School of Management
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Perceptions of Decision-Making in Western Australian Iron Ore Companies Dealing with Chinese Companies.

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Declaration of Originality

To the best of my knowledge and belief this thesis contains no material previously published by any other person except where due acknowledgment has been made. This thesis contains no material which has been accepted for the award of any other degree or diploma in any university.

The research presented in this thesis was conducted in accordance with the National Health and Medical Research Council National Statement on Ethical Conduct in Human Research 2007 – updated 2018. The proposed research study received human research ethics approval from the Curtin University Human Research Ethics Committee. The Approval number is RDBS-54-15.

Signed: _____ On: 31 August 2019

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Thank you to my family, Gray, my husband and Erin. Your presence has been my source of delight and motivation.

To my world, Gray and Erin

When East meets West, a wonderful creation is born

Abstract

Decision making in Western Australia's iron ore companies dealing with Chinese companies is vital to the success of the Sino-Australian long-term business relationship. In this study in-depth interviews with 31 participants at senior management and executive level provide invaluable insight into the "lived" experiences and "multi-realities" of decision making in the iron ore industry. The research explores the perceptions of decisions and whether China culture in Sino-Australia relations is important and finds significant differences exist in decision making in terms of the various decision frameworks: collective, individual and hierarchical. The data points to a *guanxi* concentric circles model and the nuances of contract. From the Western and Chinese viewpoint, the mutual objectives of building trust, value and building lasting relationship are essential. An Emergent Decision Making Model titled the Culture Bound Decision Quality Model is proposed to improve decision making processes between Western Australian iron ore companies dealing with Chinese companies.

Chapter 1: Introduction

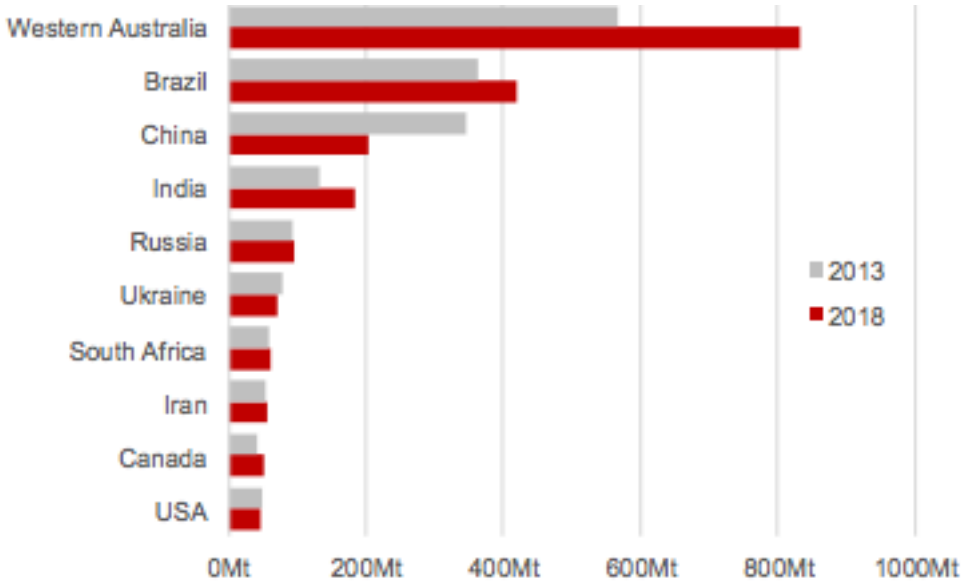
The study explores the decision making process in the Australian resources industry when dealing with China, in particular, the iron ore industry in Western Australia. The research explores the decision making processes that are used in the resources sector to enhance the quality of decisions when dealing with their China counterparts. It also looks at cultural intelligence and how that influence the decision making process.

1.1 Decision Making

Decision making permeates throughout all levels of an organisation, from the line level to the functional level, business units and corporate headquarters (Harrison, 1987). Models and theories based on strategic decision making are rather diverse and require a multidisciplinary perspective; they appear no different from decision-making theories (Ahmed 2014). The relationship between Western Australia and China within the iron ore industry has been extraordinary. The study explores the longevity of this relationship in its decision making sphere; and how the Australian iron ore companies decision framework and its decision making processes support its Chinese counterparts within the iron ore industry.

1.2 Trade between Western Australia and China

The Western Australian iron ore industry experienced a boom from 2000 to 2010 with exports increasing 17% over a five year period to 2010 (Duncan 2015). In 2018 Western Australia was the largest iron ore producer in the world and accounted for 39% of global supply (DoJTSI 2019). China was the largest recipient of and accounted for 59% of global iron ore demand in 2018, followed by India (7%), Japan (6%), Russia (4%) and South Korea (4%) (see Figure 1.1). China's iron ore demand rose 7% to 1,271 million tonnes in 2018 and is expected to fall gradually over the next 20 years to 1,071 million tonnes in 2038 (DoJTSI 2019).



Source: DoJTSI (2019, 1)

Figure 1.1: Major global iron ore suppliers

In terms of contribution to Western Australia's economy, iron ore accounted for almost half (48%) of direct employment in the resources sector in 2018 accounting for some 53 thousand jobs despite a slow down between 2013 to 2018 (DoJTSI 2019).

1.3 Looking Ahead

The *Australia in the Asian Century* White Paper (DPMC 2013) projects the Chinese economy to grow at an annual average growth rate of 7 per cent from 2012 to 2025, a pace that is consistent with projections made by a number of other institutions and private sector forecasters (Au-Yeung, Keys and Fischer 2012).

The structural transformation that took place in China changed the nature of Australian opportunities in China nearly a decade ago (Au-Yeung, Keys and Fischer 2012). Australia is expected to remain a significant supplier of resources to China, particularly of iron ore, because of Australia's position as a low-cost source (Lee 2015).

It is crucial that the process of decision making in Western Australia with its Chinese counterparts is one based on the understanding of Chinese economy and cultural sensitivities. This leads us to the next section of the research objectives and questions in relation to decision making.

1.4 Research Objectives

The primary focus of the study is to achieve the following research objectives:

To explore the decision making process in the Australian resources industry when dealing with China. In particular, the iron ore industry in Western Australia.

1.5 Research Questions

This study focuses on answering the following research questions:

1. What processes are used in the resources sector (in particular the iron ore industry in Western Australia) to enhance the quality of decisions when dealing with China?

2. How does Cultural Intelligence influence the decision making process in the resources industry (in particular the iron ore industry in Western Australia) when dealing with China?

1.6 Operational Definitions

Chinese corporate culture – is defined as the complex corporate culture, social change and business protocol in China's organizations.

Australian resources industry – For this study, it represents Western Australian iron-ore companies dealing with their Chinese counterparts.

Decision-making – is defined as the decision making process used in Australian companies in the resources industry.

Decision-making quality – is defined as looking at the quality of the processes used in the Australian companies in the resources industry.

Decision-makers – for this study, it represents Western Australian iron-ore senior executives (Chairman, CEO, General Managers, Directors in Marketing, government agencies) who deal with their Chinese counterparts.

1.7 Literature Review

Chapter 2 covers the decision-making history, decision-making theories, decision-making models, processes of decision making, decision making in organisations, organisational structures that influence decisions and group decision models that assist in decision making. It also examines decision making in complex environments.

The process of decision making identifies the procedures and initiatives undertaken by individuals, management and the board to arrive at a decision point to achieve their organisation's objectives and goals.

From the fundamental understanding of the word 'decision', the establishment of organisations and how organisations are structured undoubtedly affects the process of decision making in terms of communication, management and delivery of a decision.

How an organisation's structure is established affects the decision-making process. But will organisational structure affect decision outcomes and an organisation's goals? One thing that is certain is that the organisation's structure has an effect on the communication aspects of the decision-making process. By exploring organisation structures that are simple, hierarchical, centralised, decentralised, flat, functional, divisional, network and matrix, this research study shows that decision-making processes within various organisation structures differ. One of the reasons for this is that the cultural and communication dimensions of the decision-making process differs. Similarly, the environment in which the organisations operate differs. Thus, the responsibility and decision-making point from employees to managers, from middle management to senior management and the board, varies and depends on the structure of the organisation.

1.8 Methodology

Chapter 3 discusses the methodology for this research study. The methodology being adopted is qualitative and will adopt aspects of grounded research in its inductive theory building. Creswell (2018) presents a circle of activities related to data collection: locating a site or individual, gaining access and making rapport, sampling purposefully, collecting data, recoding information, exploring field issues and storing data. Thirty-one Iron Ore executives from a list of 40 potential interviewees consented to be interviewed.

They shared their “lived” experiences and “multi-realities” in relation to the decision making processes within the iron ore industry and their Chinese counterparts.

1.9 Findings and Analysis

Chapter 4 presents the findings of the participants from the interviews. Using Nvivo 12 to interpret and code the data, six main themes and 16 sub-themes emerged from the data. The results demonstrate the complex and dynamic environment between Australia and China within the iron-ore industry to achieve a decision point.

1.10 Discussion and Conclusion

Chapter 5 illustrates the researcher’s Emergent Decision Making Model based on the findings. The Emergent Decision Making can be applied to the Western Australian’s iron ore industry for Australia and China companies. Chapter 5 discusses the theoretical and managerial implications for the iron ore industry, the significance and limitations of this research study, future research and its conclusion.

Chapter 2: Literature Review

2.1 Introduction

Change is a constant, and new models of decision making emerge, enhancing leadership decision making in organisations in a competitive complex environment. Relevant to this research study, which is based on the Australian iron ore industry, the effectiveness of decisions is explored. This study specifically explores decision making and decision-making processes that exist between Western Australia and China within the iron ore industry and how these countries and organisations maintain relationships to achieve quality decisions.

The aim of this chapter is to review the literature on selected decision-making theories and to highlight the main research issues. The literature review comprises decision-making theories, definitions of decision theory, the concept of decision making and the decision-making process, and includes a comparison of selected theoretical models of decision making.

The chapter is divided into two sections. The first commences by briefly describing iron ore industry and *guanxi*, a Chinese cultural concept that exists in Chinese business etiquette. The second looks at the literature review on decision-making theory, decision theory and the concept of decision making and its process.

The second section summarises selected models of decision making with application, where relevant, to decision making in Australia and the iron ore industry. Given the focus of this study, it is important to examine various decision-making models, structures and systems. As this study explores how decisions are actually made between WA iron ore firms and their Chinese counterparts, it is important to understand the breadth of this field to critique what is observed in the findings of this research. This will enable conclusions to be drawn, and recommendations and final thoughts on the research questions and research objectives to be made.

2.2 History of Decision Making

The history of decision making is extensive, rich and diverse (Buchanan 2006) in relation to culture, economic situations, organisational values, political ideologies and philosophies. According to Buchanan and O'Connell, the approximate timeline of decision making from the 6th century BC to 2005 serves as a reminder that decision making is not an isolated factor, but is built on the basis of intricate, complex influences and scenarios (Buchanan 2006) (see Table 2.1).

Table 2.1: A history of choice

6th century BC	Lao-tzu teaches the principle of 'non-wilful action': letting events take their natural course. Confucius says decisions should be informed by benevolence, ritual, reciprocity and filial piety
14th century	An English friar proposes what became known as 'Occam's razor', a rule of thumb for scientists and others trying to analyse data: the best theory is the simplest one that accounts for all the evidence.
1620	Francis Bacon asserts the superiority of inductive reasoning in scientific inquiry.
1641	René Descartes proposes that reason is superior to experience as a way of gaining knowledge, and establishes the framework for the scientific method.
1654	Prompted by a gamblers' question about the 'problem of points', Blaise Pascal and Pierre de Fermat develop the concept of calculating probabilities for chance events.
1880	Oliver Wendell Holmes, in a series of lectures later published as *The Common Law*, puts forth the thesis that 'the life of the law has not been logic; it has been experience'. Judges, he argues, should base decisions not merely on statutes but on the good sense of reasonable members of the community.
1900	Sigmund Freud's work on the unconscious suggests that people's actions and decisions are often influenced by causes hidden in the mind.
1921	Frank Knight distinguishes between risk, in which an outcome's probability can be known (and consequently insured against), and uncertainty, in which an outcome's probability is unknowable.
1944	In their book on game theory, John von Neumann and Oskar Morgenstern describe a mathematical basis for economic decision making; like most theorists before them, they take the view that decision makers are rational and consistent.
1947	Rejecting the classical notion that decision makers behave with perfect rationality, Herbert Simon argues that because of the costs of acquiring information, executives make decisions with only 'bounded rationality'—they make do with good-enough decisions.
1951	Kenneth Arrow introduces what becomes known as the Impossibility Theorem, which holds that there can be no set of rules for social decision making that fulfils all the requirements of society.
1960s	Edmund Learned, C. Roland Christensen, Kenneth Andrews and others develop the SWOT (strengths, weaknesses, opportunities, threats) model of analysis, useful for making decisions when time is short and circumstances complex.

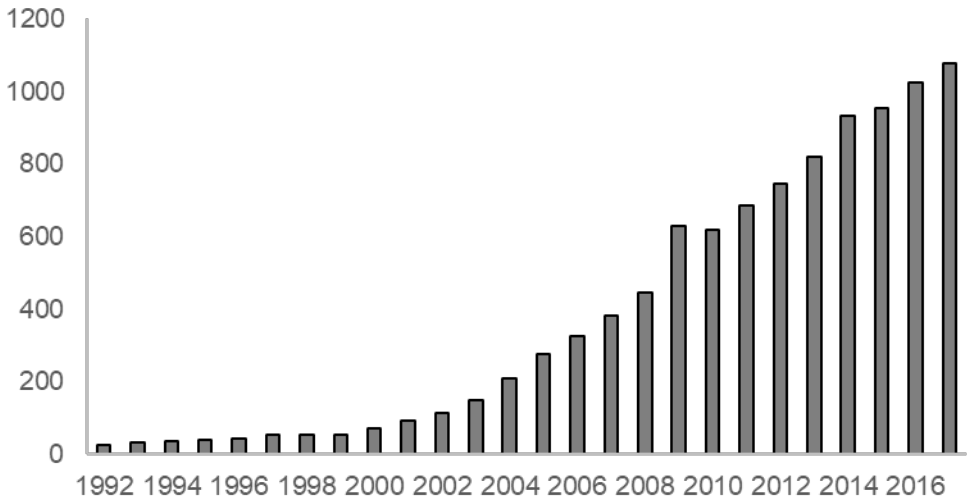
1968	Howard Raiffa's Decision Analysis explains many fundamental decision-making techniques, including decision trees and the expected value of sample (as opposed to perfect) information.
1972	Irving Janis coins the term 'groupthink' for flawed decision making that values consensus over the best result.
1973	Henry Mintzberg describes several kinds of decision makers and positions decision making within the context of managerial work. Victor Vroom and Philip Yetton develop the Vroom–Yetton model, which explains how different leadership styles can be harnessed to solve different types of problems.
1979	Amos Tversky and Daniel Kahneman publish their Prospect Theory, which demonstrates that the rational model of economics fails to describe how people arrive at decisions when facing the uncertainties of real life.
1980s	'Nobody ever got fired for buying IBM' comes to stand for decisions whose chief rationale is safety.
1984	W. Carl Kester raises corporate awareness of real options by suggesting that managers think of investment opportunities as options on the company's future growth. Daniel Isenberg explains that executives often combine rigorous planning with intuition when faced with a high degree of uncertainty.
1989	Howard Dresner introduces the term 'business intelligence' to describe a set of methods that support sophisticated analytical decision making aimed at improving business performance.
1992	Max Bazerman and Margaret Neale connect behavioural decision research to negotiations in Negotiating Rationally.
1995	Anthony Greenwald develops the Implicit Association Test, meant to reveal unconscious attitudes or beliefs that can influence judgment.
1996	Web users begin making buying decisions based on the buying decisions of people like themselves.
2005	In *Blink*, Malcolm Gladwell explores the notion that our instantaneous decisions are sometimes better than those based on lengthy, rational analysis.

Source: Buchanan (2006)

The timeline in table 2.1 illustrates the evolution of decision-making capabilities over the centuries and shows that decision making encompasses gut, emotional, rationale, technology progress, groupthink, mathematical models and so on. It offers the notion that decision making is so much more than just relying on a mathematical model or a moment itself. The researcher recognises that the long history of decision making has been a progressive process over the centuries for decision makers.

2.2.1.1 *Background Iron Ore Market*

Growth in demand for iron ore over the past two decades has been extraordinary, driven mainly by strong demand for iron and steel in China (Figure 2.1). Since it joined the World Trade Organisation (WTO) in 2001 China has become the largest consumer and producer of steel in the world (Yongzen 2010). By 2019 more than three quarters of all iron ore exports from Western Australia were destined to China totalling approximately 500 million tonnes per annum (Pilbara Ports 2019). For comparison, exports of iron ore from Western Australia at the beginning of this two-decade resources boom were approximately 170 million tonnes per annum with a fraction of this going to China.



Source: Adapted from China Statistic Yearbook 2018 (http://www.stats.gov.cn/tjsj/ndsj/)

Figure 2.1: Import volume of iron ore in China (millions of tonnes)

During the resources boom, on the day of 23 May 2008, Credit Suisse and Deutsche Bank launched the first over-the counter iron ore swap market (Troszkiewicz 2009). This was a watershed for the iron ore industry because for decades from 1960s–1990s, iron ore prices had been set on an annual benchmark basis by a group of companies and their steelmaking customers. At the same time the 2007-2008 Global Financial Crisis (GFC) required massive capital injection and economic stimulus policy putting pressure on countries reserves including in China where strong economic surplus were normal (UNCTAD 2019; Akyüz 2009).

From the economic developments outlined above, it is clear that China was expanding rapidly from around 2000 with high expenditure outflow likely to have provided extra pressure in terms of national interests.

China's economy experienced the effects of the global financial crisis, given its dependence on trade and foreign direct investment (FDI) for its economic growth and increase demand in iron ore (Xinhua News Agency 2008). On November 9, 2008 the Chinese government announced a two-year $586 billion stimulus package, dedicated to infrastructure projects (Batson 2008). The package financed programs in ten major areas, including affordable housing, rural infrastructure, water, electricity, transport, the environment, technological innovation and rebuilding areas hit by disasters (Lee 2008). In that era, China consumed over 50% of the world's iron ore production (Business Wire 2008).

From the researcher's perspective of this study, China had to balance its international and domestic cash flows that was a complex, complicated and delicate decision making process. It was a phenomenon that was unpredictable for China who had a surge and need for iron ore and for Western Australia, Australia who were selling iron ore to its major client, China. In terms of China's decision making processes, China experiencing the uncomfortable soaring iron ore prices; was sourcing for the alternative, appropriate prices to suit their needs and to manage costs and expenditure. When the Global Financial Crisis occurred, it coincided with China's rejection of the annual benchmark and reliance on the spot market. It represented an era coming to an end (from 1960-2008), where annual talks between the iron ore suppliers with their steelmakers regarding agreed iron ore prices could be fixed for 12 months to provide stability of operations (Allen 2010). According to Allen (2010), he explained that

> "The 40 plus year old system of 12-month iron ore sales contracts was destabilised by the growing and volatile spot market, during the 2001-2008 resources boom and subsequent Global Financial Crisis (GFC). In 2009, amid the uncertainty of the GFC, contract negotiations collapsed between the three main producers in the seaborne iron ore trade – Rio Tinto, BHP Billiton and Vale – and China's steelmakers. This led the miners to push for "index based" pricing and three-month contracts that could more closely track short-term supply and demand trends in the steel industry." (Allen 2010, 1)

2.3 Western Australia Iron Ore Industry with China

The Western Australia iron ore industry's relationship with China has been established over 50 years since the 1960s (Callick 2012, 196) (see Table 2.2) with the involvement of top mining companies and Australia-China involvement. The Table illustrates the decision-making processes that existed between Western Australia and China to achieve a mutually beneficial quality decision business outcome. The timeline of decision making between Australia and China within the iron ore industry, shows that it has evolved, and in retrospect, decisions made in that moment of time affect history and reveal life lessons on how to improve decision-making processes.

Table 2.2: A timeline of the decision-making relationship between the Western Australia and Chinese iron ore industries from 1960 to 2018

1960s	Establishment of mining companies in Western Australia.
1969	The first drill hole is sunk at the Channar mine.
September 1973	The first shipment of Hamersley ore is transported to China.
April 1983	China's Premier Zhao Zi Yang visits Australia and discusses joint possibilities with Australia's then-new Prime Minister Bob Hawke .
January 1984	A WA delegation visits Beijing and Shanghai, led by Deputy Premier Mal Bryce and Minister for Resources and Energy David Parker.
March 1984	Prime Minister Hawke visits China to foster the iron and steel relationship.
April 1985	General Secretary of the Chinese Communist Party Hu Yao Bang visits the Channar mine.
December 1987	The mining joint venture agreement is formally signed.
December 1988	Finance for the joint venture is put in place by consortium of international banks.
December 1988	China's Premier Li Peng visits Channar, WA for the launch of construction.
January 1990	The mine begins to produce and the first shipment is transported from Dampier to Shanghai. Australian economy in recession in early 1990s
1999-2011	Between 1999 and 2011, annual iron ore exports to China grew at an average rate of 23 per cent each year, growing from 26 million tonnes to 305 million tonnes. Prior to this period, Japan had been the primary customer for Australia's iron ore, and although exports to Japan also increased over the same period, Japan's share of exports fell from 47 per cent to 17 per cent.
2001	Collapse of dot.com bubble
2003	China overtook Japan as the single biggest buyer of iron ore. Australia is well placed to take advantage of China, in terms of location and composition of its exports.
2004	2004 onwards, massive growth in the Chinese steel industry and production caused demand for iron ore to surge

2005	Australia and China agreed on 18 April 2005 to commence negotiations into a Free Trade Agreement. Eighteen rounds of negotiations have taken place, but the negotiations are complex, covering an array of sensitive issues including agricultural tariffs and quotas, manufactured goods, services, temporary entry for skilled workers and foreign investment.
June 2009	China rejected the annual price accord and called for contract prices to drop as much as 45%
October 2008	Global Financial Crisis (US sub-prime housing bubble)
2009	Four executives are arrested during contentious iron ore contract talks between top mining companies and the steel industry in China.
December 2010	The mining extension is signed for a further 5 years, from 2012 to 2017, for a further 50 million tonnes of ore.
2011	Iron ore prices are set on the world market and while the global iron ore industry could satisfy the growth in China's demand for ore before 2005 at a price of around $US 20 per tonne (excluding freight), prices began to rise dramatically thereafter, peaking at around $US 190 per tonne in 2011.
2012	Rio Tinto and China's Xiangtan Electric Manufacturing Corporation celebrated the completion of four custom 230-tonne trucks for use in the Pilbara (Foley, 2012)
May 2012	Shipment of the 200 million tonnes produced under the Mining Joint Venture and the first tonnes of the 5-year extension agreement.
June 2018	In June 2018, Western Australia had $6.9 billion of major iron ore projects under construction or committed and $40.3 billion under consideration. Most of Western Australia's iron ore exports went to China (83%) in 2017, followed by Japan (8%), South Korea (6%) and Taiwan (2%). Western Australia's major iron ore miners Rio Tinto, BHP and Fortescue Metals Group (FMG) are the largest global iron ore producers behind Vale from Brazil.

Source: DoJTSI (2018); Callick (2012), and ABC News (2018)

This next section discusses *guanxi*, a cultural etiquette common to China which is part of conducting daily business life. It is important to appreciate how it can have an impression in decision making between Australia and China. In China, accepting and giving gifts is a form of *guanx*i *(关系*, pronounced GWAN-shee), which is a cultural component of etiquette for conducting business (Fan 2002). *Guanx*i, a Chinese term referring to interpersonal connections, first appeared in the West in the 1980s in popular business writings that advised about cultural factors. It was believed that the right *guanxi* was a crucial factor in business negotiation (Davies et al. 1995) and could generate a wide collection of benefits: securing valuable resources; circumventing or shortcutting the bureaucratic labyrinth; procuring benefits; providing indemnity against uncertainty and guidance when issues occur (Fan 2002).

Seen from the outside, *guanx*i is complex and defies definition. As no word in English has the exact meaning, it is best left untranslated (Fan 2002). A Chinese character have

multiple meanings when used as a noun or verb or when used with another character to make up a phrase. Of the two characters that make up the term *guanxi*, the first character (*guan*) as a noun literally means 'a pass' or 'barrier', and as a verb means 'to close' (Bian 1994). The second character (*xi*) as a noun means 'system' and as a verb, to 'tie up' or 'link' (Bian 1994). The term *guanxi* in the Chinese language has multiple meanings (Bian 1994). It could refer to one of three things: (a) the existence of a relationship between people who share a group status or who are related to a common person, (b) actual connections with and frequent contact between people, or (c) a contact person with little direct interaction (Bian 1994).

Hamilton et al. (2009) referred to cross-cultural ethical conflicts in which a firm's business practices differ from the host country's practices (Hamilton 2009). *Guanxi* is different. As a connection, *guanxi* is live, dynamic and working, like an electric circuit, which can be connected and switched on (Fan 2002). Having *guanxi* is like carrying a special switch. If one gets involved with such a person, one is suddenly involved with a whole network of complex personal relationships, built of layer upon layer of interlocking connections forming a dense net (Liu, 1983).

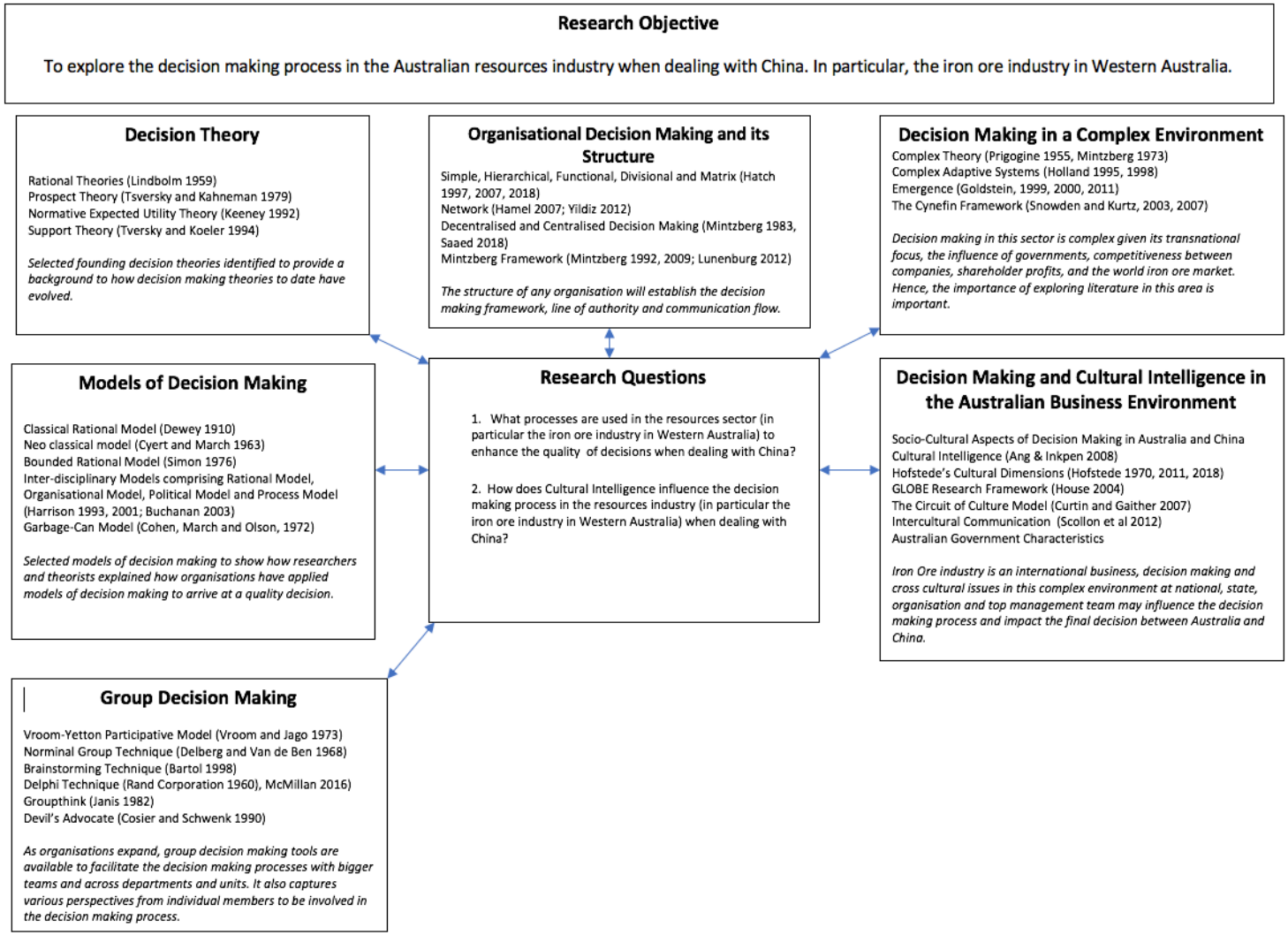
The beauty of *guanxi* lies in the fact that through one single *guanxi*, one can get access to a much wider network of connections (Fan 2002). The more *guanxi* (connections) one has, the more doors (opportunities) are opened for interaction privilege. A person with wider or stronger *guanxi* in Chinese society will have more resources at their disposal and is thus well positioned to benefit in various ways. This person does not need to be influential or have higher status themselves; but if they are somehow connected to an official (e.g., working for the official as their secretary, chauffeur or cook), they have access to that official. To the outsider who wants to meet with the official for assistance, that person behaves as a gatekeeper or link person (Fan 2002).

Individual managers may feel that their careers are in some peril if they insist that their firms follow such codes and cultural nuances. Wood et al. (2006) suggested that businesses should use their firm's core values as a guide while adjusting the firm's values and practices to those reflected in the culture of the host country (Davies et al. 1995; Wood et al. 2008). The contribution of this approach is its focus on the firm's values rather than the home country values and on the need for the firm to experiment with ways to incorporate legitimate differences in host country practices into a learning

culture in the company (Bjorkman 1995). While this approach advances the thinking on this issue and provides well-documented examples for managers to emulate, it does not provide the manager with guidance on which factors to consider in reaching their decision (Dewberry, Juanchich and Narendran 2013).

Having described some of the historical context of the Iron Ore Industry and some cultural issues that might impact decision making between Australia and China, the next section will provide a review of selected decision making theories the researcher feels are most appropriate to this study. This research study explores the changing decision-making landscape that exists between Western Australia and its Chinese counterparts. The following section examines the theoretical underpinnings and definitions of decision-making theory and decision-making processes. Please refer to figure 2.2 for Literature Map for selected decision making and models.

Figure 2.2: Literature map of selected decision making theories and models



2.3.1 Definitions of Decisions and the Concept of Decision Making

A decision is described as a conscious choice to think or behave in a particular way in a specific situation (Duncan 1973) or to an event that occurs (Carlisle 1979). Harrison (1981) defined a decision as a moment in an ongoing process of evaluating alternatives related to a goal that impels the decision maker to make a selection regarding a particular course of action. Most definitions of decisions are similar; a decision occurs when a solution to a problem is chosen for implementation or external action. Thus, decisions are made to solve problems.

Decision making is the most central process in organisations and a fundamental task of management at every level, aimed at achieving organisational goals and often referred to as 'the heart of the management process' (Mann 1976). There are several perceptions regarding the concept of decision making. The way people can and do make decisions varies widely.

According to Simon (1976), in decision or decision making, there is a 'matter of compromise'. Here, the decision maker is faced with varying situations, problems or alternatives and is compelled to make a compromise in choosing the best available option.

Herbert Simon (1957) made major in-roads by inventing a classical, ideal and rational model of decision making. He classified the concept of decision making into two major parts, the first being 'decision—being arrived at and process of action' (Simon 1976, ix.xxv). Therefore, after making a decision, its implementation of the decision made is important in any organisation. Simon (1976) then stated that 'a theory of administration should be concerned with the processes of decision as well as the processes of action".

Thus, Simon's rational model of decision making serves the purpose of reflecting on how decisions are made in organisations with rationality. In this way, individuals and organisations can develop goals and values; describe and make choices for various alternatives; gather data and use information; and draw conclusions in the decision-making process (Simon 1976).

According to Noorderhaven (1995), before a decision is made, two or more alternative purposes or courses of action are competing for preference. If a decision is taken this means that an actor, the decision maker, has selected one purpose or plan and has committed themselves to it (Emory 1968). Thus, a decision represents a choice about what to do and what not to do to produce a satisfactory outcome (Baron 1998, Barron and Ido 2003). If there is only one course of action available, no selection can be made, and the concept of a 'decision' is hardly applicable. If a purpose or plan is selected as the best, but the decision maker does not yet feel committed to it, no decision has been made (Noordehaven 1995). Thus, the concept of decision making has to do with selection and commitment, and both selection and commitment are important in decision making (Nooderhaven 1995). Hence, decision making is a problem-solving approach involving selecting a specific course of action among alternatives, to solve organisational problems.

Decisions arise when an individual is motivated to act by changing needs or changes in the external environment (Huber 1980). The motivating force for decision making is seen to be a problem, where a problem can be defined as the existence of a difference between an actual situation and some desired situation (Huber 1980). Therefore, Huber (1980) separated decision making into two parts: choice making and problem solving. Huber (1980) explained that choice making refers to the narrow set of activities and the choosing of an option from a set of alternatives; whereas problem solving refers to the broad set of activities in identifying and implementing a course of action or solution to remedy an unsatisfactory situation.

According to Huber (1980), there are two approaches to management decision making. The first approach is concerned with developing and applying normative decision rules established from logic in economics or statistics. The second consists of descriptive explanations of how people derive their decisions, choices and judgments.

The literature offers several definitions of decision making. Inherent to all of them is that alternative choices need to identified and weighted; one is then selected with the highest probability of success to achieve stated goals (Simon 1957; March 2010, Harris 2012). There must also be some genuine alternatives to choose from and each decision must be based on some standard criteria of judgment that reflect decision

maker preferences and values (Harris 2012). As Harris noted, these preferences and values are determined by corporate culture or rules, best practices, laws and so on.

Decisions are made every day. Some are trivial but most importantly, there is a need to have 'some basis' on which to judge our decisions (Cooke and Slack 1991). For instance, after the consequences of decisions have become obvious, 'the course of action can be judged a good one' (Cooke and Slack 1991).

Harris (1998) stated that 'decision-making is the process of sufficiently reducing uncertainty and doubt about alternatives to allow a reasonable choice to be made from among them'. This standard stresses the information-gathering function of decision making. It should be noted here that uncertainty is reduced rather than eliminated (Harris 2012). Very few decisions are made with absolute certainty because complete knowledge about all alternatives is seldom possible. Thus, every decision involves a certain amount of risk. If there is no uncertainty, there is no decision; rather there is an algorithm—a set of steps or a recipe that is followed to bring about a fixed result (Harris 2012).

Stoner et al. (1994) viewed decision making as the process whereby a course of action is chosen as the solution to a specific problem. Similarly, Lawson and Shen (1998) stated that decision making is the process of choosing among alternatives and implementing a decision by using subsequent outcome data to refine any further decisions related to the previous decision. Further, according to Lawson and Shen (1998), the process of choosing among alternatives normally involves data evaluation of the alternatives; one's preferences or values about what is significant; one's predictions or expectations about what is likely to happen in the future; and behavioural concerns about the alternatives.

The decision-making process underpins business activities and holds elemental importance for problem solving, developing business plans and goal-directed behaviour (Mintzberg, Raisinghani and Theoret 1976). Mintzberg et al. defined a decision process as 'a set of action and dynamic factors that begins with the identification of a stimulus for actions and ends with a specific commitment to action' (Mintzberg, Raisinghani and Theoret 1976). Similarly, Trewatha (1982) defined the decision-making process as:

"'the selection of a course of action from among two or more possible alternatives in order to arrive at a solution for a given problem".

This is already stated in the preceding paragraph and as suggested by the above definitions, the decision-making process is vital to advance the business of any organisation in a consultative manner by a group of professionals (Buchanan 2006). Buchanan's (2006) timeline in 'A History of Choice' demonstrates through the passage of time that decision making is simply a process of selection and commitment to a purpose or plan of action.

The word 'process' implies that decision making is a series of activities with a certain duration (Nooderhaven 1995). Although a decision itself may be described as an instant—an essentially timeless phenomenon—decision making inevitably has a time dimension (Harrison 1987). Time is one of the variables in a decision-making process and includes other factors such as government-to-government initiatives, and Australian and Chinese business and cultural etiquette, to achieve a set of business objectives or goals. The next section discusses strategic decision making and highlights the difference between strategic decision making and decision making per-se.

2.3.2 Strategic Decision Making

Decision making permeates throughout all levels of an organisation, from the line level to the functional level, business units and corporate headquarters (Hall 1999).

Models and theories based on strategic decision making are rather diverse and require a multidisciplinary perspective; they appear no different from decision-making theories (Ahmed 2014). This section begins by defining strategy and strategic decision making and is followed by a brief discussion on the strategic decision-making process, strategic decision-making theories and models, before concluding with complex and uncertain environments.

The word 'strategy' is derived from the Greek *strategos,* 'the art of the general' (Snow and Hambrick 1980). Nooderhaven (1995) identified several factors relevant to strategy and decision making. First, the choice of strategy does not follow automatically from the ultimate goals that are being pursued. Second, in the

formation of strategy, subjective assessment of imperfect or incomplete information plays an important role. Third, the actual implementation of strategy can lead to quite unexpected results. Lastly, strategic decision making is based on rational calculation and involves moral values, emotion and intuition.

Mintzberg, Raisinghani and Theoret (1976, 246) defined a strategic decision as one that is "important, in terms of the actions taken, the resources committed, or the precedents set". Eisenhardt (1989) defined "strategic decisions as those that involve strategic positioning, have high stakes, involve many of the firm's functions, and are considered representative of the process by which major decisions are made at the firm" (p.546).

Eisenhardt and Zbaracki (1992) viewed that strategic decisions are infrequent decisions made by the top leaders of an organisation that critically affect organisational health and survival (Eisenhardt 1992, 17). Others have surmised that decisions that are strategic in one industry may not be so in another (Cray 1991).

Strategic decision making is reliant on many factors, including market variability, opportunistic behaviour of a partner, natural calamity and internal riot (Rahman and De Feis 2009). These factors add levels of complexity to the decision-making process (Rahman and De Feis 2009) and can increase the time pressure on strategic decision makers (Eisenhardt and Zbaracki1, 1992).

Thus, in organisations, decision making is a strategic activity related to setting out specific courses of action to reach strategic goals (Vermeulen 2008). In every organisation, daily activity is always based on a number of tactical, planned and purposeful decisions; however, when serious or complex problems arise decisions are usually taken under risk and uncertainty (Vasilescu 2011).

Top management focuses on strategic decision making; while middle managers emphasise decisions about internal structural arrangements and coordination among units; and lower-level managers are responsible for decisions about day-to-day operational activities within their assigned units. (Clark and Collins 2002). As these authors note, given these stakeholders, strategic decisions are complex, and involve a high level of uncertainty. The occurrence and type of strategic decisions that have to be made may be dependent on a wide variety of factors, including the external and

internal environments of the organisations in which decisions are made (Papadakis 1998).

> "Strategic Decision-Making is of great and growing importance because of five characteristics of strategic decisions: They are usually big, risky and hard to reverse having significant long-term effects, they are the bridge between deliberate and emerging strategy, they can be a major source of organisational learning, they play an important role in the development of individual managers and they cut across functions and academic disciplines (Papadakis 1998, 1)."

Nutt and Wilson (2010) described the strategic decision-making process as the making of a strategic decision, implementation and the elements that affect the process. According to Nutt and Wilson (2010), strategic decision making as being connected to organisational issues such as the planning and design strategy, schemes for mergers and acquisitions, significant investments in innovative markets, deciding on purchasing options and restructuring internally. Many of these organisational issues are relevant to the iron ore industry.

2.4 Decision Theory

In this section a range of theories, concepts and models of decision making from the literature are summarised. Modern decision theory developed in the mid-20th century, through research contributions from many academic disciplines. Decision theory is an academic subject pursued by economists, statisticians, psychologists, philosophers and social scientists (March and Shapira 1987). March and Shapira (1987) explained that the psychologist would study the behaviour of individuals in decision making and the philosopher, the need for rationality; whereas, the political or social scientist may be interested in studying voting rules and other aspects of collective decision making. However, Vaughan (1996) surmised that there is a huge overlap between the applications of decision theory. In recent years, quantitative methods of decision making have developed in combination with the fact that the analysis of a problem requiring decision making often needs qualitative inputs as well (Vaughn 1996). Hence, this qualitative study explores the decision making perspectives of Iron Ore Executives in Western Australia when dealing with their Chinese counterparts with the hope of extending decision theory to improve business outcomes.

Decision theory is theory about decisions, and is not a unified subject (Kalogeras 2013). There are various ways to theorise about decisions, as there are many different research traditions (Kalogeras 2013; Hansson 2005). The starting point of the modern discussion is John Dewey's (1990) explanation of the stages of problem solving. According to Dewey (1990, 83), problem solving consists of five stages: a felt difficulty; the definition of the character of that difficulty; suggestion of possible solutions; evaluation of the suggestion; and further observation and experimentation leading to acceptance or rejection of the suggestion.

Hannson defined decision theory as 'a framework of logical and mathematical concepts aimed at helping managers in formulating rules that may lead to a most advantageous course of action under given situations' (Hannson 2005, 5). Hannson (2005) and Massaro et al. (2017) considered that decision theory or the theory of choice can be divided into two areas: normative decision theory on how to make the best decisions with a set of uncertain beliefs and a set of values; and descriptive theory, which analyses how existing probable irrational agents make decisions (Hannson 2005, Massaro et al. 2017). A normative decision theory is a theory about how decisions should be made to be rational (rational–normative) and a descriptive theory is a theory about how decisions are actually made. Hannson (2017) further expressed that the distinction between normative and descriptive theories are often blurred or ambiguous. Both the normative and descriptive approaches to the study of decision making regard the decision maker alone; that is, completely isolated from other individuals and from the context. However, the decision maker in reality is closely connected to the social and relational world so that the final decision usually depends on interpersonal exchanges with other people (Massaro et al. 2017).

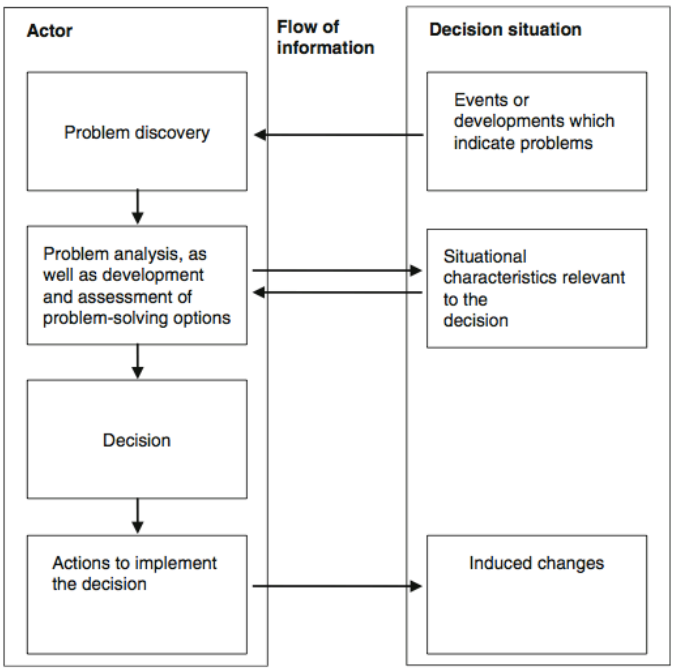
2.4.1 Normative Approaches

Massoro et al. (2017) explained that the normative approach defines the 'rational choice' made to maximise one's own outcomes and interests. It evaluates the axioms and the criteria for the rational decision. This approach is also called 'axiomatic', as it focuses on the axioms and the criteria necessary for a rational decision (Von Neumann 1944). The Expected Utility Theory of Von Neumann and Morgenstern is the representative theory of the normative approach, where an individual chooses a utility function based on the following assumptions: the perfect rationality of the

individual, the transparency of the available options and a 'rational choice' (Von Neumann 1944). The Expected Utility Theory perceives the individual as rational and following a logical mathematical calculation to make a decision.

2.4.2 Descriptive Approaches

Over the past two decades, descriptive methods of decision making have focused on evidence-based experiments in economics, psychology and behavioural economics, and have progressed markedly in both the public and academic publications arena (Grunig and Kuhn 2013). To a large extent, this was developed by the renowned economist Herbert Simon (Simon 1957, 1997) and psychologists Kahneman and Tversky (Kahneman and Tversky 1979), Gerd Gigerenzer (Gigerenzer 2001) and Vernon Smith (Smith 2003). Figure 2.3 provides an illustration of how these decision theorists conceptualised the descriptive model of decision making. The actor discovers the event that indicates the problem, analyses the event and with the flow of information makes the decision. The actor looks at the decision situation and there is a two way flow of information to arrive the decision, implement and induce the changes (Grunig and Kuhn 2013).



Source: Grunig and Kuhn, (2013, 24).

Figure 2.3: Descriptive model of the decision-making process in successful decision making - a systematic approach to complex problems

In 1979, Kahneman and Tversky proposed their Prospect Theory, which represents the descriptive approach (Tversky 1982). The Prospect Theory regards the decision maker as an individual characterised by a bounded rationality, who uses 'shortcuts' to choose and to decide, making mistakes. Logical reasoning is not always used but is often replaced by the use of heuristics; for instance, 'mental shortcuts' that reduce the complexity of the reasoning and of the decision-making process (Tversky 1982). This theory conceives the individual as *homo irrationalis*, trying to discover the 'good enough' solution and not the 'best possible' one (Tversky 1982).

