws or negotiations
- Less experience with international business
- More laid back and more hardy
- More emotional
- In general, westerners find it more difficult to negotiate/do business here

Source: Tung, Worm & Fang (2008).

APPENDIX 4. 36 ANCIENT CHINESE STRATAGEMS

Stratagem 1 Cross the sea without Heaven's knowledge—Man Tian Guo Hai

Stratagem 2 Besiege Wei to rescue Zhao—Wei Wei Jiu Zhao

Stratagem 3 Kill with a borrowed knife—Jie Dao Sha Ren

Stratagem 4 Await leisurely the exhausted enemy—Yi Yi Dai Lao

Stratagem 5 Loot a burning house—Chen Huo Da Jie

Stratagem 6 Clamour in the east but attack in the west—Sheng Dong Ji Xi

Stratagem 7 Create something out of nothing—Wu Zhong Sheng You

Stratagem 8 Openly repair the walkway but secretly march to Chen Cang—An Du Chen Cang

Stratagem 9 Watch the fire burning from across the river—Ge An Guan Huo

Stratagem 10 Hide a knife in a smile—Xiao Li Cang Dao

Stratagem 11 Let the plum tree wither in place of the peach tree—Li Dai Tao Jiang

Stratagem 12 Lead away a goat in passing—Shun Shou Qian Yang

Stratagem 13 Beat the grass to startle the snake—Da Cao Jing She

Stratagem 14 Borrow a corpse to return the soul—Jie Shi Huan Hun

Stratagem 15 Lure the tiger to leave the mountains—Diao Hu Li Shan

Stratagem 16 In order to capture, first let it go—Yu Qin Gu Zong

Stratagem 17 Toss out a brick to attract a piece of jade—Pao Zhuan Yin Yu

Stratagem 18 To capture bandits, first capture the ringleader—Qin Zei Qin Wang

Stratagem 19 Remove the firewood from under the cooking pot—Fu Di Chou Xin

Stratagem 20 Muddle the water to catch the fish—Hun Shui Mo Yu

Stratagem 21 The golden cicada sheds its shell—Jin Chan Tuo Qiao

- Stratagem 22 Shut the door to catch the thief—Guan Men Zhuo Zei
- Stratagem 23 Befriend the distant states while attacking the nearby ones—Yuan Jiao Jin Gong
- Stratagem 24 Borrow the road to conquer Guo—Jia Dao Fa Guo
- Stratagem 25 Steal the beams and change the pillars—Tou Liang Huan Zhu
- Stratagem 26 Point at the mulberry tree but curse the locust tree—Zhi Sang Ma Huai
- Stratagem 27 Play a sober-minded fool—Jia Chi Bu Dian
- Stratagem 28 Lure the enemy onto the roof, then take away the ladder—Shang Wu Chou Ti
- Stratagem 29 Flowers bloom in the tree—Shu Shang Kai Hua
- Stratagem 30 The guest becomes the host—Fan Ke Wei Zhu
- Stratagem 31 The beautiful woman stratagem—Mei Ren Ji
- Stratagem 32 The empty city stratagem—Kong Cheng Ji
- Stratagem 33 The counter-espionage stratagem—Fan Jian Ji
- Stratagem 34 The self-torture stratagem—Ku Rou Ji
- Stratagem 35 The stratagem of interrelated stratagems—Lian Huan Ji
- Stratagem 36 Running away is the best stratagem—Zho Wei Shang Ji

Source: Ghauri & Fang (2001) and Fang (1999).

APPENDIX 5. APPLE'S HISTORY AND CULTURE IN BRIEF

History of Apple Inc.

Steve Jobs and Steve Wozniak, both college dropouts, founded Apple Computer in 1976. Working out of the Jobs family's garage in Los Altos, California (US), they built the first Apple I computer (Yoffie & Kim, 2010). Within

several months, they had made 200 units and taken on an experienced business partner who attracted venture capital. Jobs made it his mission to bring an easy-to-use computer to the market, and Apple quickly became the industry leader in the PC market, selling more than 100,000 Apple IIs by the 1980. By the end of 1980, Apple launched a successful IPO (Yoffie & Kim, 2010).