The descriptive approach does not assume a priori principles underlying the decision; it is based on 'cognitive' theories that seek to describe the mental processes people use to make a decision (Simon 1957; Simon 1997). The fundamental assumption of the descriptive approach is the concept of 'bounded rationality' (Simon 1957; Simon 1997), demonstrating the limits of human cognitive skill in reasoning and in decision-making processes. Cognitive constraints drive the individual to use several simplifying strategies, to reach a 'good enough' choice, rather than the 'best possible' choice in terms of maximisation (Massaro et al. 2017).

2.4.3 Rational Theories

According to Lindblom (1959), the literature on decision making accords more scrutiny to the rational and normative applications of decision making than to the descriptive approach. This is particularly relevant in the public sector. Public decisions for complex problems by normative methods have been influenced by the recognition given to research operations, statistical decision theory and systems analysis techniques (Lindblom 1959). Lindbolm argued that the central characteristics of the normative and rational approaches for decision making are 'clarity of objective, explicitness of evaluation, high degree of comprehensiveness of overview, and, wherever possible, quantification of values for mathematical analysis (Lindblom 1959).

Norms of rationality are not the only means or the most significant method that one can employ in decision making (Wilson 2011). Lindblom (1959) noted that in formulating public policy, tendencies are not to use 'rational comprehensive' approaches but a 'successive-limited' comparison practice. Lindblom explained it is

quite impossible in complex problems to have clear objectives, explicit evaluations, comprehensive overviews and quantified values for mathematical analyses. Instead, values, goals and empirical analyses are intertwined.

Lindblom went on to clarify and formalise his understanding of starting from an initial situation in which changes are made step by step in small increments. Successive steps each then depend on the success of the one before. This approach is called 'successive limited comparisons', the 'branch method', 'incremental method' and finally the term muddling through' has become synonymous with Lindbolm.

In effect, Lindblom (1959) attempted to describe 'real life' and rationalise how simple appreciation of the policy-making process can lead to better policy. Lindblom was attempting to move away from the world of academics at the time who favoured a quantitative approach and felt policy should be viewed as an analysis of situations as they actually happen (Wilson 2011).

As Eisenfuhr and Weber (2003) argued, a distinction must clearly be made between a rational and a successful decision. A rational approach, they noted, should produce more successful decisions. However, they noted, to assume that with formal rationality one could overcome the many uncertainties inherent in a decision and guarantee success would represent a false understanding of rationality (Eisenfuhr and Weber 2003).

As Eisenfuhr at al (2010) noted, rationality does not imply success of the selected decision; it refers to how thoroughly and methodically the decision-making process implemented. Similarly, Grunig and Kuhn (2013) argued that a decision can be qualified as 'rational' if the decision-making process has the subsequent three factors. First, the decision-making process is continuously goal oriented; it focuses on superseding goals. Second, the deliberations in the decision-making process are based on information that is objective and comprehensive. Third, the decision-making process follows a organised procedure of action and uses orderly rules that is clear to non-participants (Grunig and Kuhn 2013).

In normative theories related to responsibilities such as logical analysis, prospect thinking, decision making based on bounded rationality, the arrival of heuristics and

biases synopsis (Kahneman and Tversky 1979, 1982 has shifted towards verifying the shortfall of the rationality assumption.

The notion of rationality is that a person is entitled to their perceptions and opinions but that these viewpoints must observe rules of logic and probability theory, and the thought must not be altered based on intangible elements such as mood or feeling (Tversky 1982). However, judgments and decisions do not conform, and individuals do not always adhere to the theory of logic and probability (Tversky 1982). In reality, people have been using intuitive instinct and heuristic, and they have been successful at times, but biases in human nature lead to flaws (Tversky 1982) in decision making.

The heuristics and biases concept focussed on the intuitive probability judgments of individuals and decision makers (Kahneman et al. 1982). The overall finding was that in settings where simple rules is made transparent, subjects often show statistical intuitions (Tversky and Kahneman 1986). However, in deeper contexts, where the applicability of the normative rules is not so apparent, individuals tend to rely on intuitive heuristics that habitually produce non-normative judgments (Tversky and Kahneman 1986). Intuition refers to the ability to know or understand something without reasoning or proof. It is also called 'gut feeling' or 'sixth sense' (Oxford 2018). Heuristics is a method of solving problems by finding practical ways of dealing with them, learning from past experience (Oxford 2018). Tversky and Kahneman (1986) argued that decision making based purely on rational and utility theory is not an adequate approach to a decision outcome.

The model subjective probability judgments known as Support Theory is associated not with events but with descriptions of events (Tversky and Koehler 1994). Tversky and Koehler stated that unpacking the description of an event into disjointed parts generally increases its support and its perceived outcomes. As a result, different descriptions of the same event can give rise to different judgments (Tversky and Koehler 1994). For this reason, the question that comes to mind is the appropriate choice and options for a decision-making process.

2.4.4 Choice

A number of theories have been proposed to account for behavioural findings involving choice—the most influential of which is Prospect Theory (Kahneman & Tversky 1979, Tversky and Kahneman 1992). Kahneman was awarded the Nobel Prize in economics in 2002, with emphasis on Prospect Theory's profound influence on economics and social sciences, as well as Kahneman and Tversky's research on heuristics and biases (Rabin 2003). Prospect Theory suggests that probabilities have nonlinear effects on decisions, and proposes an S-shaped value function with three important features (Kahneman and Tversky 1979). Firstly, the evaluation of outcomes is defined on gains and losses rather than total wealth. Secondly, the value function is steeper for losses than for gains: Thus, a loss of $X is more aversive than a gain of $X is attractive. This is commonly referred to as loss aversion (Tversky and Kahneman 1991); one consequence of loss aversion is the 'endowment effect', wherein the possession of a good can lead to higher valuation of it than if it were not in one's possession (Kahneman et al. 1990). Loss aversion creates a general reluctance to trade or depart from the status quo, because the disadvantages of departing from it loom larger than the advantages of the alternatives (Samuelson and Zeckhauser 1988). Thirdly, owing to diminishing sensitivity, Prospect Theory's value function is concave for gains and convex for losses, yielding risk-averse attitudes in the domain of gains and risk seeking in the domain of losses (except for very low probabilities, in which case these can reverse (Tversky and Kahneman 1991).

Although the above risk-averse attitudes may seem unobjectionable, the combination produces normatively problematic consequences (Tversky 1982) because the rational, logical approach does not provide the solution required. For example, prospects can often be framed either as gains or as losses relative to some reference point; and, because risk attitudes vary depending upon whether gains or losses are at stake, alternative frames may lead to discrepant preferences with respect to the same final outcome (Tversky and Kahneman 1981, 1986). This is known as a 'framing effect'. It occurs when alternative frames of essentially the same decision problem lead to predictably different choices (Tversky 1982).

2.4.5 Emotion

Although emotions are typically considered outside the realm of a rational analysis, research has begun to explore the role of emotions in judgments and decisions (Lerner et al. 2015). It appears that transient moods influence choice and judgment in ways that neither rationality assumptions nor intuition predict (Lerner et al. 2015). It is expected that decision making is purely a rational process. However, human beings have emotions that affect rational thinking.

Given the different perspectives on decision making noted above (rational, normative, descriptive), Bell, Raiffa and Tversky (1988) have segmented these perspectives into three schools of thought 'that identify different issues ... and deem different methods as appropriate' (Goldstein and Hogarth 1997). They are the normative–rational, descriptive and prescriptive schools of decision making. Keeney (1992) summarised these perspectives and their salient features as presented in table 2.3. Thus, the focus in normative theory is 'how people should decide with logical consistency' in all decisions, with the operational emphasis on analysis of alternatives for ascertaining the best alternative, which is based on the normative theoretical concept of utility theory axioms (Keeney, 1992).

Table 2.3: Summary of normative, descriptive and prescriptive theories

	normative	**descriptive**	**prescriptive**
focus	how people should decide with logical consistency	how and why people decide the way they do	help people make good decisions prepare people to decide
criterion	theoretical adequacy	empirical validity	efficacy and usefulness
scope	all decisions	classes of decisions tested	specific decisions for specific problems
theoretical foundations	utility theory axioms	cognitive sciences psychology about beliefs and preferences	normative and descriptive theories decision analysis axioms
operational focus	analysis of alternatives determining preferences	prevention of systematic human errors in inference and decision-making	processes and procedures end-end decision life-cycle
judges	theoretical sages	experimental researchers	applied analysts

Source: Keeney (1992)

In contrast, descriptive theory focuses on 'how and why people decide the way they do' in tested classes of decisions (judged by experimental researchers), and aims to prevent systematic human errors in inferences and decision making. Overall, descriptive theory is based on the theoretical foundations of cognitive sciences, and beliefs or preferences in psychology (Keeney 1992).

The focus of prescriptive theory is to help people make good decisions and prepare them to decide on specific decisions regarding specific problems. Its theoretical foundations arises from the normative and descriptive theories, and decision analysis axioms. Operationally, prescriptive theory emphasises processes and procedures and the end–end decision lifecycle, and uses judgment or applied analyses for making good decisions (Keeney 1992).

Expected Utility Theory is a normative approach; it only predicts outcomes, not processes. It assumes individuals will choose the maximum outcome. In contrast, Prospect Theory allows for the fact that individuals may make a decision that may not necessarily maximise utility as they include other considerations. Prospect Theory examines the 'framing effect' of how individuals frame situations and outcomes in their mind (Kahneman and Tversky 1979). In contrast, the descriptive approach focuses on procedures and decision-making processes. The prescriptive approach uses the theoretical foundations of normative and descriptive approaches to decide on specific decisions for specific problems at hand for efficacy and usefulness (Keeney 1992).

Glöckner and Betsch (2011, 714) pointed out that process models could, however, have a higher precision by making additional predictions on further dependent variables such as time, confidence, information search, and others. With respect to this line of thought, the 'interdisciplinary models of decision-making' are discussed later in this chapter to illustrate decision-making models that have been developed to assist in the decision-making process.

In conclusion, decision-making theories provide an academic perspective on how decision-making theories came about. Researchers from various backgrounds acknowledge that decision making cuts across every discipline and is something that humans carry out every day to move ahead. In understanding the limitations of

rational decision making and applying it to the Western Australia iron ore industry and its Chinese counterparts, the researcher acknowledges that the decision-making process is imbued with cultural differences, individuals' emotional and personal mindsets and differing organisational structures that can affect the decision outcome. There is no one decision-making approach that can fit all issues or challenges at hand. Decision-making processes between Australia and China have to apply normative, descriptive and prescriptive approaches to move forward. The following section explains the various models of decision making and illustrates how these models incorporate aspects of normative, descriptive and prescriptive approaches to decision making.

2.5 Models of Decision Making

The interdisciplinary aspects of decision making are best illustrated within the framework of a set of models. Models demonstrate graphically highlights the relevant disciplines receive in decision making (Harrison 1993). Models represent a piece of the real world at a given time and place under changing situations (Harrison 1993). According to Harrison (1993), models can reduce the amount of complex variables in decision making to a smaller number of causal indicators that are noteworthy and plausible. Preferably a decision-making model ought to have an optimum number of variables that present the real-world phenomenon being modelled and provides the decision maker to foresee real-world phenomena with regularity and exactness (Harrison 1993).

According to Rice and Bishoprick (1971), the number of models of decision making that can be developed to service and advance the discipline of model building is limitless. They explained that models based on key assumptions and comprise of rich information help to realise the complex nature of decision making. Models reflect multiple perspectives of decision making and an avenue to highlight the interdisciplinary nature of decision making at managerial level (Rice and Bishoprick 1971).

Browne (1993) and Harrison (1993) highlighted four interdisciplinary models of decision making: the rational, bounded–rational, political and process models as shown in table 2.4.

Table 2.4: Interdisciplinary models of decision making

Model	Primary decision making criterion	Key ingredients	Key assumptions
Rational (Classical) (Transition from Descriptive to Prescriptive)	Maximised outcome	Objectives: specific states of nature; subjective probabilities, quantified utilities, exhaustive alternatives, computational decision-making strategy, short-term horizon, tight structured process	Fixed objectives, unlimited information, no cognitive limitations, no time and cost constraints, quantifiable and controlled variables, closed system, quantitatively limited outcomes
Organisational (Neoclassical) (Normative)	Satisficing outcome (Bounded)	Objectives: general states of nature, limited subjective probabilities, partially quantified utilities; non-exhaustive alternatives, sensitive environment, judgmental decision-making strategy, short-term horizon, moderately structured process	Attainable objectives: limited information, cognitive limitations, time and cost constraints, partially quantifiable and intransitive alternatives, open system, qualitatively and moderately quantitatively limited
Political (adaptive) (Buckley) (Prescriptive)	Acceptable outcome	Objectives: general states of nature, no probabilities, unquantifiable utilities, non-exhaustive alternatives; dominant environment, compromise or bargaining decision-making strategy, restricted number of outcomes; short-term horizon, incremental steps, loosely structured process	Limited objective: unlimited information, no cognitive limitations, no time and cost constraints, non-quantifiable and generally transitive alternative, open system, environmentally limited outcomes, no 'right' decision
Process (Managerial) (Normative)	Objectives-oriented outcome	Objectives: general states of nature, generally subjective probabilities, objectives-oriented utilities, exhaustive alternatives, sensitive to environmental constraints, judgmental decision-making strategy with selective use of open system, of computation and compromise, long-term horizon, limited number of outcomes; highly structured process	Highly dynamic objective, limited information, cognitive limitations, time and cost constraints generally non-quantifiable and intransitive alternatives, open system, sequential decision-making functions, objective-oriented outcomes

*Source*s: Harrison (1993, 28); Browne (1993); Buckley (1963)

2.5.1 The Rational Model

Most of the decision making theory literature is focused on the confines of the rational model. The rational approach to decision making states the objectives, ranks values, analyses alternatives, examines consequences and makes optimal choices that

is linked with common sense (Pffiner 2005). According to Pffiner (2005), the reality of making decisions in complex situations is problematic, especially in public policy decisions and large corporate organisations.

The rational or deductive model has been scrutinised by Lindblom (1959), Bradbrooke and Lindblom (1963) and March (1994). Schelling (1966 1985) concluded that "principles rarely lead straight to policies; policies depend on values and purposes, predictions and estimates, and must usually reflect the relative weight of conflicting principles" (1966, vii). Further, 'one uses a simplifying theory to obtain, not an optimizing model under restrictive assumptions, but a framework that stimulates the creativity of policy-makers and managers in their varied and unique circumstances' (Schelling 1985)

Farkas (1996) viewed the rational choice model as problematic because it takes for granted that decision makers act rationally. Farkas argued that:

> "the empirical results from psychology, as well as case studies from foreign policy decisions, show that humans rarely act as if they are rational. However, strong empirical support for this model is that this approach has generated a number of important insights about international politics" (Farkas 1996, 343).

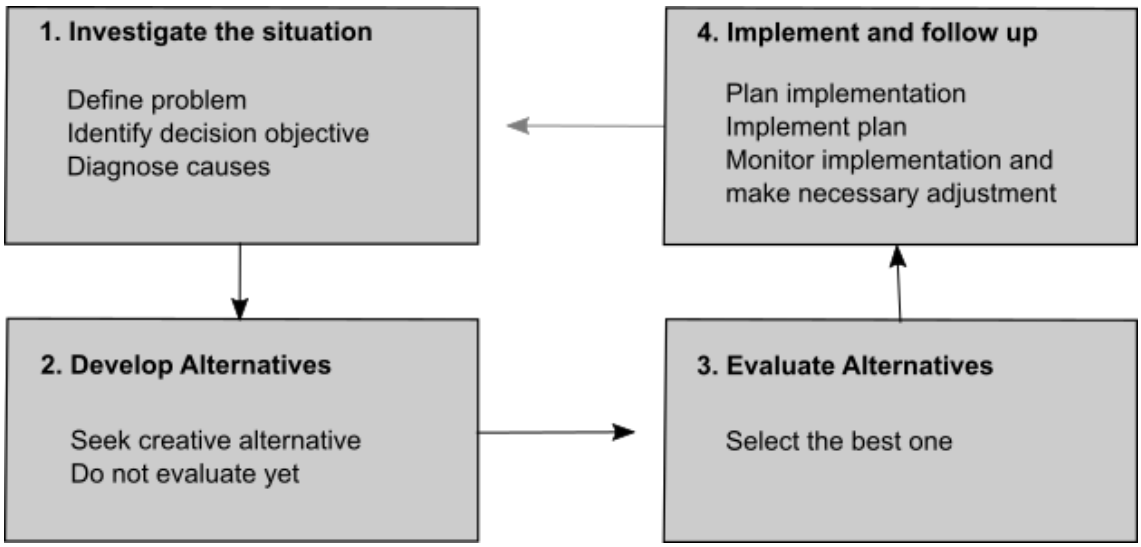
Simon argued that economists attach a "preposterously omniscient rationality" (Simon 1977, xxvii) to individuals. Simon (1977) differentiated between 'facts' and 'values' in organisational decision making. He analysed how organisational decision makers managed within "bounded rationality" and were inclined to "satisfice because they have not the wits to maximize" (Simon 1977). He also defined the context of most governmental decision making as follows: "A decision is not a simple, unitary event, but the product of a complex social process generally extending over a considerable period of time" (Simon 1997).

Lindblom (1959) argued that in the rational decision model, in principle, values could not be alienated from actual policies. He considered that the resource, information and time constraints for decision makers are extensive that only options vaguely dissimilar from the existing situation are examined (Lindblom 1959).

The rational model is based on classical decision-making theory or the rational economic model (Huczynski and Buchanan 2001; Simon 1975). The rational model

is normative as it takes a prescriptive stance instead of a descriptive approach to decision making. Thus, decision makers are deemed rational and will seek the best alternative for a given problem (Browne 1993; Simon 1975).

The rational model establishes a base for the quantitative disciplines of economics, mathematics and statistics (Bartol et al. 1998). Consequently, the rational model is the justification why decision makers regard decision making as quantitative (Harrison 1993). The rational model assumes that if a given variable cannot acquire a numeric value, it should appear as a constant or given value (Harrison 1993). According to Harrison, the rational model operates within a narrow environment with one predetermined objective and an exact number of variables. The rational model of decision making uses a linear, sequential style of decision making as depicted in figure 2.4.



Source: Adapted from Stoner et al. (1994)

Figure 2.4: The rational problem-solving process

Figure 2.4 illustrates the process of rational model decision making. It includes identifying the problem, followed by collecting and analysing facts related to the problem. Alternative solutions are then developed and evaluated, and finally, the optimal alternative is chosen and translated into action (Stoner 1994). According to Harrison (1993), the rational model surmises that decision makers first have complete information about the opportunity or problems. Second, they have complete information about all alternatives and the consequences of selecting one

alternative over any other. Finally, they make their decision solely on the basis of expectations about future outcomes, rather than based on power or political considerations.

On the basis of rational analysis, individuals and organisations attempt to make many decisions (Bartol et al. 1998). However, barriers include the nature of organisations, restrictions on resources and partial information that can be organised and administered by the decision-making group within a stated period of time (Harrison 2001).

According to Huczynski and Buchanan (2002),

> "rationality is equated with scientific reasoning, empiricism and positivism and with the use of decision criteria of evidence, logical argument and reasoning" (Huczynski and Buchanan 2002, 740).

Therefore, rational decisions are based on the rationality perspective. The benefit of this classical rational approach can be applied to the business of attaining rational decisions in organisations (Huczynski and Buchanan 2002). It assumes that "decision makers are objective, have total information and consider all possible alternatives and their consequences before selecting the optimal solution" (Huczynski and Buchanan 2002, 738). According to Hatch (2018), these assumptions are not realistic in the current information age and are debated in the managerial discipline (Hatch 2018).

Correspondingly, each decision made within a decision environment is determined via a process of information gathering and according to values, alternatives and preferences available during the time of the decision (Daft and Noe 2001). Consequently, both the development of choices and the selection of a feasible solution will be restricted by organisational regulations and objectives, including the personalities of employees and the external environment. In this way, failure to adopt the right approach to collect information leads to the neglect of new material and the following of other regulations (Daft and Noe 2001).

On further analysis, the initial step of the rational classical model of decision making requires decision makers to identify what problem they face or must deal with. There

are two types of problem. The first is bounded problems, which are 'problems that can be more easily defined and treated as separate from the context in which they exist' (Rollinson and Broadfield 2002). In this scenario, people can easily explain the problem, as the problem is minor and less significant; it is not complex nor constrained by cost or time. The second type of problem is unbounded problems (Rollinson and Broadfield 2002). Generally, such problems are more complex then bounded problems in terms of proportion, significance and the time needed to solve the problem. Hence, it is essential to diagnose the nature of the problem before identification. Further, unbounded problems may arise as new problems regarding which people do not have insight, knowledge or solutions with regard to decisions. Robbins and Judge (2008) concluded that:

> " … the classical model of decision making could not fully represent how people make decisions in organisations, because people do not know how accurate the data is used to make decisions, how reliable are the estimates of the probabilities and how useful the data is related to the event". Robbins and Judge (2003, 58)

Thus, making appropriate managerial decisions is crucial, as faulty strategic and operational decisions can gravely weaken an organisation's competitiveness, in addition to the possibility of moving the organisation in the completely wrong direction of development (Robbins and Judge 2008).

Denhardt and Denhardt (2011) asserted that the basic commitments of the rational model to a positivist interpretation of the 'facts' of administrative behaviour, and the use of technical rationality—which translate as 'efficiency'—are the main criteria for evaluating organisational life and remain at the core of thinking about public organisations. Thus, he argues that the rational model appears to be the only logical approach to understanding organisations (Denhardt and Denhardt 2011).

The researcher concludes that applying the rational decision making model alone to Australia and China may not suffice as the complexities of both countries need to be aligned in arriving a decision point in business.

2.5.2 The Bounded Rationality Model

The bounded rationality model has an added description of how decisions are actually achieved in different organisations (Cyert and March 1963; Simon 1955,

1976). An inherent assumption of this model is that decision makers behave rationally within the constraints of their cognitive capacity to define the problem and obtain information on alternatives (Simon 1957, 1997). Therefore, he argues that decision makers are inclined to make optimal choices, however, are confined by two boundaries to rationality: first, all needed information about the problem and alternative(s) cannot be known within a given period; and second, the decision based the rational and logical assessment of information, need to include the members' partialities and alliances within the companies.

Due to cognitive constraints on gathering and processing all available information, decision makers 'satisfy' rather than 'optimise', thereby choosing the alternative that is good enough to solve the problem (Simon 1957, 1997). According to Cyert and March (1963), decision making is formed by three basic factors that exist in every organisation. First, conflict arising from the choice of an alternative is not solved or challenged; instead it is only moderately settled through satisfying. Second, decision makers have a threshold to solve a problem by remaining within the prior conditions or current options that they know about and therefore that do not increase uncertainty to the situation. Third, as a result of observing the consequences of their decision, organisations learn to change their own experiences and those of other organisations with whom they compare themselves (Cyert and March 1963).

The bounded rationality model suggests that most decisions are structured by utilising reliable, routine organisational processes that work incrementally in reaction to problems, and function to sustain the stability of the organisation (Simon 1957, 1997).

In contrast, Simon (1955, 1976) illustrated a wider definition of the dimensions of the organisational model beyond the bounds of the neoclassical model proposed by Cyert and March (1963). Simon (1997) distinguished five significant modifications to the rational model that imitate the behavioural perspectives of managerial decision making in established organisations: factored decisions, satisfying outcome, search, uncertainty avoidance and repertoires. First, factored decisions are managerial decisions that are usually complex so that only a fixed number of factors can be focussed to at a time. Thus, managerial decision makers must divide decisions into a several interdependent parts and handle the parts separately within the departments

of the organisation. Second, a satisfying outcome denotes maximising outcomes which is a characteristic of the rational model, is replaced by a 'satisfying' result in the organisational model. Third, search represents organisations that offer options through stable and sequential exploration procedures. Fourth, uncertainty avoidance occurs when uncertainty tends to be circumvented by making choices. For instance, short-term feedback offer timely changes in new outcomes that crop up to depart from the objective intended. Fifth, repertoires refers to organisations that have second and third options that may be executed if feedback demonstrates that an assumed satisfying choice is not generating a desirable outcome (Simon 1997).

Thus, in the 'satisficing' and 'searching' process-oriented view, Simon (1979) admitted that the rational manager does not always have total information and optimal choices are not always required. The bounded rationality theory describes constrained rational behaviour. Hence, Huber and Daniel (1986) and Das and Teng (1999) did not distinguish between perfect and bounded rationality in their decision-making models.

2.5.3 The Organisational Model

The organisational model is similar to the rational model and is suitable for decisions with a high level of certainty related to the outcome, and when decision making is made at lower organisational levels (Harrison 1993). The organisational model is the result of fixed standardised procedures applied by organisational subunits (Saeed 2018). The organisational model includes behavioural disciplines in addition to quantitative analysis to arrive at an outcome that fits the limitations caused by the external environment (Harrison, 1993). Thus, the organisation attempts to reduce uncertainty in its environment and to seek alternatives that are critical, available and related to the current problem (Harrison 2001). The stability of the organisation does change to accommodate environmental challenges (Denhardt 2011).

The organisational model presented in table 2.5, symbolises a cogent departure that may be scaled in a descending manner if the search does not result in sufficient alternatives (Harrison 1993). The organisational model recognises the constraints of cognitive limitations and limited information, time and cost restrictions (Harrison 1993).

According to Harrison (1993), the prescriptive qualities of economics, mathematics and statistics are moderated in the organisational model. This model is non-restrictive with respect to environmental influences and acknowledges outcomes in qualitative and quantitative values (Harrison 1993a, 2001).

Other theorists such as March (1988) have worked around the concept. Huber (1999) saw the organisational model as a 'program model' to signify that existing procedures and routinised thinking of the group consist of pre-programmed decisions. Das and Teng (1999) viewed the organisational model as the 'avoidance model' because of a common decision-making approach that maintains the status quo and does not encourage innovation. In contrast, Krabuanrat and Phelps (1998) considered the organisational model positively as the use of formal explicit organisational experience.

2.5.4 The Political Model

The political model of decision making is representative of most organisations in the public arena. According to Lawson and Shen (1998) the political model is behaviour oriented. The main criterion for decision making is an outcome that is endorsed by various external bodies (Lawson 1998, 2016). Hence, the political model operates as a bargaining or compromise strategy in decision making (Harrison 1993).

Tarter and Hoy (1998, 219) described the political model employed in 'organisations in that politics replaces the legitimate procedures for decision-making, personal goals displace organisational ones'. The political model functions to fulfil an individual's goals, and banks on power instead of taking care of organisational objectives or policies (Tarter and Hoy 1998). The goals of coalitions are defined by self-interest, contrary to what is good for the whole organisation (Pfeffer 1981). Thus. the political model exists at the opposite end of the continuum of decision-making models, with classical at one end and political at the other (Pfeffer 1981).

The political model suggests decision making is a bargaining process, steered by the agendas of individuals instead of rational processes; in contrast to the operation of routine organisational information gathering and processing (Harrison 1993). As noted by Tarter and Hoy (1998), participants differ in regard to their organisations' goals, values and information relevance. As a result, the decision-making process

involves a continuous tension between different alliances for power and influence (Tarter and Hoy 1998). The goals of the coalitions are specified by self-interest, instead of what is good for the whole organisation (Pfeffer 1981). Consistent with this, decision making is a matter of exploring a solution that is reasonable to all groups and pursuing a strategy of incrementalism in inquiry about what is feasible, instead of what is optimal or satisfying (Harrison 1993). An incremental approach to decision making, moving gradually one step at a time, restricts the definition of the problem, the information inquiry processes and the number of alternatives (Tarter and Hoy 1998). Moreover, participants are restricted to those who have a stake in the outcome and power, either to hinder or implement the decision (Tarter and Hoy 1998; McGee 1998).

Harrison (1987) and Browne (1993) viewed that political decision making comprises four elements. The first is considering options that differ marginally or incrementally from existing practices or policies. The second is contemplating a small size of alternatives with limited consequences. The third is constantly redefining the problem and alternatives to make the decision acceptable to all parties. The last element is focusing on short-term problems (Harrison 1993a).

With the political model, decisions are the result of personal interests' satisfaction rather than being rational for the organisation's benefit (Lawson 1998, 2016). People in organisations have different goals, preferences and information (Pfiffner 2005). People with similar self-interest form different groups and decision making is postponed or hindered because of the quest of different groups to satisfy their own agendas through influence and power (Pfiffner 2005). Pfeffer (1981) made valuable contributions in the area of power and politics in decision making.

2.5.5 The Process Model

Simon's process model of decision making was seen as an advancement of conceptual frameworks for viewing decision making (Simon 1957, 1997). Simon identified three phases: finding occasions for making decisions; finding possible courses of action; and choosing among courses of action. Simon subsequently labelled those phases as intelligence, design and choice (Simon 1997).

Process models used in problem-solving research are based on think-aloud protocols as descriptions of cognitive processes (Newell and Simon 1972). The process model describes how the process goes from an initial state of knowledge through a sequence of states of knowledge to a particular goal state. When such a model is given data as input, it generates a specific output in relation to the way the process under study is supposed to be (Harte 1994).

The process model of decision making has robust managerial significance aimed at realising organisational outcomes. The process model is used when decisions are made in an environment of uncertainty following from the result (Harrison 1993). These decisions managed at the senior levels of management in public and private organisations, where the repercussions are critical to the whole organisation (Harrison, 1993). The process model is excellent for such decisions as it is progressive, with planning significance not evident in the other models of decision making (Harrison 1993, 1998). Similarly, Harrison (1993, 1998) highlighted that the process model is aligned towards innovation and organisational change with a focus on long-term outcomes. Harrison states that the process model is an exemplary supporter of decision success (Harrison 1998).

2.5.6 The Garbage-Can Model

Hayes and McGee (1998) proposed another essential model of decision making that is discussed here for the sake of comprehensiveness. Organisations are viewed as contexts for decision making in which diverse alliances of individuals and subunits are embedded (Hayes and McGee 1998). All participants are inspired by goals and ambitions that develop over time, and make decisions founded on sequential and limited correlation of alternatives (Harrison 2001). Cohen, March and Olson (1972, 17) proposed in their garbage-can model of decision making that:

> "…the organisational milieu is defined by disorganized streams of decision makers, problems, solutions and opportunities for making choices that are generally linked only by their arrival and departure duration in the organisation. This symbolised a garbage-can view and describes decision making in an 'organised anarchy'."

and characterised anarchies as:

> "… organisations [that] can be viewed for some purposes as collections of choices looking for problems, issues and feelings looking for decision situations in which they might be aired, solutions looking for issues to which they might be an answer, and decision makers looking for work."

According to Cohen et al. (1972), the garbage-can becomes the metaphor for participants, issues, problems and opportunities that are tossed together for a decision. Hayes and McGee (1998) explained that the problem and the solution may not be tied together, and the decision may not solve the problem but create others:

> "The question proposed may have nothing to do with the problem at hand. The analogy is one where issues, solutions and problems are tossed into the can. This issue is pulled out is addressed and all of the other problems and issues attached to it (garbage). When the problem is identified, and a decision is reached, it is all tossed back into the can because no decision or issue in a structured anarchy is ever thrown away. Cohen, March and Olson best summarise this 'garbage can' (Hayes and McGee 1998, 4)."

The garbage can is removed upon making a decision (Saeed 2018). Decision making is largely dependent on the participants in the garbage-can and as their presence is temporary, the garbage-can might be isolated without having a few problems resolved (Saeed 2018).

Similar to the political model with multiple actors, views and goals, the garbage-can model suggests a pluralist environment with a fragmented, chaotic nature of decision making, instead of the implied political view in political manipulation (Cohen et al. 1972). In contrast, Bass (1983) asserted that the 'garbage-can model of decision-making' is overly descriptive; suitable for public sectors and non-hierarchical organisations; and directed centrally on reactive, instead of proactive decision making.

However, Howlett et al. (2009) endorsed the garbage-can model and proposed utilising this model when other models of policy analysis (such as rationalistic and incremental) do not apply. The question posed is how to use the strengths and systematic approach of the rational and incremental models while complementing it with other knowledge such as social science and critical theory, to improve its capacity for visualising future policy-making directions (Howlett et al. 2009).

Appropriately, the garbage-can approach, where larger societies can be involved in decision making, offers a promising direction for future policy making (Howlett et al. 2009).

In summary, the models of decision making discussed here showcase varying methods available for decision making within organisations and will be useful in understanding the decision-making framework that best fits the Western Australian iron ore industry when dealing with their Chinese counterparts.

2.6 Organisational Decision Making and its Structure

Decision making happens at every level throughout an organisation. In this respect, different types of decision making should be employed according to the situation at hand. For organisation theorists, organisational decision making refers to decision-making processes that develop at every level and unit of an organisation (Lewis et al. 2001). Hatch (1997) further explained when organisation theorists speak of organisation decision making, they refer to decision making processes that occur at all levels and in all units of an organisation. According to Hatch (1997), in most traditional organisations the decision-making process is specialised. To Noordehaven (1995), the process leads to the choice of goals and means, and the way in which these means are effectively deployed is the strategic decision-making process. As such, strategic decisions are crucial to the viability of firms and are defined as 'intentional choices or programmed responses about issues that materially affect the survival prospects, well-being and nature of the organisation' (Schoemaker 1993). Noorderhaven (1995) identified four fundamental elements of strategic decisions. The first is the degree of complexity, followed by uncertainty, rationality and control by organisational members. In contrast, when a situation is simple, with a limited number of variables and contingencies, strategic decision making becomes trivial (Winter, 1987). Thus, strategic decisions are the infrequent decisions made by the leaders of an organisation that can critically affect organisational health and survival (Eisenhardt and Zbaracki 1992).

The literature seeks to simplify the multiple processes involved in decision making, bearing in mind that no single analysis manages to incorporate all of the variables involved (Eisenhardt and Piezunka 2011). For an improved method, these

researchers have taken to examining decision making and restructuring the process into separate phases, to better interpret it. Additionally, separate decision-making processes are identified for independent decisions.

This section focuses on decision making in organisations to manage initiatives, projects, strategic goals, crises and dilemmas. This segment presents an overview of organisational structure and types of organisational structures. The second aim is to identify the focus of decision making with respect to centralised and decentralised decision making, and related strategies in decision making. This is to facilitate the recommendation of a model set of principles for evaluating the contribution that decision-making styles may provide in narrowing or closing management gaps. Therefore, various organisational structures are examined, along with the decision-making levels that prevail within those structures and the processes of decision making. Thus, the fundamental understanding of the word 'decision', along with the establishment of organisations and how organisations are structured, affect the process of decision making in terms of communication, management and delivering a decision. This leads to the next section examining the way organisations are structured.

Organisations exist to attain goals. The term structure refers to the relationships among parts of an organised whole (Hatch 2007, 10). According to Hatch (2007), there are two types of structure, the first is physical and second is social. Hatch states that physical structure is the spatial and temporal relationships between physical elements of an organisation; for example, the buildings and geographical locations (Hatch 2007, 2018). The social structure represents the relationship among individuals who take up the roles in an organisation and are assigned to different organisational groups such as departments or divisions (Hatch 2007, 2018). Hatch emphasises that the physical and social elements of organisations are not separate, rather they overlap just like people who comprises physical bodies and social identities (Hatch 2007, 2018).

Six types of organisational structures are examined in this section: simple, hierarchical, functional, divisional, matrix and network. The first four are traditional organisational structures that have been employed for decades in organisations. The sixth has emerged as a method for meeting the challenges of today's business

climate. Within each structure, various decision-making styles are adopted and given due consideration. Recent organisational structures and their relationship to strategic decision-making processes and emerging organisational structures are also discussed in considering the needs of corporations in a growing competitive environment.

2.6.1 Decision Making in a Simple Organisation Structure

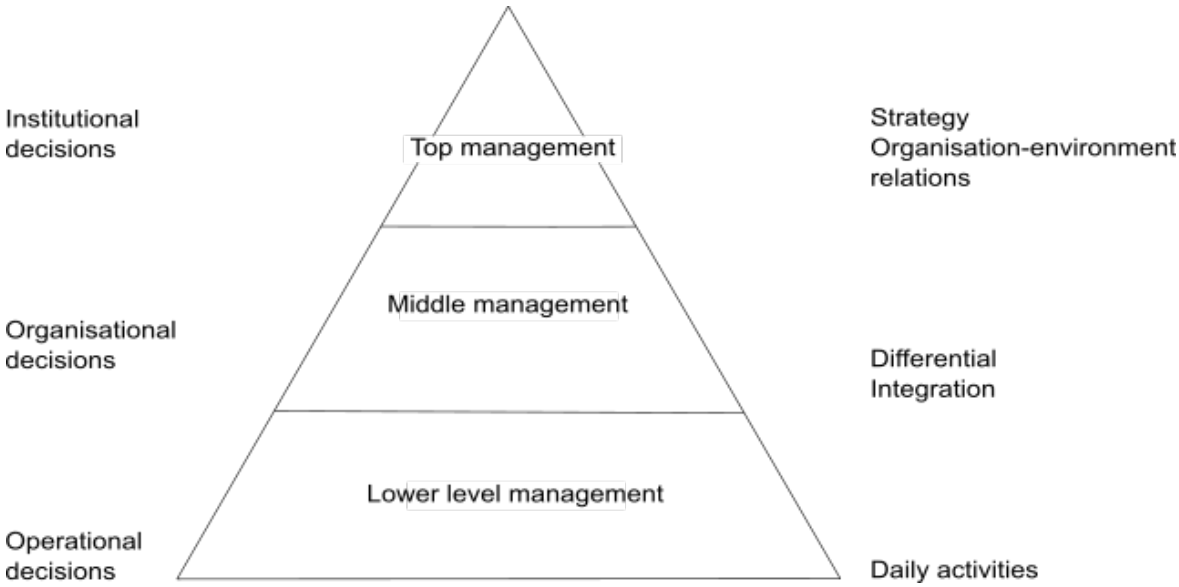
According to Hatch (1997), when there are two individuals in an enterprise, a relationship is formed and implied. Hatch (1997) states that structure is defined by relationships and the simplest organisations have social structures. These organisations are highly organic meaning they are flexible, dynamic and often have limited structure, therefore, they are known as simple structures (Hatch 1997). According to Hatch,

> "The simple structure is set of completely flexible relationships that has low levels of complexity resulting from limited differentiation. Attention to tasks is determined by management decree or by mutual agreement and is usually open to direct and informal coordination and supervision. Simple structures are characteristic of newly former organisations (e.g. an entrepreneurial venture) or permanently small organisations (e.g. traditional, one dentist dental office) but also occur within some units of larger organisations such as prototype laboratories or design team." (Hatch 1977, 183)

2.6.2 Decision Making in a Hierarchical Organisation Structure

Different organisational structures accommodate themselves and focus on different decision-making hierarchies that grow their business (Hatch 1997, 2018). According to Weber (1947), positions higher in the organisation's structure confer legal authority to make decisions, give direction and reward and punish those positioned lower in the hierarchy (Weber 1947). One's authority is strictly a matter of position, not the person who occupies it (Weber 1947). In most traditional organisation, the decision making process is specialised (Hatch 1997). Top management focuses on strategic decision making, middle management emphasize decisions about internal structural arrangements and coordination among units. Lower level managers are responsible for decisions about day-to-day operational activities within their assigned units. The decision-making structure must meet the organisational structure to enable

the effective operation of business in a hierarchical organisation (see Figure 2.5) (Hatch 1997).



Source: Adapted from Hatch (1997, 271)

Figure 2.5: Decision making in hierarchical organisation

Hatch (1997) explains that an organisation hierarchy defines formal reporting relationships such that it maps the organization's vertical communication channels- downward (directing subordinates) and upward (reporting to management) (Hatch 1997). When each position in an organisation is subordinate to only one other position, what Fayol called the scalar principle (Fayol 1949), authority and vertical communication combine to permit the most highly placed individuals to efficiently gather information, from, and to effectively direct and control the performance of, all individuals throughout the organisation (Hatch 1997).

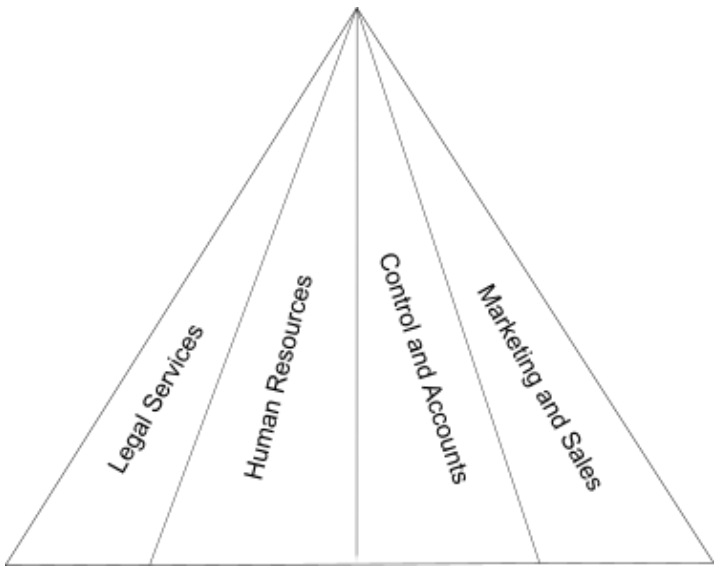
In the past, many managers used the scalar principle to their organisational structures. However, dual reporting relationships are expected, as are lateral connections used to integrate an organisation's diverse activities and promote flexibility of response to environmental pressures (Hatch 1997).

2.6.3 Decision Making in a Functional Organisational Structure

The two most commonly utilised structures of the organisation are functional structure and divisional structure (Hatch 1997). The functional organisational structure is a hierarchical structure wherein employees are grouped together

according to their field of specialisation (see Figure 2.7). In a functional organisational structure, each department is managed by its own decision maker who theoretically knows the needs and problems of the unit and the executive level might access relevant information to achieve its company's goals (Hatch 1997). In each respective field, the manager would be an expert who is accountable for the performance of their department (Hatch 1997). This helps organisations enhance the efficiencies of each functional group (Hatch 1997). An organisational chart illustrates the president, vice-president, finance department, sales department, customer service, administration and so forth.

According to Hatch (1997), decision making has a clear framework within a functional organisational where the authority of all functional heads of department reports straight to the top management of the organisation (Hatch 1997). Decision making in a functional organisation comes from the head of department in each unit who is expert in solving problems and controls the department's resources, budget and work assignments (Hatch 1997, 2006). Employees take orders from the head, and executives help to run the department (Hatch 1997). Figure 2.6 illustrates decision making in a functional organisation. Functional designs maximize economies of scale resulting from specialization and thus are efficient in their ability to limit duplication of effort (Hatch 1997). Their transparent logic allows employees to easily recognize the connections between the tasks performed within their unit and the tasks others perform (Hatch 1997).



Source: Adapted from Hatch (1997, 271)

Figure 2.6: Decision making in a functional organisation structure

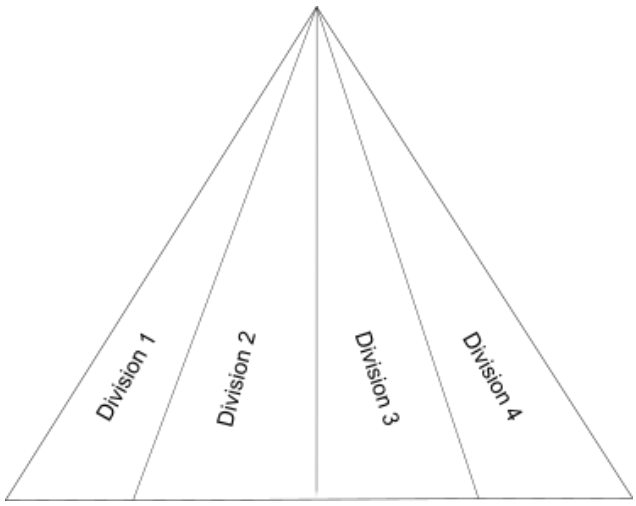
Therefore, for decision making in a functional organisational structure, decisions about marketing are made by marketing departments, accounting decisions are made by accounting departments, legal decisions are evaluated by legal services; and in issues related to staff performances, salary and training are resolved by human resources (Hatch 1997). Functional structure allows different departments to easily differentiate their work from that of accounting, sales and so forth.

However, there are several limitations to functional structures. Hatch (2018) stated that the goals of the different units may come into conflict and that employees may have more loyalty to their function than to the organization as a whole. These problems can produce functional silos, a metaphorical reference to the towering grain storage containers found on farms standing side by side to manage and protect their contents (Hatch 2018). In this situation, only the top executives coordinate the activity of the functions and gives the chief executive officer (CEO) tight control as the only person with the strategic overview regarding what everyone else in the organization is doing (Hatch 2018). However, tight control can be a major shortcoming (Hatch 2018). According to Hatch (2018), for example, as the sole power of authority, the CEO can become overwhelmed and pressurised with decision-making responsibilities, especially when the organization starts to flourish. As not a single person in the organization has the same extensiveness and experience of perspective and responsibility, if the CEO is suddenly disappears, other managers in the organization will likely be unprepared to take charge and make proper decisions (Hatch 2018).

2.6.4 Decision Making in a Divisional Organisational Structure

According to Hatch (1997), in divisional structures, decision making follows divisional interests and concerns (see Figure 2.7). In a divisional organisational structure, departments are grouped together into divisions according to the services they offer: for example, production, marketing, human resource, service or geographic location (Hatch 1997). The general manager heads these divisions and controls the daily business activities. A divisional structure is suitable for a large organisation that has more than one product line (Hatch 1997). The structure in figure 2.9 assumes an organisation produces four products organised into separate

divisions that operate as individual units with their own supporting functions (Hatch 1997).



Source: Adapted from Hatch (2006, 272)

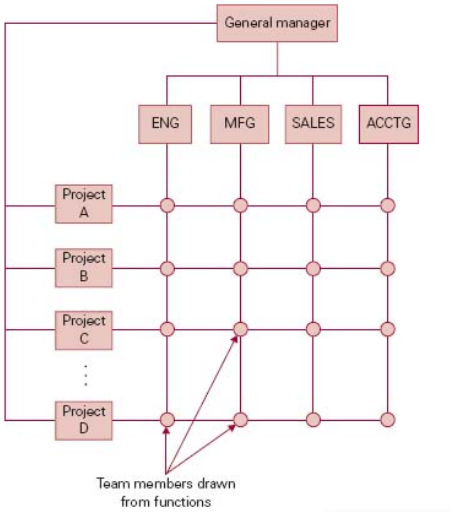
Figure 2.7: Decision making in divisional organisation structure

2.6.5 Decision making in a Matrix Organisation Structure

A matrix organisation is defined as an organisation where people have to report to more than one superior and was created to bring together the efficiency of the functional design with the flexibility and responsiveness of the multidivisional form (Hatch 2018). Superiors in these matrix structures hold power, and this power sharing changes according to the type of matrix structure of the organisation, enjoying the benefits of both worlds (Mintzberg 1992). Oliveira and Takahashi (2012) stated that early organisational structures were derived either from product or function. The matrix organisation structure meets these two requirements for organising (Galbraith 2009; Kuprenas 2003). However, a matrix structure is best suited to large organisations that operate in a dynamic environment and that need an immediate response to market demand for opportunistic advantage over their competitors (Galbraith 2009; Kuprenas 2003).

According to Hatch, matrix organizations have two structures, each of which is the responsibility of a different group of managers (Hatch 2018) (see Figure 2.8). Managers on the functional side of the matrix are responsible for distributing specialists to projects, maintaining their skills and attaining new ones, and observing their performance with respect to the standards of their functional specialty (Hatch

2018). Managers on the divisional or project side of the matrix are responsible for managing specific projects: planning, allocating resources, coordinating work, monitoring task performance, and ensuring that project requirements and deadlines are met (Hatch 2018). The objective of project managers is to ensure that the project is completed in a timely manner and within budget (Hatch 2018).



Source: Hatch (2018, 170)

Figure 2.8: Decision making in matrix organisation

Unfortunately, the ultimate complication with the matrix structure lies in managing the conflict built into the dual lines of authority confronted by employees operating inside the matrix (Hatch 2018). Functional managers envisage the project team members to meet the requirements of their specialty, while project managers expect the project team members to adapt to the obligations of the rest of the project team and meet or exceed customer expectations (Hatch 2018). The project manager has full power and authority (not absolute authority) over resources, budget and work assignments to be utilised in the project and everyone in the team reports directly to them (Hatch 2018). This clear line of authority reduces conflict and facilitates decision making (Galbraith 1995, Mintzberg 1993). Thus, matrix employees confront the contradictory expectations of performing complex tasks to high-quality specifications, while at the same time facing pressure to minimize costs and meet tight schedules (Hatch 2018). When employees serve on more than one project team, they face extra pressure to meet the conflicting demands of multiple project leaders and teammates (Hatch 2018). Ironically, this conflict also provides the primary

benefit of matrix structures: they promote simultaneous attention to both functional standards and project goals (Hatch 2018). The next section leads to decision making in matrix organisations.

Recently, Egelhoff and Wolf (2017) identified two different modes of decision-making that can occur within a matrix structure in their exploratory research study in 2011-2012 involving 15 multinational corporations at senior management level. Firstly, the classical balanced mode of decision-making involves joint decision-making by the two dimensions of a matrix. It was described as a balanced matrix, meaning that both dimensions of the matrix have relatively equal power and influence over significant decisions. Egelhoff and Wolf (2017) explained that even though the balance of power in a matrix fluctuates and shifts from one dimension to the other, reflecting transformations in strategies and settings, the attitudes and personalities of staff in positions of authority, the belief is that there is always a significant level of collective power and influence between the dimensions of a matrix.

Secondly, the new rule-based mode of decision making assigns categories of decisions to one dimension for unitary decision making (Egelhoff and Wolf 2017). The rule-based mode of decision making depends standard procedures to guide decisions to one hierarchy or the other for managing and processing. In this sense, there is reduced overlapping responsibility for decision making (Egelhoff and Wolf 2017).

According to Egelhoff and Wolf (2017), the two modes of decision making differ in the speed decision can be reached, and in the nature of information processing. A balanced mode of decision with coinciding duties lead to combined information processing between the two dimensions, striving to settle differences and agree to arrive at a decision. This can be a tedious process, involving meetings and sharing of information. Many issues and concerns are considered before a decision is reached (Egelhoff and Wolf 2017).

The rule based mode of decision making strives to speed up this process efficiently. While both dimensions of the matrix can gather information in the decision process, one dimension has been given sole authority for making the decision. This leads to

minimal volleying of discussion and an enhanced sequential decision making process. A decision is made rapidly and less man hours of managerial time are needed to make it (Egelhoff and Wolf 2017).

2.6.6 Decision Making in a Network Structure

The delineation of authority among different levels of government and among public, private and non-profit sectors has never been totally made clear, but this century's challenges and the means of addressing them have become more complex (Eggers and Goldsmith 2003). The emergence of the World Wide Web has significant implications for commerce, communication and content access (Massey et al. 2007). Information and communication technologies have made their way into the personal and professional spaces of human activities (Tamosiunaite 2011). Information and communication technologies effect daily activities as they connect people and help exchange information in a timely manner (Tamosiunaite 2011). Technologies create networks in which people interact. When this distant 'virtual' interaction encompasses daily life globally, the necessity to better understand technologies' advantages and disadvantages with respect to interaction processes in executing economical activities grows on a global scale (Tamosiunaite 2011). Market globalisation has imposed change on organisational perspectives and customers (Pacuraru 2012). The organisation is viewed more as a flexible and organic system than as a hierarchical or mechanical system (Pacuraru 2012).

The network structure is similarly known as a virtual organisation or virtual corporation (Tamosiunaite 2011; Pacuraru 2012). According to Hoefling, the phrase 'virtual organisation' means a task, project or permanent organisation that is decentralised and independent of any spatial connection (Hoefling 2001). The simplest form of a virtual organisation is a virtual team, which is a local team utilising technology to ensure better connectivity, shared knowledge and lower costs (Hoefling 2001). Zigurs and Qureshi (2001) suggest that

> " virtual teams are not really teams, but individuals brought together through technology. Virtual work does not have the traditional characteristics of work in an organisation, surrounded by people and the hustle and bustle of work activity; instead it takes place in a workspace that is of one's own configuration and time. Virtuality is now associated with activities that can take place anytime, and

> anyway one desires, with no physical geographical, or structural constraints." (Qureshi 2001, 28)

The management body in an organisation now faces a new layer of decision making responsibility of managing distant communication and individual employee in a virtual context (Tamosiunaite 2011). The main organisation is connected to external companies (vendors, associates, clients) with a computer-based link to attain cumulative growth and advantage (Pacuraru 2012). This structure permits them to work as an individual unit. In this network structure, the organisation holds its core business while the rest of the processes are outsourced. This type of organisation is described as a hollow organisation, outsourcing modules and internal processes to support the organisational mission (Yildiz 2012). The structural characteristics of a hollow organisation can be explained as follows:

> "…first of all, core and non-core business processes need to be identified. The core competency of an organisation should be of critical importance for organisational performance and it should provide or potential to provide competitive advantage. In addition, it should have characteristics that allow for future development and improvement. Business processes that do not add value should be outsourced." (Yildiz 2012 p.265)

According to Massey and Ramesh (2003), virtual collaboration is based on email, messaging systems, groupware and real-time conferencing (for example, FaceTime and Skype). It is flexible and responsive, it lowers costs and improves resource utilisation that can affect the organisation's bottom line. Networking is enabled by local area networks (LANs) and wide area networks (WANs); the Internet, intranets and extranets; and virtual private network connections (Viswanath, Ramesh and Massey 2003). Technology has become prominent within the firm–customer relationship, dramatically changing how services are conceived and delivered (Massey et al. 2007). According to Massey:

> "Customers expect to be able to access online services through multiple methods. For example, mobile devices (PDAs, cell phones) are increasingly being used to access wireless Web sites where customers can conduct transactions, access news and other information, interact with database services (map guides), and download entertainment." (Massey, Khatri and Montoya-Weiss 2007, 278)

Virtual collaboration is defined by technologies emphasising socially inclusive and simply connecting technologies, whereas networking focuses on technologies of connectivity (Tamosiunaite 2011). A network can be defined as a web of connected hardware (Massey and Ramesh 2003) or seen as a web of social and economic relationships without defining them in the virtual context (Eggers and Goldsmith 2003). The structural alterations due to the development and intense use of information technology have created new organisation structures (Yildiz 2012). Networks and virtual organisations spearheaded by wide internet use have found a wide range of applications (Yildiz 2012).

For instance, according to Hamel (2007), flat structured lattice organisations, in which communication and teamwork are well developed and support innovation, are one of the structures that provides a catalyst for creativity and present their organization with a competitive advantage (Yildiz 2012). The key characteristics of W.L. Gore's lattice structure (www.gore.com) are: firstly, lines of communication are direct, from person to person, with no intermediaries. Secondly, there is no fixed or assigned authority. Thirdly, there are no sponsors, not bosses (which means that there is a workplace without bosses). Fourthly, objectives are set by the same people who are charged with making things happen. Fifthly, tasks and functions are organised though a system of commitments. The Gore Corporation's 5,000 employees are known as 'associates', and there is no hierarchical structure and a corporate manual does not even exist (Yildiz 2012). Associates reassessed annually and given incentives such as profit sharing and stock options (Yildiz 2012). Cross-function teams are continually being formed and disbanded by Gore associates to carry out tasks and projects in this energizing environment (Nelson 1999; Hamel 2007).

The above descriptions of the network structure means that decision making processes within these networks and the virtual organisation differ vastly to traditional hierarchical organisation structures. The rules of decision making in these contexts are changing and leaders and their employees have to relearn new routines, become competent with information communication technologies and be flexible within the networked organisation.

2.6.7 Decision Making in Centralised and Decentralised Organisations

According to Lewis et al. (2001), centralisation is assigned for highly independent task groups or when maximising the efficient use of resources necessary to achieve organisational success. The main disadvantage of centralised decision making is the restriction of the organisation's capability to respond effectively to dynamic changes in its environment (Lewis et al. 2001). The main advantage of decentralised decision making is that organisations can effectively respond during rapid environmental changes when decisions are made by the people close to the prevailing situation (Lewis et al. 2001). With changing work diversity, collaboration between units and standardisation and productivity may be impeded by decentralised and various decision-making styles for a consistent approach; thus, decisions should be delegated to fewer employees (Robbins et al. 2000).

Organisations should shape the processes of decision making to their competitive advantage, and when facing specific strategic and operational conditions (Lewis et al. 2001). Nowadays, most organisation leaders are trying to decentralise decision making as part of a coordinated effort to increase the speed, flexibility and responsiveness of their organisations (Lewis et al. 2001). According to Mintzberg (1983), whether an organisation should structure itself towards centralisation or decentralisation is dependent upon several factors. Table 2.5 shows the factors that influence the amount of centralisation and decentralisation.

Table 2.5: Factors that influence the amount of centralisation or decentralisation in an organisation

More centralisation	More decentralisation
Environment is stable. Lower-level managers are not as capable or experienced at making decisions as upper-level managers. Lower-level managers do not want to have a say in decisions. Decisions are significant. Organisation is facing a crisis or the risk of company failure. Company is large. Effective implementation of company strategies depends on managers retaining a say in what happens.	Environment is complex and uncertain . Lower-level managers are capable and experienced at making decisions. Lower-level managers want a voice in decisions. Decisions are relatively minor. Corporate culture is open to allowing managers to have a say in what happens. Company is geographically dispersed. Effective implementation of company strategies depends on managers having involvement and flexibility to make decisions.

Source: Adapted from Robbins et al. (2000, 235)

It is essential that organisations are conscious of the factors that influence their processes of decision making. This will enable the organisation to function in stability. (Robbins et al. 2000).

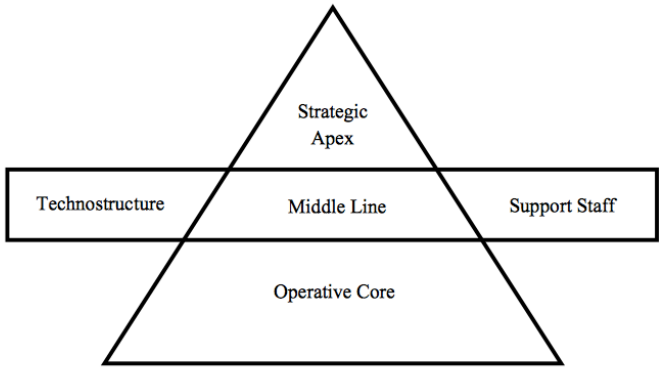
However, a critical review of the functionalist aspect stated that steeper hierarchies help groups and organisations perform better than do flatter structures (Anderson and Brown, 2010, 1). Five conditions were presented to moderate the effects of hierarchy steepness: (1) the kinds of tasks on which the group is working; (2) whether the right individuals have been selected as leaders; (3) how the possession of power modifies leaders' psychology; (4) whether the hierarchy facilitates or hampers intra-group coordination; and (5) whether the hierarchy affects group members' motivations in positive or deleterious ways (Anderson and Brown, 2010). Psychological safety is a significant moderator of the effects of hierarchy steepness on communication (Anderson and Brown, 2010).

As explained later in this chapter, using Hofstede's 6D model, it explains the differences in organisation culture and structure between Australia and China; and under the *Power Index* criteria illustrates Australian employees' mindset in terms of communication is direct, informal and participative compared to China's. This research study will explore the relationship between Australia and Chinese companies within the iron ore industry and how decisions are being reached on both sides.

The following section looks at Minzberg framework within the organisation structure and the systemic and cultural factors that moderate the effects of power, given the importance of hierarchies to both groups and organisations (Anderson and Brown 2010, p 26). According to Anderson and Brown (2010), the hierarchical nature of society affects decision making. As a rule of thumb, decision makers are positioned at the apex of an organisation and must make decisions on a broad range of topics (Anderson 2010). Decisions are likely to be based on historical precedent and advice from influencers or experts (Anderson 2010). Eventually, approval will be sought from stakeholders of the organisation (Anderson 2010).

Mintzberg (1992, 2009) distinguished three primary dimensions as the key parts of the organisation, including the types of vertical and horizontal decentralisation.

These are the strategic apex; operative core; and techno-structure and support staff (see Figure 2.9). The strategic apex refers to top management and support staff. The operative core refers to core workers: middle line (mid- and lower-level management). The techno-structure are analysts; for example, planners, accountants, engineers, public relations, personnel, and research and development. The support staff provide indirect services, such as clerical or legal counsel to provide support, maintenance and so on (Lunenburg 2012).



Source: Lunenburg (2012, 2)

Figure 2.9: The three key parts of an organisation's structure: strategic apex; middle line; and operative core

The organisation's second dimension is the prime coordinating mechanism that reflects the direct supervision, standardisation of work processes, skills, output and mutual adjustment (see Table 2.6). According to Lunenburg (2012), direct supervision refers to an individual responsible for the work of others and the notions of unity of command and scalar principles apply (Fayol 1949). Lunenburg (2012) stated that standardisation of work processes refers to work that is specified or programmed; and that the standardisation of skills is the type of training necessary to do the work as specified, and standardisation of output exists when the results of the work are specified (Lunenburg 2012).

The types of decentralisation are vertical, horizontal and selective (Lunenburg 2012). Vertical decentralisation is the distribution of power down the hierarchy or shared authority between subordinates (Lunenburg 2012). Horizontal decentralisation is the level at which non-administrators make shared decisions with line and staff.

Selective decentralisation is the degree to which decision-making power is assigned to other units within the organisation (Lunenburg 2012).

The organisation implements this decision strategy in five structural configurations: simple structure; the types of decentralisation proposed; machine bureaucracy; professional bureaucracy; and divisionalised form and adhocracy.

Table 2.6: Mintzberg's five organisational structures and three key dimensions

Structural configuration	Prime coordinating mechanism	Key part of organisation	Type of decentralisation
1. Simple structure	Direct supervision	Strategic apex	Vertical and horizontal centralisation
2. Machine bureaucracy	Standardisation of work processes	Techno-structure	Limited horizontal decentralisation
3. Professional bureaucracy	Standardisation of skills	Operating core	Vertical and horizontal decentralisation
4. Divisional form	Standardisation of outputs	Middle line	Limited vertical decentralisation
5. Adhocracy	Mutual adjustment	Support staff	Selective decentralisation

Source: Adapted from Lunenburg (2012, 4)

When comparing Hatch's identification of organisational decision making and its structures (i.e. hierarchical, functional, divisional and matrix) and Mintzberg's framework (on five organisation structures and three key dimensions), the researcher concluded that when Hatch provided a category of organisation structures that exists, it illustrated how these different structures impact on decision making processes. Whereas Mintzberg viewed overall organisational structures as strategies when he created his Mintzberg framework as an holistic decision strategy for companies to use for their competitive business initiatives.

In this sense, Mintzberg established the foundation for the relationship between decision strategy and structure (Mintzberg 2001). Decision-makers must acknowledge that decision strategy and structure are closely linked (Mintzberg 2001). Thus, the structural arrangements and decision making processes are well-coordinated from the key part of the organisation and flows through the various levels of the organisation as proposed (Lunenburg 2012).

Having discussed organization structure, this next section describes how groups come together to make a decision within an organisation.

2.7 Group Decision Making

Several group decision models are available to an organisation to arrive at a decision. These include the Vroom–Yetton participative model, nominal group technique, brainstorming technique, Delphi technique, devil's advocate and de Bono's Six Thinking Hats (6th). Up to this point, this chapter has explored decision making through time, decision-making theories, decision-making models, processes of decision-making, decision making in organisations, organisational structures that influence decision making and group decision models that assist in decision making. The general concept of group decision making is described in this section, followed by subsections describing advantages and disadvantages of group and individual decision making; including a review of the concept of 'groupthink'.

According to Pollard (1987), there is a major difference between individual and group decision making. An individual decision maker has a single decision problem with a consistent set of beliefs and values and arrives at an optimal choice through analysis (Pollard 1987). This situation may not exist in instances of decision making by groups because the individuals involved may have different, opposing beliefs and values and may not share the same view of the nature of the problem (Pollard 1987).

In this case, the use of analytic strategies can be enhanced by considering group decision-making situations. For a particular problem, the groups are classified according to whether or not there is agreement among group members on the nature of the problem, and on the beliefs and values involved in criteria for evaluating the alternatives (Pollard 1987).

According to Pollard (1987), the first type of decision-making group is a team in which the individuals share a common perspective and analyse the problem similar to an individual selecting an optimal action. Because of the shared view of the members, agreement can be obtained on the group's choice and the choice represents a consensus (Pitz and McKillip 1984). The second type of group is a coalition. There may be agreement on the nature of the problem facing the group but disagreement on the criteria for evaluation of the alternatives (Pollard 1987). According to Pollard

(1987), depending on the nature and degree of disagreement, there may or may not be an action that everyone agrees is optimal for the group (Pollard 1987). In the last type of group, members might be operating independently or in competition with one another (Pollard 1987). There is agreement on neither the problem not the criteria and members of this type of group are not dealing with the same decision problem (Pollard 1987). It is assumed that group decision making can foster and boost the competitive edge of an organisation (Bartol et al. 1998; Robbins et al. 2000; Stoner 1994). Similarly, organisations form taskforces, committees, review panels, study teams or groups as channels for making decisions (Bartol et al. 1998; Robbins et al. 2000; Stoner 1994).

This literature review on decision making contrasts the advantages and disadvantages of group decision making as presented in table 2.7, which demonstrates that group decision making appears to be more precise.

Table 2.7: Advantages and disadvantages of group decision making

Advantages	Disadvantages
1. More information and knowledge are focused on the issue. 2. An increased number of alternatives can be developed. 3. Greater understanding and acceptance of the final decision is likely. 4. Members develop knowledge and skills for future use.	1. It is usually more time consuming. 2. Disagreements may delay decisions and cause hard feelings. 3. The discussion may be dominated by one or a few group members. 4. Groupthink may cause members to overemphasise reaching agreement.

Source: Adapted from Bartol et al. (1998)

Experiments have provided evidence that groups generally make better decisions than individuals (Gigone and Hastie 1993; Gersick 1994). However, in terms of speed in defining decision effectiveness, individuals' decisions are exceptional (Robbins et al. 2000; Woolley 2018; Gersick 1994). The group-decision process takes more time in collaborative decision making (Robbins et al. 2000; Gersick 1994, 1988). However, if creativity is crucial, groups are more effective than individuals (Robbins, et al. 2000). Further, researchers have found that group decision making is motivated by the size of the group (Robbins, et al. 2000) as well as hierarchy, organisational, society and cultural characteristics.

In group decision making, the number of participants often ranges from two to seven. Robbins et al. (2000) affirmed that the larger the group, the greater the opportunity for diverse contributions. Larger groups require more collaboration and time to encourage all members to participate effectively (Bartol et al. 1998).

It has been proposed that five to seven members is appropriate to avoid 'deadlocks' (Strauss and Corbin 1998; Gigone and Hastie 1993; Straus and McGrath 1994). Large groups allow participants to switch roles and withdraw from antagonistic positions, and still provides the leeway for subtle members to effectively participate in discussions. This is a consideration all groups should have when making decisions.

In organisations, decision making is usually done by groups rather than by one person, in a social process whereby the results are disseminated among members in the organisation (March 2007, 2018). Lawson and Shen (1998) stated that it is important to acknowledge that decision making in firms may be associated with conflicting interests with nothing being constant. Bartol et al. (1998) argued that many critical decisions in firms with far-reaching effect are taken by groups. Bartol et al. (1998) elaborated on the significance of group decision making by stating that the competitive position of the firm is sustained and promoted if the decision making is done by groups. Decisions made by groups are better than those made individually (Michaelson et al. 1989).

However, decisions are made more quickly by individual and makes this process more effective (Saeed 2018). The process of group decisions is defined by give and take, which takes time (Saeed 2018). Effectiveness refer to a decision that shows creativity (Robbins et al. 2000). Decision making theorists state if creativity is vital, decision making groups become more influential than effective individual decision makers (Bartol et al. 1998; Robbins, et al. 2000).

Decision making is critical to every organisation and is often administered at the top management level (Saeed 2018). However, many businesses make decisions in groups and in this new era, line staff are being given decision-making rights through decentralisation as they are often in direct contact with the end user and consumer (Saeed 2018). For example, Lewis et al. (2001) stated that firms are pushing decision

making to lower levels because of the focus on improving customer services and quality management.

2.8 Groups Making Decisions

This section explores the arguments in relation to adopting groups to make decisions. Since the 1960s, most studies in the field of organisational behaviour have investigated the advantage of group over individual decision making (Bartol et al. 1998). Usually individual decision making is defined as autocracy, while decisions made by groups involve collaboration, partnership and teamwork. However, Janis (1982) asserted that groups sometimes make 'very bad decisions'. A precautionary measure is to invite experts to the group's meetings to regulate any groupthink inclinations and to motivate the members to search for feasible alternatives (Janis 1982). Janis (1982) proposed that decision-making groups could be separated into subgroups to develop more decision alternatives, followed by a 'second-chance' meeting after the first consensus is achieved on the selected alternative (Chapman 2006).

Janis cited that judgment includes mindful impartiality on the part of the leader as to what decision the group should make; formation of competing teams to study the same problem; and giving 'high priority to airing objections and doubts' (Janis 1982). Subsequent to groupthink, what arises is 'judgment and decision making'.

The seven models/techniques that are used commonly in group decision making are summarised in the following sections. They are the Vroom–Yetton participative model, Nominal Group Technique, brainstorming Technique, Delphi technique, Devil's Advocate and Groupthink. Groupthink is also included as it can assist or impede in effective decision-making processes.

2.8.1 Vroom – Yetton Participative Model

The Vroom–Yetton (1973) participative model was developed by Vroom and Jago (1988) to help managers decide when group decision making is appropriate. The model depicts the decision-making context of managers and broadens the three main decision-making approaches for individual, consultative and group. The manager's role is to analyse the situation and to select the best decision from the five decision-

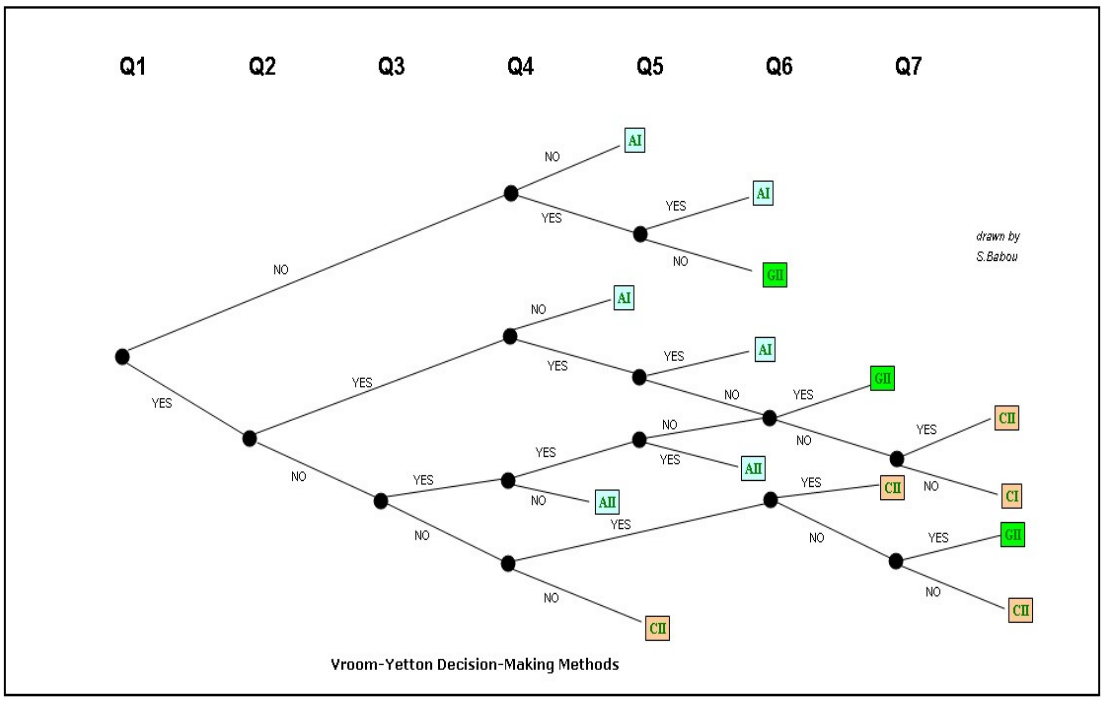
making styles developed by (Vroom and Jago 1988). As shown in table 2.8, the decision-making styles can be organised along a continuum. Decision approaches become increasingly participative as the manager shifts from a highly autocratic style (AI), where the manager decides independently, to the consultative style (CI), where the manager consults with the group before deciding, and the group style (GII), in which the manager permits the group to decide (Vroom and Yetton 1973).

Table 2.8: Leadership and decision making styles

Decision style	Description
Highly autocratic	AI: the manager solves the decision problem alone using information available at the time.
	AII: the manager solves the decision problem alone after obtaining necessary information from subordinates.
	CI: the manager solves the decision problem after obtaining ideas and suggestions from subordinates individually; the decision may or may not reflect their counsel.
Highly democratic	CII: the manager solves the decision problem after obtaining ideas and suggestions from subordinates as a group; the decision may or may not reflect their counsel.
	GII: the group analyses the problem, identifies and evaluates alternatives and makes a decision; the manager acts as coordinator of the group of subordinates and accepts and implements any solution that has the support of the group.

Source: Adapted from Vroom-Yetton (1973)

The Vroom–Yetton decision-making model of leadership is highly flexible in regard to choices affecting decisions, and applies to a wide range of styles from highly dictatorial to democratic. Similarly, Vroom and Yetton (1973) designed a decision tree model that allows the manager to narrow the segment obtainable and interpret the precise range of group participation in decision making (see Figure 2.10). This model allows the manager to suggest the amount of participation and the time required for appropriate resolution.



	Is there a quality requirement? Is the nature of the solution critical? Are there technical or rational grounds for selecting among possible solutions?	Do I have sufficient information to make a high quality decision?	Is the problem structured? Are the alternative courses of action and methods for their evaluation known?	Is acceptance of the decision by subordinates critical to its implementation?	If I were to make the decision by myself, is it reasonably certain that it would be accepted by my subordinates?	Do subordinates share the organisational goals to be obtained in solving this problem?	Is conflict among subordinates likely in obtaining the preferred solution?	

Source: Adapted from Vroom and Yetton (1993)

Figure 2.10: Interdisciplinary models of decision making

In the initial component of the model, the manager examines the definition of the decision and the range of leadership styles, which oscillates from highly autocratic to highly participative. The group leadership styles comprise (1) the autocratic leadership style; (2) the consultative style; (3) the group decision style; and (4) the delegated decision style.

The Vroom–Yetton model may be consulted if a principal is unsure of the appropriate group procedure. The principal can ask diagnostic questions; for example, ‘Should I prompt my subordinates to form a group?’ or ‘Should I include others?’. That is, the principal must decide to include people with the relevant expertise when utilising the Vroom–Yetton technique. Therefore, these models offer

alternatives that could allow group involvement in all forms of decision making (Vroom et al. 2005).

The definition of decision effectiveness covers the relationship of the decision to the group performance (Vroom and Yetton 1973). For the manager, the question is how important is group acceptance of the decision for it to be effectively implemented. The manager guides the scope of participation in decisions. The manager must then decide on decision effectiveness and the best way to reach the desired level of effectiveness. (Vroom and Yetton 1973).

Vroom and Yetton's (1973) model provides a mechanism for analysing the issues of the circumstance and the decision processes that are plausible in these situations. The aim is not to train managers in the use of the model, but to examine and make aware their own leadership style and whether their methods are effective in relation to the organisational outcomes (Vroom and Yetton 1973).

2.8.2 The Nominal Group Technique

The Nominal Group Technique is a structured process model to motivate creative group decision making. It was developed by Delberg and Van de Ven in 1968 as a mechanism for situations where group decision-making consensus is deficient, or group members have insufficient knowledge of the description of the problem (Bartol et al.1998; Lewis et al. 2001; Robbins et al. 2000). Besides fostering individual and group creativity, the technique further resolves the inclination of group members to censure ideas when they are presented (Lewis et al. 2001; Robbins et al. 2000).

The Nominal Group technique is useful in situations where group members must coordinate their judgments to solve a problem and ascertain an acceptable course of action (Pashiardis 1993, 1994; Bartol et al.1998; Lewis et al. 2001; Robbins et al. 2000). Pashiardis (1993) affirmed that the technique is effective in developing many creative alternatives while sustaining group satisfaction. In support, Lewis et al. (2001) and McMillian et al. (2016) suggested that the Nominal Group Technique is most effective when decisions are complex, or when the group is experiencing barriers or problems, particularly, with some autocratic associates.

2.8.3 The Brainstorming Technique

The brainstorming technique aims to motivate group members to offer as many novel ideas as is feasible on a subject matter without evaluating these ideas (Bartol et al. 1998). Robbins et al. (2000) identified that a classic brainstorming session comprises 6–12 people seated around a table. The group leader states the problem in a succinct way that is understood by all members.

Stoner et al. (1994) suggested that brainstorming has four basic rules: freewheel; offer many ideas; improve on already offered ideas; and do not criticise during idea generation. Bartol et al. (1998) similarly mentioned that brainstorming is usually combined with other approaches, such as selecting a word in a dictionary and brainstorming affiliations between the chosen word and features of the problem.

Brainstorming is a process for generating creative ideas and solutions through intensive and freewheeling group discussion (Bartol et al.1998). Analysis, discussion or criticism of ideas aired is permitted only after the brainstorming session is completed and the evaluation session commences (Bartol et al. 1998).

2.8.4 The Delphi Technique

The Delphi technique was developed by the Rand Corporation in the early 1960s (Pashiardis 1993) as a mechanism to compile the opinions of a group without face-to-face meetings. According to McMillan (2016), the Delphi Technique is a highly structured group interaction and variations have occurred in relation to generating ideas, and how 'consensus' is obtained from participants (McMillan et al. 2016) . The Delphi Technique uses interactions between group (called panel) members via questionnaires rather than face-to-face communication (McMillan et al. 2016). This means that it preserves participant anonymity (McMillan et al. 2016).

Lewis et al. (2001) identified that it is a highly useful technique for busy managers and subordinates given the flexibility it provides to respond at leisure without having to meet formally.

According to Pashiardis (1993), a significant advantage of the Delphi technique is the unique feature of anonymity among participants. This permits objectivity in the suggestions made and safeguards the process from those with powerful personal

influence, and from the censuring of ideas of the group. The Delphi technique uses a multistage self-completed questionnaire with individual feedback, to determine consensus from a larger group of 'experts.' Questionnaires have been mailed, or more recently, e-mailed to participants (McMillan et al. 2016).

There is no standard method to calculate a panel size for the Delphi Technique; however, the aim of the study and available resources are important (Campbell 2001). A sample of about fifteen has been suggested (Linstone 1975) but larger panels have also been used.

According to McMillan (2016), inviting more participants increases the variety of expertise, but eventually leads to diminishing returns. The first-round questionnaire will present a series of statements that the respondent is asked to rate on a clearly defined Likert scale. The content of the statements may come from a variety of sources, singly or in combination, including the literature or from previous research findings (McMillan et al. 2016).

According to McMillan, the procedures for the Delphi Technique as follows:

> "For the Delphi Technique, respondents are asked both to rate the item and to write free-text comments that, for example, explain their rating or express disagreement with the statement's relevance. Reminders are sent to non-responders in the usual way. The responses to the first-round questionnaires are collated and used to create the second-round questionnaire. The latter presents the same statements as before, together with both the individual respondent's rating and the median rating from the entire panel. A selection of the free-text responses is given, to represent the breadth of opinion. Respondents to the previous round thus get a personalised, unique questionnaire.
>
> After considering the group median and free-text comments, respondents re-rate the statements, by either giving the same rating as before or an amended rating. Respondents may give further comments about the statements if they wish. The number of survey rounds is usually decided in advance and is dependent upon the level of dissension expected." (McMillan et al. 2016, 658)

In most studies, two rounds are used but occasionally, only a single round has been run. More than two rounds increases panel attrition, so this is rarely done (McMillan

et al. 2016). The minimum time for a two-round Delphi can be as long as 30 days, although it may well take longer if multiple reminders are needed (McMillan et al. 2016).

McMillan et al. (2016) further explained that the time required for the collation of responses and the creation of personalised second-round questionnaires should not be underestimated. McMillian stated that though often a 9-point Likert scale is used for the rating, 3-point, 5-point and 7-point scales have also been implemented and the decision as to when consensus will have been reached must be made at the beginning of the study (McMillan et al. 2016). For example, if the aim is to develop assessment criteria using the RAND 9-point scale, then consensus is reached that a statement is appropriate if the median score is greater or equal to 7, and it is inappropriate if the median score is less than or equal to 3 (McMillan et al. 2016). Disagreement is defined as where at least one third of respondents rate the statement at the opposite end of the scale to their peers and that finding would mean that consensus had not been reached (McMillan et al. 2016).

2.8.5 Groupthink

Groups may still be faced with other problems in decision making, such as groupthink. Groupthink occurs when a group makes faulty decisions because group pressures lead to a deterioration of 'mental efficiency, reality testing, and moral judgment' (Janis 1982). A group is particularly vulnerable to groupthink when its members are similar in background, when the group is shielded from outside opinions and when there are no clear rules for decision making (Janis 1982). When Janis wrote about groupthink as a pathology of the foreign making process, his underlying assumption was that a key task for policy making bodies is reality testing (Janis 1982). According to Paul (1994), Janis' rationale for working with groups and teams in organisations in the first place, is that if they work well as a unit, they are demonstrably superior to individuals when it comes to processing information about novel, complex, and unstructured problems (Paul 1994). Paul (1994) further explained that a common task for foreign policymakers is to interpret events and trends in their domestic and international political, economic, and security environment (Paul 1994). Paul stated that this interpretation process occurs at different levels and at the most abstract level of foreign and defence policy strategy,

efforts to rethink the basic premises of the hard core of a country's policy are often triggered by major contingencies and crises in in the international system (Janis 1982; Paul 1994).

The groupthink construct emerged from Janis's (1982) analytical case study of major decision making. The study focused on United States (US) high-level governmental policy groups confronted with complicated issues in dynamic and complex environments. The groupthink 'fiascos' studied by Janis have been used to explain various group decision making, including the US failures to anticipate the attack on Pearl Harbour, the Bay of Pigs invasion, the escalation of the Vietnam conflict and the cover-up of the space shuttle Challenger disaster, as well as defective group decision making in business organisations (Janis 1982)

In each such episode, the participants adhered to group norms and pressures toward uniformity, even when their policy was working badly and had unintended consequences that disturbed the conscience of the member. Janis (1982) stated that members consider loyalty to the group the highest form of morality (Janis 1982). Janis found that participants in those critical decisions had failed to acknowledge the full range of alternatives or to consult experts for various perspectives (Janis 1982).

Janis and Mann (1977) stated that groupthink is likely to emerge under certain conditions, which are mirrored in specific manifestations presented by the decision-making process. Groupthink usually results in certain flaws in decision making that lead unavoidably to poor decision outcomes. Janis (1982) emphasised that the main antecedent of groupthink is a medium-to-high level of cohesiveness in the decision-making group, including structural faults in the group and a provoking situational context as secondary antecedents. In groupthink, the effect of leadership style is more consistent than is the effect of cohesiveness itself or the interaction effect on groupthink (Janis 1982, 1989).

Groupthink arises when cohesiveness interacts with other antecedent conditions. For instance, Callaway and Esser (1984) recorded an interaction effect between high cohesiveness and a lack of decision-making guidelines or procedures to avoid deficient decision-making processes. Thus, high cohesiveness combined with a lack

of standard procedures or guidelines discourages disagreement and provides fewer alternative solutions to problems (Callaway and Esser 1984).

2.8.6 Devil's Advocate

Schwenk and Cosier (1990) viewed that the role of a 'devil's advocate' is created to foster open discussion of proposed solutions, and not to depend on an individual group member to critique the predominant alternative. They propose that fostering disagreement in a structured setting may actually lead to better decisions (Schwenk and Cosier 1990).

Schwenk and Cosier (1990) advised that to achieve this aim, the role of devil's advocate should be switched among group members, so that no one member is the critic for all issues. Similarly, clarification must be made to the members that criticism of the predominant alternative is not personal but is part of the decision-making process.

Among the examples of the group-making decisions discussed above, the selected conceptual interdisciplinary models of managerial decision making have limited applicability in making operational decisions involving extreme levels of uncertainty. However, the process model of decision making is recommended for decisions with discernible levels of uncertainty, with its objective-oriented outcomes regarding innovation and organisational change, and its emphasis on long-term results (Harrison 1993). The Vroom–Yetton participative model, the nominal group, brainstorming and Delphi techniques, in addition to groupthink and devil's advocate illustrate the fixed environment within which organisations operate to be able effectively to facilitate group-making decisions.

In essence, there is an endless number of models of decision making that can be developed to advance the discipline. Models assist decision makers to comprehend the complex nature of decision making, and it is critical that managerial decision making considers the related aspects of other disciplines (e.g., economics, mathematics, statistics, psychology, social sciences, philosophy) (Harrison 1993, 27). Overall, decision making relies mainly on the decision maker's judgment; decisions made should be highly likely to achieve managerial objectives and to fulfil organisational goals (Harrison 1993). The next section of the chapter investigates

decision making in complex environments. This is very relevant given the focus of this thesis which explores how iron ore executives in Western Australia make decisions when working with their Chinese counterparts in the industry.

2.9 Decision Making in a Complex Environment

Classical and behavioural models of decision making were established in a stable and linear environment reflecting the simpler environments typical of the 19th and early 20th centuries (McKenna and Martin-Smith 2005; Purser 2011). The models of decision making discussed in earlier sections of this chapter outlined simple steps or processes to arrive at a decision. Decisions made by senior executive managers involved in the running of the organisation were generally focused on one industry in one country or region (McKenna and Martin-Smith 2005). This situation no longer exist as the expansion of organisations and the shift to globalisation has increased the heights complexity and ambiguity for strategic decision makers to manage. The situation is further complicated by the disperse of power and decision making within organisations, which is disseminated to other parts of the world with a diversity of cultures (McKenna and Martin-Smith 2005). This is very much the decision making environment within which this research is situated.

Conventional models including Dewey's classical decision-making model see decisions as comprising clear sequential steps: identify the problem; generate alternative solutions; evaluate and choose; and implement (Dewey 1990). Thompson and Tuden identified four approaches in this process based on the knowability of the situation (Nutt 2002): (1) analysis; (2) judgment; (3) bargaining; and (4) inspiration (Thompson and Tuden 1959). This linear simplicity is inadequate for the complex decision making framework needed in an iron ore industry spanning the globe.

During the 1970s, Mintzberg identified that the simple linear model is inadequate for significant organisational decisions, identifying cycling back and time lags as important elements in the process, and emphasising political choice approaches and authorisation (Mintzberg 1973, 2001; Mintzberg et al. 1976; Mintzberg et al. 2010)

During the 1970s and 1980s, researchers at Bradford University in the United Kingdom developed a new approach to decision making based on the Thompson and Tuden (1964) model (see Figure 2.11). The Bradford Study was an analysis of 150

case histories of top management decision making in 30 organisations, conducted by the University's Organisational Analysis Research Unit (Rowe 1989). In this model they identified complexity and political dynamics as key issues in decision making (Rowe 1989).

		Preferences regarding possible outcomes	
Beliefs about cause-effect relations	Certain	Certainty 1. Computational/ Calculation	Uncertainty 2. Compromise
	Uncertain	3. Judgement	4. Inspiration

Source: Rowe (1989, 30)

Figure 2.11: Decision strategies by Thompson and Tuden (1964)

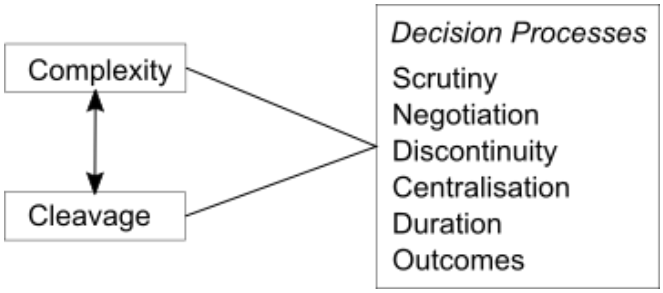
This model (see Figure 2.11) served as a landmark in the study of decision-making, and challenged the notion that it proceeds through set 'stages' by focusing on the variety and contingent nature of decision-making processes (Rowe 1989). According to Rowe (1989), the Thompson and Tuden model raised queries on decisions:

> "Why are some decisions arrived at differently from others? Why are some a response to problems being considered, while others result more from the various interests involved? Do certain problems produce particular types of decisions? Are the interests mainly inside or outside the organization? Does one type of organization take decisions differently from another?" (Rowe 1989, 30)

Astley (1982) building on Thompson and Tuden's model, proposed a model which argues that decision-making may vary in terms of complexity and cleavage. Complexity refers to the extent to which the topic is intricate, and may involve multiple considerations such as ambiguity, uncertainty and is likely to be greater in the case of innovative decisions (Astley et al. 1982). Hickson (1986) labelled cleavage, representing decision making in the political sphere where the complexity of each topic is exposed to the diverse and conflicting perspectives of multiple interests (Hickson et al. 1986).

According to Rowe (1989), combining these issues form a constellation representing decision set of interests around a topic; though greater cleavage does not necessarily

mean greater complexity, the two will increase together. To assess the relative contributions of complexity and cleavage, Astley (1982) introduced the notion of a 'decision-making arena' and suggested a number of concepts that are capable of illustrating the variability of decisions (see Figure 2.12).



Source: McKenna and Martin-Smith (2005)

Figure 2.12: Dual explanations of strategic decision making challenges

While Mintzberg and Bradford approaches improved the reality of the Thompson and Tuden model, linear organisational strategy remains incapable of meeting these challenges (McKenna and Martin-Smith 2005). It lacks the ability to promote visionary ideals by individuals and organisations, and the learning, creativity and innovation required for future concept generation and decisions (McKenna and Martin-Smith 2005).

At this point of the literature review, for the researcher, it raises some poignant questions for the study; whether the Australian's companies' decision making frameworks are aligned with the Chinese companies' decision making frameworks within the iron ore industry? Are the Australians senior executives or employees aware of the different decision making processes and systems that exist in their Chinese counterparts to be able to communicate better? As a consequence, the next section looks at complexity theory and complex adaptive systems in the sphere of decision making.

2.9.1 Complexity Theory and Complex Adaptive Systems (CAS)

The aim of this section is to understand corporate strategy from a complexity theory viewpoint, and to contrast it with traditional theories of corporate strategy. Complexity theory focuses on the important compromise between flexibility and

efficiency and finding an equilibrium between more structure or less structure (Eisenhardt and Piezunka 2011).

It also covers a comprehensive description of corporate strategic decision making as a Complex Adaptive Systems. The unexplored realm of complexity theory can provide a rich interpretation of corporate strategy literature and organisation theory (Eisenhardt and Piezunka 2011).

According to Mitroff and Linstone (1996), recent studies of chaos theory and complexity theory in organisational and decision making studies have shown understanding the world as an integrated whole with the decision-making toolkit. System behaviour comes from complex, nonlinear interactions among different units driven by constructive feedback processes (Marion 1999; Stacey 1996). It is obvious that effect does not essentially follow cause in a proportional, linear manner; thus this nonlinearity, behaviour is difficult or impossible to predict (Eisenhardt and Piezunka 2011).

Chaos and complexity theories offer insights that can be powerful tools for decision makers, particularly those in the Australian iron ore industry. The underlying reasons for complexity and chaos in the environment stem from two perspectives: first, the nature of change in the environment due to technology, communication, economic, political; and second, the nature of behaviour of the participants within the environment (Eisenhardt and Piezunka 2011).