In 1981, Apple's competitive position changed fundamentally as IBM decided to enter the PC market. IBM PCs gained more market share, but also, they became the new standard for the industry (Yoffie & Kim, 2010). Apple's response was the 'Macintosh' in 1984, which was revolutionary in ease of use, design and technical characteristics. Nevertheless, the Macintosh had limited sales, as it had a slow processor and not much compatible software. Apple's profit fell 62% between the years 1981 and 1984 and Jobs, who was referred to as "the soul of the company" (Yoffie & Kim, 2010, p. 2), was forced out in 1985 (Yoffie & Kim, 2010). Apple's results continued to worsen. Between 1985-1997, three CEOs did not improve results and by 1996 Steve Jobs returned to Apple as part-time advisor.

In 1997, Steve Jobs became the company's interim CEO and started to reshape Apple. Jobs' first act came in 1998 with the iMac, an all-in-one computer featuring colorful cases with the well-known eggshell design. Apple's sales outpaced the industry's average for the first time in years and Apple became profitable again (Yoffie & Kim, 2010). Another priority for Jobs was to fix Apple's tired image, and instead, Jobs wanted Apple to be a cultural force. In this context, Jobs retained his position as CEO of Pixar, the renowned animation studio. Through expensive marketing campaigns such as the successful "Think Different" ads, Apple was positioned as the hip alternative to the larger brands. Yoffie and Kim (2010) note the unique approach in this context: "Apple ads were placed in popular and fashion magazines as well" (Yoffie & Kim, 2010, p. 4).

In 2001, Jobs started laying out his vision for Macintosh. He called it the "digital hub" strategy, in which The Mac would be the 'hub' to control and connect various different devices (e.g., cameras, portable music players, mobile phones) for consumers with a digital. As a result of this vision, Apple launched the iPod (2001), iPhone (2007) and the iPad (2010) (Yoffie & Kim, 2010). Almost everything Jobs touched after 2000 turned into gold. Although a few products also failed to live up to expectations, such as the Mac Mini, no one would disagree that Apple's

journey from a PC manufacturer to a mobile device company has been a journey of incredible success. Most of that was attributed to Jobs, “the man who had ‘changed the rules’ for the company and the industry” (Yoffie & Kim, 2010, p. 13). Apple’s market capitalization surpassed that of Microsoft, IBM, HP, Cisco, Intel and all other tech companies in 2010. Apple’s market capitalization approached \$620 billion in the fall of 2012, and Apple became the largest company in the world.

Apple’s culture

There are two basic ways to get great profit margins: Charge high prices or reduce costs. Apple does both, according to Lashinsky (2008). The marketing and design drive consumers wild, making them very willing to pay a premium. Obviously Steve Jobs is the visionary master of this piece; yet Cook’s ability to create operational excellence keeps costs well under control. Cook has called the company a place that is “entrepreneurial in its nature but with the mother of all balance sheets” (Lashinsky, 2008). This shows the relevance of both sides of Apple’s business model for its culture: innovative and creative ‘genius’ vs. analytical drive for optimal cost-benefits. To relate this to Chinese concepts, Jobs and Cook are almost like Yin and Yang: complementary (instead of opposing) forces interacting to form a dynamic system in which the sum is greater than the parts (Fang, 2012).

Obviously, Apple was and still is a company with a significant ‘Jobs-flavour’, maybe even to be called a ‘Jobs-engrained’ company. Apple shares fell 9% in Frankfurt and 6% in New York after Apple announced that Steve Jobs was taking an indefinite leave of absence for medical reasons on January 20, 2011. Without a doubt, Jobs was Apple, and involved in every development aspect of Apple’s products, both for the customers and employees (Huy, Jarrett & Duke, 2013). Jobs himself referred to Apple’s culture as that of a “‘start up’, focusing on innovation, passion and entrepreneurship” (Huy et al., 2013, p. 9).

The company culture was strong and cohesive: “Jobs instilled that everyone at Apple was in the same team and that working at Apple was “less of a job, more of a calling”. It was about collaboration and integration” (Huy et al., 2013, p. 6), or as one Apple employee recalls: “Apple employees are like one another” (Huy et al., 2013, p. 6). Another former employee described it as: “[A] remarkably cohesive corporate culture, one that actively fosters a