2.9.2 Complexity Theory

Grounded in general systems theory, 'complexity theory' has been applied in numerous academic disciplines including chemistry (Bonchev and Rouvray 2005), biology (Kauffman and Macready 1995), economics (Arrow et al. 2000), physics (Gell-Mann and Tsalis 2004) and computer science (Simon 1997). Complexity theory in management has become developed in organisation theory (Simon 1962; Anderson and Brown 2010) and practised in corporate strategy (Mintzberg 1992; Eisenhardt and Piezunka 2011). Thus, it is sensible for the researcher to conclude that complexity theory needs to be incorporated as part of decision making strategy for an organisation having relationships or partnerships with another country.

‘Complexity’ refers to a particular kind of behaviour that arises from Complex Adaptive Systems but not to the system per se (Gell-Mann and Tsalis 2004). According to Gell-Mann (1995), a Complex Adaptive System consists of partly associated agents who influence the complex behaviour that is typical of these systems. Each agent in a Complex Adaptive System behaves autonomously upon obtaining precise rules and information from the overall network in co-evolution with the environment. Gell-Mann (1995) stated that in structured systems, the behaviour are clearly defined that ensures predictable outcomes. However, in less structured systems, the behaviour can be explained by the mathematical concept of randomness Gell-Mann (1995). In comparing systems with moderate structure, the emergent behaviour is an unpredictable blend of complex behaviours that are not fully structured or random (Eisenhardt and Piezunka 2011).

According to Langton, the transition phase between regularity and randomness is known as the ‘edge of chaos’, where complex behaviour surfaces (Langton 1990). The focal point of complexity theory is the structures (rules, formalisation, scale and connections) that permit access when operating on the edge of chaos (Kauffman 1995).

Central to complexity theory are two main proposals. First, it considers the optimal amount of structure that is established in the compromise between flexibility and efficiency (Davis 1997; Eisenhardt and Piezunka 2011). Gell-Mann (1994) stated that partly connected systems of agents are more highly performing than those decoupled or highly coupled. Thus, when the basic elements of the system are over-connected, the system develops ‘gridlocks’ to adapt to new opportunities or illustrate a ‘complexity catastrophe’ (Eisenhardt and Piezunka 2011).

In contrast, with under-connected elements, the system becomes highly disordered and error prone, to adapt or shift to ‘error catastrophe’, where it lacks adequate opportunities (Eisenhardt and Piezunka 2011). In essence, partially connected systems with a moderate degree of structure are flexible and efficient (Kauffman 1995; Langton 1990; Gell-Mann 1994; Eisenhardt and Piezunkka 2011).

According to Eisendhardt and Piexunkka (2011), the second proposal addresses the relationship between the best structure and the environment. They stated when the

setting instability decreases, there is greater efficiency within the increased structure resulting in usefulness and benefits. Thus, managers can create structures that emulate patterns observed in the setting (Eisenhardt and Piezunka 2011). In contrast, as environmental instability increases, greater elasticity and thus less structure are useful (Davis et al. 2009).

Restricted structure is highly error prone and demanding of attention, so the scope of best structures tapers to the edge of chaos, which is problematic to manage. Therefore, the optimal amount of structure and its ranges depend on the instability of the environment (Eisenhardt and Piezunka 2011).

2.9.3 Understanding Complexity — A Process of Decision Making

Snowden stated that understanding complexity is more a way of thinking about the world than a new way of working with mathematical models (Snowden 2007). According to Snowden, the system is dynamic, the whole is greater than the sum of its parts and solutions cannot be imposed; rather, they arise from the circumstances. This is frequently referred to as emergence (Snowden 2002; Snowden 2007; Snowden 2008)

Basically, emergence is a systemic process where structures come into being that are unexpected, given the known attributes of component agents and environmental forces (Lichtenstein and McKelvey 2011). Sociologist Herbert Mead provided an insightful definition in 1938:

> "When things get together, there then arises something that was not there before, and that character is something that cannot be stated in terms of the elements which go to make up the combination. It remains to be seen in what sense we can now characterize that which has so emerged." (Quoted in Mihata 1997, 30)

According to Lichtenstein and McKelvey (2011), Mead's statement of when 'things get together', or how to identify 'something that was not there before', challenges the emergent combination and the components that make up that system.

According to Snowden (2007), a complex system comprises of four distinct features. Firstly, a complex system has a large number of interacting elements. Secondly, these interactions are nonlinear and minor changes can produce disproportionately

major consequences. Thirdly, the system has a history and the past is integrated with the present; the elements evolve with one another and with the environment; and evolution is irreversible. Fourthly, though a complex system may, in retrospect, appear to be ordered and predictable, hindsight does not lead to foresight because the external conditions and systems constantly change (Snowden 2007).

According to Snowden (2007, 2008), in ordered systems, the system constrains the agents; whereas in the chaotic systems, there are no constraints. However, in a complex system the agents and the system constrain one another, especially over time. This means that decision makers cannot forecast or predict what will happen (Snowden 2002, 2007, 2008). Thus, for this research study, it will also explore the complexities of decision making processes in relation to Australia's decision making framework in relation to its Chinese counterparts within the iron ore industry.

Snowden and Boone (2007) stated that theories of complexity is that complex phenomena arise from simple rules. As they note, if one was to contemplate the rules for the flocking behaviour of birds: the birds fly to the centre of the flock, they fly at the same speed to avoid collision. (Snowden 2007). This simple-rule theory was applied to industrial modelling and production (Snowden 2007). However, other thinkers and practitioners have begun to argue that human complex systems are very different from those in nature and cannot be modelled in the same ways because of human unpredictability and intellect (Snowden 2007).

Leaders who want to apply the principles of complexity science to their companies have to decide to think and act differently than they have prior. This is challenging the status quo but it is essential in complex contexts. The researcher will explore whether the decision making processes within the iron ore industry between Western Australia and China is predictable or unpredictable in the business context.

2.9.4 The Cynefin Framework

As explained by Snowden and Kurtz (2003):

> "The name Cynefin is a Welsh word whose literal translation into English as habitat or place fails to do it justice. It is more properly understood as the place of our multiple affiliations, the sense that we all, individually and collectively, have

> many roots, cultural, religious, geographic, tribal, and so forth. We can never be fully aware of the nature of those affiliations, but they profoundly influence what we are. The name seeks to remind us that all human interactions are strongly influenced and frequently determined by the patterns of our multiple experiences, both through the direct influence of personal experience and through collective experience expressed as stories" (Snowden and Kurtz 2003, 467).

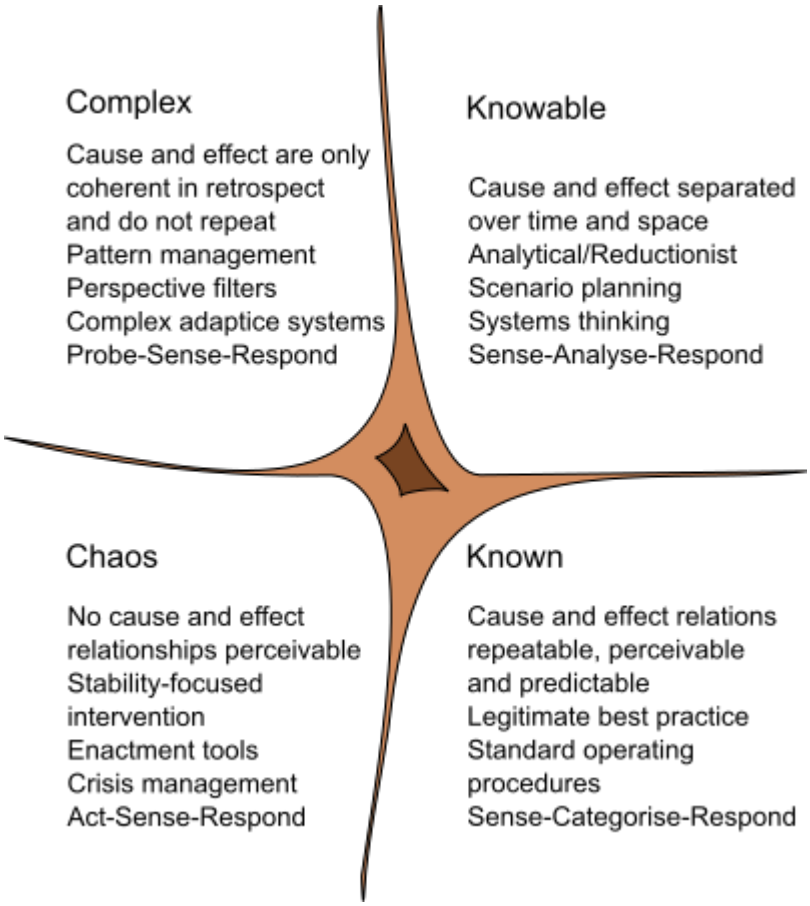
The Cynefin framework originated from the field of knowledge management as a way of differentiating between formal and informal communities, and observing the interaction of structured processes and uncertain conditions (Snowden and Kurtz 2003). Snowden and Kurtz (2003) shared that the Cynefin framework outgrew its use in the knowledge management sphere, having been in applied in the commercial and research arenas of knowledge management, strategy, management, training, cultural change, policy making, product development, market creation and branding (Snowden and Kurtz 2003). The Cynefin framework extended its use in the areas of leadership, customer relationship management and supply chain management (Snowden and Kurtz 2003) and now in the realm of decision making.

According to Snowden and Kurtz, Cynefin is a sense-making framework, meaning its value is not in the logical arguments or empirical proofs, rather its validity is the sense-making and decision-making capabilities of those who use it (Snowden and Kurtz 2003). The Cynefin framework gives decision makers powerful new constructs to use to make sense of a multitude of unstipulated problems (Snowden and Kurtz 2003). Cynefin helps decision makers to break out of archaic ways of thinking and to deliberate challenging and awkward problems in new ways (Snowden and Kurtz 2003). The framework is beneficial in collective sense making, allowing shared perceptions to emerge through the numerous discussions of the decision-making group (Snowden and Kurtz 2003).

Snowden and Kurtz drew a strong distinction between sense-making frameworks and categorisation frameworks. In a categorisation framework, four quadrants are often presented in a two-by-two matrix in textbooks or analytical reports (Snowden and Kurtz 2003). The most desirable destination to be is situated in the upper right-hand quadrant, so the actual value of this framework is to recommend on how to arrive at the upper right quadrant (Snowden and Kurtz 2003).

In contrast, none of the domains described within the Cynefin framework is more desirable than any other; there are no implied value axes (Snowden and Kurtz 2003). Instead, the Cynefin framework is used solely to think of the dynamics of situations, decisions, perspectives, conflicts and changes, to arrive at a consensus for decision making under uncertainty (Snowden and Kurtz 2003).

As can be seen in figure 2.13, the 2003 Cynefin framework had five domains (four of which are named) and a fifth central area, which is the domain of disorder. The right-hand domains are those of order and the left-hand domains those of disorder.

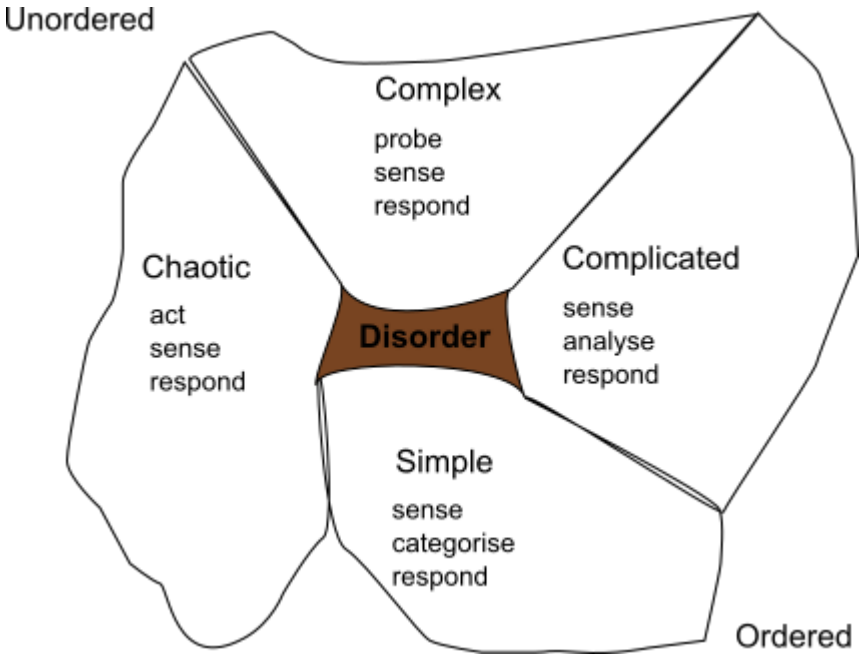


Source: Snowden & Kurtz (2003)

Figure 2.13: Cynefin domains

In 2007, the Cynefin framework was updated to become an innovative strategic decision process model that provides an evolutionary perspective of complex systems characterised by uncertainty (Snowden 2007). It draws on research from a variety of disciplines extending from Complex Adaptive Theory and cognitive science to philosophy, anthropology and evolutionary psychology (Snowden 2008).

Snowden and Kurtz were apprehensive with how people perceive and make sense of situations in order to make decisions (Snowden 2008). The Cynefin framework proposes five domains or approaches to strategic decision making established from the characteristics of the situation at hand (Snowden 2007). Contrary to business matrices, there is no preference of one domain quadrant over the other. The central position represents the 'unknown' or 'disorder' domain and remains open. The aim of the framework is to reach consensus that decreases the unknown domain. A summary of the five domains follows (see Figure 2.14).



Source: Adapted from Snowden (2007)

Figure 2.14: The updated (2007) Cynefin framework: the five domains

The Cynefin framework explains simple, complicated, complex and chaotic contexts requiring different managerial responses (Snowden and Boone 2007). By accurately assessing the situational context, remaining alert of danger signs and avoiding inappropriate reactions, managers can lead effectively in various situations (Snowden and Boone 2007).

The Cynefin framework helps leaders to identify the current working context to make suitable choices, and each domain or context requires different actions (Snowden and Boone 2007). The simple and complicated contexts assume an 'ordered' universe, where cause-and-effect relationships are perceivable and accurate answers can be ascertained based on facts (Snowden and Boone 2007). In contrast,

complex and chaotic contexts are 'unordered'; there is no immediately apparent relationship between cause and effect; and the way forward is determined based on emerging patterns (Snowden and Boone 2007). According to Snowden and Boone, the ordered world is the world of fact-based management; the unordered world represents pattern-based management (Snowden and Boone). Hence, the effective manager should respond accordingly in the following contexts (Snowden and Boone 2007) which are outlined in table 2.9.

Table 2.9: Cynefin framework: a leader's guide to decision making

	THE CONTEXT'S CHARACTERISTICS	THE LEADER'S JOB	DANGER SIGNALS	RESPONSE TO DANGER SIGNALS
SIMPLE	Repeating patterns and consistent events Clear cause-and-effect relationships evident to everyone; right answer exists Known knowns Fact-based management	Sense, categorize, respond Ensure that proper processes are in place Delegate Use best practices Communicate in clear, direct ways Understand that extensive interactive communication may not be necessary	Complacency and comfort Desire to make complex problems simple Entrained thinking No challenge of received wisdom Overreliance on best practice if context shifts	Create communication channels to challenge orthodoxy Stay connected without micromanaging Don't assume things are simple Recognize both the value and the limitations of best practice
COMPLICATED	Expert diagnosis required Cause-and-effect relationships discoverable but not immediately apparent to everyone; more than one right answer possible Known unknowns Fact-based management	Sense, analyze, respond Create panels of experts Listen to conflicting advice	Experts overconfident in their own solutions or in the efficacy of past solutions Analysis paralysis Expert panels Viewpoints of nonexperts excluded	Encourage external and internal stakeholders to challenge expert opinions to combat entrained thinking Use experiments and games to force people to think outside the familiar
COMPLEX	Flux and unpredictability No right answers; emergent instructive patterns Unknown unknowns Many competing ideas A need for creative and innovative approaches Pattern-based leadership	Probe, sense, respond Create environments and experiments that allow patterns to emerge Increase levels of interaction and communication Use methods that can help generate ideas: Open up discussion (as through large group methods); set barriers; stimulate attractors; encourage dissent and diversity; and manage starting conditions and monitor for emergence	Temptation to fall back into habitual, command-and-control mode Temptation to look for facts rather than allowing patterns to emerge Desire for accelerated resolution of problems or exploitation of opportunities	Be patient and allow time for reflection Use approaches that encourage interaction so patterns can emerge
CHAOTIC	High turbulence No clear cause-and-effect relationships, so no point in looking for right answers Unknowables Many decisions to make and no time to think High tension Pattern-based leadership	Act, sense, respond Look for what works instead of seeking right answers Take immediate action to reestablish order (command and control) Provide clear, direct communication	Applying a command-and-control approach longer than needed "Cult of the leader" Missed opportunity for innovation Chaos unabated	Set up mechanisms (such as parallel teams) to take advantage of opportunities afforded by a chaotic environment Encourage advisers to challenge your point of view once the crisis has abated Work to shift the context from chaotic to complex

Source: Snowden and Boone (2007)

Additionally, Snowden cautioned about complacency in the boundary between simple and chaotic, and to manage in complicated and complex spaces, by allocating to each a realm in which to work. Similarly, he advised that in chaotic and complicated contexts it is preferable to bring in an expert for assistance (Snowden 2002; Snowden and Boone 2007).

For the purpose of innovation, Snowden (2005) discussed two barriers to innovation: entrenched thinking of experts and over-confidence; and over-rigid organisations (Snowden 2002; Snowden and Kurtz 2003; Snowden and Boone 2007; Snowden 2008). An approach to creating new good practices in decision making could be considered; for example, presenting problems where the solutions are camouflaged and multiple (the complicated domain) via the complex domain with a view of chaos to illustrate that scenarios can be far worse (e.g. liberation).

In conclusion, the originators Snowden and Kurtz explained that they:

> "… do not pretend that all the basic ideas inherent in the Cynefin framework are new or unique. They can in fact be found floating around history for thousands of years. The distinction between order and un-order (and their interactions) is ancient. The chaotic–complex distinction has been much debated in recent years, with some saying complexity exists at the 'edge of chaos', some saying that the two phenomena have separate origins and cannot be placed together, and some even saying that the distinction is artificial and arbitrary. The distinction between known and knowable is widespread and goes back to ancient philosophy." (Snowden and Kurtz 2003, 480).

Nevertheless, Snowden and Kurtz did claim originality for the development of the ideas behind the framework in its full form and for the methods used to make the framework useful in practice (through the relationships with other action research and sense-making methods) (Snowden and Kurtz 2003). However, in strategic decision making, emergent models such as the Cynefin framework are helpful in the face of environmental changes involving high risk and uncertainty in complex situations (Snowden and Boone 2007). In using the Cynefin framework as an example, the researcher in this study endeavours to determine how best the Western Australian iron ore industry can strategise and adapt to the complexities of a changing Chinese business environment.

2.10 Decision Making and Cultural Intelligence in the Australian Context

This section examines key factors that influence the decision-making process in the Australian context. It explores culture as part of the decision-making process. With respect to this study, cross cultural influences that might impact decision making in the Australian iron ore industry in dealing with China is of interest. Culture has been defined in myriad of ways relying on a dominant theoretical lens and a range of methodological approaches (Adler, 1983). The idea of countries having a specific culture – or *Völkergeist*, for example, was considered with the rise of nation states in Europe at the end of the nineteenth century (Beugelsdijk and Maseland, 2011).

In this section, the researcher looks at the concept of culture as explained by Hofstede's cultural dimensions (Hofstede 1991, 2011), the Global Leadership and Organisational Behaviour Effectiveness research program (GLOBE) (House et al, 2004) and the Circuit of Culture model (Curtin and Gaither 2007).

2.10.1 Socio – Cultural Aspects of Decision Making in Australia and China

Australia and China have significantly different national cultures. Australia's culture is derived from its Western Anglo–Celtic background. By comparison, China's culture originates from the Confucian culture that in many ways is representative of many Asian cultures (Hofstede 1991; Chen 1995; Ralston 1997). These differences may include values and attitudes towards management styles and decision making in organisations. Considering these differences, the two countries play pivotal roles in the economy and political perspectives of the Asia–Pacific region in an open global economy. An Australian society:

> "… values respect for the freedom and dignity of the individual, freedom of religion, and, commitment to rule of law, Parliamentary democracy, equality of men and women and a spirit of egalitarianism that embraces mutual respect, tolerance, fair play and compassion for those in need and pursuit of the public good". (Ministry of Home Affairs 2018)

It takes times to adjust in any foreign business setting. The difference with the Australian business setting are the set of established business and legal rules that

have existed for the past 200 years. The legislation is clear and transparent in Australia's democratic and capitalistic state. In relation to the Chinese counterparts, China's legislation is not as clear or in the progress of being developed because it is a socialist state. Thus for China to come to Australia to conduct business, an adjustment of how things are done in Australia differs from their nation.

For example, the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*, also known as the *Banking Royal Commission* and the *Hayne Royal Commission*, was a royal commission established on 14 December 2017 by the Australian government pursuant to the Royal Commissions Act 1902 to inquire into and report on misconduct in the banking, superannuation, and financial services industry. (Royal Commission 2020). A dedicated website was created to provide transparency for the Australian people affected by this misconduct from their banks. (See figure 2.15 - *Royal Commission Website into Misconduct in the Banking Superannuation and Financial Services Industry).*

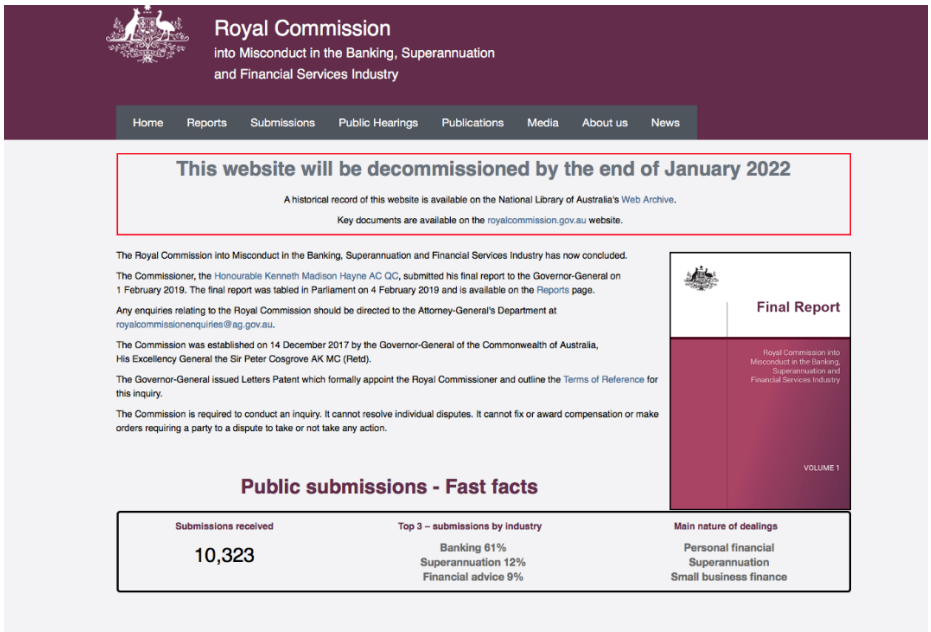
The establishment of the commission followed revelations in the media of a culture of greed within several Australian financial institutions (Adele 2014). A subsequent parliamentary inquiry recommended a royal commission, noting the lack of regulatory intervention by the relevant government authorities (McGrath and Janda 2014), and further revelations explained that financial institutions were involved in money laundering for drug syndicates, turned a blind eye to terrorism financing, and ignored statutory reporting responsibilities (Verrender 2017) and impropriety in foreign exchange trading (Frost and Eyers 2016).

The big four banks, Commonwealth Bank, National Australia Bank (NAB), Westpac, ANZ Bank (ANZ) - the established financial services in Australia were being investigated for corruption (The Royal Commission 2020).

First, Commonwealth Bank chief executive Ian Narev apologised unreservedly to customers who lost money in the bank's multi-million dollar financial planning scandal (Janda 2014). Second, Australian Securities and Investments Commission (ASIC) banned National Australia Bank (NAB) staff who were previously licensed to provide financial advice (Ferguson and William 2015). It was revealed that NAB were implicated in impropriety in foreign exchange trading (Dankert 2016). Third,

Westpac refunded $65 million to 220,000 customers after it failed to pass on benefits received under home loans, credit cards, transaction accounted, offered by the bank (Dankert 2017). Lastly, the ANZ Bank settled with ASIC prior to the commencement of legal proceedings in relation to the bank bill swap rate scandal Uribe and Thomson 2017).

The Honourable Kenneth Madison Hayne AC QC, the former Justice of the High Court of Australia, served as the sole commissioner and submitted an interim report to the Governor-General of Australia on 28 September 2018, which was tabled in parliament by the Government on the same day (Hayne 2018). The Royal Commission conducted seven rounds of public hearings over 68 days, called more than 130 witnesses and reviewed over 10,000 public submissions (Commissioner Hayne submitted a final report to the Governor-General on 1 February 2019 with 76 separate recommendations. The final report and the government's response to the report were made public on 4 February 2019 (Grattan 2018).



Source: Australian Government (2019)

Figure 2.15: Royal Commission into Misconduct in the Banking Superannuation and Financial Services Industry

From the example above, the Australian business environment differs from China's business setting as its ideology is socialist in nature compared to Australia's. Australia's government has illustrated transparency in terms of legislation as well as

the return of capital to the customers with the said banks involved. For the researcher of this study, decision making and cultural intelligence is required for the Australian Iron Ore Executives who will be required to understand the difference and potentially similarities between Australia and their Chinese counterparts in order to establish mutually benefitting business relationships within the iron ore industry.

2.11 Cultural Intelligence

Initial research defined intelligence strictly as the skill to understand concepts and decipher challenges in an academic sphere (Ang and Inkpen 2008). There is an increasing consensus that "intelligence may be displayed in places other than the classroom" (Sternberg and Detterman, 1986). The growing interest in "real-world" intelligence has identified new types of intelligence that focus on specific content domains, such as social intelligence (Thorndike and Stein, 1937), emotional intelligence (Mayer and Salovey, 1993), and practical intelligence (Sternberg et al. 2000).

2.11.1 Cultural Intelligence – Individual Level

Earley and Ang (2003) defined cultural intelligence as an individual's capability to function and manage effectively in culturally diverse settings. According to Ang and Inkpen (2008), this understanding of cultural intelligence relates to not only an individual's capability in creating cultural groups and functioning well in one of those cultural groups, it also refers to the individual's resourcefulness to function effectively in interactions across cultural groups.

Cultural intelligence is stimulated by the reality of globalization in the workplace (Earley and Ang 2003). According to Ang and Inkpen (2008), social intelligence or emotional intelligence (EQ) complements cognitive intelligence (IQ), and all are important for an individual to find success in professional life and personal relationships in an increasingly interdependent complex world.

Ang and Inkpen (2008) suggest that cultural intelligence (CQ) is another complementary form of intelligence explaining changeability in coping with diversity and functioning in new cultural and decision making settings. It is important to distinguish that since the norms for social interaction vary from culture

to culture, it is unlikely that emotional intelligence (EQ) and social intelligence (IQ) will translate automatically into effective cross-cultural adjustment and interaction (Ang and Inkpen 2008). This makes this study particularly unique in that it explores how West Australian executives in the resources industry, in particular, the iron ore sector develop and adapt their decision making when dealing with a different culture as complex as China.

Ang et al. (2007) operationalize cultural intelligence as a four-factor model that includes metacognitive, cognitive, motivational, and behavioural dimensions. Cultural intelligence as a four factor construct is built on Sternberg and Detterman's (1986) framework of the multiple foci of intelligence. Sternberg and Detterman (1986) incorporated the myriad views on intelligence to offer four avenues to conceptualize individual level intelligence: First, metacognitive intelligence is knowledge and control of cognition (the processes individuals use to acquire and understand knowledge). Second, cognitive intelligence is individual knowledge and knowledge structures. Third, motivational intelligence acknowledges that most cognition is motivated and thus it focuses on magnitude and direction of energy as a locus of intelligence. Lastly, behavioural intelligence focuses on individual capabilities at the action level (behaviour) (Sternberg and Detterman 1986). Motivational intelligence acknowledges that most cognition is motivated. It reflects and individual's capability to direct their energy toward learning about and functioning in intercultural situations.

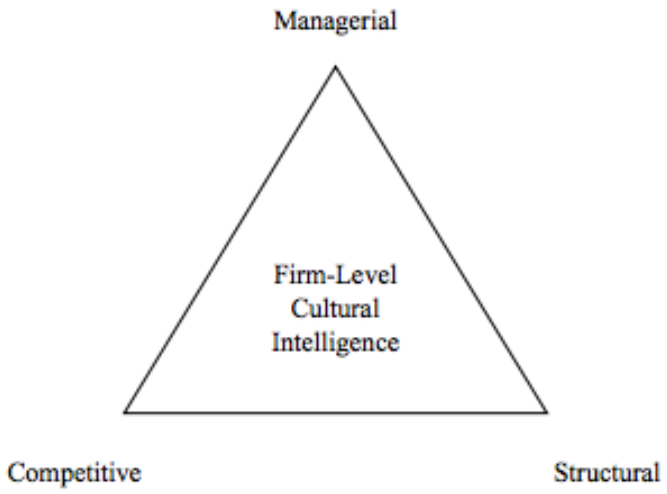
2.11.2 Framework of Firm-Level Cultural Intelligence

Organisations or companies can acquire the capacity to learn and create new knowledge to perform effectively in culturally diverse environments (Ang and Inkpen 2008). Teece (2007) argued that:

> "not only must the innovating enterprise spend heavily on research and development and assiduously develop and protect its intellectual property, it must also generate and implement the complementary organizational and managerial innovations needed to achieve and sustain competitiveness. With intangible assets being critical to enterprise success, the governance and incentive structures designed to enable learning and the generation of new knowledge become salient" (Teece 2007, 1320–1321).

The better a company or organisation is at learning and generating new knowledge, the more intelligent the firm. Huber (1990) defined organizational intelligence as an organization's capabilities to acquire, process, and interpret information external to the organization and is an input to the organization's decision makers. Even though all organisational decision making engages elements of intelligence, Leidner and Elam (1995) differentiated organisational intelligence from organisational decision making. Intelligence is perceived as an input to the organization's decision makers. Hence, better intelligence should lead to better decisions (Ang and Inkpen 2008). Again, the importance of this study is reflected here in that it captures the learning of executives that has occurred as a result of working with China. This organizational knowledge can be very useful in preparations for strategic decisions.

Ang and Inkpen (2008) identified three types of capabilities that encompass both tangible and intangible resources and span multiple organisation levels. Ang and Inkpen (2008) labelled the resources managerial, competitive, and structural capabilities (see Figure 2.16).



Source: Ang and Inkpen (2008)

Figure 2.16: Framework of firm-level cultural intelligence

2.11.3 Managerial Cultural Intelligence

The possession of cultural intelligence by a firm's managers is a valuable resource, especially when the cultural intelligence resides in its upper echelons or top management team (Hambrick & Mason 1984) and in the project managers of the offshoring venture. A firm's top management team embodies the vision and worldview of the firm (Ang & Inkpen 2008). As is relevant to this study, an exploration of this cultural intelligence as applied to decision making when dealing with China is invaluable in supporting the Australian resources sector.

Miller (1991) placed high emphasis on top management team experience because the experience shapes the cognitive structures through which managers see the world. The cognitive structures influence how the top management team make sense and filter business issues (or filter them out) as well as interpret and construct meanings out of them (Kiesler & Sproull, 1982). Forming appropriate mental models thus allows the top management team to cope with fast changing external environments and plan decision strategies accordingly (Huff, 1990).

The value of intellectual or cognitive resources is demonstrated by the actions of decision makers (Ang & Inkpen 2008). For example, the decision maker's ability to make judgments about business opportunities and subsequently, turn those judgments into competitive action is a hallmark of organisational success (Ang & Inkpen 2008). The motivation and determination of the top management team contributes to the managerial intercultural capability of an organisation (Ang & Inkpen 2008).

2.11.4 Metacognitive Cultural Intelligence

Metacognitive cultural intelligence refers to a manager's level of conscious cultural awareness during cross-cultural interactions (Ang and Inkpen 2008). Individuals with strength in metacognitive cultural intelligence constantly challenge their own cultural assumptions, reflect during interactions, and adjust their cultural knowledge when interacting with those from other cultures (Ang and Inkpen 2008).

Metacognitive cultural intelligence involves higher-level cognitive strategies that allow managers to develop new heuristics and rules for social interaction in novel

cultural environments by promoting information processing at a deeper level (Nelson, 1996). For example, a Western business executive with high metacognitive cultural intelligence would be aware, vigilant, and mindful about the appropriate time to speak up during meetings with Asians (Ang and Inkpen 2008). This study intends to capture some of this metacognitive cultural intelligence through the exploration of their decision making with China.

Those with high metacognitive cultural intelligence would typically observe interactions and the communication style of their Asian counterparts (such as turn-taking), and would think about what constituted appropriate behaviour before speaking up (Ang and Inkpen 2008).

2.11.5 Cognitive Cultural Intelligence

Cognitive cultural intelligence refers to a manager's knowledge of norms, practices, and conventions in different cultures that has been acquired from educational and personal experiences (Ang and Inkpen 2008). Cultural knowledge consists of knowledge of both the objective culture (i.e., the human-made part of the environment; the economic, political, and legal institutions; social customs, arts, language, marriage, and kinship systems; as well as a subjective culture of values and beliefs (Ang and Inkpen 2008). The cognitive factor of cultural intelligence is a critical component of cultural intelligence because knowledge of culture influences people's thoughts and behaviours (Ang and Inkpen 2008).

For the researcher of this study, understanding a society's culture and the elements of culture allow decision makers to better appreciate the systems that shape and cause specific patterns of social interaction within a culture. Consequently, those with high cognitive cultural intelligence are better able to interact with people from a culturally different society, and in turn, positively influence the impact of their decisions.

2.11.6 Behavioural Cultural Intelligence

Finally, behavioural cultural intelligence refers to a manager's capability in exhibiting appropriate speech acts, that is, verbal and nonverbal actions taken while interacting with people from different cultures.

As Hall (1959) emphasized, mental capabilities for cultural understanding and motivation must be complemented by the ability to exhibit appropriate verbal and nonverbal actions based on cultural values of a specific setting.

When individuals initiate and maintain face-to-face interactions, they do not have access to each other's latent thoughts, feelings, or motivation (Hall 1959). Individuals rely on what they see and hear in the other person's vocal, facial, and other outward expressions (Hall 1959). In intercultural situations, nonverbal behaviours are especially critical, because they function as a "silent language" and impart meaning in subtle and covert ways (Hall, 1959).

According to Ang and Inkpen (2008), the behavioural expressions are especially salient in cross-cultural encounters, the behavioural component of cultural intelligence may be the most critical factor when working closely with partners from another culture. In summary, the importance of managerial cultural intelligence as a key resource is grounded in the nature of offshoring as a process of managerial interactions (Ang and Inkpen 2008). Companies that lack this resource at the managerial level will struggle to deal with issues that arise between managers from different cultural contexts (Ang and Inkpen 2008).

2.11.7 Competitive Cultural Intelligence

At the firm level, managerial capabilities embodied in cultural intelligence, will be insufficient to create sustainable offshoring advantage (Ang and Inkpen 2008). From the perspective of cultural intelligence, the company must also possess other competitive resources embodied in the processes and routines that exist in the firm that enable the firm to manage the competitive factors associated with offshoring (Ang and Inkpen 2008). In other words, competitive resources such as operational, marketing, research and development, financial, as well as reputational resources are fundamental for contributing to a company's competitiveness in the marketplace (Ang and Inkpen 2008).

According to Ang and Inkpen (2008), the ability to generate competitive resources through these means helps build an organisation's competitiveness. The intelligent company understands the type of resources required to compete and the competitive risks associated with strategic decisions (Ang and Inkpen 2008). A company's

possession of competitive cultural intelligence could be viewed as a meta-capability (Teece, 2007) that transcends technical or operational capabilities. Organisations that have this competitive capability will integrate knowledge assets within the organisation, between the organisation and international business partners (Kogut & Zander, 1992; Grant, 1996).

2.11.8 Structural Cultural Intelligence

The third resource associated with a firm's cultural intelligence is structural. Structure refers to the way a firm organizes and develops routines for hierarchical or reporting relationships (Miller and Friesen, 1983).

Organizing structure enables a firm to harness and combine resources that reside in various parts of the organization to form capabilities. The structures reflect how firm actions and strategies are formulated and implemented. They are also complicated patterns of social action developed over a certain period of time (Nelson and Winter, 1982).

Some firms have horizontal hierarchical structures that enable quick communication and response whereas others prefer vertical hierarchical structure that emphasizes detailed deliberation and control (Nelson and Winter, 1982). Some firms are more decentralized in their organizational and control structure whereas some are more centralized (Nelson and Winter, 1982).

In addition to a firm's formal structure, its informal structure also represents an important resource, although one that is probably less able to be reconfigured than the formal structure (Ang and Inkpen 2008). For many firms, routines and actions are repeatedly shaped and determined by social networks and cliques that do not exist officially in a firm (Inkpen and Tsang, 2005). By and large, differences in structures reflect how managers view where firm resources reside within the organization and how they use and combine them to create competitive advantages (Ang and Inkpen 2008). Structure also involves how firms manage important interorganizational relationships, such as offshoring projects (Ang and Inkpen 2008). In high stakes cross cultural decisions, this informal structure is important to understand, as it can, in the case of this study, dictate the success of a negotiation. Capturing this informality is important to the overall objectives of this study.

The researcher of this study has highlighted the complex decision making environment in the earlier literature review and how the Australian Iron Ore Executives will require cultural intelligence to navigate, negotiate and nurture their relationship with their Chinese counterparts within the iron ore industry.

The researcher of this study will further discuss the following selected cross cultural theories that may help in the decision making process between the Australian Iron Executives in relation with their Chinese counterparts. The Hofstede Cultural Dimensions focuses on cultural issues at a national level, the GLOBE research looks at the cultural frameworks across different countries at company level, the Circuit of Culture Model that identifies a communication protocol encompassing cultural messages and nuances. Lastly, Scollon et al. (2012)'s Intercultural Communication Discourse Approach that explores cultural understanding at an institutional and team level. This approach illustrates that understanding cultural awareness and the new meanings of culture that are constantly being created are part of a complex decision making framework.

2.12 Hofstede's Cultural Dimensions

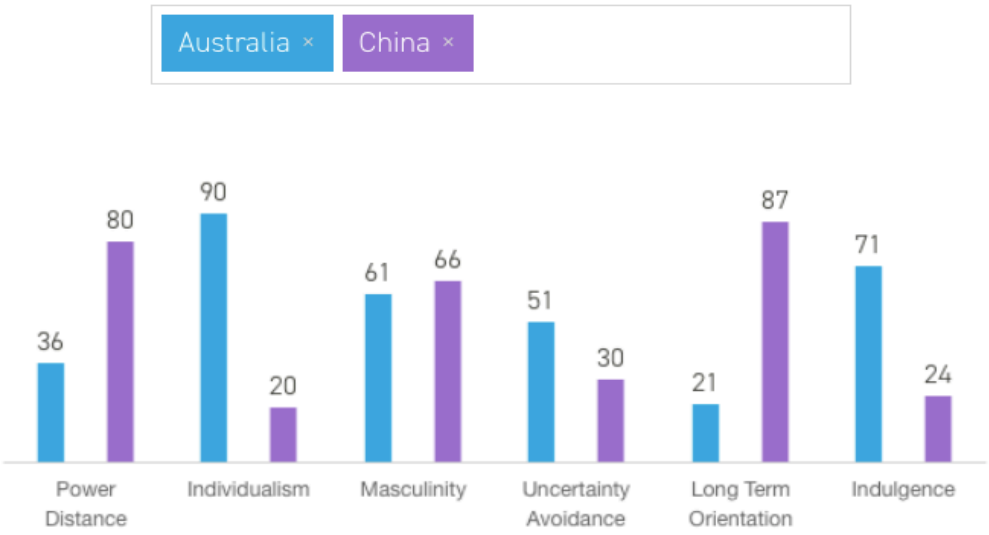
The use of Hofstede's cultural 6-D model (Hofstede 2011) provides one lense for exploring Australia's and China's national cultures. As Hofstede (1980, 1994) argues, it is important to understand relevant cultural differences because the most suitable leadership styles, organizational structures, and management practices will vary across cultures.

High context cultures in many Asian societies also differ in their communication patterns from low context cultures. While low context cultures focus on direct and explicit forms of communication, where words are the dominant means of knowledge exchange, high context cultures focus more on communicating with the "context"—where attention is paid not only to the message but also the feelings and thoughts of the messenger and the recipient (Hall, 1959).

Geert Hofstede's 6-D Model dimensionalises culture based on *World Values Survey Data* collected from IBM subsidiaries in 1970 (Hofstede, 2011). The model provides an overview of the deep drivers of Australian culture relative to other cultures (Hofstede 2011, 15). Hofstede's depiction of national cultures, values and

differences among more than 49 countries is legendary (Hofstede 1973). Hofstede's six cultural dimensions are Power Distance; Individualism/Collectivism; Masculinity/Femininity; Uncertainty Avoidance; Long/Short-term Orientation; and Indulgence/Restraint (Hofstede 2011). These dimensions identify Australian and Chinese business leaders as having distinctive national styles of decision making (Hofstede 2011).

As it is relevant to the current study, a brief country comparison of Australia and China now follows which is illustrated in figure 2.17.



Source: Hofstede (2018)

Figure 2.17: Hofstede's country comparison between Australia and China

Hofstede's country comparison between Australia and China with regard in particular, to Power Distance, suggests that decision-making processes will differ between Australia and China. This research study explores whether Australian iron ore companies and their decision makers are aware of these issues in the industry. In the context of this study, it is important to understand how Australian executives in the iron ore industry understand the influence of culture in their decision making as this would influence the quality of their decisions.

2.12.1 Power Distance

Power Distance refers to the extent to which the members of a culture are willing to accept an unequal distribution of power, wealth, and prestige (Hofstede 2011).

According to Hofstede, organizations from high power distance cultures depend heavily on hierarchy; in these cultures, unequal distributions of authority, accompanied by a lack of upward mobility, are expected and accepted. Due to their egalitarianism, members of low power distance cultures find inequalities of status difficult to accept (Hofstede 2011).

When members of high and low power distance cultures meet, for example as employees of the same organization, the likelihood of culture clashes will occur. Managers raised with high power distance expectations will create problems if they attempt to impose their authority on those from low power distance cultures, while managers from low power distance cultures face problems when they try to exercise egalitarian leadership practices with those from high power distance cultures (Hatch 2018). For example, in high power distance cultures, subordinates expect to be told what to do; if they are consulted by their superiors, they see it as a sign of weakness or incompetence in their supervisor (Hatch 2018). In contrast, hierarchy is considered an insufferable inequality in low power distance cultures, and subordinates expect to be consulted by their superiors before being asked to do something (Hofstede 2011). Hofstede advised that to successfully traverse these contradictory expectations, bosses in low power distance cultures should become resourceful democrats, whereas in high power distance cultures they need to be benevolent autocrats (Hatch 2018).

The Power Distance dimension deals with the fact that all individuals in societies are not equal, and a society's inequality is endorsed by the followers as well as its leaders.

2.12.1.1 *Australian Culture—Power Distance Index*

Australia's culture is characterised by a Power Distance Index (PDI) score of 36, which is relatively low compared with the world average of 55 (Hofstede 2011, 2018). This is indicative of greater equality between societal levels, including governments, organisations and families (Hofstede 2011, 2018). In Australian organisations the 'use of power should be legitimate subject to criteria of good and evil, and hierarchy means inequality in roles, which are established for convenience' (Hofstede 2011, 2018). This orientation creates a stable environment and cooperative

interaction across power levels (Hofstede 2011, 2018). According to Hofstede, Australian organisations establish hierarchies for convenience. Further, superiors are always accessible and managers depend on individual employees and teams for their expertise. Lastly, managers and employees expect to be consulted and information is often shared.

Thus, Australia's low Power Distance Index dimension score reflects flatter organisations in which supervisors and employees are considered equals, both expect to be consulted and information is often shared (Hofstede 2011). Similarly, communication is direct, informal and participative. Therefore, Australians are equipped with skills to make a participative decision-making style work. Social differences and class distinctions in Australia are defined by personal characteristics and family background, gender, age and level of education (Hofstede 2018).

2.12.1.2 *Chinese Culture—Power Distance Index*

China accrued a high score of 80% in the Power Distance Index (Hofstede 2011). This fosters the belief that China, is a society that believes that inequalities among people are acceptable (Hofstede 2011). Thus, a hierarchical system is acceptable and acknowledging a leader's status is vital (Hofstede 2011). The Power Distance dimension deals with the fact that all individuals in society are not equal, and it illustrates the attitude of the culture towards these inequalities (Hofstede 2011). Quality decision making infers the perception of a hierarchy of quality levels. It implies that cultures with higher Power Distance Index are inclined towards using a more quality-conscious decision-making style because of the influence of hierarchy compared with equality (Leo et al. 2005). From the information outlined above, the researcher concludes that the decision making power within a hierarchical system in China is held solely by the leader(s) in the apex position. Hence, decisions are made at the top, and people are directed below to follow them without question.

2.12.2 Individualism/Collectivism

According to Hofstede (2011), individualism includes the extent to which individuals in a culture are expected to act independently of others in their society. In highly individualistic cultures, individual rights are paramount. For instance, the verification

of individualism versus collectivism manifests in the ways in which people live together (e.g. alone, in shifting partnerships, in nuclear families, in tribes).

Hofstede stated that in individualistic cultures, independence and distinctiveness are seen as foundations of well-being, whereas in collectivist cultures, these same qualities are seen as undesirable and alienating (Hofstede 2018). An orientation toward individualism or collectivism has implications for the sorts of relationships preferred within different cultures (Hofstede 2018). Relationships between members of individualistic cultures are loose, and individuals are supposed to look after themselves. By contrast, in collectivist cultures, cohesive groups (e.g. extended families, villages) give individuals their sense of belonging and identity, expecting considerable loyalty in return (Hofstede 2018). Hofstede (2018) stated that in individualistic cultures, tasks take priority over relationships, whereas relationships reign over tasks in organizations from collectivist cultures.

2.12.2.1 *Australia's National Culture—Individualism/Collectivism*

Australia's national culture is also characterised by a high level of Individualism, with a score of 90, second to the US (Hofstede 2011). The main issue identified in the Individualism dimension is the degree of interdependence a society maintains among its members (Hofstede 2018). In individualistic societies, ties between individuals are loose; people are supposed to look after themselves and their immediate family and take less responsibility for others' actions and outcome (Hofstede 2011).

In the commercial world, Australians are expected to be independent and to show initiative; recruiting and promotion decisions are based on merit (Hofstede 2018). This aligns well with the Individualism perspective in Australia. In general, Australians will prevent any personal conflict in their collective efforts with others. Hence, a participative decision-making style is customary (Hofstede 2018).

2.12.2.2 *China's National Culture—Individualism/Collectivism*

According to Hofstede (2011), China, with a score of 20 for Individualism, is a highly Collectivist culture. Collectivism as a societal rather than an individual characteristic is the extent to which individuals in a society are integrated into

groups. In a Collectivist culture, people are amalgamated into resilient, cohesive in-group, usually extended families (with relatives, grandparents) that protect them in exchange for loyalty (Hofstede 2018). As Hofstede noted, personal relationships supersede those at work and in the company. Further, relationships with in-groups are cooperative, but are impersonal or hostile to out-groups. As a result, commitment by employees is low to the organisation, but not essentially to the people of the organisation. On this basis decisions made with regard to company interests may not be as objective as an Australian company.

2.12.3 Masculinity/Femininity

Another Hofstede dimension is Masculinity and Femininity within its cultural model. Masculinity addresses the degree of separation between gender roles in a society. For example, in highly masculine cultures, men are supposed to be more assertive, and women more nurturing (Hofstede 2011, 2018). In cultures that score low on masculinity, gender differences are less pronounced (Hofstede 2011, 2018). Hofstede (2011) found that highly masculine cultures emphasized work objectives in alignment with career advancement and salary earnings, and their members celebrated assertiveness, decisiveness, and self-promotion. He stated that members of organizations located in feminine cultures were likely to value quality of life and intuition, while ridiculing assertiveness and self-promotion (Hofstede 2011, 2018). Hofstede also asserted that feminine cultures favoured work goals concerning interpersonal relationships, service, and preserving the physical environment (Hofstede 2011, 2018). According to Hofstede (2011), it did not come as a surprise when women held more professional and technical jobs and were treated more equally in highly feminine cultures than in cultures high on the masculinity scale (Hofstede 2011, 2018).

2.12.3.1 *Australia's Masculinity/Femininity dimension*

The Masculinity/Femininity dimension illustrates the division of emotional roles between females and males. Australian culture is characterised as a 'Masculine' society, with a score of 61 for this dimension (Hofstede 2011, 2018). This suggests a traditional masculine role of male achievement, control and power. The Australian culture is driven by competition, success and achievement in life, which provides the

basis for hiring and promotion decisions in the workplace (Hofstede 2018). Conflicts are resolved at the individual level and the aim is to win (Hofstede 2011).

2.12.3.2 *China's Masculinity/Femininity dimension*

By comparison, China scores a close 66, indicating a similarly 'Masculine' society to that of Australia (Hofstede 2018). Similar to the Individualism/Collectivism dimension, the Masculinity/Femininity dimension describes values at an individual level. (Hofstede 2018).

2.12.4 Uncertainty Avoidance

Uncertainty avoidance is defined as the degree to which members of a culture avoid taking risks (Hofstede 2018). Hofstede argued that different societies have different levels of tolerance for uncertainty and that these differences show up in a variety of ways (Hofstede, 2018). According to Hofstede, in cultures in which uncertainty avoidance is low, people are accepting of innovative ideas, differences of opinion, eccentric or deviant behaviour, whereas in cultures with high uncertainty avoidance, these issues are resisted or legislated against (Hofstede 2018). Rules, regulations, and control are more acceptable in high than in low uncertainty avoidance cultures (Hofstede 2018). Hofstede (2018) claimed that organizations from high uncertainty avoidance cultures have more formalization and standardization, whereas organizations in cultures with low uncertainty avoidance dislike rules and resist formalization and standardization.

2.12.4.1 *Australian's Uncertainty Avoidance*

Australian culture, in the Uncertainty Avoidance category, is characterised by an intermediate score of 51. This dimension looks at cultures adapting to change, coping with uncertainty, ambiguity and anxiety (Hofstede 2018). It indicates how the members react culturally in terms of feeling either comfortable or uncomfortable in unstructured situations (Hofstede 2011, 2018). Uncertainty can be avoided by utilising one of two decision styles: collecting more information and adopting an 'analytic' style; or garnering the support of other people, with the aim of achieving a consensus and adopting a 'behavioural' style (Martinsons and Chong 1999, Martinsons 2004).

2.12.4.2 *China's Uncertainty Avoidance*

Unlike Australia, China has a low score of 30 on Uncertainty Avoidance (Hofstede 2018). The Chinese are adaptable and entrepreneurial with ambiguity; similarly, the Chinese language is packed with ambiguous interpretations that can be difficult for Western people to understand. Truth can be relative; conformance to rules and laws may be adaptable to complement the real situation; and pragmatism is a grim reality (Hofstede 2011). The majority (70–80%) of Chinese businesses tend to be small to medium-sized family businesses (Hofstede 2011).

Chinese decision styles reflect high needs for affiliation and personal power (Hofstede 2011). The skill to maintain and exercise power was found to be a key ingredient for Chinese business leaders (Hofstede 2011). In a Sino–US joint venture, their desire to have a high degree of control may become a source of conflict (Hofstede 2011). To understand the decision styles of business leaders in different contexts, it is wise to look beyond the management of a specific country or culture (Hempel and Martinsons 2009). International business people have to adapt to different decision-making styles to be successful (Hempel and Martinsons 2009).

2.12.5 Long-term/Short-term Orientation

Long-term versus short-term orientation describes cultural differences inclined towards thrift and perseverance, and respect for tradition (Hofstede 2018). According to Hofstede, countries that score highly on long-term orientation believe that hard work will lead to long-term rewards (Hofstede 2018). In these countries, it will take longer to develop new business, particularly for foreigners (Hofstede 2018). Organizations from cultures characterized by a short-term orientation face fewer challenges to change but have set backs from lack of long-term vision or the commitment to achieve it (Hofstede 2018). Long-term orientation is associated with patience and loyalty, whereas short-term orientation can be seen in the demands executives face to meet quarterly profitability targets at the expense of longer-term objectives (Hofstede 2018). In the latter case, the lack of loyalty the company displays toward its employees is reflected downward, where it undercuts employee loyalty (Hofstede 2018).

2.12.5.1 *Australia's Long-Term/Short-term Orientation*

The fifth dimension, Long-Term/Short-term Orientation, in a questionnaire designed by Chinese scholars (Chinese Culture Connection 1987), describes how every society prioritises its goals to sustain links with its past while dealing with the challenges of the present and future (Hofstede 2011). Australia's score of 21 reflects a normative culture. Normative societies with low scores prefer to preserve time-honoured traditions. People in these societies have a strong desire for absolute truth and respect, with an emphasis on quick results and a weak propensity to save for the future (Hofstede 2011).

2.12.5.2 *China's Long-Term/Short-term Orientation*

China scores a high 87 for Long-term Orientation, indicating that it is a highly pragmatic culture, which is strongly correlated with economic growth. High scores indicate more pragmatic societies that encourage thrift and effort in modern education as a process to prepare for the future (Hofstede 2001, 2018). People in such societies have the ability to persevere and easily adapt their traditions to changed conditions, and future endeavours have been solidified into Chinese society, leading to 'successful existence' (Hofstede 2011, 2018). With an ever-changing complex environment, business organisations can adapt to changing conditions to sustain their competitive edge via their strong business negotiation skills (Hofstede 2011, 2018).

2.12.6 Indulgence/Restraint

Culture can be described as indulgent or restrained. Hofstede's sixth cultural dimension, Indulgence/Restraint, is to the gratification versus control of basic human desires related to enjoying life (Hofstede et al. 2010). One issue that confronts humanity, now and in the past, is the degree to which small children are socialized. Without socialization, we do not become "human" (Hofstede 2018). This dimension is defined as *the extent to which people try to control their desires and impulses*, based on the way they were raised (Hofstede 2018). Relatively weak control is called "Indulgence" and relatively strong control is called "Restraint" (Hofstede 2018).

2.12.6.1 *Australia's Indulgence/Restraint*

Australia scores a high 71, indicating an indulgent country in 'happiness research' (Hofstede et al. 2010). People also possess a positive attitude and a tendency towards optimism and place a high importance on leisure time and spending as they wish (Hofstede et al. 2010).

2.12.6.2 *China's Indulgence/Restraint*

In contrast, China's low score of 24 indicates a 'restrained' country, fewer happy people and lower importance placed on leisure; maintaining order in the nation is a high priority and indulging themselves is somehow wrong (Hofstede et al. 2010). Societies with a low score in this dimension have an inclination towards cynicism and pessimism (Hofstede et al. 2010). In contrast to Indulgent societies, restrained societies have less emphasis on leisure time and have more control of the gratification of their desires (Hofstede 2018). Individuals with this orientation acknowledge that their actions are restrained by social norms and feel that indulging themselves is somewhat wrong (Hofstede 2018).

2.12.7 The Utility of Hofstede's Cultural Dimensions

The fact that the world is changing does not affect the utility of the Hofstede dimensional paradigm. Instead, the paradigm enhances understanding of the logic and implications of such changes (Hofstede 2011).

According to Kwon (2012), in his study using Hofstede's Model of six dimensions, he concluded that employees from two different regions in China are likely to adopt different work-related values (Kwon 2012). Kwon (2012) identified a flaw in Hofstede's Model noting that to have a sweeping overview of China's culture is incorrect. Kwon (2012) stated that Chinese employees cannot be simplistically and monolithically considered as having the same work-related values regardless of regions. He stated that performance improved when management and decision making practices were matched with employees' culture (Kwon 2012). Thus, multinational corporations need to initiate differentiated programs that are congruent with cultural distinctions across regions in China (Hofstede 2011). Hofstede's Model of six dimensions may influence decision making and though this theory is not

applied directly to this research; this study will explore whether Australian companies have accounted for these cultural differences in work related values with its Chinese counterparts within the iron ore industry.

In summary, Hofstede's six dimensions offers information on how decision making might be affected in the iron ore industry. Iron ore executives and the decisions they make will be directly influenced by these cultural dimensions. Hence, an understanding of cultural dimension differences between Australia and China may assist both countries to develop stronger organisational cultural ties on the basis of work-related values (Hofstede 2011).

2.13 Global Leadership and Organisational Behaviour Effectiveness (GLOBE)

However, relying solely on Hofstede Cultural Dimensions is too simplistic (Beugelsdijk, Kostova and Roth, 2017). There are other forms of cross-cultural communication tools and methods that perhaps can assist with the decision making process between Australia and China within the iron ore industry.

Li and Scullion (2006) further identified three types of cultural distances that could block cross-border knowledge exchange: (i) physical distance-– the differences in geographical isolation, time zone differences, and differences in the sophistication of telecommunication infrastructure, scope of knowledge sources, and scale of the partner's business; (ii) institutional distance—differences in the maturity of the legal framework for contract law, property rights law, company law, and arbitration procedures to ensure greater legal transparency; and (iii) cultural value distance—differences in cognition, as well as in communication patterns. For example, Chinese tend toward more holistic and relational thinking that may not be aligned with the logic-rational decision-making paradigm of the West (Nisbett, 2003).

Therefore, the three type of cultural distances highlighted above could potentially affect the decision making process and impact on the decision making and communication protocols between the Australian Iron Ore Executives and their Chinese counterparts within the iron ore industry.

Though not without criticism (Hofstede, 2006), GLOBE is a useful addition to the existing literature on cross-cultural frameworks (Smith, 2006). The cross-cultural frameworks of Hofstede and GLOBE jointly shape contemporary international business and management research on cultural value differences (Stahl and Tung, 2015).

House and his team introduced the GLOBE framework in 2004 (House et al. 2004) in their multicultural measurement development. GLOBE is a large-scale research program involving over 160 researchers from 62 cultures, referred to as country co-investigators (CCIs) (Javidan et al, 2006). The country co-investigators took a direct role in designing every aspect of the research program (Javidan et al. 2006).

The GLOBE program relied on Schein's (1992) view of culture. Schein's view of culture is a group attempt to address two sets of issues: external adaptation and internal integration (Schien 1992). Thus, culture evolves as a collective adapts to ongoing challenges and surviving in the face of external threats and opportunities and managing relations among its members (Javidan et al. 2006). GLOBE distinguished between cultural values and practices because of its view that national culture can be broadly defined as 'values, beliefs, norms, and behavioural patterns of a national group' (Leung et al. 2005)

The cultural variables identified and analysed for GLOBE are future orientation, gender equality, assertiveness, humane orientation, in-group collectivism, institutional collectivism, performance orientation, power distance, and uncertainty avoidance. The GLOBE study examined 951 organizations in 62 countries.

GLOBE's premise was to ask the respondents what was desirable to them as individuals. The respondents express their views on what was desirable in their societies. For the purpose of this study, the Confucian Asia cluster in the GLOBE Research Program is considered. It consists of China, Hong Kong, Japan, Singapore, South Korea, and Taiwan (House et al. 2004).

The Confucian Asia cluster scored high on In-Group Collectivism, Institutional Collectivism, and Performance Orientation. The remaining dimensions of societal culture, namely, Assertiveness, Future Orientation, Gender Egalitarianism, Humane

Orientation, Power Distance, and Uncertainty Avoidance were in the midrange (House et al. 2004).

The theme running across this cluster is the strong influence of Confucian ideology and the influence of the Chinese civilization (Fu et al. 2007). Some of the distinctive Confucian teachings—such as the emphasis on learning through a hierarchical and family-modelled institution; teaching principles such as diligence, self-sacrifice, and delayed gratification—seem to be reflected in the societal norms and practices of this cluster (Fu et al. 2007).

Chinese culture and decision makers have become an interesting development, even to the general public (Fu et al. 2007). There is an acknowledgement that the way people work or where they come from can affect the business decisions that are being made. Table 2.10 presents the results from the GLOBE project about Chinese societal culture and organizational culture (Fu et al. 2007).

Table 2.10 – Results of GLOBE Societal Values Survey – The rank order for China relative to the 61 societies

Cultural Dimension	*Mean*	*Rank*[a]	*Absolute*[b] *Difference*	*Band*[c]	*Highest Score*	*Lowest Score*
Performance Orientation						
"As Is"	4.45	13	1.22	A	4.94	3.20
"Should Be"	5.67	50		C	6.58	4.92
Future Orientation						
"As Is"	3.75	34	0.98	C	5.07	2.88
"Should Be"	4.73	60		C	6.20	4.33
Assertiveness						
"As Is"	3.76	51	1.68	B	4.89	3.38
"Should Be"	5.44	2		A	5.56	2.66
Institutional Collectivism						
"As Is"	4.77	7	0.21	A	5.22	3.25
"Should Be"	4.56	9		B	5.65	3.83
In-Group Collectivism						
"As Is"	5.80	9	0.71	A	6.36	3.53
"Should Be"	5.09	58		C	6.52	4.94
Gender Egalitarianism						
"As Is"	3.05	48	0.63	B	4.08	2.50
"Should Be"	3.68	58		C	5.17	3.18
Uncertainty Avoidance						
"As Is"	4.94	10	0.34	A	5.37	2.88
"Should Be"	5.28	9		A	5.61	3.16
Power Distance						
"As Is"	5.04	41	1.94	B	5.80	3.89
"Should Be"	3.10	12		B	3.65	2.04
Humane Orientation						
"As Is"	4.36	17	0.96	B	5.23	3.18
"Should Be"	5.32	39		C	6.09	4.49

[a]The rank order for China relative to the 61 societies. [b]Absolute difference between the "As Is" and "Should Be" scores. [c]Letters A to D represent statistically different clusters of countries (Bands) with A > B > C > D (cf. Hanges, Dickson, & Sipe, 2004).

Source: House et al. (2004)

2.13.1 Performance Orientation

Performance Orientation refers to the degree to which a society encourages and rewards group members for performance improvement and achievement of excellence. According to House, Javidan, Hanges, and Dorfman (2002) and House et al. (2004), GLOBE's Performance Orientation is similar to Hofstede and Bond's (1988) Confucian work dynamism, which focuses on social hierarchy, protecting the status quo, and personal virtue. The Chinese score was among the higher ranking countries on "As Is" (4.45, Rank 13), which is supportive of the traditional Chinese

culture in which hard work and diligence were highly praised and appreciated (Fu et al. 2007).

2.13.2 Future Orientation

The Future Orientation dimension in the GLOBE instrument measures values and beliefs pertaining to long-term orientation (e.g., delaying gratification, planning, and investing in the future) (House et al 2004). The results showed that the Chinese managers' score on Future Orientation "As Is" (3.75) ranked about the middle (34) among the 61 countries; whereas their score on Future Orientation "Should Be" (4.73) ranked 60, which is next to the lowest among the 61 countries (Fu et al. 2007).

2.13.3 Assertiveness

Assertiveness measures the degree to which individuals in a society are assertive, dominant, and aggressive in social relationships. China has traditionally been a male-dominant society (House et al. 2007). Until modern times, men in China were always superior to women (Fu et al. 2007). However, literature on unique Chinese cultural concepts such as *mianzi* (face; maintaining the respect of others as well as to respect others), *renqing* (being kind or respecting the feelings of other people), and *guanxi* (relatedness or connections among individuals) strongly indicate otherwise (Fu et al. 2007). The conflict of interests may explain the large discrepancy between China's two scores on assertiveness "As Is" (3.76) and "Should Be" (5.44) (Fu et al. 2007). The respective "As Is" ranking (51 out of 61) indicates that the respondents did not think Chinese society encouraged individuals to be assertive (Fu et al. 2007). However, the Chinese score on how society should value such behaviour ranked 2nd highest among the 61 scores, showing that Chinese managers have a much stronger desire for the society to value assertive behaviour in comparison to others (Fu et al. 2007).

2.13.4 Institutional Collectivism

This scale measures the degree to which individuals are encouraged by societal institutions to be integrated into broader entities, such as the extended family, the firm, or the village (House et al. 2004). For centuries, the individual as an end in itself was de-emphasized in Chinese society (Fu et al. 2007). Consistent with the

assumption, the Chinese score on Institutional Collectivism "As Is" (4.77) was among the highest, ranking 7th among the 61 countries, meaning Chinese society is very collectivistic (Fu et al. 2007). The Chinese score on Institutional Collectivism "Should Be" (4.56), however, is slightly lower compared to the "As Is" score (Fu et al. 2007).

2.13.5 In-Group Collectivism

The second collectivism, labelled *In-Group Collectivism,* measures the degree to which members of a society take pride in membership in small groups such as their family and circle of close friends, and the organizations and units in which they are employed (House et al. 2004). Like its scores on the Institutional Collectivism dimension, Chinese scores on In-Group Collectivism "As Is" (5.80, ranked 9th) were slightly higher than the scores on family cohesiveness "Should Be" (5.09, ranked 58th) (Fu et al. 2007). Pursuit of individual interests at the sacrifice of families has always been discouraged (Fu et al. 2007). In China, altruism and loyalty, loyalty to parents at home and to bosses at work, are values that the society tries very hard to instil in children (Fu et al. 2007). A close parent–children relationship is a virtue that is widely respected and valued. "Chinese parents take great interest in their children throughout their lives, and their children, imbued with the doctrine of filial piety, are constantly reminded of their filial duty towards their parents" (Chao 1983, 72)

2.13.6 Gender Egalitarianism

Gender Egalitarianism refers to the extent to which a society minimizes gender role differences. It measures the level of stereotype held by a society that favours one gender over the other (House et al. 2004). A lower score favours male-oriented behaviours, a middle score means egalitarian values, and a higher score favours female-oriented behaviours (Fu et al. 2007). Chinese scores on both Gender Egalitarianism "As Is" (3.05) and "Should Be" (3.68) are low, indicating that the society favours men more (ranking 48th among scores on "As Is" and 58th on "Should Be").

2.13.7 Uncertainty Avoidance

Uncertainty Avoidance indicates the extent to which people seek orderliness, consistency, structure to cover situations in their daily lives, try to avoid uncertain and ambiguous situations by reliance on social norms and procedures and belief in absolute truths and the attainment of expertise (House et al. 2002; 2004). China's two scores on Uncertainty Avoidance are fairly consistent between "As Is" (4.94) and "Should Be" (5.28), ranking 10th and 9th, respectively (Fu et al. 2007).

For centuries, Chinese people were comfortable and felt secure only when they "played-it-safe." (Fu et al. 2007) and:

> "It may sound bizarre to Westerners, actually ridiculous even to us Chinese now, but it was unfortunately true that during the 1960s and 1970s people in China were led to seek "unity and order" to such a degree that they would run their businesses the same way year after year without change, maintaining the same structure, the same products, the same everything. They even wore clothes in the same uniform colour, making the country either "a sea of blue" or "a sea of green." Therefore, if one understands the long history and the traditional values of order, one should have no problem understanding why the current Chinese society has such a high intolerance for uncertainty." (Fu et al. 2007, 891)

2.13.8 Power Distance

Power Distance measures the extent to which a culture accepts inequalities between various groups within a culture such as social classes and organizational hierarchy (House et al. 2002, 2004). The two Chinese scores on Power Distance "As Is" (5.04) and "Should Be" (3.10) showed the largest discrepancy among the nine pairs of scores (Fu et al. 2007). In fact, scores of all countries on "Should Be" were lower than "As Is," showing a common desire that people in all these countries aspire for more equality than they currently have (Fu et al. 2007). The relatively higher ranked Chinese "Should Be" score (12th) compared to "As Is" (41st) among the 61 countries may indicate that, compared to managers from other countries, the Chinese managers demonstrate a higher level of tolerance for inequality of power in society (Fu et al. 2007). According to Fu, Wu, Yang (2007), the discrepancy between

China's two scores may be viewed as an indicator of the existing two forces: while the internal forces from the still highly-respected traditional values are pulling the Chinese business leaders away from becoming competitive, the external pressures form an opposite force, pushing these leaders toward becoming increasingly competitive.

2.13.9 Humane Orientation

Humane Orientation measures the degree to which a society encourages and rewards individuals for being fair, altruistic, generous, caring, and kind to others (House et al. 2002). Being humane is consistent with the Confucian principles of moderation and human heartedness (Fu et al. 2007). The GLOBE results show that Chinese participants scored among the higher ranking countries on Humane Orientation "As Is" (4.36, rank 17) but China's score dropped much lower when describing how much they thought Humane Orientation "Should Be" (5.32) valued by their society (rank 39) (Fu et al. 2007). This result shows another paradoxical situation: because the notion of humane is closely related to *ren* (benevolent, kind), one of the "five constant virtues," so people are expected to be kind and humane, and yet the future values as perceived by middle managers seem to push the Chinese culture away from that (Fu et al. 2007).

GLOBE's dimensions are increasingly used in cultural distance research as alternatives to Hofstede-based cultural distance measures (Drogendijk and Slangen, 2006; Siegel et al. 2012; Koch et al. 2016; Shin et al. 2016).

2.14 Critic and review of Hofstede and GLOBE

Kirkman, Lowe and Gibson (2006), highlights several matters for improvements and critiqued Hofstede's 1980 *Culture's Consequences: International differences in work-related values* (Hofstede 1980, 2001). Beugelsdijk et al (2017) reviewed Kirkman, Lowe and Gibson's (KLG) impact country-level culture studies and assessed how research has implemented KLG's three main recommendations. Firstly, to explore cultural dimensions beyond those introduced by Hofstede. Secondly, to distinguish between country effects and cultural effects. Thirdly, to show not only if culture matters but also how much it matters.

Beugelsdijk et al. (2017) adopted view of culture as a set of values that are shared in a given social group and distinguish this group from others (Schwartz, 2014). It is known as ‘‘the collective programming of the mind’’ (Hofstede, 2001; Kirkman, Lowe and Gibson’s 2006, 286), as culture provides a source for interaction and shared understandings among group members and creates social norms and expectations, eventually shaping the behaviour of individuals and organizations (Hofstede, [1980]2001).

Kirkman, Lowe and Gibson (2006) established that most studies use culture as a main effect (148 out of the 180) and the majority of these 148 studies concerns country-level studies (78 out of 148). Of the 64 studies at the individual level, 58 focus on only one of Hofstede’s dimensions: Individualism– Collectivism. At the country level, ‘‘most research examined the impact of cultural distance on organizational and country level outcomes’’ (Kirkman, Lowe and Gibson 2006, 299) A key distinction made by Kirkman, Lowe and Gibson is that Hofstede-related research is performed at country level. (Beugelsdijk et al. 2017). The GLOBE results show the impact of Confucianism and an obvious influence from Communist ideologies and Western management philosophies (Fu et al. 2007). It demonstrates the desirable decision making attributes and behaviours in China (Fu et al. 2007) and how the Australian decision makers within the iron ore industry will need to be aware of in relation to their Chinese counterparts when making decisions.

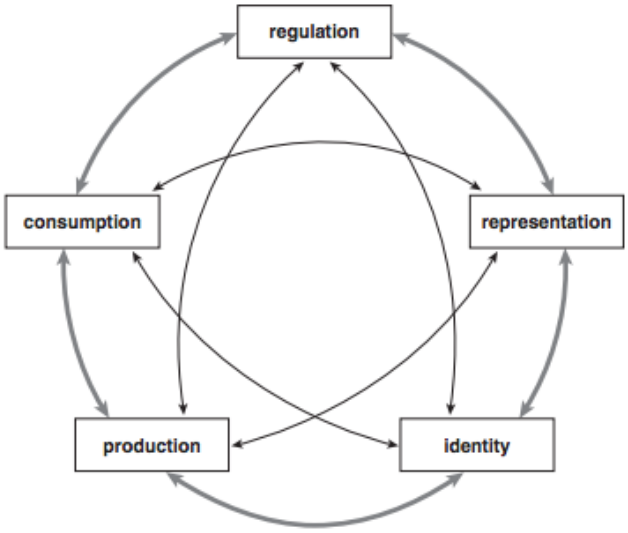
In the next section, the understanding of culture continues through the Circuit of Culture model that helps to understand the international communication protocols that exist within the decision making process between Australia and China.

2.15 The Circuit of Culture Model

The “Circuit of Culture” was refined by a group of British cultural theorists (Du Gay 1997; Hall 1997; Mackay 1997; Thompson 1997; Woodward 1997) in the late 1990s, based on Stuart Hall’s (1980) semiological theory of “encoding/decoding,” and his constructive view of representation. This idea upholds the semiotic and discursive approaches that were influenced by Ferdinand de Saussure and Michel Foucault, respectively.

According to Curtin and Gaither (2007), culture forms the basis of a society's shared meaning system and possessions and consequences do not make sense in and of themselves. People impart meaning by describing and classifying things; humans 'socially construct meaning' (Curtin and Gaither 2007, 36). In doing so, it provides the categorization to make sense of our world, making culture, meaning, and language inextricably linked. "Humans extend meanings by drawing on shared cultural experience, by defining anything new in terms of what we already know." (Curtin and Gaither 2007, 36)

The Circult of Culture model (figure 2.18) consists of five moments in a process – regulation, production, consumption, representation and identity – that work in together that offer a shared cultural space which meaning is created, shaped, modified and recreated (Curtin and Gaither 2007). There is no beginning or end in the circuit; the moments work dynamically to create meaning (Curtin and Gaither 2007). Each moment contributes a specific piece to the whole like a jigsaw puzzle.



Source: Curtin and Gaither (2007)

Figure 2.18: The Circuit of Culture, Showing the Interrelationships of the Five Moments

2.15.1 **The Five Moments**

The moment of regulation comprises controls on cultural activity, ranging from formal and legal controls, such as regulations, laws, and institutionalized systems, to the informal and local controls of cultural norms and expectations that form culture

in the more commonly used sense of the term (Curtin and Gaither 2007). It's in the moment of regulation that meanings arise governing what's acceptable and what's correct (Curtin and Gaither 2007). Constructing meaning is an ongoing process, and meanings do not go unchanged or unchallenged; what's allowable or expected in a culture often is determined by groups with economic or political power in a given situation (Curtin and Gaither 2007). Specific circumstances and determined action can create competing discourses or narratives that resonate among wider social networks (Curtin and Gaither 2007).

The moment of production outlines the process by which creators of cultural products imbue them with meaning, a process often called encoding (Hall, 1993). Technological constraints play a role in the process because what's produced is partially dependent on available technology (Curtin and Gaither 2007). Organizational culture provides the environment in which production takes place, such as departmental organization, management strategies, and expectations of employees or members (Curtin and Gaither 2007).

Representation is the form an object takes and the meanings encoded in that form. Meaning isn't inherent in the object itself but is socially constructed. Producers encode meaning into a cultural artifact, often with a specific target audience in mind and hope to convey a certain meaning through all aspects of how they present the artefact - the content, the format, and even the method of distribution communicate an intended meaning (Curtin and Gaither 2007).

Failures often are attributable to meanings that arise during the moment of consumption, when messages are decoded by audiences. Consumers bring their own semantic networks of meaning to any communicative exchange. Consumers are active creators of meaning, putting issues and products to use in their everyday lives in their own ways.

The creators of the Circuit of Culture model note that although production provides a series of possibilities, they can become actualized only in and through consumption (du Gay et al. 1997), making consumption as important as production to ascribing meaning. Consumption itself becomes a form of production as new meanings accrue to an artefact as a consequence of use.

Identities are meanings that accrue to all social networks, from nations to organizations to publics (Curtin and Gaither 2007). Within the organization, the aim is to establish and maintain organizational identity. The goal is to encode organizational texts with the dominant identity conveyed to attempt to structure subsequent discourse (Curtin and Gaither 2007).

According to Curtin and Gaither (2007), the Circuit of Culture is not only concerned with processes of representation in which meaning is constructed and conveyed through language. It takes into account the primacy of power over structure and human agency in discursive relationships (Ho 2016). It is a tool to understand the process where culture, knowledge, and power converge and to analyze the specific cultural conditions at every stage of a communication process in society (Ho 2016). There are five major processes, namely production, consumption, identity, regulation, and representation, and they relate to and co-construct each other in culture Briefly, representation is a discursive process of shaping meanings (Hall 1997). Production is the process by which producers encode dominant meanings in their cultural products (Curtin and Caither 2007). This means that cultural meanings are embedded in questions of representation and identity. However, "meaning does not reside in an object but in how that object is used" (Baudrillard 1988, 101). This is linked to the question of consumption, which is a process where messages are decoded or interpreted by audiences. Meanings derived from the production and consumption processes give a sense of identity (Curtin and Caither 2007).

Identities accrue to all social networks, from national to organizational and public levels, including subjective and socially developed constructs such as class, gender, and ethnicity (Curtin and Caither 2007). Identities are never fixed entities but are multiple and evolving and have culturally constructed meanings. In this sense, the Australian Iron Ore executives have to be culturally aware of their Chinese counterparts role and identity within an organisation as part of the decision making framework.

Lastly, meanings regulate social conduct and practices, as they set out rules and conventions by which our social lives are governed (Curtin and Caither 2007). It comprises of the formal and informal cultural control mechanisms or conditions that encompass social norms, technology, and institutional as well as economic, religious,

and political systems (Curtin and Caither 2007). In short, "the question of meaning arises in relation to the different moments or practices in our 'cultural circuit'- in the construction of identity and the marking of difference, in production and consumption, as well as in the regulation of social conduct" (Hall 1997, 4).

The Circuit of Culture has been applied to examine the intersection of meaning construction and culture, mainly in the studies of media and public relations at both local and international levels (Taylor et al. 2002; Terry 2005; Curtin and Gaither 2007; Goggin 2006; Scherer 2007; Han and Zhang 2009; Sarabia-Panol and Sison 2014), but also in the international education studies (Leve 2012). The researcher of this study, highlights that using Hofstede's Cultural Dimensions provides one dimension of the decision making process; with the application of the Circuit of Culture, it also offers a different paradigm to the Australian iron ore executives within the iron ore industry, as part of decision making process, resulting in a different decision making scenario and communications in relation to their Chinese counterparts.

As illustrated above, the Circuit of Culture is a fluid model working in a fragile environment. Each moment has to work in sync for the process to work within a cultural sensitivity space between Australia and China within the iron ore industry to develop its identity, meaning and communication protocols that may influence and have an impact on decision making. It is different from Hofestede that merely provides a set of cultural dimensions at a national level to work with.

With the Circuit of Culture, the relationship between the Australian Iron Ore executives and their Chinese counterparts are working dynamically, creating new codes, syncing new meanings and identity as part of the decision making process. In this respect, a new shared meaning on a cultural level has been created between the Australian Iron Ore executives and their Chinese counterparts within the iron ore industry to arrive at decision.

2.16 Intercultural Communication – A Discourse Approach

Scollon et al. (2012) in their book *Intercultural Communication*, looks at a discourse approach to culture and the professional communication between people who are members of different groups. Scollon et al. (2012) explains:

> "When as Westerners or Asians we do business together, when as men or women we work together in an office, or when as members of senior or junior generations we develop a product together we engage in what we call "interdiscourse communication" (Scollon et al. 2012, xiv)

The researcher of this study surmises that it provides a different lens from Hofstede's cultural dimensions as it raises the critical issue of organisational communication, where conflicts arise between 'identity in the corporate culture' and in one's professional specialisation. Scollon et al. (2012) goes into detail the interactive sociolinguistic framework for analysing discourse that coincides with the boundaries between these discourses systems.

Each professional communicator belongs to a member of a corporate, a professional, a generational, a gender, a cultural and even other discourse systems and these multiple memberships provide a framework within which all professional communication occurs (Scollon et al. 2012).

To the credit of Scollon et al. (2012), their research covers East Asian English communication to include Taiwan, Korea, Japan, Singapore, Mainland China, North America, Great Britain and Australia. The main highlight of their research is the discovery that major sources of miscommunication in intercultural context lie in 'cultural differences in patterns of discourse' within institutional settings (Scollon et al. 2012, xv). By not understanding the objectives of the other party as a result of misconstruing its discourse conventions, antagonism or conflict may arise (Scollon et al. 2012). This can be critical in conversations between Australian and Chinese executives when discussing decisions related to iron ore trading. Thus, it is critical that meticulous consideration to communication at this sophisticated level of discourse analysis point to an adeptness to review the original reports and communication and to mend the issue, where necessary to progress cross-group communication within the corporate environment (Scollon et al. 2012).

Scollon et al. (2012) creates a demarcation between *cross-cultural communication* and *intercultural communication* where preference leans toward naming it, *interdiscourse communication*. Interdiscourse communication is based on spoken data collected, paying attention in how people cope with conversations, topics and discussion (Scollon et al. 2012).

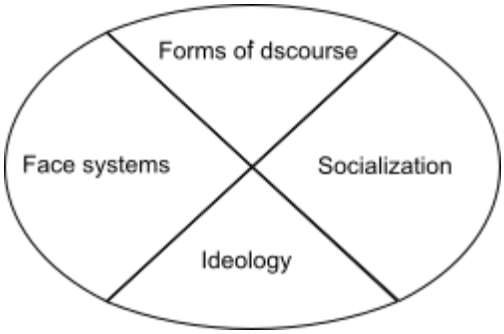
Interdiscourse communication is also based on "written texts including business letters, memos, press releases, emails, instant messages, 'tweets', books, magazines, train schedules, street signs, logos, and brand names and directions for use on packages and other projects." (Scollon et al. 2012, 108).

The unpacking of a text like emails, reports, a written document and newspaper articles have different qualities (Scollon et al. 2012). Firstly, text is referred to as " intertextuality" – the fact that texts tend to be linked to other texts in rather complex ways and may lead to queries, and different interpretations (Scollon et al. 2012). Secondly, texts are not merely tools with which people take action, they are a result of chains of activities (Scollon et al. 2012). For instance, the agenda for a meeting to discuss iron ore trading may be the consequence of several informal discussions and the exchange of other texts like memos and emails amongst other managers and administrations (within the iron ore decision making process) produced from other scheduled meetings (Scollon et al. 2012). Given the role of the central administration of China in the Chinese Iron Ore industry, and the Executive teams of Australian counterparts, the layers of intertextuality can be quite complex.

According to Scollon et al. (2012), texts involve the collaboration of many different people at different stages of their creation and is not an individual process. Another point made by Scollon et al. (2012) is that the texts written by different players involve very different relationships between writers and readers in terms of their placement in time and space. The relevance to iron ore trading decisions across two distinct cultures illustrates the complexity of this phenomenon. Consequently, the readers' understanding of the identity and culture of the writers and the writers' understanding of the identity and culture of the reader can vary greatly for different kinds of text. It leads to the question of what kind of relationship the text sets up between the writer and the reader, or in the context of this study, Chinese and Australian executives in the iron ore industry – is it hierarchical or symmetrical, close or distant? These interdiscourse challenges, influenced further by political and country specific cultural nuances noted by Hofstede and others, brings to the forefront the complexity of decision making process required by Australian decision makers in relation to their Chinese counterparts within the iron ore industry. It highlights that Australian iron ore executives working with their Chinese counterparts need to be acutely aware of the cultural communication (verbal and

textual) that takes place within an organisation as this may impact on the decision making process between the two parties. It also illustrates that the structure of organisation, be it vertical, hierarchical, centralised or decentralised may possibly affect the interdiscourse system that exists between Australian and Chinese companies within the iron ore industry.

Figure 2.19 describes four characteristics that define a discourse system. Firstly, members that hold a common ideological position and recognise a set of extra-discourse features which are taken to define them as a group (ideology). Secondly, a set of preferred forms of discourse serves as banners or symbols of participation and identity (forms of discourse). Thirdly, socialisation is accomplished primarily through these preferred forms of discourse (socialisation). Lastly, face relationship are prescribed for discourse among participants or between participants and outsiders (face systems) (Scollon et al. 2012, 111).



Source: Scollon et al. (2012, 111)

Figure 2.19: Ideologies in Discourse System

Australian iron ore executives hold a common ideological position and recognise a set of interdiscourse features which define them as a group (Scollon et al. 2012). These discourse elements identify Australian executives within this discourse systems due to similar experiences (for instance their shared membership within the iron ore industry and their Australianism). Other aspects may be a similar race or gender, linguistic variety (the unique Australian colloquialisms), or even similar treatment by outward members (Scollon et al. 2012). Ideology is a major contributor in guiding iron ore Australian executives' attitudes toward outgroup members and impacts the decision making process.

Secondly, socialisation is achieved principally through these mutual forms of discourse (Scollon et al. 2012). A self-reinforcing systems is established for potential participants in discourse systems where the participant learning the ropes is being efficient and competent in using the preferred forms of discourse (Scollon et al. 2012) . For instance, voluntary discourse system in an organisation, a participant gains knowledge by a form of on-the job training; whereas goal-oriented discourse systems delivers training programs and focusses on the forms of discourse required for successful completion (Scollon et al. 2012).

Thirdly, a group of preferred forms of discourse serves as banners or symbols of legitimate participation and identity (Scollon et al. 2012). For instance, the use of proposals and reports in business, certain specialised forms of address, lexicon (such as law, linguistics) (Scollon et al. 2012). These preferred forms of discourse help to symbolise identity and "membership" for participants in the discourse system (Scollon et al. 2012).

Lastly, face relationship are prescribed for discourse among participants or between participants and outsiders (Scollon et al. 2012). For instance, the Utilitarian discourse system stipulates a face system of symmetrical solidarity for public discourse among participants (Scollon et al. 2012). The Confucian system specifies a system of hierarchy between ruler and ruled, father and son, and elder and younger brothers (Scollon et al. 2012). It has a system of "difference" for husband and wife, and a system of symmetrical solidarity between friends. (Scollon et al. 2012, 176).

Ideologies in discourse is a powerful way to look at decision making. According to Scollon et al. (2012), the concept of ideology in itself is challenging as it abides to a system of thinking, social practice, and communication, which brings a specific group to social power or to legitimate the status within that group. The argument is the discourse system is not the real foundation of that group's power and status (Scollon et al. 2012). According to Scollon et al. (2012):

> "At the core of ideologies are certain sets of *assumptions* held by people regarding such things as what is true and false (epistemology), what is good and bad (values), what is right and wrong (ethics), and what is normal and abnormal

> (norms). These assumptions usually focus on such fundamental aspects of human life and social interaction as "What is the definition of 'good'?" "What is 'human nature'?" "What are the basis and goals of human society?" and "What are the best means for determining the right course of action for individuals and societies?" (Scollon et al. 2012, 113).

In recognising that ideologies have an impact on discourse system, this research explores the social and working relationships that take place on daily basis in the Australian company when dealing with Chinese counterparts in the iron ore industry, in particular, how these discourse systems affect the decision making process. Thus, by observing these social relationships that exist within an organisation, interacting and exchanging, it reinforce and reproduce 'certain identities, patterns of communication, and assumptions what is good, bad, true, false, right, wrong, normal, abnormal' (Scollon et al. 2012, 113) that will impact on the decision-making process.

According to Scollon et al. (2012), the traditional understanding of culture has been based on the

> 'Utilitarian discourse system covering a set of beliefs and practices defined as the 'Western culture' and the Confucian discourse system covering a set of beliefs and practices many people would associate with "Eastern" or "Asian" culture'. (Scollon et al. 2012, 173)

The authors observed that the West and East discourse systems have cut across geographical boundaries and with the rise of globalisation, the concepts of "Western culture" and "Asian culture" have outlived their justifications (Scollon et al. 2012, 174). Perhaps, the most noteworthy of this academic thought process by Scollon et al. (2012), is the theoretical framework of *mediated discourse analysis,* an approach to discourse which focuses less on broad constructs like "culture" and more on daily concrete actions in which culture is produced (Scollon et al. 2012 xviii). For this research, the Scollon et al. (2012) concept can be applied to the Australian decision-making process when dealing with their Chinese counterparts within the iron ore industry. Given the different ideologies in each communication system, do new forms of professional cultural communication and decision making occur because of the Australian discourse and Chinese discourse systems, influenced by globalisation, that coincide in this dynamic overlap?

The Scollon et al. (2012) approach to cross cultural discourse is contrary to Hofstede's Cultural Dimension Theory (Hofstede 1980) in that the latter only looks at *Country to Country* variations at a broad level. Hofstede's framework (1980) does not delve deeper into the everyday discursive action within an organisation or institution when culture is newly produced through within the iron-ore industry during the decision-making interactions and communications between Australia and China.

There are five key discourse systems in corporate and professional life that have relevance to the research question being explored in this study are noted (Scollon et al. 2012): Firstly, the corporate discourse system. Secondly, the professional discourse system. Thirdly, the Utilitarian discourse system. Fourthly, the generational discourse system. Lastly, the gender discourse system.

Scollon et al. (2012) explain that the corporate and professional discourse systems are situated in the voluntary or goal-directed discourse systems. This means that the corporate culture and the professional group are motivated by a goal-directed ideology (Scollon et al. 2012). In the context of this study, the sale of Australian iron ore to China. The Utilitarian discourse system while also goal directed, is pervasive in that it is difficult for people to opt out of and still function in most contemporary workplaces (Scollon et al. 2012). There are systems, laws and regulations, for example, that govern the sale of iron ore in Australia. In contrast, the generational and gender discourse systems are largely involuntary systems that participants are born into (Scollon et al. 2012) and both have impacts on how decision making, discussion and expression might be framed across both the Australian and Chinese culture.

These five discourse systems outlined above impact corporate life and decision making and illustrate the complexity of multiple discourse systems that are operating daily. For the purpose of this study, the ideological Confucian discourse system is an important cultural discourse facet of the communication that might occur between Australian and Chinese iron ore Executives in the global business framework. Again, these five discourse system explore at a deeper level, in contrast to Hofstede's Cultural Dimensions Theory, the complexity of potential decision making processes across Australia and China.

In essence, Scollon et al. (2012) emphasises that each discourse system has internal biases and contractions and that people function simultaneously from within multiple discourse systems and in turn, creates varied positions of conflict and contradiction around the affirmed speaking positions. Successful management of interdiscourse communication, therefore, depends on learning how to move efficiently, thoughtfully, subtly and delicately across the boundaries that separate discourse systems and within the conversations between them (Scollon et al. 2012). What is of interest to this research, therefore, is how Australian iron ore executives have learned to navigate the cross cultural discourse systems to enable quality decision making in relation to iron ore trading. Successful communication depends on enhancing shared knowledge and managing miscommunication (Scollon et al. 2012). Simply put, effective decision making and its decision making processes rely on the successful cross-cultural communication between people in different organisations starting from operational, managerial and senior managerial levels. This study is exploring the lived experiences of the Australian iron ore executives with their Chinese counterparts.

Now, the researcher of this study points to the Confucian discourse system explained by Scollon et al. (2012) whose ideology is based on the philosophy of the Chinese sage Confucius, who lived around 551 to 459 BC. Recent studies have called for serious inquiries about the limitations of Western management theories and a growing needs for recognizing and/or integrating Eastern philosophies in to management theory (Barkema et al. 2015; Chen and Miller 2011; Li 2012; Luo 2014). Confucius ideas have influenced nearly all aspects of social and political life throughout East Asia. As Asian nations become increasingly dominant players in the global economy (Luo and Zheng 2016), which is decisively based on Utilitarian principles, the points of contrast and friction between these two major discourse systems – the Utilitarian discourse system and the Confucian discourse system – have become more evident (Scollon et al. 2012). This friction, and the changing Chinese discourse system, have implications for how Australian iron ore Executives might have to moderate their own cross cultural patterns of decision making.