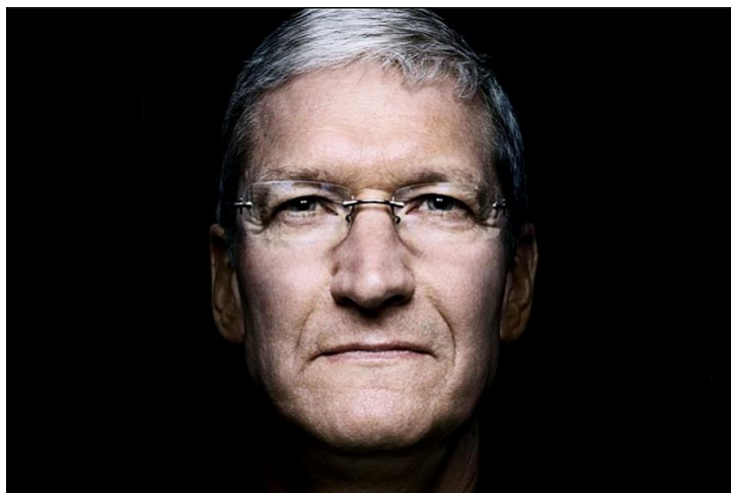
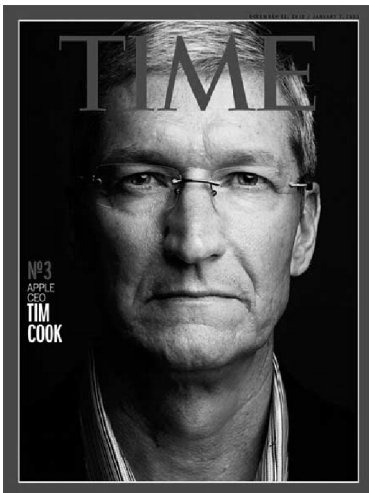
set of shared values and beliefs among employees and partners. Central to that culture is a common understanding and passionate commitment to what it takes to deliver just the right set of capabilities and experiences to delight consumers” (Huy et al., 2013, p. 9). Marketing manager Joe Shelton: “Steve had the most remarkable effect on all of us. We knew what he said was impossible to achieve rationally. But, emotionally, he had us all wanting it so badly to come true that we came to believe it as well” (Huy et al., 2013, p. 3)

“Creativity was the key to the corporate culture that Jobs fostered at Apple, one that was comfortable with using words such as ‘passion’ and ‘excellence’ ” (Huy et al., 2013, p. 9). Employees associate(d) with Jobs’s vision, and are asked to work hard for the company and participate (Huy et al., 2013, p. 6). In a case study of INSEAD by Huy et al. (2013), quotes of former employees and stakeholders of the company openly discuss some of the other sides of that culture. Some former employees and external stakeholders describe that other side as intense and emotional, with strong and direct leadership under Jobs (Huy et al., 2013). The reader is referred to Huy et al. (2013) for more information.

Lastly, Apple’s culture is also influenced by the fact that, just as described in the profiles of Tim Cook and Steve Jobs, it is a Silicon Valley high tech-company and North American company.

APPENDIX 6. ILLUSTRATIVE VISUALS TO USE IN THE INSTRUCTOR'S PRESENTATION

Cook



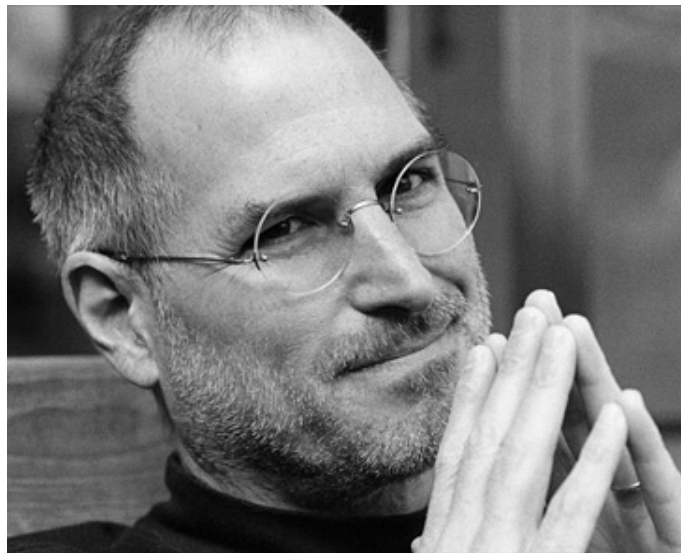
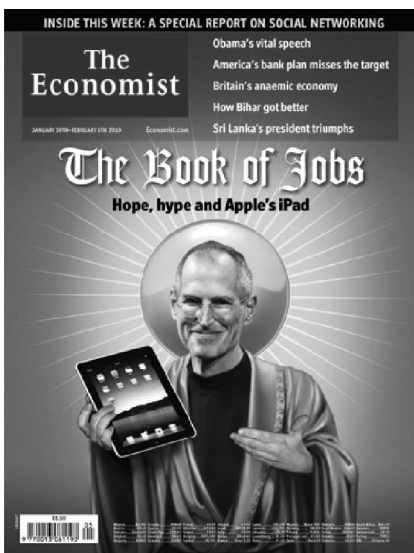
Upper left: Cook visits China in 2013 [Source: [Untitled photo of Tim Cook and Chinese men]. Retrieved on December 30th, 2013, from http://tech.ifeng.com/telecom/detail_2013_07/30/28067434_0.shtml]