This line of thinking by Scollon et al. (2012) is reinforced by Luo and Zheng (2016) who note that Eastern and Western philosophies are based on different assumptions. Eastern philosophies, which are normative rather than descriptive theories, have been

monopolised by five pillars or schools of mastery thoughts stemming from China – Confucianism (*Ru Jia*), Taoism (*Tao Jia*), Legalism (*Fa Jia*), Militarism (*Bing Jia*) and Buddhism (*Fu Jia*) (Luo and Zheng 2016). The Yin-Yang philosophy is one of the central notions of Taoism which teaches people how to act in accordance with nature (Li 2016).

The Western philosophy handles conflicting elements, such as disagreements in decision making, as exogenous, whereas Yin-Yang balancing assumes them as endogenous (Li, 2016). Representing Eastern philosophical tradition, Yin-Yang contemplates the opposite elements as a form of contradiction and accept their coexistence (Luo and Zheng 2016; Lee and Reade 2018; Pauluzzo et al. 2018). Thus, Eastern epistemological structures are grounded in a collective view and concentrate on the logic of the "internal world." (Luo and Zheng 2016; Lee and Reade 2018; Pauluzzo et al. 2018). As Luo and Zheng (2016) explain:

> "Yin-Yang balancing appreciates "what is" and respects the sustainability of the natural and social realities. Thus, it emphasizes harmony and stability. Contrarily, Western philosophy is more self-centred and aggressive toward the "external world." Standing on the individual view, Western philosophy is interested in the judgement of opposite elements. Instead of appreciating "what is," it thinks more about "what ought to be." As a result, Western epistemological logic is more straightforward and simpler to follow in a short term." (Luo and Zheng 2016, 389)

Thus, Confucianism, in contrast, does not see time in terms of a linear forward movement (compared to the Utilitarian discourse system), but rather in a more cyclical way, and sees tradition as a revered status, rather than a hindrance to progress (Scollon et al. 2012, 125). This is an important point for this research as Western decision making will possibly be different from that of their Chinese counterparts within the iron ore industry in terms of negotiation and reaching a contract agreement. The Western aggressive linear stance of trying to control the external environment in a decision making process will clash with the Eastern relational perspective of accepting and adapting to current perspectives, reviewing and considering them in a circular manner and being less pressured by time. The notion of progress in a Confucianism based ideology has less to with the materialistic development of the society and is more inclined with acquiring knowledge and

ethical values. The Confucius ideology in relation to an individual existence ties with society:

> "The focus for the realization of such potential is not the free, equal individual, as in the Utilitarian formulation, but rather the individual as he or she exists in a web of social relationships. Society, according to Confucius, is built upon five primary relationships: those between the ruler and the ruled, the father and the son, the husband and the wife, the elder brother and the younger brother, and finally the relationship between friends…. Respecting the authority of those in the superior position in these hierarchical relationships is seen as central to both cultivating personal virtue and maintaining social harmony." (Scollon et al. 2012, 115)

Within the Utilitarian discourse system, superior positions that are achieved within an organisation do not necessarily overlap to the boundaries of family and friends. For the Confucianism discourse system, superior positions are generally earned and given, and respects the overlaps of boundaries to the family and friends. This too can have a major impact on decision making when these two ideologies come in to play between Australia and China.

In conclusion, Hofstede (1980) has helped decision makers in terms of the preliminary understanding of cross-cultural communications that exists between countries. However, Scollon et al. (2012) have delved deeper into the various discourse systems that exist, highlighting that the inherent Utilitarian discourse system representing the Western world and the Confucianism discourse system representing the Eastern world, will have an impact on professional communication and its decision-making processes within organisations. These discourse systems, embedded within cultures, therefore become important to understand in exploring the decision making process of Australian iron ore companies when dealing with their Chinese counterparts.

2.17 The Australian Business Context

Guidelines for how a business entity can be set up in Australia are laid out by the Australian Trade and Investment Commission (Austrade). The Australian culture of doing business is clear and transparent. The legislative and communication framework for a public company listed on the Australian Securities Exchange (ASX)

is transparent and Australian businesses must divulge the high and low points of the company's progress. The Australian Constitution sets out the key role of Prime Minister and ministers as advisers to the British Crown as head of state, and to the governor-general as the representative of the Crown (NAA 2018). However, the Australian head of government, the Prime Minister, is not mentioned at all and Prime Ministers have an opportunity to enhance the position depending on their vision and other qualities (NAA 2018)

Competing pressures on the Australian Prime Ministers and success depends on the political and personal relationships developed and maintained (NAA 2018). An Australian Prime Minister must establish a good relationship with the Crown, cabinet, parliament, party and press, the states and its nation, including the leaders of other nations. It is crucial that the Prime Minister's professional, business and family connections are intact and nurtured holistically (NAA 2018).

According to Australia's Department of Trade and Foreign Affairs (2012), forty years ago, on 21 December 1972, Australia's Prime Minister Gough Whitlam, established diplomatic relations with China (Parkinson 2012). At that time, the Australia–China bilateral trade was valued at an estimate of AU$100 million (Parkinson 2012). No more than 500 Chinese visitors came to Australia annually and there were no Chinese students studying here (DFAT 2012). Very few Australians visited or studied in China (DFAT 2012). The establishment of diplomatic relations marked a defining moment in the Australia–China relationship led by a portfolio of agreements, dialogues and strengthening of a relationship between the two countries (Parkinson 2012). In 1994, Australia was one of the pioneer countries to set up a treasury representative in China. Ever since, the Australian Treasury has seen the economic relationship with China expand swiftly and ties with counterpart Chinese institutions deepen significantly (Parkinson 2012).

For more than four decades, Australia's bureaucratic structures and traditions experienced reform in response to changing political, ideological and economic imperatives (Parliament of Australia 2019). During the same period, governments attempted to create socially representative public sector agencies in response to Australia's increasing social diversity (Parliament of Australia 2019). Australia, emerging from its status as a former British colony, has developed a public sector

related to the traditions of Westminster systems (Parliament of Australia 2019). Through the federation of the colonies in 1901, these bureaucratic norms had a justifiable hold (Parliament of Australia 2019). This is important because government still has regulatory power over the iron ore industry at many levels and has an effect on the type and quality of decisions that can be made (Parliament of Australia 2019). On a cultural and political level, it is crucial to distinguish the role of government in Australia from that in China. Industry and the role of government in China share the same platform in business and in terms of national interests. In Australia, the role of government is very much separate from private industry and companies listed on the Australian Stock Exchange.

In Australia, harmony in the workplace is about working with Australian businesses and organisations to create a culturally diverse and inclusive workforce. According to the Federation of Ethnic Committee Councils of Australia (FECCA 2013), being 'culturally aware' means acknowledging that everyone has a cultural background influencing and impacting how they interpret the world and perceive others around them. Being culturally aware or 'culturally competent' doesn't mean being an expert on every culture or having an answer to every cultural question and issue (FECCA 2013). Within a workplace environment, recognising multiple perspectives and experiences exist as a result of everyone's different cultural background and life experiences, and embracing this difference is vital to exploring cultural issues realistically (FECCA 2013, Peoples and Bailey 2012; Hong et al. 2003).

2.18 Conclusion

This chapter has presented a literature review related to decision-making styles, to facilitate the study's research aims and objectives. The value of this research is in its contributions regarding the development of theory and practice to organisational managers to help them develop the best decision-making style in both stable and complex environments. An exploration of Hofstede's six cultural dimensions, GLOBE's dimensions, the Circuit of Culture Model and the Intercultural Communication (A Discourse Approach) provided greater insight into China's and Australia's cultural characteristics, attributes, beliefs, norms and etiquette, to facilitate best business practices and cultural intelligence to enhance the decision-making process. Further, recent economic activity is exemplified by globalisation,

advanced technology, democratisation and deregulation, which jointly generate a highly complex environment for companies and policy decision makers (Uhl-Bien et al. 2007). Thus, complexity and uncertainty produce risks and likewise creates new opportunities for competitive advantage (Uhl-Bien et al. 2007, 298–318) and forward-looking decision making processes.

Chapter 3: Research Methodology, Data Collection and Data Analysis

3.1 Introduction

This chapter has three main aims. The first is to outline the criteria used in the selection of a methodological framework in line with this study's objectives. The second aim is to outline the methodological approach and research method adopted. The third is to illustrate the project's design, implementation and analysis.

This section also outlines the research approach and the theoretical perspectives that have informed and guided this study. It illustrates the research design and the development of the interview process and corresponding concerns. Further, data collection and data analysis methods are debated along with the relevant phases implemented during the research. Rigour is discussed in this chapter, with an emphasis on the spheres of authenticity and trustworthiness that support the research design (Gasson 2004). The researcher has strived to illustrate how theory and practice were applied in this study.

Numerous topics relating to the selected methodology that are described and reflected upon in depth in this chapter include:

- methodological considerations;
- rationale for qualitative methodology adopted;
- theoretical perspectives;
- grounded research method used in this study;
- research design;
- development of the interview process and schedule;
- data collection, data management and data analysis (qualitative interview practices, relationships to methodology, coding and analysis); and
- factors cementing trustworthiness and authenticity.

Clarification of the meaning of some terms is required, as these may be interpreted differently by different researchers. Mingers (2003) encouraged multimethod

research on the grounds that the aim of the research and the research process were complex and multidimensional, requiring a series of diverse approaches (Mingers 2003). The following definitions help align the five factors for any research endeavour:

- The *methods* are the data collection methods implemented in a research project. For example, interviewing is a qualitative method and surveying is a quantitative method.
- The *techniques* are the instruments that help us make sense of the data. For instance, cluster analysis is a quantitative technique and text analysis is a qualitative technique.
- The *methodology* is the actual combination of research methods and techniques applied in a research project.
- The *framework* is the set of guidelines that a researcher elect to follow in a given project. For instance, action (Baskerville and Pries-Heje 1999) or case study research (Eisenhardt, 1989).
- The *paradigm* is the system of beliefs and practices shared by a group of researchers (Klee 1997; Morgan 2007).

3.2 Methodological Considerations

A research paradigm is a conceptual framework of notions, attitudes and opinions that people make, and how they view the world (Denzin and Lincoln 2013). In other words, a research paradigm is the 'general perspective or way of thinking that reflects fundamental beliefs and assumptions about the nature of people and organisations' (Gioia and Pitre 1990). It comprises the following (Denzin and Lincoln 2013):

- Ontology—how reality is viewed;
- Epistemology—how knowledge is derived from the world, and the existing relationship between the researcher and what is being researched; and
- Methodology—the rationale and strategies for the research collected.

The choice about the research paradigm adopted in a study rests within the nature of the research. It is essential to establish whether a quantitative, qualitative or mixed-

methods approach (see Table 3.1) will be used, as these options produce rigorous outcomes when used in the right circumstances and a context that is relevant to the research objectives and the planned scope of study (Creswell 2007).

Table 3.1: Summary of quantitative, qualitative and mixed methods approach

Typical	Quantitative	Qualitative	Mixed-methods
Philosophical assumptions	Post-positivist knowledge	Constructivist/advocacy participatory knowledge	Pragmatic knowledge
Strategies of enquiry	Survey and Experiments	Phenomenology, grounded theory, ethnography, case study and narrative	Sequential, concurrent and transformative
Methods	Close-ended questions, predetermined approaches, numeric data	Open-ended questions, emerging approaches text or image data	Open and closed-ended questions, emerging and predetermined approaches, quantitative and qualitative data and analysis
Researchers use these practices	Tests, verifies theories and explanations	Researcher to collect participant meanings	Collects quantitative and qualitative data
	Identifies variable to study	Focuses on a single concept or phenomenon	Develops a rationale for mixing both approaches
	Relates variables in questions or hypotheses	Brings personal values to the study	Integrates the data at different stages of inquiry
	Uses standards of validity and reliability	Studies the context or setting of participants	Presents visual pictures of the procedure of study
	Observes and measures information numerically	Validates the accuracy of findings	Employs the practices of quantitative and qualitative
	Uses unbiased approaches	Makes interpretations of the data	
	Employs statistical procedures	Collaborates with participants	

Source: Adapted from Creswell (2007)

A quantitative approach uses post-positivist impressions for establishing knowledge (Creswell 2007, 2013). The researcher has to analyse the cause and effect, understand specific variables and hypotheses, measure and observe to test existing theories (Creswell 2007, 2013; Gasson 2004).

Quantitative research embraces strategies of inquiry comprising experiments and surveys, and collects information via predetermined instruments that provide statistical data (Creswell 2007, 2013).

A qualitative approach means that the inquirer creates knowledge based on constructivist perspectives, advocacy/participatory perspectives, or both (Creswell 2007, 2013). Hence, constructivist perspectives state that the multiple meanings of individual experiences acknowledge that meanings are being socially and historically constructed, with the intent of developing a theory or pattern. (Creswell 2007, 2013). The qualitative approach uses strategies of inquiry such as narratives, phenomenologies, ethnographies, grounded theory studies and case studies. The researcher collects open-ended emerging data, with the primary intent of developing themes from these data (Creswell 2007, 2013).

The mixed-methods approach tends to be based on knowledge gathered on pragmatic grounds that are consequence-oriented, problem-centred and pluralistic (Creswell 2007, 2013). This mix-methods approach uses strategies of inquiry that involve data collection simultaneously or sequentially to understand research problems (Creswell 2007, 2013). The gathering of data in the form of numeric information (data instruments) and text information (interviews) builds up the database of quantitative and qualitative information (Creswell 2007, 2013).

3.3 Rationale for Qualitative Methodology Adopted

A qualitative approach is one in which the inquirer makes knowledge claims based primarily on constructivist viewpoints and/or participatory perspectives (Creswell 2007, 2013; Creswell and Miller 2000). Constructivist perspectives address the multiple meanings of individual experiences, acknowledging that meanings are being socially and historically constructed, with the intent of developing a theory or pattern (Creswell 2007, 2013). This approach highlights that advocacy and participatory perspectives are frequently political, issue-oriented, collaborative or change oriented (Creswell 2013). The qualitative methodology uses strategies of inquiry such as phenomenologies, grounded theory studies, narratives, ethnographies and case studies (Creswell 2007, 2013). The researcher collects open-ended emerging data, with the primary intent of developing themes from the data (Creswell 2013).

The main aim of this research study is to explore, reveal, discover and understand the opinions, assessments and interpretations of individuals in the particular environment that is the iron ore industry. The significant value of capturing an individual's point of view, examining the constraints of everyday life and securing rich descriptions, is substantiated by (Denzin and Lincoln 2013). Further, this study examines decision-making processes in Western Australia's iron ore industry when working with their Chinese counterparts. It hopes to explore the nexus of decision-making interaction that occurs from the perspectives of Western Australia's iron ore Executives working with Chinese Executives in the iron ore industry.

The study concentrates on exploring a phenomenon (the decision-making framework and decision-making processes that exist within the iron ore industry in Western Australia companies when liaising with their Chinese counterparts) on which limited research has been conducted, and the general field related to the focus of this research.

The uncertainty inherent to the research question is precisely what drives the interpretivist thinking approach in terms of the uniqueness of human enquiry (Schwandt 2008). According to Schutz in 1972, this situation provides the opportunity to merge new thinking, new discoveries and unique phenomena by exposing the lived experiences of respondents (Schutz 1972). Thus, the aim of this study is to make discoveries from data about the decision-making framework and processes that exist in Western Australia iron ore companies and their Chinese counterparts.

The study is not to 'test' a process that is in existence; the intention of the research is to explore new areas, not test different hypotheses. Given the established objectives of this study, a quantitative approach may limit the discovery of emergent issues (Creswell 2007, 2013); thus, the qualitative methodology has been adopted. Similarly, Creswell asserted that the emergence and interpretive discovery facets are the foundation of managing scholarly qualitative research (Creswell 2013).

Glaser and Strauss (1967) stated that the aim of social research is to provide more than just the uncovering of pre-existing and universal explanations of social behaviour, which tends to be the situation in quantitative research. However,

quantitative research here is not being discounted or diminished relative to qualitative research. Making decisions is not a mechanical matter; it is a human activity in which people's values are involved (Yaghi 2007). The dynamics between decision making and decision makers' values gains special importance in any organisation (Yaghi 2007). Thus, the study uncovers the connection of human interaction that occurs between individuals in the iron ore industry.

The research questions provide a focus for deciding what methodology to use. The ease of a qualitative inquiry provides a sensible, suitable and obvious approach for a given study. Rubin and Rubin (1985) stated that in a qualitative dialogue the question is supreme and is the basis for how the study should be approached. Purposive (purposeful) sampling and theoretical sensitivity are means of constructing theory (Creswell 2007, 2013), as the nature of the study requires impartiality and broadmindedness for uncertainty and ambiguity.

Thus, given the aims of this study and the related tenets of the paradigms, qualitative methodology was considered the best-suited option. According to Marshall (1996), qualitative studies provide illumination, understanding and knowledge of complex and complicated psychological issues, and have the ability to respond to the 'why' human element and 'how' questions.

The researcher becomes an integral part of the research in qualitative studies, which differs from quantitative studies where the researcher must be detached and objective (Creswell 2007, 2013). In a qualitative study, the researcher is involved in the data collection and unveils the 'why' and 'how' questions within this research paradigm. These guidelines provide value and significance to the researcher in the exploratory nature of qualitative research that is to be investigated and is unknown upon entering the study (Denzin and Lincoln 2013).

3.4 Theoretical Perspectives

This exploratory study undertaken by the researcher focuses on the WA resources industry, in particular the iron ore sector. It explores the decision-making relationship between Western Australia and China and employs a constructivist ontology, interpretive epistemology and qualitative methodology. The interpretive epistemology is applied to make sense of the data combined with a constructivist

ontology with multiple realities, to pave the way for the qualitative methodology option (Borman et al. 1986 ; Goetz and Le Compte 1984; Creswell 2007; Guba and Lincoln 2005).

3.4.1 Grounded Research Method Used in This Study

The theoretical framework adopted in this study is called grounded research (Whiteley 2004), which is a modified grounded theory approach (Glaser and Strauss 1967b). Grounded theory derives its intrinsic qualities from the practice of generating theory from research that is 'grounded' within the data (Glaser and Strauss 1967). Glaser and Strauss debated whether new theory could possibly arise by being attentive to the difference between 'the daily realities' of what is actually going on in 'substantive areas', and the interpretations of daily routines made by participating 'actors'. In this sense the researcher must differentiate between the participants' reality and organisational daily routines within the iron ore industry. According to Whiteley, there is a logic in preserving grounded theory principles, categorizing what can and cannot be claimed as grounded theory (Whiteley 2004). The symbolic interactionist perspective was an significant breakthrough in the development of interpretive thinking and research (Whiteley 2004) . Revisiting history and the context in which the interpretive theorists discovered themselves, there was influential evidence of what Glaser and Strauss (1967) refer to as grand theorizing, theory verification and generalizing. Purism used as a benchmark and grounded theory could represent the benchmark for particular types of interpretive research (Whiteley 2004). According to Whiteley (2004), it is in this spirit that the idea of grounded research as a descriptor when the pure grounded theory conditions cannot be met is presented. Grounded research differs from grounded theory and the grounded research method will be discussed further in this chapter.

3.4.2 Symbolic Interactionism

The analytical frame through which interactions are identified and analysed is through 'shared meaning', situated within the theoretical perspective of Symbolic Interactionism (Blumer 1969a). The 'founding father' of Symbolic Interactionism was George Herbert Mead (1863–1931), although the perspective was named and popularised by his student Herbert Blumer (1969). It is an approach to social

psychology whose first principle is "that human beings act toward things on the basis of the meanings that these things have for them" (Blumer 1969).

Mead drew from behaviourism but redefined human behaviour as a response to individual interpretations of the world, rather than to the world itself (Mead 1963). According to Charon (2007), Mead maintained that the researcher engage in a constant process of meaning-making, or 'mind action' (Charon 2007), which arbitrates between external stimuli and human behaviour. Even if the individual's behavioural choices are limited by context, history and social structures, individuals are not defined by those choices (Blumer 1969).

In Symbolic Interactionism, the emphasis is the interpretation of circumstances and how the choice of choosing one course or 'line of action' over another is significant (Mead 1963). According to Mead (1963), individuals and society are in a constant state of flux, as definitions of each moment changes through the continuous dialectical process of interpretation and action (Mead 1963). Mead (1963) suggested that even though reality is external to our thoughts, all awareness of that reality is actively constructed. Meaning is not inherent in 'things', it comes through the exchange between subject and object: meanings are handled in, and modified through (just like a metamorphosis), an interpretative process used by the individual managing with the things he or she encounters (Blumer 1969b).

According to Charon (2007), Symbolic Interactionism philosophers created the concept of the interrelatedness of subject and object to explain how individuals develop multiple social realities (Charon, 2007). It's origins stem from Husserl's (1963) Phenomenology and swayed by pragmatist philosophy extended through the enquiries and research of Peirce, Dewey and James (Plummer 2000). Pragmatists have the view that reality are misrepresented, warped and twisted through language and individual perceptual frames, consequently, assertions to knowledge are partial, speculative, indefinite and temporary (Plummer 2000). In general, pragmatists discard universal notions of truth in place of an action-based definition, whereby the truth of a concept is stemmed on an examination of every single consequence of that concept (Peirce 1953; David 1992). Humans can only be identified and represented through what they achieve and inquiry must be directed at what constructs a realistic difference in the practical world of human action. According to Dewey in 1929

> ‘‘The test of ideas, of thinking generally, is found in the consequences of the acts to which the ideas lead’ (Dewey 1929, cited in Corbin and Strauss 2015 p 19).

In Symbolic Interactionism, meaning-making is a social process; to describe and distinguish a situation, the researcher puts himself or herself in the position of the other actors in the situation. The need to draw on an inner voice called the ‘generalized other’ or the ‘me’ (Mead 1934), that grows from infancy and the internalisation of the influences of significant individuals and social institutions (Cahill 2003). This inner voice is categorised into distinct voices, representing the different ‘reference groups’ (Shibutani 1955) to which we belong, and the roles we perform. According to Shibutani (1955) cited in Jill Scott’s book titled *Transdiscourse 2 – Turbulence and Reconstruction*, Shibutani stated:

> “The concept of reference group points more to a psychological phenomenon than to an objectively existing group of men; it refers to an organisation of the actor’s experience. In this usage, a reference group becomes any collective, real or imagined, envied or despised, whose perspective is assumed by the actor.” (Shibutani 1955, cited in Scott 2016, 193)

In this light, we momentarily adopt the perspective that fits best, with how we define ourselves in any given situation. Charon (2007) defined perspective as ‘an angle on reality, a place where the individual stands as he or she looks at and tries to understand reality’ (Charon 2007, 3). Often we engage in an internal conversation with these perspectives to define our current situation, and so determine how to behave (Cahill 2003).

Cooley (1902, 1956) stated the determination of the self through interaction with others and theorized that the sense of self is established in two ways. First by one’s actual experiences, secondly, by what one imagines others’ ideas of oneself to be which is a phenomenon Cooley called the “looking glass self.” This dual conception contributed to Cooley’s fundamental theory that the mind is social and that society is a mental construct (Cooley 1902, 1956).

Language itself patterns experience (Mead 1934), This symbolic communication drawing on shared meanings allows us to become aware of the experiences of others and interpret their meaning (Mead 1934). Nevertheless, in the 'semiotic world of discourse … meaning is never fixed and immutable; rather it is always shifting, emergent and ultimately ambiguous' (Mead 1934; Cahill 2003). Thus, the process of continuing negotiation, meanings and action have the promise to surprise.

A key Symbolic Interactionism tenet is that human complexity can solely be appreciated and recognised through inductive inquiry. Blumer (1969) criticised theory-driven, deductive research as bad science, claiming that hypotheses rarely address the totality of the theory to be tested. As a consequence, the researcher is forced to begin from a fixed point that may have no link to the ever-changing worlds of the participants (Denzin 2013). The Symbolic Interactionism position is that individual meaning-making casts light on the empirical 'real world'. In Symbolic Interactionism, an individual's perspective gives us an important impression about what is genuine. Some perspectives transports us closer to reality than others; none is the whole story (Charon, 2007). As a result, Charon (2007) states where perspectives converge, the likelihood to reflect what is truly happening and inform action (Charon 2007). By examining how the developing perspectives differ and converge, the researcher constructs a cumulative picture representing the best estimate to what is 'really' going on (Charon 2007). Yet, it is impossible to tap all sources of variation (Denzin 2013).

Thorne (2008) rejected the idea of 'saturation' (Glaser & Strauss 1967) employed in grounded theory studies, which implies that the data have extracted of the entire analytical insights. By exploring the data in the manner described by Blumer, 'We may pick it up, look at it closely, turn it over as we view it, look at it from this angle or that angle' (Blumer 1969, 44). The researcher for the interim might put themselves into the shoes of a phenomenologist, a post-colonialist, a feminist or any other reference group, to observe different patterns before choosing a line of action to 'reconfigure what is found into a form that has the potential to shift the angle of vision with which one customarily considers that phenomenon' (Thorne 2008, 50).

These multiple views or perspectives do not classify the complete inquiry, but are embraced practically to aid the researcher experiment with diverse methods of

conceptualising the practice problem and move beyond the self-evident (Mead 1963). This realistic use of different methods and views is the crux of Symbolic Interactionism methodology (Mead 1963). According to Mead, the flexible nature of its exploratory inquiry is not tied down to any specific set of techniques (Mead 1963). Its guiding principle is to utilise any ethically permissible procedure that presents a possibility of achieving clarity of what is going on in the area of social life (Blumer 1969, 41). According to Blumer (1969), 'exploration and inspection, representing respectively depiction and analyses, constitute direct examination of the empirical world' (Blumer 1969, 46).

3.4.3 Phenomenology

German philosopher Husserl (1969) developed the theoretical perspective of Phenomenology. This study embraces the theoretical perspective of Phenomenology, as it enhances and identifies the experiential phenomena—the social reality interpreted by humans in their daily lives (Moran 2000).

Offering an alternative perspective, Putnam in his book *Pragmatism* positively portrayed Kant as the first philosopher 'to see that describing the world is not simply copying it' and that 'whenever human beings describe anything in the world, our description is shaped by our own conceptual choices' (Putnam 1995, 28), which, in turn, are shaped by our interests (Moran 2000).

Patton (1990) stated that another view on Phenomenology is the query of 'What is the structure and the essence of this phenomenon for these people?' The philosophical assumption of Phenomenology symbolises the concept of what we simply know, what we experience being attentive to perceptions and meanings that rouse our conscious awareness (Moustakas 1994).

3.5 Research Inquiry Paradigm (Ontology, Epistemology, Methodology)

A requirement of this study is to identify intimately with a belief system or paradigm, which enables the researcher to progress assumptions about the social world; that is, how science should be organised and what constitutes legitimate problems, solutions and criteria of proof (Creswell 2007, 2013; Creswell and Miller

2000). Qualitative researchers must consider their research study with a certain paradigm or worldview, which Creswell explained as 'a basic set of beliefs or assumptions that guide their inquiries'. To see it another way, the research paradigm is a 'general perspective or way of thinking that reflects fundamental beliefs and assumptions about the nature of people and organisations' (Gioia and Pitre 1990).

This philosophy assumes that reality is constructed by people and that individuals are attempting to understand and interpret the world in which they live. According to Denzin and Lincoln (2013), they believed that principles, assumptions and beliefs 'shape how a qualitative researcher sees the world and acts within it'. Creswell believed that:

> "These philosophical assumptions consist of a stance toward the nature of reality (ontology), how the researcher knows what she or he knows (epistemology), the role of values in the research (axiology), the language of the research (rhetoric), and the methods used in the process (methodology)." (Creswell 2013, 17)

The research paradigm outlines three philosophical assumptions (see Table 3.2):

- the ontological assumption;
- the epistemology assumption; and
- the methodological assumption.

Table 3.2: Philosophical assumptions with suggestions for practice

Assumption	Question	Characteristics	Suggestions for practice	'Fit' within the thesis
Ontological	What is the nature of reality?	Reality is subjective and multiple, as seen by participants in the study	Researcher uses quotes, themes in the words of participants; provides evidence of different perspectives	Thesis uses constructivist ontology as it fits the research question
Epistemological	What is the relationship between researcher and that being researched?	Researcher tries to lessen the distance between themselves and that being researched	Researcher collaborates, spends time in field with participants and becomes an 'insider	Research reflects the researcher's stance (intersubjective) and seeks interpretive knowledge
Axiological	What is the role of values?	Researcher accepts that research is loaded with value and biases are present	Researcher discusses values that shape the narrative and includes own interpretation in relation to interpretation of participants	Researcher adopts Phenomenology and Symbolic Interactionism as axiology to respondent groups
Rhetorical	What is the language of research?	Researcher writes in a literary, informal style using personal voice, qualitative terms and limited definitions	Researcher adopts engaging style of narrative, first-person pronoun and language of qualitative research	Thesis requires researcher to use lexicon of distinct respondent groups (senior management or employee within iron ore industry in Australia that deals with Chinese counterparts)
Methodological	What is the process of research?	Researcher uses inductive logic, studies issues within their context and uses an emerging design	Researcher works with details and particulars before generalisations; describes in depth the context of study; continually revises questions from experiences in the field	Thesis preserves the flow of ontological and epistemological decisions, resulting in a qualitative methodology

Source: Adapted from Guba and Lincoln (1988) and Creswell (2018)

Table 3.2 outlines the research methodology and paradigm options adopted in this study. They are aligned with the research questions and are supported from a theoretical perspective, to explore and investigate the research objectives. The

following section describes three areas—ontology, epistemology and methodology—together with the underlying philosophy and the proposed sociological and theoretical perspectives.

3.5.1 Ontology

Ontology addresses the nature of reality (Creswell 2007). According to Creswell, the nature of the research question and research objectives is interpretive and lends itself to the philosophy of becoming. The researcher is obliged to maintain openness throughout the process to uphold the constructivist ontology, which assumes that participants will construct or develop their own multiple realities (Creswell 2007, 2013, 2018).

The orientation this study takes is that reality is constructed by individuals involved in the research situation and adopts a constructivist ontology (Guba and Lincoln 2013. In a constructivist paradigm, the nature of reality or ontological perspective is dependent on the individuals holding the constructions (Guba and Lincoln 2013).

Ontological assumptions involve consideration relating to phenomena being examined to determine whether they are objective and external to the individual or integral to the individual's consciousness (Denzin and Lincoln 2013). This was reinforced by Patton who stipulated that the 'world of human perception is not real in an absolute sense, as the sun is real but is "made up" and shaped by cultural and linguistic constructs' (Patton 1990).

Hence, for the researcher, reality is socially constructed by the individuals involved in the research setting and by what participants perceive it to be (Creswell and Miller 2000). This signifies that the concerns and experiences of the individuals in this research cannot be considered representative or universal in nature.

In a qualitative study, multiple realities may exist, and include those held by the researcher, the individuals being investigated and readers interpreting the study (Creswell 2007, 2013, 2018). Criteria for judging either reality or validity are not absolute in a constructivist's ontological perspective (Bradley and Schaefer 1998). In contrast, the quantitative approach views reality in an objective manner, independent

of the researcher. Quantitative inquiry is objectified and measurable in the research design adopted and has a reality ontology (Denzin and Lincoln 2013).

In a qualitative inquiry process, understanding the social or human problem is based on building a complex, holistic picture and is conducted in the respondents' natural setting (Creswell 2013). Hence, for this study, insightful data may be revealed by conducting interviews in the workplaces of respondents, as opposed to counting or measuring a known or predetermined set of variables. The implementation of a quantitative ontological perspective was not suitable for this project.

3.5.2 Epistemology

Epistemology allows the researcher to create interpretive sense of data discovered, and to establish knowledge (Burrell and Morgan 1979). It is the catalyst for how one might begin to understand the world and communicate this interpretation as knowledge to human beings (Burrell and Morgan 1979). During the research process, knowledge emerges from the perceptions of interactions with participants, and language is a tool to give meaning to these interpretations (Burrell and Morgan 1979). A collaboration exists between the researcher and what is being researched, and balances maintaining an objective position to make way for meaningful and contextual information to arise (Guba and Lincoln 2005).

The crux of interpretive epistemology is that it encourages a special relationship to exist between the researcher and what is to be known. Utilising interpretive epistemology leads to theory building as it is inductive in nature (Gioia and Pitre 1990). As Gioia and Pitre (1990) state,

> "interpretive epistemology "creates, generates, initiates and produces descriptions, insights, and explanations of events. Interpretive epistemology uncovers and reveals the system of interpretations and meaning, the structuring and organising processes." (Gioia and Pitre 1990, 588)

This means that the inductive discovery process for harnessing knowledge and developing and analysing theory is made possible through interpretive epistemology. However, there is limited distance between the researcher and participants involved in the research to discover their 'lived' experiences. Therefore, close proximity and

contact between the researcher and the respondents permits meaningful and valuable insights to emerge (Gioia and Pitre 1990).

As the epistemology for this study is interpretive, the researcher and the participants co-create understanding and knowledge (Lincoln and Guba 2013; Guba and Lincoln 2005). Thus, epistemology signifies that the nature of knowledge in the context of this study and refers to the way in which we construct or accumulate knowledge about the decision-making processes utilised and that contribute towards the quality of the decisions made.

Ontology theories have implications for epistemological frameworks that can be applied in a specific research project (Creswell 2007, 2013, 2018). The following discussion outlines two considerations when choosing an epistemological approach for this study: Firstly, recognising the different cultural organisations in Australia and China (Gioia and Pitre 1990) . Secondly, in creating and gathering knowledge, researchers do not act as observers of social phenomena (Gioia and Pitre 1990). This is because processes such as language, customs and shared meanings will influence the way in which knowledge is perceived and constructed (Davies et al. 1995; Fan 2002). Similarly, it is not possible to produce culture-free representations of reality because categories, frameworks of thinking, modes of analysis, ways of seeing things, habits and patterns of thought are all affected by life paths and socio–cultural situations (Ferber and Nelson 2003).

A second rationale for taking a pluralist approach to epistemology is the acceptance of social systems as open, and human understanding of reality as imperfect (Dow 2002). Epistemological pluralism as an approach embraces diverse viewpoints and the 'parcelling off' of specific aspects of complex social phenomena, thus allowing any given research programme to develop using various methods and assumptions of closure (Gioia and Pitre 1990).

Acknowledging the situated cultural and historical context of researchers and the open nature of social systems, this study is based on an interpretive approach to epistemology (Gioia and Pitre 1990). Interpretive epistemology is associated with constructivist and pluralist approaches to ontology (Lawson 1999, Lawson 2003,

Dow 2002). A realist ontology and interpretive epistemology are not necessarily incompatible:

> "(Realism) requires the objective reality that both exist ontologically and can be referred to as such. It is not necessary that our perceptions of reality be objective, nor that they be certain; a world realist can regard observations as subjective (and thus potentially different between observers) and uncertain." (Dow 2002, 347–348)

Thus, our knowledge of a social phenomenon will be influenced by our personal experiences and biases. Knowledge is partial and fallible. As the researcher journeys thought this study, they acknowledge that the findings and process of research embrace the pursuit of knowledge in the quality of decision making.

3.5.3 Methodology

The methodology being implemented is qualitative, and embraces modified grounded research theory (Whiteley 2004) in its inductive theory building. A qualitative approach is one in which the inquirer makes knowledge claims based primarily on constructivist viewpoints and/or participatory perspectives (Creswell 2007, 2013; Creswell and Miller 2000). Constructivist perspectives address the multiple meanings of individual experiences, acknowledging that meanings are being socially and historically constructed with the intent of developing a theory or pattern (Creswell 2007, 2013; Creswell and Miller 2000). The researcher collects open-ended, emerging data with the primary intent of developing themes from those data (Creswell 2013).

The main aim of this research study is to explore, reveal, discover and understand the opinions, assessments and interpretations of individuals within a particular environment. The significant value of capturing an individual's point of view, examining the constraints of everyday life and securing rich descriptions is substantiated by Denzin and Lincoln (2005). Further, this study examines decision-making processes within WA's iron ore industry when dealing with their Chinese counterparts. The dynamic between decision making and decision makers' values has special importance in any organisation (Yaghi 2007). Thus, this study uncovers

the nexus of human interaction that occurs between individuals in the iron ore industry.

Decision-making processes or outcomes can be different when the content of decisions is different. Decision making can also be influenced by other factors, such as organisational culture. This study focuses on exploring a phenomenon that has been the focus of relatively limited research in the iron ore industry; the uncertainty inherent to the research question is precisely what drives the interpretivist thinking approach, in terms of uniqueness of human inquiry (Schwandt 2014).

Thus, the essence of this research is to unravel and explore new areas. It is about emergence and interpretive discovery, which provides a firm foundation for leading scholarly qualitative research (Creswell 2003, Creswell and Poth 2018).

The research questions in the study direct which methodology is used. The primary focus of the study is to achieve the following research objectives:

To explore the decision making process in the Australian resources industry when dealing with China. In particular, the iron ore industry in Western Australia. The research questions are as follows.

1. What processes are used in the resources sector (in particular the iron ore industry in Western Australia) to enhance the quality of decisions when dealing with China?

2. How does Cultural Intelligence influence the decision making process in the resources industry (in particular the iron ore industry in Western Australia) when dealing with China?

Qualitative studies provide the answer to 'why' and 'how' questions, while quantitative studies provide the answer to 'what' questions (Marshall 1996, 522). The researcher in a quantitative study has to be detached, while the researcher in a qualitative study is an integral part of the research process (Creswell 2003). Because of its flexibility a qualitative inquiry approach was an obvious choice for this study, based on the research questions established.

3.5.4 Grounded Theory

A range of expressions or definitions are associated with grounded theory. In diverse disciplines of research, it is explained as a 'technique' (Lawrence and Tar 2013), a 'method' (Amsteus 2014), a 'methodology' (Manuj and Pohlen 2012) or a 'paradigm' (Rodriguez-Martin et al. 2013).

Classic grounded theory refers to the general methodology and subsequent paradigm that were originally summarised in *The Discovery of Grounded Theory* (Glaser and Strauss, 1967). Both realised that they were using a separate method that been used to data before – it was ordered, systematic, and marked by rigour. Strauss contributed in theory generation and symbolic interactionism, whereas Glaser's experience with descriptive statistics made it natural for him to visit constant comparisons on the data. (Morse 2015) Classic grounded theory is ontologically and epistemologically flexible. The researcher's philosophical stance comes into play in the substantive area of interest chosen as the initial focus and in the data sources considered appropriate (Glaser and Strauss 1967). Grounded theory is apt for researchers whose studies involve an interesting phenomenon without explanation and where the researcher 'seeks to discover theory from data' (Glaser and Strauss 1967).

Fundamental to grounded theory's conceptualist paradigm are its principles of emergence, theoretical sampling and constant comparison (Glaser and Strauss 1967b). The principle of emergence demands that the researcher remains flexible to what is discovered empirically in the area under study, free of biased ideas stemmed from personal or professional research interests or theoretical frameworks drawn from extant theory, and enters the research setting with as few prearranged ideas as possible—particularly logically deducted 'a priori hypotheses' (Glaser 1978, 3). 'Earned relevance' is achieved through the tandem processes of theoretical sampling and constant comparison (Glaser 1978).

According to Glaser, the second principle, 'theoretical sampling', is a process of data collection in which the researcher jointly collects, codes and analyses data, making decisions about what data to collect and where to find those data based not on a predefined population, but instead on emerging theoretical ideas (Glaser 1978). Using this method, it makes certain that the emergent theory is grounded in data not

extant theory, and that the theory is conceptually elaborated rather than logically deduced (Glaser 1978, pp.37–41). The third principle, 'constant comparison' (Glaser 1965), implies that data are continuously compared with earlier collected and analysed data as researchers observe for differences and similarities. Therefore, each new empirical incident is analysed to determine whether the data support and resume to support emerging concepts.

Grounded theory is best absorbed historically. Suddaby (2006) explained the methodology developed by Glaser and Strauss (1967) as a catalyst against the radical positivism that infiltrated most social research. They debated the view that the social and natural sciences coped with the identical type of subject matter. Glaser and Strauss (1967) challenged customary suppositions of 'grand theory', the notion that the aim of social research is to unravel preceding universal explanations of social behaviour.

According to Suddaby (2006), he states that

> "In making their challenge, Glaser and Strauss (1967) looked to the pragmatism of Charles Saunders Peirce (1839–1914) and early symbolic interactionists, particularly George Herbert Mead (1863–1931) and Charles Cooley (1864–1929), each of whom rejected the notion that scientific truth reflects an independent external reality. They argued that scientific truth results from both the act of observation and the emerging consensus within a community of observers as they make sense of what they have observed." (Suddaby 2006, 633).

In this practical and realistic methodology to social science investigation, empirical 'reality' is illustrated as the continuous interpretation of meaning shaped by individuals engaged in a mutual assignment of observation (Bryant and Charmaz 2007).

Glaser and Strauss (1967) proposed grounded theory as a pragmatic method for leading research that emphasises on the interpretive process by analysing the actual building of meanings and concepts used by social actors in their true surroundings. They argued that new theory could be created by paying careful attention to the distinction between 'the daily realities (what is actually going on) of substantive areas' (Glaser and Strauss 1967, 239) and the interpretations of those daily realities

made by those who participate in them (the 'actors'). According to Suddaby (2006), Glaser and Strauss (1967) rejected positivist notions of falsification and hypothesis testing and, instead, described an organic process of theory emergence based on how satisfactory data fit conceptual categories identified by an observer; how justly the categories explain or predict ongoing interpretations; and how relevant the categories are to the core issues being observed (Suddaby 2006;).

Glaser and Strauss (1967) proposed a middle ground between 'extreme empiricism' and 'complete relativism', by reaching a consensus in which systematic data collection could be obtained to develop theories that tackle the interpretive realities of actors in social settings (Suddaby 2006). The method described by Glaser and Strauss (1967) is based on two key feature or concepts: 'constant comparison', in which data are collected and analysed simultaneously, and 'theoretical sampling', where decisions about which data should be collected next are ascertained by the theory that is being constructed. Both concepts challenge the positivist theories of how the research process should work. Constant comparison disputes the idea of a clear departure between data collection and analysis (Suddaby 2006). Theoretical sampling defies the standard hypothesis testing in that the trend of new data collection is decided not by a priori hypotheses but by ongoing interpretation of data and emerging conceptual categories (Suddaby 2006).

According to Suddaby, grounded theory is suitable for certain questions than others (Suddaby 2006). It is befitting to understand the process by which actors construct meaning out of intersubjective experience. Grounded theory should be used logically, consistent with key assumptions about social reality and how that reality is 'known' (Suddaby 2006). It is less suitable, for instance, to use grounded theory to make knowledge claims about an objective reality, and more apt to do so when knowledge claims are made about how individuals interpret reality (Suddaby 2006). Suddaby (2006) identified six common misconceptions about grounded theory outlined below.

3.5.4.1 *Grounded Theory is Not an Excuse to Ignore the Literature*

Glaser and Strauss's formulation of grounded theory was not intended to urge research that ignored existing empirical knowledge (Suddaby 2006). They

distinguished between substantive theory or theory grounded in extant research in a specific subject (for example, leadership) and grounded theory, but they observed a direct and essential connection between the two forms of theory:

> "Substantive theory is a strategic link in the formulation and generation of grounded formal theory. Although, formal theory can be generated directly from data, it is more desirable to start the formal theory from a substantive one. The latter not only provides a stimulus to a 'good idea' but it gives an initial direction in developing relevant categories and properties and in choosing possible modes of integration. It is difficult to find a grounded formal theory that was not in some way stimulated by substantive theory." (Glaser and Strauss 1967, 79)

The risk of prior knowledge in grounded theory is not that it will contaminate a researcher's view, but that it will compel the researcher into testing hypotheses, either explicitly or intuitively, rather than directly observing (Suddaby 2006).

Grounded theory methodologists explain several modes to prevent this from happening. One technique is to be constantly aware of the likelihood that the researcher is being motivated by pre-existing conceptualisations of the topic of study (Suddaby 2006). Grounded theorists must preserve the aptitude to 'make the familiar strange' (Spindler 1982).

According to Suddaby (2006), an ultimate answer is to not go too far with the goal of grounded theory research. That is, researchers may over do in 'the elaboration of existing theory' rather than untethered 'new' theory (Suddaby 2006). The reality of grounded theory research is achieve a practical compromise between a theory-laden view of the world and an unconstrained empiricism (Suddaby 2006) .

3.5.4.2 *Grounded Theory is Not Presentation of Raw Data*

There may be certain perplexity between grounded theory and phenomenology. Phenomenological research emphasises the subjective experiences of actors' 'lifeworlds' (Schutz 1972; Husserl 1969). Methodologically, phenomenologists try to capture the rich, if not, the humdrum details of actors' lived experiences (Husserl 1969; Van Manen 2002). They frequently present data in a raw form to illustrate authenticity and to allow an universal interpretation of the subjects' understandings of experience (Suddaby 2006). Such data are characteristically evaluated through

contemplative techniques that facilitate clarity on the relationship between the language used and the objects to which language shares (Moustakas 1994).

While grounded theory maintains certain compassion for phenomenological assumptions and techniques, researchers using grounded theory are less fixated on personal experiences of individual actors per se (Suddaby 2006). Rather, they are focussed to how such subjective experiences can be conceptualised into theoretical statements about causal relationships among actors (Suddaby 2006). The distinction between these two methods is depicted in how each uses the technique of interviewing (Wimpenny and Gass, 2000).

In a phenomenological study, in-depth interviews explore individuals' subjective experiences (Wimpenny and Gass 2000). The feature and nuance of the stories on which interviewees share, and the particular words they use, comprise the preliminary unit of analysis (Suddaby 2006). Phenomenology requires tremendous effort to investigate, enquire and delve the lived experience of subjects without contaminating the data (Moustakas 1994), units of data are usually exhibited in their raw form.