Upper right: Cook in China in 2013. [Source: [Untitled photo of Tim Cook and Chinese woman]. Retrieved December 30th, 2013, from <http://www.weibo.com/u/11430>]

Lower left: Cook on cover of Time [Source: Marco Grob (Photographer) (2013). Untitled [Photograph]. Retrieved December 30th, 2013, from <http://poy.time.com/2012/12/19/runner-up-tim-cook-the-technologist/>]

Lower right: Cook portrait. [Source: [Untitled photo of Tim Cook]. Retrieved December 30th, 2013, from <http://www.digitaltrends.com/mobile/tim-cook-is-not-steve-jobs-get-over-it/>]

Jobs



Upper left: Jobs visits Japan on vacation [Source: [Untitled photo of Tim Cook and Chinese men]. Retrieved on December 30th, 2013, from http://tech.ifeng.com/telecom/detail_2013_07/30/28067434_0.shtml]

Upper right: Jobs delivers tribute to Morita Akio (CEO Sony) who passed away. [Source: [Untitled photo of Steve Jobs]. Retrieved December 30th, 2013, from <http://www.macx.cn/thread-2032883-1-1.html>]

Lower left: Jobs on cover of The Economist [Source: Jon Berkeley (Illustrator) (2010). Untitled [Illustration]. Retrieved December 30th, 2013, from <http://www.economist.com/node/15393377>]

Lower right: Jobs portrait. [Source: [Untitled photo of Steve Jobs]. Retrieved December 30th, 2013, from <http://applemagazine.com/steve-jobs-legacy-lifestyle/1559>]

Cook and Jobs together



Upper left: Jobs and Cook [Source: [Untitled photo of Jobs and Cook]. Retrieved on December 30th, 2013, from <http://www.wired.com/business/2011/08/why-tim-cook/>]

Upper right: Jobs and Cook at a conference. [Source: [Untitled photo of Jobs and Cook]. Retrieved December 30th, 2013, from <http://www.dailymail.co.uk/sciencetech/article-2244149/Apple-set-manufacturing-China-US-new-line-Mac-computers.html>]

Lower left: Jobs and Cook at a conference [Source: [Untitled photo of Jobs and Cook]. Retrieved December 30th, 2013, from <http://www.macworld.com.au/news/tim-cook-describes-ceo-transition-with-steve-jobs-i-was-surprised-i-thought-steve-was-getting-better-81818/>]

Lower right: Jobs and Cook at a conference . [Source: James Martin (Photographer). Untitled [Photograph]. Retrieved December 30th, 2013, from <http://www.macworld.com.au/news/tim-cook-describes-ceo-transition-with-steve-jobs-i-was-surprised-i-thought-steve-was-getting-better-81818/>]

Examples of media coverage in US and China after deal closure

China Mobile and Apple seal iPhone distribution pact for world's largest wireless network

iPhone 5s and iPhone 5c will be available for pre-registration on China Mobile's website from Wednesday

Bien Perez
bien.perez@scmp.com

PUBLISHED : Monday, 23 December, 2013, 9:50am
UPDATED : Monday, 23 December, 2013, 6:32pm



China Mobile has struck a multi-year deal with Apple. Photo: Reuters

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Source: Perez, B. (2013, December 23). China Mobile and Apple seal iPhone distribution pact for world's largest wireless network. *South China Modern Post*. Retrieved from <http://www.scmp.com>

TECHNOLOGY & MEDIA

Apple's China Mobile Pact Opens Massive New iPhone Market

China Mobile is the world's largest wireless carrier with 760 million subscribers

By Sam Gustin @samgustin | Dec. 22, 2013 | 0



George Rose / Getty Images

Source: Gustin, S. (2013, December 22). Apple's China Mobile pact opens massive new iPhone market. *Time*. Retrieved from <http://business.time.com>