In grounded theory, in comparison, interviews with subjects commence with a phenomenological interest in subjective understanding, however, the main interest is not in the stories themselves (Suddaby 2006). Instead, stories are a means of extracting and obtaining information on the social situation under exploration and investigation (Suddaby 2006). In comparison to phenomenological studies, grounded theory studies hardly have interviews as their only form of data collection (Suddaby 2006).

3.5.4.3 *Grounded Theory is Not Theory Testing, Content Analysis or Word Counts*

There is analogy between the research question (for instance, a researcher's assumptions about the nature of reality and how one might know reality) and the methods used to address the question (Suddaby 2006). A realist ontology upholds the assumption that the variables of interest exist outside individuals and are concrete, objective and measurable (Burrell and Morgan 1979).

An ‘interpretivist’ ontology leans on the assumption that human beings do not passively respond to an external reality, but instead impose their core perceptions and ideals on the peripheral world and actively create their realities (Morgan and Smircich 1980). From this view, the elements of interest are internal and subjective.

The aim of grounded theory is to draw innovative understandings about patterned relationships between social actors and how these relationships and interactions actively construct reality (Glaser & Strauss 1967). Grounded theory should not be used to test hypotheses about reality, but to create statements about how actors interpret reality (Suddaby 2006). Grounded theory is best utilised when no exact hypotheses exist to be tested, or when such hypotheses do exist but are too conjectural to be verified in a logical, deductive manner (Martin and Turner 1986). This is where grounded theory fits perfectly and where researchers have an appealing and interesting phenomenon without explanation and from which they search to ‘discover theory from data’ (Glaser and Strauss 1967, 1).

Grounded theory research is successful when it has a clear creative element. Glaser and Strauss (1967) were aware of this element, and the tension it would generate for those who find relief in relying on algorithms to create results (Suddaby 2006). Glaser (1967) used the term ‘theoretical sensitivity’ to explain the necessary tension between the automatic application of a technique and the significance of interpretive insight. This tension ultimately ended up being the break point between the founders of grounded theory, with Glaser favouring creativity and openness to unforeseen interpretations of data while Strauss and Corbin became devotees to formal and prescriptive routines for analysing data (Locke 1996, 2001).

3.5.4.4 *Grounded Theory is Not Perfect*

The essence of grounded theory research was a practical way to assist researchers understand complex social processes (Suddaby 2006). It is a method that might dominate a pragmatic compromise between some shifting epistemological boundaries (Suddaby 2006). Due to this genealogy, grounded theory techniques are naturally ‘messy’ (Parkhe 1993) and necessitate researchers to establish a tacit knowledge of, or feel for, when purist ultimatums may not be suitable to their research and may be ignored.

3.5.4.5 *Grounded Theory is Not Easy*

Grounded theory research techniques are in the infancy, developmental or elementary stage; that is, the quality of their application improves with experience (Suddaby 2006). The developmental nature of grounded theory research originates from individual differences in researchers' skills to interpret patterns in qualitative data (Turner 1981). Grounded theory is an informative and interpretive process that relies on the understanding and sensitivity of a researcher to unexpressed rudiments of the data or meanings and connotations that may not be obvious from an ordinary shallow reading of the substance (Suddaby 2006).

As discussed above, Grounded Theory Research Methodology was developed by sociologists Glaser and Strauss (1967) into what Suddaby (2006) explains is a pragmatic means of exploring empirical reality through observation and analysis of actors in their real settings (Parry 2014). Glaser and Strauss (1967), contributed to different points of view amongst theorists and have widened the methodology to its original intent of developing theory from data (Heath and Cowley, 2004). Grounded theory is a general methodology for developing theory that is grounded in data systematically gathered and analysed (Parry 2014). Theory evolves, or emerges, during actual research, and it does this through continuous interplay between analysis and data collection (Strauss and Corbin, 1994).

According to Parry (2014), Glaser and Strauss (1967) argued that social and natural sciences do not deal with the same subject matter, and challenged the applicability of positivist ontology and of the traditions of the natural sciences (Whiteley, 2004) prevalent in social science research.

Glaser and Strauss (1967) adopted a constructivist approach, maintaining that in social science scientific 'truth' emerges via observation and consensus of meaning of the community of observers, after analysis and interpretation (Suddaby, 2006). Empirical reality is derived from ongoing observation and interpretation (Suddaby, 2006), and the essence of grounded theory has not changed from inception (Strauss and Corbin, 1990).

Grounded theory is widely recognised, not only in its founding discipline of sociology (Allen and Davey 2018). As a research method, grounded theory

methodology validates the use of qualitative research methods in applied research in the social sciences (Thomas and James, 2006). However, the extensive use of this method raises 'the risk of becoming fashionable' (Strauss and Corbin 1994, 277), where implemented by researchers not grasping its central elements (Parry 2014).

According to Allen and Davey (2018), constructivist grounded theory is the most recent of grounded theory advancement and is congruent with the ontology of interpretivism and epistemology of social constructivism. It "does not subscribe to the objectivist, positivist assumptions" (Charmaz 2005, p509) of earlier versions of the theory, but focuses on the creation of descriptive theory based on the belief that concepts are constructed as opposed to discovered (Evans 2013).

In constructivist grounded theory, the researcher is actively repositioned "as the author of a reconstruction of experience and meaning" (Mills, Bonner and Francis 2006 p2). Charmaz urges constructivist grounded theorists to "take a reflexive stance on modes of knowing and representing studied life" (Charmaz 2005, p509),

> "since constructivist grounded theory celebrates first-hand knowledge of empirical worlds, takes a middle ground between postmodernism and positivism and offers accessible methods for taking qualitative research into the 21st century Constructivism assumes the relativism of multiple social realities, recognizes the mutual creation of knowledge by the viewer and the viewed, and aims towards interpretive understanding of subjects' meanings." (Charmaz 2000, 510)

Despite Glaser's (2012, p1) insistence that constructivist grounded theory is a "misnomer," the approach has received significant support (Charmaz 2000; Charmaz and Bryant 2011; Fendt and Sachs 2008; Goulding 2002; Locke 2001; Mills, Bonner and Francis 2006). According to Allen and Davey (2018), constructivist grounded theory has supporters from wide ranging research disciplines:

> "This support has been validated by the broad application of constructivist grounded theory in various research disciplines, including social justice (Charmaz 2005), nursing (Elliot and Lazenbatt 2005; McCann and Clark 2004), occupational and environmental medicine (Mills, Bonner and Francis 2006), knowledge management (Gupta, Iyer and Aronson 2000; Sousa and Hendriks 2006), leadership (Kempster and Parry 2011), organisational change (Whiteley 2004), strategic management (Locke 2001, O'Reilly, Paper and Marx 2012; Schwarz and

> Nandhakumar 2002, operations management (McAdam et al. 2008). marketing and consumer behaviour (Goulding 1998, 2005), and information systems research (Jones and Alony 2011)"(Allen and Mark Davey 2018 p 225)

According to Parry (2014), in its emerging form, grounded theory can be described as "the discovery of theory from data" (Glaser and Strauss 1967, p1) functioning seamlessly as both methodology and method. Methodologically, grounded theory argues that the nature of reality cannot be defined by superimposing a theoretical lens upon it (Firestone 1987; House 1994). Instead, to understand the issues being faced and respond to them, the researcher must draw on the real life experiences of actors (Parry 2014).

Grounded theory is therefore an inductive "theory-discovery methodology" (Jones and Alony 2011; Andrade 2009, p43) that enables the simultaneous development of theoretical insights that are firmly grounded in empirical data (Parry 2014).

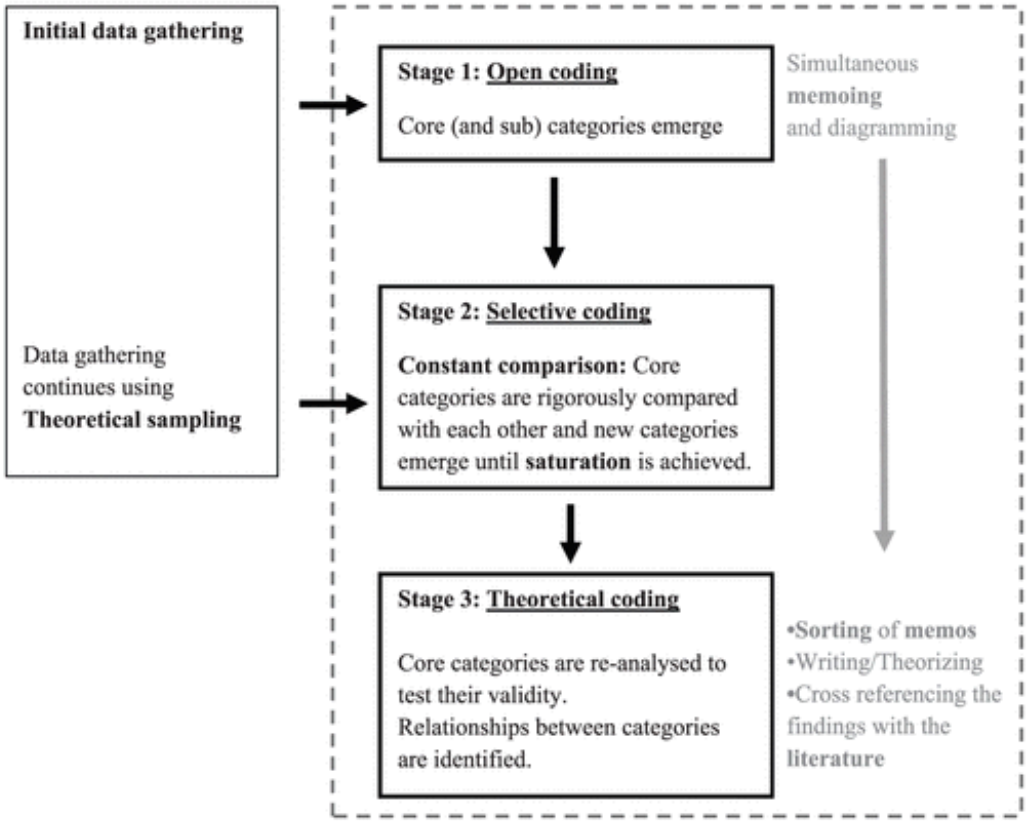
As a conceptualizing methodology, grounded theory offers clear guidelines from which to build explanatory frameworks (Glaser and Holton 2004, p10). It allows the researcher to focus on the context, processes, and interpretations of key players (Charmaz 2000; O'Reilly, Paper, and Marx 2012) in instances where there is insufficient theoretical guidance to support the research inquiry, or the meanings and relationships of concepts are fragile (Sousa and Hendriks 2006; O'Reilly, Paper, and Marx 2012, 259).

As a result, grounded theory takes "a cautious stance toward extant theory's influence on research investigations" (O'Reilly, Paper, and Marx 2012, 255). Suddaby warns that "grounded theory thus should not be used to test hypotheses about reality, but, rather, to make statements about how actors interpret reality" (2006, 636).

Grounded theory as a method can be characterized in relation to three attributes: the process of data coding, the process of theoretical sampling, and the integration of literature

throughout the research process (Allen and Davey 2018). These distinguish it from other qualitative approaches (Creswell 2009).

According to Jones and Alony (2011), the processes of grounded theory data coding have a defined structure. There are three distinct coding stages in constructivist grounded theory research—open coding, selective coding, and theoretical coding and these stages are known as substantive coding (Jones and Alony 2011). The constant-comparison procedure between data and emerging categories from the three coding stages is also specific to grounded theory (Allen and Davey 2018). The three stages are diagrammed in figure 3.1.



Source: Adapted from Jones and Alony (2011, 104)

Figure 3.1: Constructive Grounded Theory Substantive Coding

Charmaz comments that "coding is the first step in taking an analytic stance toward the data" (Charmaz 2005, 517). Open coding is the first stage in analysing the data where its initial constructs occurs and core categories are pinpointed. Core categories are defined as the key themes, issues, and ideas that appear in the research (Jones and Alony 2011).

Selective coding is the second stage and is characterized by the constant comparison of these core categories until strong patterns form among the findings. Line-by-line coding of the data is required during these stages to ensure potential emergent themes are identified (Charmaz 2005). This is in keeping with the constructivist grounded theory practices discussed by Glaser and Holton (2004), who identify that line-by-line coding enables the researcher "to verify and saturate categories," adding that "the result is a rich, dense theory with the feeling that nothing has been left out". The final stage of coding is known as theoretical coding and begins when saturation is achieved during selective coding and no new categories or themes are emerging from the data (Charmaz 2005). During this process, the core categories are reanalysed to test their validity, and relationships between categories as a theory-building process are identified (Allen and Davey 2018).

A second defining characteristic is the process of theoretical sampling where various research groups are engaged in the research to maximize the similarities and differences between data being collected (Allen and Davey 2018). These comparative methods "in which the researcher compares data with data, data with categories, and category with category" (Charmaz 2005, 517) help the researcher to clearly delineate findings and develop both substantive and formal theories. As such, grounded theory involves the "collective iterative cycling" of fundamental tenets, which in turn provides the basis for rigorous theory building (O'Reilly, Paper, and Marx 2012, 248).

A third important methodological characteristic that sets grounded theory apart from other qualitative methods concerns the integration of literature through the research process (Allen and Davey 2018). However, researchers adopting a grounded theory approach must be cognizant of the misconceptions that can exist regarding how and when literature is used within a grounded theory methodology (Christiansen 2011; Martin 2006).

Different iterations of grounded theory have different interpretations of the role of literature (Allen and Davey 2018). In classic grounded theory, for example, Glaser considers close reading of the literature from the specific field of study to be problematic if it is completed prior to commencing the research. He states that "there is a need not to review any of the literature in the substantive area under study"

(Glaser 1992, 31) to avoid being led astray by it. Instead, the literature is integrated throughout the coding process and particularly when sorting the data and writing up the research (Glaser 1992). Reviewing the literature in unrelated fields to broaden the researcher's contextual understanding of the issues at hand is considered vital (Glaser 1992; Christiansen 2011). Evans (2013) agrees that having knowledge in a particular topic area does not constitute or mean that the researcher holds preconceived ideas.

In Straussian grounded theory, Strauss and Corbin (1990) argue that literature can be valuable early on in order to "formulate questions that act as a stepping off point during initial observations and interviews" (1990, 51). Furthermore, it is expected that most professionals and researchers would likely already have a familiarity with, and preunderstandings of, the literature in their chosen field (McCallin 2006; Evans 2013).

As a research study progresses, knowledge of the literature will act as a catalyst for effective analytical thinking (McCallin 2006). At a micro level, prior knowledge can help distil the essential ideas emerging from the literature (Allen and Davey 2018). At a macro level, prior knowledge of the literature can help shape new interpretations and abstractions of the study area to morph and develop the research focus (Allen and Davey 2018).

Similarly, in constructivist grounded theory Charmaz (2005) comments that what researchers "see and hear depends upon their prior interpretive frames, biographies, and interests as well as the research context, their relationships with research participants, concrete field experiences, and modes of generating and recording empirical materials" (Charmaz 2005, 510).

Therefore, the researcher with or without prior knowledge of the literature will always be making value-laden judgments on what he or she is seeing and hearing (Allen and Davey 2018). In conclusion, according to Allen and Davey (2018), research is grounded in the position that the researcher cannot separate oneself from a value-standpoint nor can the researcher ignore pre-established learnings and knowledge.

In Klenke's (2016) review of grounded theory within the sphere of leadership and decision making research, he stated that this method has been underutilised. He examined the need to include the grounded theory concepts of theoretical sensitivity, theoretical sampling, the treatment of the literature as following data analysis, constant comparison methods, identifying the core category and the importance of using memos within leadership and decision making research (Klenke 2016).

Parry (2014) stated using grounded theory is a valid method for researching the process of leadership and decision making as it is a social influence process that mainstream leadership methodologies have been unsuccessful in theorizing about the nature of these processes.

Several grounded theory researchers expressed this interpretation as transpiring subliminally, as a consequence of their constant 'immersion' in the data, an event that some describe as similar to 'drowning' (Langley 1999). This leads us to the next section where the tenets of grounded theory and grounded research theory are described.

3.5.5 Grounded Research

In the following paragraph, the researcher explains how Whiteley (2004) developed her model of Grounded Research based on the Grounded Theory methodology pioneered by Glaser and Strauss (1965). The Grounded Research approach was emerged from a study titled *Waterfront Reform, Enterprise Based Bargaining and Effective Strategies for Change* (Whiteley and McCabe 2001). In this study Whitley (2004) developed a modified version of the Grounded Theory methodology originally presented by (Glaser and Strauss, 1965, 1967) for the business setting. This methodology has been called Grounded Research.

According to Whiteley (2004), the Enterprise Based Agreement (EBA) represented radical cultural and institutional change (Hirschhorn, 1988) on the waterfront (Interstate Commission, 1989; Turnbull, 1992). Over the years, several improvements due to technological advancements such as the installation of refrigerated containers, had not impacted significantly on waterfront relationships (Burchill, 1990). For over a century, the waterfront industry in Australia had operated as a closed system (Whiteley 2004).

The interpretive paradigm (Guba and Lincoln, 1994; Lincoln and Guba, 2000) was adopted in which the individual is seen as a constructor, creator and conductor of meaning or, as Casey (1995) would say, a creator of self. Faced with a variety of theoretical perspectives (phenomenology, ethnomethodology, symbolic interactionism), each with its theoretical and epistemological protocols, a choice had to be made. Whiteley (2004) was interested in the meaning that was construed during social interaction and employing the symbolic interactionist perspective (Mead 1934, 1963; Blumer 1969, 1984) with the Enterprise Based Agreement as the symbolic event.

According to Whiteley (2004), two methodological issues kept arising as data were being gathered and considered. Whiteley (2004) stated:

> "The first was the issue of forcing, in this case, data into ready-made categories. The second was the emergence of data that were related as though they were factual in nature and the resulting decision that was made about these comments. The sensitive nature of the research context was described earlier and an important aspect of this was the receptivity of the respondents. It took at least 18 months to achieve trust and be granted interviews." (Whiteley 2004, p33)

According to Whiteley (2004), almost immediately, a dilemma emerged regarding Glaser's (1992) reinforcement of emergence and not forcing data. On the waterfront, although an environment of trust was nurtured, respondents were only comfortable reacting to set questions and issues (Whiteley and McCabe 2001). The researchers had to pose questions in ways that related to specific issues concerning structural and functional aspects of the Enterprise Based Agreement organisational environment (Whiteley 2004, Whiteley and McCabe 2001). Whiteley explained:

> "In doing this, we were, in practice, developing categories within which responses were more 'managed' than emergent. For example, we introduced and selected what we called milestones of waterfront life. We selected them on the basis of what we thought were historical moments, so managing respondents' reflections. Returning to the second methodological issue we faced, a phenomenon we named 'socially stable construct' gradually formed in our minds. Acting on this idea stretched Glaser's (1992, 1998) imperatives for grounded theory even further. As

> exhorted by the writers on qualitative research, we took great care to give voice and to listen to respondents (Charmaz, 2000)." (Whiteley 2004, p33)

Thus, the act of active and deep listening convinced the researchers of the waterfront study to take a more prescriptive approach than intended (Whiteley 2004). In particular, Whiteley and McCabe (2001) found themselves listening to how they referred to certain issues (Whiteley 2004). Every now and then, personal constructs were referred to as factual (Whiteley 2004).

Whiteley and McCabe (2001) concluded that they were confronted with two types of data. Respondents related personal constructs that could be coded and categorised using content analysis (Whiteley and McCabe 2001). In addition, there appeared to be a second level of representation that had a concreteness or stability about it and these were described as "socially stable constructs" (Whiteley 2004).

It was highlighted that theoretical perspectives and resulting research analytical practices inevitably have ontological and epistemological clashes (Whiteley 2004). The lines of thinking about Grounded Research are compared with ethnomethodology and 'pure' conversation analysis (Silverman, 1998; Whiteley, 2002). In conversation analysis, the researcher is described more as an eavesdropper than an interactive conversationalist (Whiteley 2004).

In Grounded Research, the data will always be provisional and 'becoming' (Griffin et al. 1998; Kauffman, 2000) and the researcher will be an interactive part of conversations. A key element of Grounded Research is that, as far as possible and certainly in the early stages of the research, there is a strong, yet interactive, 'respondent directed' ethic (Whiteley 2004). As Whiteley (2004) explains the following.

> "As well as this (depending on the researcher's familiarity with the research context), Grounded Researchers would devote as much time as needed (or available) to familiarisation activities. The concept of familiarisation distinguishes interpretive research from its positivist counterpart in that there is no attempt to define variables. Familiarisation in Grounded Research is like osmosis. Impressions seep in and language is internalised. Recognition is made that the character of the familiarisation data will be a strongly tacit (Polyani, 1974; Baumard, 1999). In the waterfront case, there was the question of language. There

> are, we propose, many epistemic cultures in operation in the workplace setting (Knorr-Cetina, 1999). It is well known that there are discourse boundaries operating according to cultural conventions (Grant et al. 1998)." (Whiteley 2004 p 34)

Whiteley and McCabe (2001) stated that interviewing the respondents as they were at the waterfront, it would be an easy path to merely follow grounded theory principles. They explained that they started out with the grounded theory (particularly emergent) intent but discovered that their respondents, not having experience of researchers and the answering of research questions, felt uncomfortable unless structure (and meaning) was offered (Whiteley 2004). In catering to their needs, Whiteley and McCabe (2001) began to recognise forcing activities (Whiteley 2004). The Enterprise Bargain Agreement context facilitated the forcing, as in the interview schedule there were practical and researcher questions to which answers were required (Whiteley 2004).

According to Whiteley (2004), the forcing syndrome is a feature of research where (such as in many organisational studies) structures and functions are a focal point of the study (Burrell and Morgan, 1979; Morgan, 1997). The research was completed within the business setting and made it very important to resolve the grounded theory issue for future activities (Whiteley 2004). As this study is situated within a business setting and focusses on the decision making activities of iron ore executive in Australia, it comes with its own epistemic cultures and discourse boundaries. As a result, the application of Ground Research methodology is well suited to this study.

According to Whiteley (2004), Grounded Research is so closely connected to constructivist and interpretive research, the same core criteria are always intended when using the Grounded Research title. These would include, but would not be restricted to, those listed below.

1. The research aim is to produce high-quality, meaningful and relevant data, such that it is possible to emerge valuable insights within a social context.
2. Ethical considerations of anonymity and protection of respondent identity will be rigorously taken into account in the research design.
3. Results will always be partial and provisional.

4. Constraints that come from theoretical perspectives will be built in to the overall design.
5. When considering sampling or other research activities, these will be, as far as possible, respondent directed.
6. There will be a collaborative relationship between researcher and respondent. (Whiteley 2004 p 39)

Whiteley (2004) also stated that the following criteria are specifically designed for grounded research.

1. Any decision to select 'socially stable' constructs for quantitative measurement will be made following clear indications from the qualitative data. They will be reflected as matters of judgement and expressed as such.
2. The imposing of structural, functional or other organisational categories, on an emergent design will be identified and explained in the research methodology.
3. Aspects of the research may look 'real-like' but they will not fulfil realist assumptions.
4. Items on quantitative instruments will be generated from the emergent concerns/ ideas of respondents.
5. There may be some dialectical tacking between paradigms but these activities will be clearly stated and related to a theories such as Schultz and Hatch (1996) on paradigm interplay.
6. Any quantitative or confirmatory work will be built on bedrock of emerged and respondent-directed data.
7. Quantitative results will be descriptive, and attached to/informed by qualitative findings (Whiteley 2004 p 39)

Since the emergence of this Grounded Research method by Whiteley (2004), other qualitative studies have emerged using this methodology in the business setting – with each study embracing specific epistemic cultures and discourse. The researcher highlights three examples of qualitative studies using Grounded Research in various business and cultural setting. First, a Rowe and Guthrie (2010) study of companies based in China. Second, a Gilhespy and Whiteley (2011) study of the modern Thai

government, the employee's voice and the Buddhist Way of Life. Third, Price and Whiteley (2014) study of an 800 strong financial institution and their 'people focussed' cultural change initiative. These qualitative studies are briefly discussed below.

Rowe and Guthrie (2010) conducted an empirical study examining senior managers' perceptions of corporate environmental management (CEM) and reporting in China used Grounded Research (Whiteley 2004) as their methodology. 'Coercive government institutional involvement' emerged as one of the major influencing themes of corporate environmental management (Rowe and Guthrie 2010). The state regulatory regime was perceived by Chinese managers to be the most influential, most complex and least predictable in terms of organisational environmental performance (Rowe and Guthrie 2010). The study found that environmental management systems that work in developed nations should not be directly transplanted to developing nations without considering institutional contexts (Rowe and Guthrie 2010). According to Rowe and Guthrie (2010), their study adopted a modified version of the original grounded theory, with the basic framework maintained in order to enable important responses to emerge. This allowed for the examination and analysis of a large amount of data in non-standard and unpredictable formats (Rowe and Guthrie 2010). According to Rowe and Guthrie (2010), the purpose of the study was not to test but to develop theory within the management context of corporate environmental management in Shanghai. Theoretical (not random or stratified) sampling was appropriate as cases were 'chosen for the likelihood that they will offer theoretical insight' (Eisenhardt and Graebner 2007 p 27).

A study by Gilhespy and Whiteley (2011) discussed social capital, focussing on the human dimension within the government of Thailand (developing its National Economic and Social Development Plan) and incorporating the Buddhist way of life. Central to the study was the notion of embeddedness of social capital in human social relations (Gilhespy and Whiteley 2011). The study offered two sociological perspectives, symbolic interactionism (Blumer, 1969; Mead 1963) and phenomenology (Moran, 2000; Schutz, 1967) as epistemological lenses, interspersed with research data, through which to view and study social capital in organisations (Gilhespy and Whiteley 2011). The study describes the use of grounded theory

(Glaser 1998; Glaser and Strauss, 1967) and grounded research (Whiteley, 2004). The study explored the question, "Why should employees be given a voice in modern Thailand?" Gilhespy and Whiteley (2011) argued that traditionally, employees have been there to be managed by managers and leaders who reflect the vision, mission and strategy of the organisation. Employees as valued social capital in the Western countries is well recognized and research has been conducted to investigate employees' perceptions about motivation and commitment (Napoli, Whiteley and Johansen, 2005; Stone, Stone-Romero and Lukaszewski, 2007; Whiteley, 1995; Whiteley and McCabe, 2001; Whiteley and Whiteley, 2007). Through this study, the concept of social capital evolved from an objective rational and economic construct to one of social constructionism where people and the meaning produced by social interaction can be a valued resource in organisations (Gilhespy and Alma Whiteley 2011). For the researchers of this study, Grounded Research methodology contributed to this insightful perspective.

A third example using Grounded Research methodology can be found in a study by Price and Whiteley (2014). They conducted a study for an 800-employee-strong Australian financial organisation that was acquired by a larger institution. According to Price and Whiteley (2004), the case study organisation was structured to involve senior management, management and employees. At the time of this study, the organisation was implementing a 'people-focused' culture change initiative, spear headed by its nine shared values-based practices (Price and Whiteley 2014). The study focussed on how organisational values interact with employees' personal and work values. Price and Whiteley (2014) sought to gain employee narratives regarding the cultural change initiative. It was a 'becoming' study, adopting constructivist ontology, interpretive epistemology and qualitative methodology (Denzin and Guba Lincoln, 2011). Data were triangulated by researcher (two researchers collected data) and source (culture initiative documentation and semi-structured interviews) (Price and Alma Whiteley 2014). An audit trail included detailed accounts of actions taken, decisions made and problems encountered (Price and Alma Whiteley 2014).

According to Price and Whiteley (2014), it was reported that senior managers set the symbolic tone for a culture change initiative and in their study, the process exhibited a 'doing to' rather than 'doing with' determination. This relieved individuals from

the discomfort and demands of freedom that may otherwise have caused them to problematize values and practices (Willmott, 1992). Consequently, employees appeared to give initial consent (Fleming, 2005), accept the new values at face value and 'mirror the organisational image' (Hatch, 2011, 355).

Three qualitative studies using Grounded Research since the development of Whiteley's (2004) methodology have been presented by the researcher of this study. These studies demonstrate the suitability of this methodology in a business setting. This research methodology has been useful for exploring the distinctive cultural and ideological settings that exist within a complex business related decision making domain. It has helped to provide a new perspective of how companies can move forward positively, as part of their decision making process in making the right decisions.

There are many qualitative research methods (see Creswell, 1994, 2002, 2003 for the theory and practice of mixed methods) but grounded theory (Glaser and Strauss, 1978; Glaser, 1992, 1998; Glaser and Strauss, 1967) supported by later writers (Charmaz, 2000, 2002; Charmaz and Bryant, 2010), has the benefit of a set of systematic procedures that guide the manager, leader or researcher through the process of capturing voices. Grounded Research (Whiteley, 2004) has been presented as a modified version of Grounded Theory for the business setting. The overarching value in grounded theory is emergence (Gilhespy and Whiteley 2011). This means less input from the researcher and more output from employees' (or other stakeholder') voices (Gilhespy and Whiteley 2011).

As noted in Grounded Research, however, it is important to do a familiarization study first (Whiteley and Whiteley 2006), so that the manager, leader, researcher can become familiar with the aspects that make respondents comfortable (Gilhespy and Whiteley 2011). Being aware of these pre-conditions and structures that exist within the sector under study enables the researcher to then employ data collection methods such as interview and storytelling (Whiteley 2005) which ensure voices to be heard in the context of the research questions and pre-set conditions of the workplace.

According to (Whiteley 2004), 'grounded theory is an idea and a challenge', whereas Glaser and Strauss (1967) defined it as a method (Whiteley 2004). According to

Whiteley (2004), a fundamental idea is to find the meaning in symbolic interaction (symbols, objects, gestures, language and actions) communicated between social actors without any preconceived notions. Thus, the objective is to continue uncovering and generating theory in a methodical, but an emergent way. The need to discover meaning to emerge allows the capability to formulate, reform and reshape as interaction progresses (Whiteley 2004). In business organisations research, there are backgrounds influencing the method that limit the scope of emergence

Glaser defended forcefully the principles of grounded theory generation and of emergence used in business research in a demarcated way. The institutionalisation of the structural functionalist sociological bases that appears to be duplicated in modern organisations (Weisbord 1987), depicting a scientific culture. For that reason, organisations develop classifications of meaning well-established in their structures, systems and processes, and operating functions as the organisational framework (Whiteley 2004). Essentially, these affect research as contextual phenomena and restrain emergence and presumptions (Whiteley 2004). This is heightened by a need in business research to define the business problem (Whiteley 2004). According to Whiteley (2000) in conducting qualitative research, to satisfy the conditions of symbolic interactions, the claim to grounded theory requires the researcher's judgment in a case-by-case situation hence the term 'grounded research' as an alternative to grounded theory was created.

From 1895-1917, Emile Durkheim's work was founded on the assumption of an external world and the existence of social facts (Durkheim 1982). There was a belief of shared norms and values, a collective way of exploring society so that its systems could sustain its shared norms. These notions backed the survey method, permitting social facts to be measured and contrasted with other social confirmations as these were stable and deterministic. Therefore, it was conceivable to generalise across social contexts (Whiteley 2000).

In a constant line of thinking, the view of society as an objective reality flowed to the domain of the human as a social being (Whiteley 2000). It was utilised to the sense-making surrounding the activities that encompassed the human world (Whiteley 2000). Weber initiated the pursuit for understanding in the popular views of society: 'Weber reduces all kinds of social relationships and structures, all cultural

objectifications, all realms of objective mind to the most elementary forms of human behaviour' (Schutz 1972).

According to Whiteley (2004), the causal explanations of subjective behaviour were still being pursued as sociology matured. Whiteley (2004) suggested what was lost here was very important for those conducting social research. Namely, the nuances, play and counter play, suggestiveness and figurativeness of human interaction and speech were bypassed as deserving of intellectual attention (Whiteley 2004). They were recognised but not catered for, other than in their concrete manifestations (Whiteley 2004). The intent of the grounded research method introduced by (Whiteley 2004) therefore, allows for sampling and content analysis during the study to unfold, permitting the researcher slightly more latitude to reshape the interactive process of data collection without contamination.

Whiteley (2004) stated that Blumer outlined that grounded theory's fundamental principle is symbolic interactionist thinking and that participants' 'theories' are essential when investigating the meaning they attribute to social interactions (Blumer 1969b). According to Whiteley (2004) grounded research challenges the researcher to be steered by what the data are saying through constant iterations of analysis during data collection in an effort to ground the emergent theory (Whiteley 2004). Grounded research was adopted in Whiteley's study as a modified grounded theory method, as it contains previously held perspectives of the decision-making process by the participants and the researcher (Whiteley 2004).

Whiteley (2004) proposed that the modified method of grounded research is suited where requirements exist in several research situations but are not met by pure grounded theory conditions. The complex and diverse contemporary business setting and heightened obscurity, and vagueness in issues that emerge from the utilisation of pure grounded theory, have given rise to a modified grounded research model (Whiteley 2004). Whiteley (2004) argued that in the business environment, the process of institutionalisation becomes the foundation to influence concepts and views and that this contaminates the usage of pure grounded theory. In this study, Whiteley's modified grounded research method is adopted, without compromising the premise of pure grounded theory (Whiteley 2004). Thus, using the grounded research method provides the opportunity for the researcher who is interviewing and

collecting data from the participants within the iron ore industry who are sharing their decision making perspectives and their involvement in the decision making processes within the companies.

3.5.5.1 *Using the Grounded Research Approach*

Hence, for the researcher of this study, this Grounded Research methodological approach outlined above by Whiteley (2004) was useful in terms of understanding the business setting, the cultures that were operating within the industry and the discourse used to describe the work of the Australian Iron Ore executives in relation to their Chinese counterparts. The importance of the familiarization study as part of Grounded Research, and noting that the essence of Grounded Research is not just merely allowing findings to emerge, but rather, having these emerge by being aware of the structures, language, culture and discourse of the specific business context is needed – along with any predetermined research. Having this in place then allows the researcher to explore the question with more credibility rather than just going in without any assumptions or knowledge of the setting to see what emerges. In this latter case, particularly in the business setting, the researcher could lose credibility – thus the modified approach. This research uses the generative aspects of grounded theory (Glaser 1978, 1992; Glaser and Strauss 1967) and follows the core analytic tenets (i.e., theoretical sampling, constant comparison and content analysis) in generating data. It is essential to gauge how data will be used to generate key conceptual groupings. The analytical method includes the theoretical sensitivity and comparison of data allowing for numerous iterations (Suddaby 2006). Therefore, the researcher must be approachable and open to new or unforeseen interpretations of the data and have the ability to combine the literature, data and experience, and to comprehend nuances of meaning (Suddaby 2006). The iterative process permits the meaning to take place by discovery and emergence 'provisional and capable of reforming and reshaping as interaction proceeds' (Whiteley 2004).

Thus, this research study aims to achieve consistency between research questions (and their assumptions about the world and how people come to understand it) and the methods used to answer the questions. According to Suddaby (2006), the use of technical language in describing methodology provides a clear connection between rigour in language and rigour in action.

Theoretical sensitivity matches data with theories that exist in literature (Glaser 1992). Initially, theoretical sensitivity is used to 'sensitise' the researcher to what is going on with the phenomenon that is being studied (Strauss and Corbin 1998). Upholding this approach assists the researcher with an increased understanding and sensitivity to the meanings, concepts and relationships that exist (Whiteley 2004). This comprehensive analytical process imparts valuable insights while permitting the researcher to recognise the boundaries of theoretical considerations, as the entire research process progresses (Whiteley 2004).

The researcher is consistently asking 'What is going on here?' and 'Does the ideas and thoughts fit the reality of the data?'. This healthy inquiry in this reflective thought process allows the researcher to be open to other interpretations to be considered.

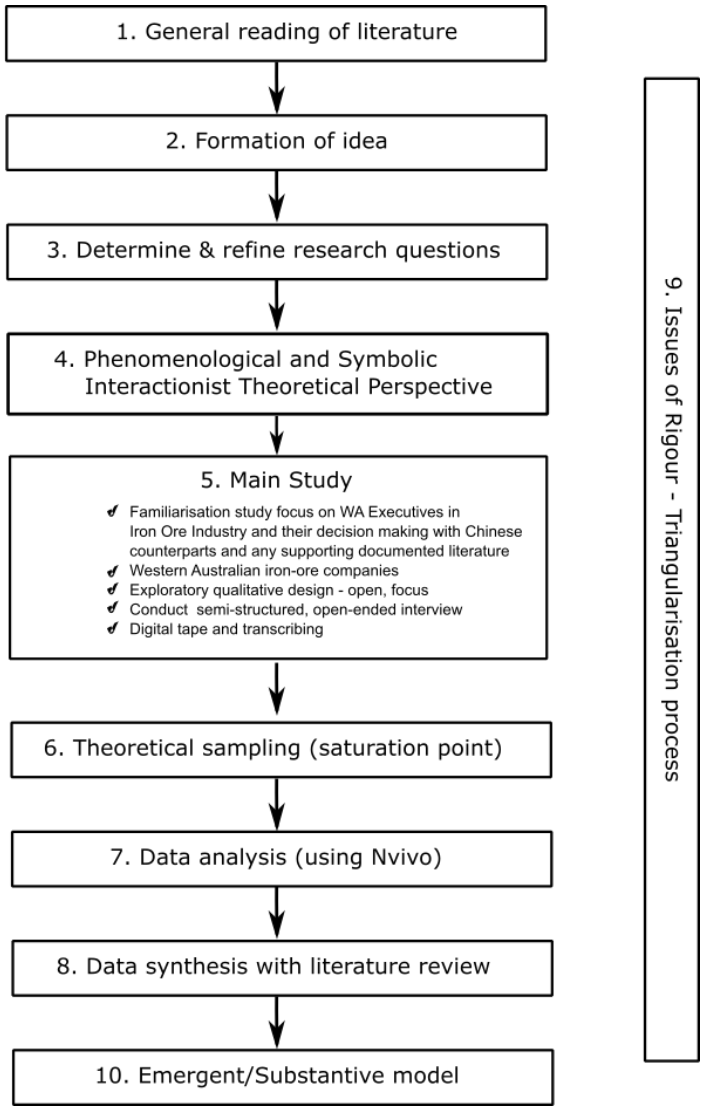
3.6 Research Design, Data Collection and Interview Method

According to (Whiteley 2004), the research design 'connect(s) the philosophical, procedural, practical and representational elements of the research process'. It provides a compass for the researcher to be conscious and transparent in the research process to achieve rigour. Denzin and Lincoln (2013) explained that the research design becomes a planning tool for the researcher and assists in the legitimation and representation for qualitative researchers. Further, the research design is an assurance that supports the audit process. In creating the research design, Denzin and Lincoln (2013) proposed six questions to inform the researcher during this developmental phase:

1. How will the design connect to the paradigm or perspective being used?
2. How will empirical materials be informed by and interact with the paradigm?
3. How will the materials allow the researcher to speak with the problem?
4. Who or what will be studied?
5. What strategies of inquiry will be used?

6. What methods or research tools for collecting and analysing empirical materials will be used?

Figure 3.2 outlines the research strategy applied in this study. A literature review, data collection, data management and analysis, and discussion of findings are included within the scope of the study. Theoretical perspective(s) are identified that guided the researcher.



Source: developed by the researcher of this study (2019)

Figure 3.2: Research Strategy

The researcher who is an Asian female when interacting with the Australian Iron Ore Executives was able to identify participants who understood the relationship building needs in relation to the Chinese cultural context. By the colour of the researcher's skin, some participants who had more experience in building relationships with their

Chinese counterparts were able to connect more with the interview questions than participants who had limited exposure to their Chinese counterparts. As a result, the researcher becomes 'involved' in terms of interacting with the participants, as is part of the process to bring forth the emerging data from the participants.

Though the researcher had a list of potential participants to approach through various business networks, the participants that were interviewed provided referrals to the researcher to contact. The success rate of being able to work with these referred participants and to get their stories of decision making, was higher than attempts to secure a participant that wasn't introduced. Having stated that, some participants were reluctant to be interviewed, due to the sensitive role they played within the Australian iron ore company, one of the pronounced epistemic cultures of this industry. In light of this referral strategy, the researcher was able to ensure that the data that was gathered by listening to the reports of the participants was representative of the findings in this qualitative research.

The language of meaning within the iron ore industry differs in terms of the responsibilities and roles undertaken by executives. For instance, a CEO's or Board Member's understanding of a communication framework in an office building may differ from an employee holding a managerial position working in an actual mine site. A General Manager in charge of negotiations and sales of iron ore, would have different communication protocols with their Chinese counterparts, compared to a technical expert in Iron Ore. The language used in interacting with these iron ore executives would differ within the companies in relation to their Chinese counterparts. Even though they are working within the same organisation, the structural layers and roles would differ. Whilst the researcher has a preliminary understanding of the epistemic cultures within the iron ore industry, each organisation would have its own variations based on the idiosyncratic operations within their business setting. All of these influences, organisational structure, roles and cultural dynamics have an impact on their decision making processes in relation to their Chinese counterparts.

This leads back to the Grounded Research methodology where the researcher appreciated the descriptive focus of Grounded Research. The act of deep listening and representing the various voices of the participants in this study was crucial, even

though there was an awareness of a need to 'force' some categories in to well established functions and structures within the iron ore industry – something that Grounded Theory does not permit.

The researcher of this study when interviewing the participants, was asking the participants to construct, in retrospect, the working events and experiences that they have encountered with their Chinese counterparts in the decision-making sphere. As Scollon et al. (2012) note, discourse systems and organisational routines that currently exist between Australia and China may create conflict because of their differences within the companies. When these two discourses overlap, it will inevitably cause a disruption in the decision making system with the Australian iron ore executives. Having said that, using the Scollon et al. (2012) definition of culture, new approaches to decision making that are culturally embedded may need to be constructed. The researcher, through the application of a constructivist Grounded Research approach, works with their sample to construct a reality of decision making in the Australian Iron Ore industry when working with China.

For the researcher of this study, being aware of the cross cultural influences and discourse systems that influence decision making in the Australian iron ore industry is paramount. Simple frameworks such as Hofstede's need further augmentation by exploring cultural discourse systems such as those described by Scollon et al. (2012) to gain a deeper understanding of cross cultural decision making systems in the Australian Iron Ore industry. The representation of this raw data or 'lived experience' by Australian Iron Ore executives has been represented in Chapter 4 – The Findings. This data describes key concepts important for effective decision making that can be used to support Australian iron ore executives when communicating with their Chinese counterparts.

3.6.1 Ethics Approval

Before the researcher embarked on the interviewing process for this study, the researcher applied for ethics approval via the Human Research Ethics Office at Curtin University. Upon receiving the ethics approval, this information was included in the participant sheet for the participants' peace of mind that data gathered was for useful and independent research under Curtin's official procedures. The participants

were ensured that their personal details and experience shared would remain anonymous.

3.6.2 Data Collection

For this phenomenological and symbolic interactionism study, purposeful and theoretical sampling was used (Creswell 2007). This involved a circle of activities related to data collection: locating a site or individual; gaining access and establishing rapport; sampling purposefully; collecting data; recording information; exploring field issues; and storing data (Creswell 2007).

A familiarisation study was conducted, interviewing individuals in the iron ore industry based in Western Australia to explore their current perceptions of their decision making and the changing Chinese corporate culture. Whiteley and Whiteley (2005) developed the concept of a familiarisation study, also referred to as 'preparatory study'. They stated that 'The preparatory data collection precedes the "main" fieldwork study in order for the researcher to get comfortable in the engagement of social discourse'. It is executed before the main study as a way to accomplish clarity in the context of the research under examination and consolidate critical areas that deserve focus for the main study. For instance, the familiarisation study tests the initial research questions and provides a compass for the study and which method or approach should be taken. It provides the arena for participants to share in an environment that gives the researcher an insight to improve the various questions that are likely to provoke thought and responses in the main study. Also, the researcher is able to assess the timing schedule and how long interviews may take to complete. The familiarisation study allows identification of the theoretical perspectives as means of judging the 'fit' for the research and evaluating the research question, thoroughly and with rigour.

Carrying out a 'preparatory' study reminds the researcher to be aware of the influence of personal values and the importance of bracketing any biased systems. In doing so, the researcher does not affect the 'purposeful conversations' that take place with participants (Kvale 1996).

Whiteley and Whiteley (2005) stated that a familiarisation study evaluates the semantics and language of the participants so that data are gathered in a focused

manner, given the iterative nature of the qualitative research design. The insight gained with regard to the motivating issues in place in the resources industry (in particular, the iron ore sector) allowed the researcher to connect in a 'subject–subject relationship' (Habermas, 1993). Such a relationship changes the interaction focus to allow rational communication and to reach a mutual understanding. The shift from a subject–object to a subject–subject (shared understanding) relationship is an essential outcome of the qualitative interview (Whiteley and Whiteley 2005). For this reason, the researcher must be alert to capturing the explicit and implicit features of the interview process (to contribute to the meanings articulated during the interview).

According to Denzin and Lincoln (1994), 'the constructivist position tells that the socially situated researcher creates, through interaction, the realities that constitute the places where empirical materials are collected'. Thus, a researcher will become acquainted with the behavioural norms that are deemed acceptable by the participants and will be part of the data collection. Such exchanges allow the researcher to become accustomed to the 'insider language', while being mindful of any private and sensitive issues that may be present in the current environment and that could negatively influence the researcher's ability to have meaningful and open conversations.

The initial set of interviewees based in iron ore companies in WA that liaise with their Chinese counterparts formed part of a familiarisation process to assist with the development of the interview questions. Thus, preliminary fieldwork was implemented and analysed to guide the researcher in data collection comprising the appropriate sample, methods and interview structure. (Whiteley 2004), stated that conducting an initial familiarisation study shapes the interview schedule that addresses the research question. Data collection interviews were organised with identified participants led by the theoretical sampling protocols, to determine the next stage of data collection. Frequent attentiveness was given to the sample of participants utilised. The methods used and the analysis of data outcomes provided a guide to the researcher in identifying suitable candidates. The next section outlines the data reduction processes used by the research to analyse the data.

3.6.3 Data Analysis

Throughout the study, the researcher wrote hardcopy informal notes or memos (Charmaz, 2006), which began with the commencement of participant interviews, through to the transcription process of data. The researcher recorded observations and questions in a journal (Corbin and Strauss, 2008; Lincoln and Guba, 1985). The initial sampling processes and simultaneous notetaking and memo-writing process provided a means for beginning to analyse and consider the meaning behind the data early in the study. Through memo-writing after each interview, the researcher was able to consider codes and categories that were evolving throughout the coding process and the data analysis. This in turn guided the theoretical sampling procedures and eventually supported the decision around theoretical saturation.

The data collection stage is a holistic procedure encompassing planning; recording quality interviews that are transcribed; management and analysis of data; and making sense of the data to report findings (Denzin and Lincoln 2013). The researcher serves as the inquirer and is involved in the collection of quality data from the participants (see Table 3.3 for the data collection process and the steps involved).

Table 3.3: The data collection process

	Data collection process
Stage 1	Identification of:
	Decision makers for this study representing WA iron ore senior executives (Chairpersons, CEOs, General Managers, Directors of Marketing) who deal with their Chinese counterparts.
	Senior Executives who liaise and communicate directly with Chinese counterparts within the iron ore industry on a technical and managerial level
	WA employees who work with Chinese counterparts
Stage 2	After interview process:
	Identification and request for referral to other participants for potential interview
	Making contact (purposeful sampling) and obtaining agreement to participate
Stage 3	Storing data (recordings)
	Transcribing interviews
	Field notes (audit process)
	Ensuring rigour is in place
Stage 4	Initial stages of data collection
	Preliminary field work (Familiarisation study)
Stage 5	Development of interview schedule to support data collection

Source: Adapted from Creswell (2007, 2013)

According to Patton (1990), selecting 'subjects' that best fit the requirements of the study is known as 'purposeful sampling', which requires commitment to secure the most suitable interview candidates. Patton stated that rationality and power of purposeful sampling lies in gathering information rich cases for in-depth study. Researchers can 'learn a great deal about the issues of central importance to the purpose of the research, thus the term purposeful sampling' (Patton 1990). After purposeful sampling, theoretical sampling is applied as new interpretative theories are established from emerging data, requiring a new sample to be collected to create or redefine theory (Glaser 1978, 1992).

There are several phases to complete before the interview process begins: (1) identifying potential participants to be interviewed; (2) making the appropriate contact; (3) securing permission and confidentiality agreements with participants; and (4) collecting data from the participants in the form of interviews. Each interview was digitally recorded and transcribed into a Word document. The researcher used an appointed transcribing company that was approved by Curtin to type the transcripts. The transcribing company had to also sign a confidentiality agreement for the work they were undertaking. The researcher read the transcripts and checked it in accordance with the recording of the interviews to ensure accuracy. The researcher kept a memo account after every interview, which served as a transparent audit trail and the ability to capture insights and reflections related to interview experiences. This gave the researcher momentum to proceed to the next stage of data collection with confidence and knowledge gained.

3.6.4 Planning the Interviews

An in-depth interviewing method was applied as 'a conversation with a purpose' (Minicheiello 2010; Creswell 2003, 2007). The interview creation process is an exercise in perseverance, and there is a continual need to develop, trial, analyse, modify and retrial until there is certainty in the value of the information that will be generated from interviews (Kvale 1996).

Meaning, appropriateness, language and time are important considerations beyond the content of the information to be gained during the development of the interview plan. According to Denzin and Lincoln (2013), 'Most qualitative researchers employ

… purposive, and not random sampling methods. They seek out groups, settings, and individuals where … the processes being studied are most likely to occur' (Denzin and Lincoln 2013).

It is important to recognise that factors such as status, gender, proxemics, paralinguistics and timing may affect the dynamics of interactions, even if they are not involved in the 'information gathered' in terms of content (Whiteley et al. 2003). For instance, first impressions may produce imprecise observations and the researcher must ensure that nonverbal communication is managed correctly (Malandro et al. 1989).

Given that the interview in a qualitative study is essentially a conversation between two people, it is necessary to examine all the dynamics that make up the conversational interaction (Whiteley et al. 2003). This includes the language, be it English, Mandarin or Bahasa, for example. To understand the words spoken by the interviewee one needs to have a knowledge of the vocabulary and the language constructs (Whiteley et al. 2003) . However, it is possible to 'listen' to someone and gain meaning from other cues as well (Whiteley et al. 2003). When interviews were being carried out, the researcher in this study also learned which language patterns were conventional and unacceptable in a corporate environment, including dress code and etiquette within a business setting.

3.6.4.1 *Paralinguistics*

According to Whiteley at al. (2003), words are articulated but there are other variables at work that can be explained as elements of dialogue that enhance language. These are existing subtleties that provide focus to the meaning of the speaker. This comprises using an explosive expression for one word with emphasis or dropping the tone of the voice to suggest confidentiality sharing or trusting. Thumping the table or raising the hands upward simultaneously to words will alter the communicated meaning of simple words such as 'yes' or 'no' (Whiteley et al. 2003). Dynamics such as tone of voice, speed of utterance, general tone of the voice and facial expressions affect the essence of language that are described as paralinguistics (Alberts at al 1996). They are 'factors associated with but not essentially part of a language system' and that accompany speech (Delbridge 1990).

In the progress of an interview, these paralinguistic strategies are fundamental parts to words, and efforts identifying classifications of meaning must include this interview component into account (Whiteley et al. 2003). This is especially true when interviewing participants in the resources industry and in particular the iron ore sector where it was revealed in the data explored or examined that the Chinese language when spoken or translated into English for the Australian counterpart may be received or misconstrued in a different way. This may in turn affect the decision-making process and outcome for both parties.

3.6.4.2 *Proxemics*

Proxemics is the study of human transactions as they perceive and use intimate, personal, social and public space in various settings (Hall, 1974). Practically everything that an individual does is related with space, and this is a crucial issue for the research interview context (Whiteley et al. 2003). The researcher must recognise the need for the interviewee to be calm; a mindfulness of their psychological response to space is vital (Whiteley et al. 2003). Affecting this response will not only be the physical space, but auxiliary reasons such as the relationship or rapport (Berg, 1989) between the interviewee and interviewer, the perceived status, gender, culture and age of the interviewee, and overall body movements (Abrams 1992).

In this study, the researcher provided options for participants to choose regarding the venue for interviews. Some participants preferred to meet in their office or book a meeting room; some wanted to travel to a meeting room at the Graduate School of Business, Curtin University; and some preferred that the researcher travel to their home to be interviewed.

Research has shown that the more relaxed we are with an individual, the less space there is between us (Hall 1974). When endeavouring to establish a rapport of confidentiality with the interviewee (Berg 1989) it is incorrect to presume an intimate or personal distance unless prompted by the interviewee. However, when liaising with executives or individuals of high authority, expectations on space and distance are even greater (Abrams 1992). The intrusion of their space is usually more than a perception of discomfort; rather, it is taken as indifference for their position, and as overall disrespect by the interviewer (Abrams 1992). When interviewees are

relax, there will be direct eye contact and less space and distance between the interviewer and the interviewee. The interviewee will perhaps lean forward and might even nod in understanding. Likewise, when interviewees are not comfortable, the space and distance will be greater, the body language will include indirect eye contact; turning their body away from the interviewer, crossing their legs and arms or take other evasive actions (Abrams 1992). If the interviewee begins to be restless then the interviewer is losing their focus and needs to alter the subject matter or their delivery (Abrams 1992).

3.6.4.3 *Gender*

Sociology is defined as a simple society connecting males and females where generalisations are made about all participants; in reality, women and women live in distinct social realms and that must be reflected (Harding 1987). The truth may be women and men live in different worlds, while still being in the similar physical place (Harding 1987).

According to Whiteley (2004), both the research context and the research topic will influence to varying degrees gender issues relating to interviewer–interviewee interactions. The research context will encompass social dimensions that are prescribed by cultural and ethical aspects.

3.6.4.4 *Status*

Whiteley (1995) suggested that there is a compelling connection between status symbols and the structural symbols of an organisation (Whiteley 1995). This culturally embedded link means that a qualitative researcher needs to be mindful to the symbols used by an organisation and the clarity of the communications they are trying to portray.

Subsequently, cultural and gender factors affect the status exhibited by those who participate in an interview. The position and title of the participants will affect the proxemics and paralinguistics that control the interview situation or process. As an Asian female researcher from a different culture, the researcher had a sense of participants who had an understanding of Chinese cultural and business ethics that differed from participants who had limited exposure to Chinese culture and ways of

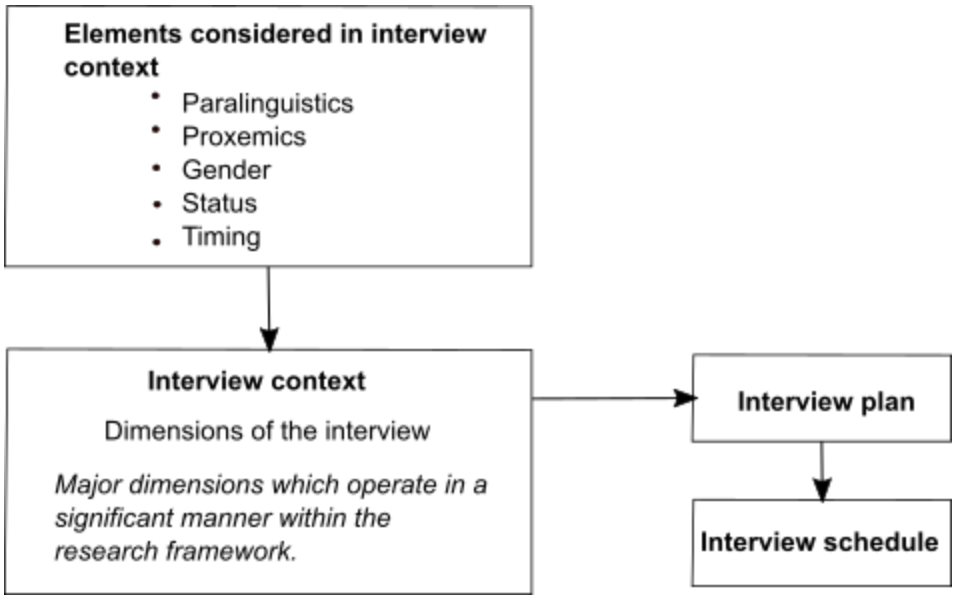
doing business. Some participants who were heavily involved in the iron ore industry, provided the researcher additional background information to the research questions and objectives whilst some participants only provided responses related to the interview questions per se. All in all, the participants were helpful and being an Asian female researcher, did not hinder the interviews, rather it enhanced the research study on a cross-cultural paradigm.

3.6.4.5 *Timing*

According to (Whiteley et al. 2003), timing can affect the interview in two areas. One is the timing of the interview in relation to the circumstances encircling it. What happened in the thirty minutes prior to an interview can impact the reactions and viewpoints of the interviewee to the extent that data provided by them in another time setting may be entirely different and have a distinct set of emotional nuances (Whiteley et al. 2003). For example, the responses of a person who has recently heard of some personal tragedy may be impacted even though the event may have nothing to do the subject of the interview or workplace. An interviewer is not always aware to these matters and the sensible solution is to halt the interview. This timing related to the interview event is difficult to account and may affect the interview process (Whiteley et al. 2003).

According to Whiteley et al. 2003, in the interview session, the timing of questions and answers on the part of the interviewer are manageable and controllable, while the speech or dialogue patterns and behaviours of the interviewee are out of reach of the interviewer. Whiteley mentioned that the timing of the interaction sequences in the conversational experience will either empower or hamper the respondent. This encounter is entirely in the hands of the interviewer. This aspect includes dynamics as pauses, hesitations, silent deliberations and possibly daydreaming or distractions (Whiteley et al. 2003).

Paralinguistics, proxemics and status dimensions need consideration prior to the interview plan and before the interview schedule can be finalised (see Figure 3.3).



Source: Adapted from Whiteley et al. (2003)

Figure 3.3: A model for mapping the qualitative research interview

Conclusions and decisions resulting from this enquiry inform the interview structure, present action and delivery. Participant observation, non-participant observation, 'inside' conversations with individuals with comparable profiles are part of the data collection process (Whiteley et al. 2003). To ensure rigour, all aspects of 'dimensions research' are designed as intensely as the interview schedule (Whiteley et al. 2003). In the interview plan, the researcher identifies the objectives of the interview and communicate the multiple nonverbal information that makes up the main scope of the interview. The interview schedule is influenced by the planning process (Whiteley et al. 2003) and places the researcher is in a key position to interpret the auxiliary meaning that they convey, when exploring the data.

3.6.5 Semi-structured Interview

Patton (1990) identified three qualitative interview modes: informal conversational (unstructured or non-standardised); the general interview guide (standardised non-schedule or semi-structured); and standardised open-ended interview (standardised schedule or structured). In this research study, a semi-structured open-ended interview was applied. Miles and Huberman (1994) suggested that the researcher's role is to gain a 'holistic' (systemic, encompassing, integrated) overview of the content under study: its logic, its arrangements, and its explicit and implicit rules.

The researcher conducted face-to-face interviews with decision makers, which provided 'indirect' information filtered through the views of the participants (Creswell 2007, 2013; Creswell and Miller 2000). Face-to-face interviews allowed the researcher to have a better insight and rapport with the participants through eye contact. Also, the dynamics would have been different in terms of body language and the ability to interpret associated nonverbal messages during conversations (Sturges and Hanarahan, 2004 had they been done by telephone or web conferencing.

In adhering to semi-structured methods, questions were developed from the research objectives. The series of questions remained flexible because of the nature of the thought processes and recollection of experiences by the participants. The objective was to explore the thinking and decision-making processes of executives in the Western Australian Iron Industry when working with their Chinese counterparts.

The researcher attempted to capture data on the perception of subjects 'from the inside', through a process of deep attentiveness, of empathetic understanding (Verstehen) and of suspending or 'bracketing' preconceptions about the topics under discussion (Weber 1947, 1978). The inductive nature of qualitative research signifies that the inquirer must regularly generate meaning from data collected in the field, emphasising the implementation of open-ended questioning that encourages discovery, clarification and analysis (Glaser 1964; Schutz 1972; Wimpenny and Gass 2000).

3.6.6 Interview Schedule (Participant Information Sheet and Interview Questions)

Before approaching participants for this research and starting the interview schedule, the study had to received ethics approval. This was achieved through the University's Human Research Ethics Committee, approval number (HREC RDBS-54-15).

To ensure informed consent and to address risk, a confidentiality agreement, including an outline of the study, and informed consent procedures, was presented to participants who agreed to be interviewed by the researcher in this study. Based on the familiarisation study, where two to three participants were interviewed, the sequence of questioning established was approved by the participants.

The participation information sheet (see Appendix 1) and interview questions (see Appendix 2) were emailed to participants prior to their interview. This gave the opportunity for participants to think about their responses before the interview and more importantly, that they are in the position to pull out of the interview process at any time if they felt uncomfortable or compromised.

The researcher was extremely grateful for the time and effort the participants contributed to this study. The majority of the participants allowed 1.5–2 hours of their time for this study (even though 1 hour was stated in the participant information sheet). As a token of appreciation, after each interview, the researcher personally presented each participant with an orange box of tea and a handwritten thank you card. For the researcher, it was symbolic to give tea (茶 = *cha*) as it was a sign of respect and gratitude. In traditional Chinese society, it is customary for members of the younger generation to show their respect to members of the older generation by offering a cup of tea. The concepts of filial piety, courtesy and respect are at the core of traditional Asian social relationships and such cultural values are embedded in traditional customs (Huang 2008). Thus, the activity of tea drinking in Chinese society has always been thought of in relation to art and traditional conventions, as well as in relation to interpersonal relationships and social contact (Kumakura 2002).

The token of appreciation offered to the participants after the formal interview often allowed conversation to flow with further ease at that time. Some participants were aware of the importance of the act of giving and drinking tea, and appreciated the nuanced meaning of the fusion tea gift given by the researcher. Some mentioned Chinese ceremonies in which they had engaged with their Chinese counterparts at business events, including '饮茶 = *yum cha*' (which means drinking tea). The researcher was also mindful that the colour orange offered a bright and cheerful ambience and represented a neutral gift: in the researcher's Chinese culture, the importance of colours is paramount for auspicious events and business activities. Contrary to the Western presumption that the colour red in China represents communism, in traditional Chinese culture—which predates communist ideology by thousands of years—red represents happiness (Kommonen 2011). According to Zheng:

> "The politics of colour in the time of the emperors, they controlled the colour, and the common people were not allowed to use the royal colour. When the emperor wore yellow, the second level was only allowed to use purple, white or blue; the people could only wear grey. During the Cultural Revolution people used grey and blue. All five colours were only used in worship things. As the colours have always been controlled and mandated by the rulers, even today people have not developed their personal colours." (Kommonen 2011p. 371)

The positive connotations of the colour orange are limited to those Chinese who have wider international connections and, along with a myriad of vibrant colours, is seen as the new red for the modern Chinese (Kommonen 2011). To the researcher, the interview process was not just an academic pursuit; it was enhanced by the semiotic meanings and symbols of the 'lived experiences' and 'multiple realities' embedded in the fusion of Chinese and Australian culture (Glaser and Strauss 1967b).

3.6.7 Theoretical Sampling

To develop theoretical categories, a researcher must engage in additional data gathering activities during their analysis. Sampling data is an issue about which a researcher must be mindful throughout a study, not only during the initial design stages (Locke 1996, 2001). According to Locke (2001), this means that analytical activity is theoretically driven.

The logic of theoretical sampling comes from a researcher's commitment to developing a theory about a topic in the study. Glaser and Strauss suggested that the practice of actively searching for and 'sampling' data to provide the best possible information for theorising a substantive topic area is one of the foundational operations of this research style (Glaser and Strauss 1967). According to Stern (1994), capturing the logic of theoretical sampling and selecting information randomly makes as much sense as seeking information in the library by indiscriminately choosing a book from a casually selected shelf.

The rationale for theoretical sampling is that it directs data gathering efforts towards gathering information that will best support development of the theoretical framework (Locke 2001). As Locke (2001) notes, the researcher enters into data collection with the assumption that it will be an open-ended and flexible process that

will be modified over the course of the study as the researcher composes, clarifies, develops and refines conceptual categories and conceptual scheme. As Locke claimed:

> "The researcher has to flexibly pursue data collection to support category development to the point of theoretical saturation and the attending development of the conceptual scheme until it stabilizes. In this way, the logic of theoretical sampling gives primacy to data because, as researchers, we cannot identify ahead of time what categories our observations will suggest are persistent or interesting, and, therefore, we must direct our data gathering towards." (Locke 2001, p.55)

The question of what data need to be gathered to enable the theorising process is a recurrent exercise (Locke 2001b). The researcher must look for the 're-telling' and narrative from the participants and search for the story, so that several sampling acts can be designed to successively focus category development, and to theorise about a substantive topic (Jones and Noble 2007).

Glaser and Strauss stated that the range of suitable comparison groups (for instance, groups that are different and similar to ones already sampled) helps to improve the developing theory in several ways (Glaser and Strauss 1967b). They argued that the concurring process of comparing specific features across various groups brings to the researcher's attention the ways in which the behaviours under analysis are similar and different. Second, by further examining comparable groups and situations, the researcher can establish how a conceptual category might be affected by different conditions. Third, by sampling similar and different groups and situations ensures that the researcher will gather sufficient information to stabilise and saturate each of the conceptual components, in their working theory.

In clarifying sampling strategies Strauss and Corbin (1998) created a three-level sampling hierarchy that illustrates the articulation of varieties of naming and comparing (see Table 3.4).

Table 3.4: Strauss and Corbin's (1998) theoretical sampling strategies

Naming and comparing practice	Theoretical sampling strategy
Open	Open sampling—relatively indiscriminate sampling of existing and new persons, places and situations that will provide the best opportunities for collecting relevant data.
Axial	Variational and relational sampling—focused sampling of existing and new persons, places and situations that will provide opportunities to gather data about the properties and dimensions of the categories as well as how the categories are related to each other. Data gathering in terms of the coding paradigm is also clearly implicated here.
Selective	Discriminate sampling—very focused and deliberate sampling of existing and new persons, places and situations that will fill in and refine the core categories' story line and the proposed relationships among categories.

Source: Strauss and Corbin (1998)

Glaser (1992) argued that codification of sampling strategies (Strauss and Corbin, 1990) is too technical in language, which makes it difficult for researchers to understand the fundamentals of theoretical sampling (Locke 2003). Glaser's (1992) second point was it creates a slight modification of rigidity in the research process, which is inconsistent with grounded theory's flexible ethos. Locke supported Glaser's (1992) argument, and reasoned that Strauss and Corbin (1990) introduced the basic idea that as researchers shape and conceptualise their data at 'higher and higher levels of abstraction', researchers must verify that 'each conceptualization and its relationships are as fully developed and described as possible' (Glaser 1992). This is explained in the idea of theoretical saturation, where the researcher can find no new information about the category or its relationship.

As the participants interviewed were in a close-knit network and specialised industry, some of the responses and experiences given at the interview were similar. Given the difficulty in securing interviews, the researcher acted on a referral given by senior iron ore executive(s) who felt that the other person would have valuable insights in to working with Chinese counterparts. Also, the researcher noted that when referrals of participants were given, the same name(s) were recommended by the pool of participants. As this network of individuals were interviewed and the growing similarity of responses emerged, the researcher was able to make a decision about

theoretical saturation. This is the point at which theoretical sampling can be brought to a close (Locke 2001b).

3.6.8 Staying Close to the Text and Formulating High-order, General Interpretations

Researchers need to stay close to the data represented in fractured data documents to ensure that their naming demonstrates a good fit to the data (Locke 2003). Researchers will be formulating a number of substantive or in vivo categories that reinforce the understanding that creating categories closely reflects what is potentially expressed in data documents (Locke 2001a).

Rennie (1998) stated that when researchers work with small units of meaning or 'names' and stay close to the meaning of the text, they find themselves faced with two issues. First, the categories may be repetitive, reflected in the text of the data document, thus offering limited insight to what may occur in the situation in the study. Second, researchers may fall prey to creating a huge number of categories. This will impede the researcher's ability to analyse data sources appropriately (Rennie 2000). To counter these issues, it is essential for researchers to work towards achieving abstraction in the naming process, while constantly reconciling those abstractions with data fragments (Locke 2001a). However, as researchers shift to a more abstract form of naming, demands are placed on creative resources for interpreting and naming data (Rennie 1998). Mintzberg (1979) discussed the centrality of the creative leap in the theory-building process where researchers must try to generalise beyond the data set (Mintzberg 1979, 1973). Glaser (1978) proposed how researchers should inquire into their data; specifically, the question of 'what is happening?' to provoke thought and attempt to find inventive responses.

Locke (2001) suggested in his study of contribution that an imaginative 'jump' is brought to mind as an image of a jigsaw puzzle in which the same pieces can be reshaped and fitted together to create various 'pictures' of the literature. Locke (2001) illustrated that this image can be represented as 'inter-textual coherence', highlighting how current works are shaped into the state of understanding a phenomenon. Rennie supported this to-and-fro movement in terms of subjective and objective poles of research experience:

> "Within this creative process, grounded theory analyst work with their own experience when attempting to understand the experience of others mediated through the text. It is within the interplay between external and internal experience that the art of good interpretation lies. Too much caution expressed as reluctance to give vein to subjectivity can result in 'missing' the life of the experience under study. Alternatively, giving too much reign to subjectivity expresses the life of the analyst more than that of the respondents. Good interpretation thus involves living inside and outside the experience while monitoring of the degree of fit between two aspects." (Rennie 1998, p.55-56)

It is in this creative space that researchers will be able to generate noteworthy category names that are thought provoking and lead to a significant number of diverse data incidents.

3.6.9 Data Management and Qualitative Data Analysis

Nvivo12 was used for data management, supported by MacOS High Sierra Version 10.13.6 on a Macintosh computer for data analysis and modelling. Direct interpretation and constant comparison were used to develop an emergent model (Creswell 2007).

Open coding was used to attached labels to some text based on their relationship to the literature of what is known in the Iron Ore industry. NVivo coding was also used in some cases to code text using labels that were directly spoken by the Iron Ore executives. As coding progressed, some of these codes were grouped into specific themes and either given a new label or subsumed by one of the existing codes. Nvivo coding took place by exploring groups of themes and categories and deciding whether to merge them or keep them separate as part of trying to put together a cohesive explanation of the decision making of Iron Ore executives dealing with their Chinese counterparts. Through this constant comparison, the final descriptive model for answering the research questions was finalised (Creswell 2007).

3.6.9.1 *Rigour*

In this study, authenticity and trustworthiness were observed. The researcher ensured credibility, transferability, confirmability and dependability and used the rigour protocols suggested by Whiteley (2010).

Given the difficulty in securing interviews, the researcher acted on any referral given by an iron ore executive who felt that the other person would have valuable insights in to working with Chinese counterparts.

Trustworthiness is a 'rigorous scholarship' using definite procedures; it is not a natural occurrence (Padgett and Cheetham 1999). The initiatives include triangulation, engagement, peer debriefing, member checking, negative case analysis, audit trail and reflexivity (Creswell 2007, 2013; Creswell and Miller 2000). Criteria and strategies used to ensure trustworthiness in this study are outlined in table 3.5, as adapted from (Guba and Lincoln 1989; Guba and Lincoln 1985; Guba and Lincoln 1984).

Table 3.5: Rigour

Criteria for Trustworthiness	Strategy to ensure trustworthiness
Credibility	Member checks Thick description
Transferability	Detailed description of the research setting
Dependability	Audit trail Reflexivity
Confirmability	Audit trail

Source: Adapted from Guba and Lincoln (1984, 1985, 1989)

To ensure credibility, the researcher adopted member checks and thick description. Member checks are the most important technique for establishing credibility in a study (Guba and Lincoln 1989; Guba and Lincoln 1985; Guba and Lincoln 1984). Data and insights were presented to selected participants in the study during member checking so that they could confirm the credibility of the information. The selected two participants were only given their own transcripts that have been professionally transcribed so that confidentiality was protected. The transcribing company selected was endorsed by Curtin University and the company also signed a confidentiality agreement to proceed with work provided to them. The selected participants viewed the raw data (consisting of their own interview transcripts or notes) and provided comments on their accuracy (Creswell and Miller 2000). Thus, member checking was implemented with a sample of two participants in this study. No further participants were contacted for member checking due to the sensitivity of the subject and the researcher was sensitive to the fact that an email trail of what was said within

the transcripts could have been identified or read by another person (other than the participants). Also, participants were time poor and at senior management levels and would not have been able to provide more time on top of the interview process.

Thick description represents the setting, participants and ideas in a qualitative study in rich detail (Morrow 2013). (Denzin and Lincoln 2013) stated that 'thick descriptions are deep, dense detailed accounts, whereas thin descriptions by contracts, lack detail and simply report facts'. Readers will experience events being described in a study. The process of writing is important to describe the 'interaction, experience, or action … bringing a relationship or an interaction alive between two or more persons' (Creswell and Miller 2000). To ensure a rich description could be reported, a journal of every interview was kept and the researcher wrote down thoughts and reflections after each interview. This memoing was an important function that helped the researcher to further gain insights from the data set explored and ensured an audit trail was maintained.

Transferability is realised when a researcher provides sufficient information about the self, the research context, processes, participants and researcher. Participant relationships enable the reader to decide how findings may transfer to other contexts (Morrow 2003; Levitt et al. 2017). Descriptions of the types of participants and how interviews were conducted in terms of time, place and context were implemented in this study to achieve transferability. These are reported in the results section.

Dependability is the way in which a study is conducted and should be consistent across time, researchers and analysis techniques, as stated by Gasson (2004). This study ensured that an audit trail was established including documentation of research decisions, events and activities. Journals were kept in tandem with memos jotted down from information provided by the participant, and thoughts gathered by the researcher. An excerpt of the audit trail information is in Appendix 1.

Reflexivity is an important function for the researcher to disclose their own assumptions, beliefs and biases (Creswell and Miller 2000). Qualitative researchers must qualify their own biases and beliefs in the infant stage of the research process to allow readers to appreciate their position, and to 'bracket or suspend' their biases as the study progresses (Creswell and Miller 2000). In this study, the researcher was

conscious of her own experiences and ensured that she did not influence participants' responses during the interviews.

Confirmability means that 'findings should represent the situation being researched rather than the beliefs, favourite theories or biases of the researcher' (Gasson 2004). The integrity of the data must be upheld to ensure the researcher's objectivity when harnessing the information and going through the analytical process. Rigour was maintained through bracketing and the researcher was mindful of supporting the 'voice' of the participants. When coding and interpreting the data, the researcher relied solely on the responses of the participants rather than her own beliefs and value system. Authenticity goes hand in hand with trustworthiness. Guba and Lincoln (1989) stated that demonstrating authenticity is a commitment by the researcher to honour the participants, ethically and morally. Confidentiality for the participants was ensured in this study.

3.6.10 Triangulation Process—Document/Archive Exploration, Literature Search

To achieve rigour, the researcher used the triangulation process to examine sources of information to gain evidence and further insights from the data collected (Creswell 2007). The researcher used this to build a coherent justification for themes (Creswell 2007). It is important to search available published material (books, journals, newspapers), often using databases or abstracts in libraries. The purpose is to gather background information on what is already 'known' about a study, in this case China's organisational change, theories on decision making and examples in the resources sector, and how WA resources industry leaders are responding to that change. The researcher also interviewed 31 senior executives in the Western Australian iron ore industry to ensure broad participation. Different companies were represented to further enhance triangulation efforts. See Appendix 4 for screenshots of coding and emerging themes process – Step 1 to Step 6.

Step 1 - Uploading Transcripts on Nvivo 12 - Reading and highlighting hardcopies - Reviewing electronic copies

The sampling strategy involved collecting data to refine and elaborate on categories that emerged in earlier sampling (Charmaz 2006). Following this approach, the

researcher selected and coded transcripts from 31 Australian executives using Nvivo 12.

Step 2 – Creating Nodes

Using NVivo 12 software, the researcher allowed codes and categories to emerge, with little attempt to identify overarching themes. More specifically, the researcher used word-and line-level coding (Charmaz, 2006), and Glaser and Strauss' (1967) constant comparative method across the data. This procedure was repeated as needed, "to develop the properties of the category until no new properties emerge" (Charmaz 2006, 96).

Step 3 – Analyse – Running Query Results

The researcher was focused on coding, using the most frequent or significant initial codes to sort, synthesize, and organize the data (see Charmaz 2006 p.46), as well as axial coding to connect ideas and concepts (Strauss and Corbin, 1998). Using Nvivo 12, the researcher ran Analysis by Running Queries to look at emerging data.

Step 4 – Analyse - Exploring Nodes by Tree maps

The researcher used Nvivo 12 to explore the Nodes by visual illustrations such as Tree Map and Sunburst.

Step 5 – 16 Initial Themes identified

These processes contributed to the development of second-order themes and, importantly, provided a means to focus on whether the emerging themes helped to explain participants' responses to the researcher's interview questions. Finally, the researcher assembled the second-order themes into a table (Gioia et al. 2013).

These coding and analysis procedures generated the data structure that served as the basis for the findings. By examining the assembled data structure, with particular attention to the co-location of codes (for instance, data that contained more than one code), it provided insight into the dynamic relationships among the codes, themes, and dimensions, thus allowing the researcher to better discern not only that concepts were related, but how they were related (Eury 2018).

Step 5 – 16 Initial Themes identified

As new categories emerged, the researcher updated the codes in Nvivo 12, creating 61 nodes that were further classified into codes. In seeking theoretical saturation, the codes explain the observed phenomena and demonstrate that the sampling pattern would no longer provide new codes or further new theoretical insights. For thoroughness, and to be able to look at the amount of data with the finalised coding scheme, the researcher repeated this procedure five more times, coding in consultation with the data. Hence, 16 initial major themes were identified in a table.

There were examples of data that were coded in two or more ways that were theoretically an eye-opener. For example, the researcher noticed data that had co-occurrences of past, present, and future cognitions regarding the participants in relation to their Chinese counterparts, which encouraged the researcher to think about the importance of capturing the juxtaposition of these three elements in relation to time.

Step 6 – Truncating codes to 6 key themes

Thus, an important methodological process here, was to not merely code the data and assemble them independently into a grounded model, but to examine the co-occurrences of important codes to derive theoretically meaningful patterns. The researcher further truncated codes to 6 key themes. These analytical procedures enabled the researcher to identify and document two notable dynamics in the findings: (1) how past–present–future dimensions of decision making were closely intertwined with China's national interest as the Australian Iron Ore Executives individuals experienced a decision making and cultural paradigm shift in relation to their existing organisational structure; and (2) how the understanding of Chinese cultural nuances such as *guanxi* affect and influenced aspects of the decision making process, including communication protocols.

From this process, the themes were finalised and an emerging model was developed.

3.7 Conclusion

This chapter outlined the research methodology, data collection and data analysis related to this research. The objective was to illustrate the theoretical underpinnings and rigour associated with the methodological initiatives used in the study. The next chapter reviews the findings from the data provided by the participants.

Chapter 4: Findings and Analysis

This chapter illustrates the findings on how iron ore organisations in Western Australia come to a decision; their decision processes, including decision influences and experiences; and the effects of these with its important trading partner, China.

4.1 Participant Overview

Much groundwork and preparation were undertaken to identify target participants at the senior management level. An initial list was drawn up following searches of media articles and business lists and through the researcher's contacts in the corporate sector. It was extremely difficult to secure an interview with participants as they were very busy people with hectic schedules, being at senior management level. The researcher discovered that within the iron ore industry, the contacts mentioned by participants were the same individuals identified or mentioned within which the Chinese and Australians operated. It was a tight and close-knit industry within the iron industry.

The researcher at times had to wait for several weeks, or up to 6 months in one case, to secure and schedule interviews with senior managers. Once an interview had been scheduled, the researcher emailed the participant the participant information sheet (consent form) (Appendix 2) and interview questions (Appendix 3). This gave each participant the opportunity to review the questions and be prepared for the interview process. The day before each scheduled interview the researcher followed up with a phone call and an email to confirm that the participant would be able to participate. Sometimes, the participant only informed the researcher on the day of the scheduled interview if they had to cancel, and at times interviews were rescheduled in another 2–6 months. It was difficult to secure the next available date for some participants.

At the start of the interview, a copy of the consent form was given to the participant and the researcher to keep. Throughout the interview process, the majority of participants were forthcoming with information. Some had written notes to present their information to the researcher. One of the participants even made the effort to type out a copy of their notes for the researcher. However, some participants were guarded and gave only black-and-white responses during the recording process.

After a recording was completed, the atmosphere tended to become more relaxed and the conversation flowed more easily because the participant did not want to reveal sensitive communication or have confidential information recorded that would be linked to the participant's voice. After each interview, the researcher was able to jot down some notes in front of the participant. The researcher ensured that these informal conversations that occurred after the interview was over were captured by writing down any relevant information.

After 31 interviews, the researcher found that the participants were making similar responses and identifying the same issues—pointing to theoretical saturation (Glaser 1978.). Further, the researcher concluded that contact referrals from one participant to another were often pointing to the same individual(s) within the iron ore industry indicating that the researcher had covered the key senior executive network within the industry in Western Australia.

A total of 40 individuals were approached for the study. Nine of these potential participants declined to participate in the research and offered reasons (see Table 4.1). Even though the researcher assured the participants that the interviews were confidential, some participants were not comfortable and felt insecure that a recording of their voice could be traced back to them. Most of the participants who refused did not want to implicate themselves by revealing their thoughts and perspectives related to decision making with Chinese organisations. As a result, of the initial sampling pool of 40 potential participants, 31 participants agreed to be involved in the interview process.

A total of 11 Western Australia iron ore companies were included in this study and all 31 participants that were interviewed were spread across these organizations at the executive/management level. In one company a total of 8 interviews were conducted at various management/executive levels. In the other 10 companies only one or two individuals were interviewed at executive/management levels.

Table 4.1: Reasons provided by individuals for not participating

Position	Number of participants	Reason
Chair	1	Agreed initially through referral. However, because of conflicting time schedule was unable to commit.
Former CEO	1	Agreed initially through referral. Declined. No reason given.
Executive General Manager	1	Declined after reading through interview questions and participant information sheet. Provided referral to follow up instead to another person.
Legal Counsel	1	Because of the sensitive issues surrounding the iron ore industry in Western Australia and relations with China, the potential participant was unable to assist. Also, the potential participant was uneasy with the recording of the interview in-spite of the confidentiality agreement put in place.
Manager	3	One potential participant was referred to five times by other participants in the interview process. Initially, the potential participant agreed. However, after reading the participant information sheet and interview questions of the study, the potential participant declined and referred the researcher to another contact in Australia. Another potential participant was willing to be involved. However, after seeking the company's approval, the potential participant had to decline as the company with Chinese stakeholders in Australia did not give their permission. The third potential participant in this category was unable to commit because of a hectic work schedule; even after 6 months of liaison, no interview could be scheduled.
Executive officer	2	Two potential participants from China based in Western Australia were requested by their Australian superiors in separate Western Australia owned organisations to participate in the study. Both declined because of a possible backlash from their Chinese counterparts based in China.

Of the 31 participants interviewed, 30 were interviewed face to face in WA and one via face-to-face video conferencing with a participant based in China. Of the 31 participants interviewed, 30 were males and 1 was female; see table 4.2 for the demographics of participants that agreed to be interviewed, in terms of gender, position and authority. The ages of participants are not included here for confidentiality reasons because of the ability to potentially identify individuals given the specialised and close-knit network of the industry in Western Australia and Australia.

Table 4.2: Summary of participants from iron ore industry

Position/Title	Number of participants	Gender
CEO	6	M:6 F:0
Managing Director	4	M:4 F:0
Senior management; e.g., chief financial officer, chief operating officer, chief information officer	3	M:3 F:0
*General Manager	7	M:6 F:1
Executive Director/Director	6	M:6 F:0
* Manager	5	M:5 F:0
Total No. of Participants	31	M:30 F:1

* Of these participants there were two from within the oil and gas sector (see Section 4.1.1)

4.1.1 Rigour

Two executives outside the iron ore industry were recommended to the researcher by participants in this study. They felt that these two individuals could add value to the research. These two senior executives were from the oil and gas sector. The two participants in the oil and gas industry reported many of the same concepts reported by the iron ore executives. Having their input provided an additional element of rigour and triangulation to the research.

4.2 Findings

4.2.1 Familiarization Study

Two interviews were conducted in the familiarization study to get initial feedback to assess how the research and interview questions were received; and whether the researcher coming from a female Asian background would be able to come across professionally with the senior executives within the iron ore industry (see Figure 4.1).

The feedback from the two participants were that the research study on decision making processes and Western Australian iron ore industry's relationship to China was of value. Both participants understood the meaning of *guanxi* and provided the different perspectives of their involvement in the decision making processes between their organisations and China. The researcher asked whether any of the interview

questions outlined needed changing and the participants said no. The researcher asked whether the interview was conducted professionally and one participant stated they appreciated that the timeliness of the researcher who came to the interview fifteen minutes to set up in the meeting room and was prepared. Both participants stated that they could understand clearly the questions that were being asked by the researcher.

4.2.2 Interview Protocol

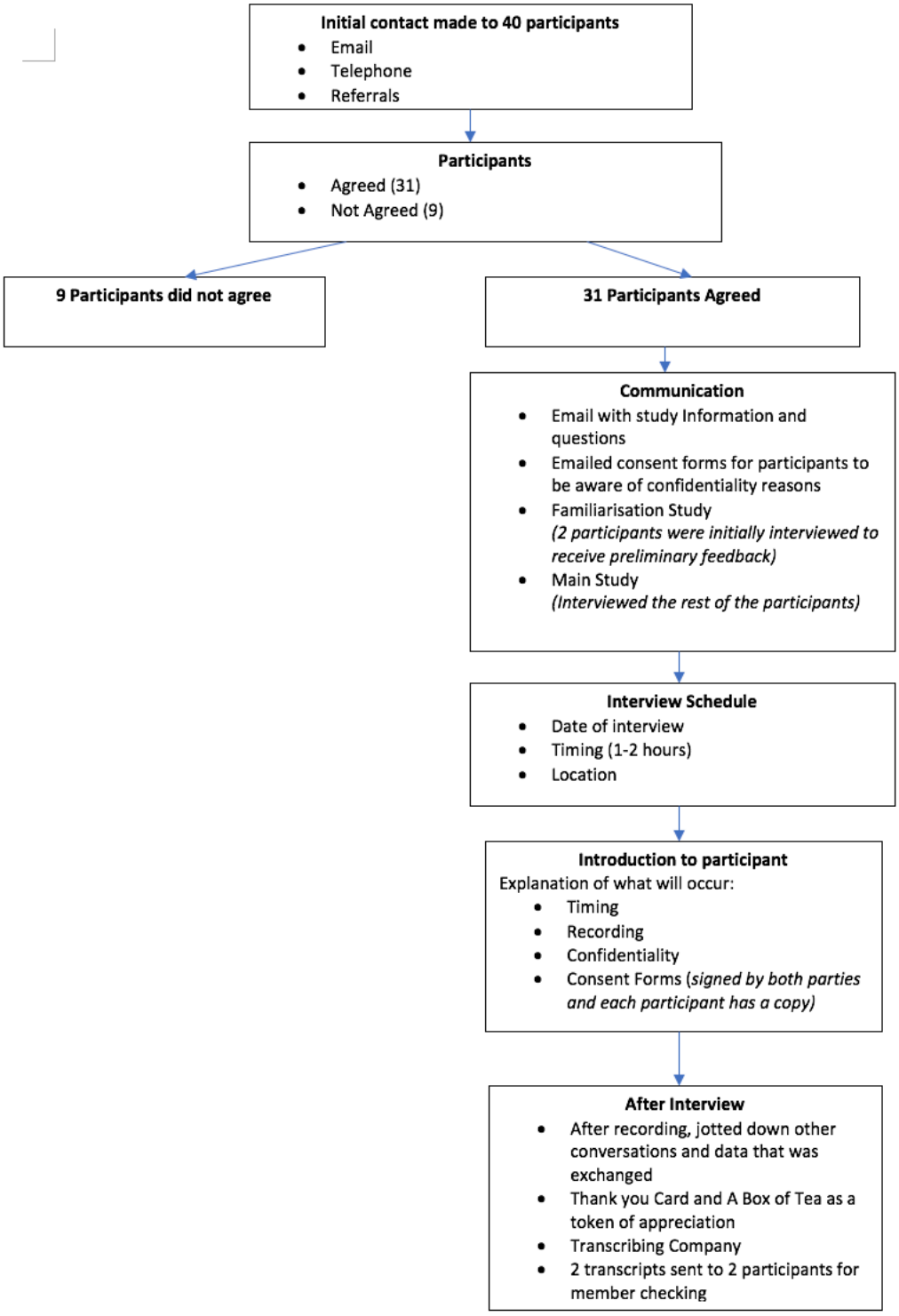
The researcher was appreciative of the participants' generosity in terms of providing their valuable time as they had extremely busy work schedules and some travelled to China extensively for work. The researcher communicated first by email and then followed up with a phone call to confirm the interview time and venue (see Figure 4.1).

In every interview conducted, the researcher would dress appropriately—in a corporate suit to present a professional image. Following the corporate dress code and etiquette gave confidence to participants that the researcher was serious in the research study undertaken. All interviews conducted were recorded with two digital recorders to minimise the need to follow up with participants unnecessarily.

The researcher arrived 15 minutes earlier to an organisation and liaised with the participant's receptionist or secretary, so that the researcher could set up the recording devices and assess the feasibility of using the meeting room. As time was of the essence for some participants, this ensured that the interview could commence immediately, and with ease. Also, it allowed the researcher the flexibility to communicate with the secretary to change meeting rooms if the background noise level was too high for recording purposes.

The researcher greeted the participant with a firm handshake and thanked them warmly for agreeing to participate in the interview. It was communicated to the participants that the interview would be 1 hour long, but some participants were generous with their time and the interview often extended to 1.5–2 hours. When possible, interviews were conducted in the morning when participants were at their 'freshest' and 'ready for the day'.

During the interviews (which were being recorded), if the researcher sensed that a question created discomfort for a participant, the researcher quickly ensured that the participant need not answer the question, or skipped to the next question, so that the participant could progress with the interview with ease.



Source: developed by the researcher of this study (2019)

Figure 4.1: Interview Protocol

Once an interview ended and the recording devices were switched off, the researcher's experience was that participants were more willing to share. The researcher thus took handwritten notes in a journal, in front of the participant. Participants were positive about the researcher's note taking. In some cases, the information shared was extremely sensitive, so the researcher only listened to the participant's view and made eye contact to acknowledge the information shared. Immediately after the interview, the researcher would write down what the participant shared and make a mental note to analyse the data as soon as possible.

After their interview, most participants had the willingness to provide a referral or contact for the study, and some took the initiative to email the potential participant directly in support of this research study. The researcher found that the contacts provided by other referral participants were helpful in securing interviews. However, participants at senior management level were extremely busy with work, an interview appointment may take 2–6 months to secure.

Ultimately, at the end of all interviews, an opportunity arose for the participants to enquire or comment on issues that were related to the study. The researcher took on board what the participants had to say at this stage.

The researcher was impressed with some participants who made the effort to type out notes and responses to each question, and to also include other potential participants to be contacted for theoretical sampling.

As the interviews progressed, related questions emerged surrounding decision-making processes within the organisations; and understanding of Chinese culture and communication protocols when liaising with Chinese counterparts.

The researcher realised that simple open-ended questions asked from a different viewpoint sufficed in revealing and provoking a substantial amount of information to be analysed as data. Data were collected until saturation was reached. The findings discussed in this chapter emerged from thorough analysis of the data including multiple rounds of coding from verbatim transcriptions of face-to-face interviews, concurrent researcher observations, and note taking during and immediately after each interview. Notes from the researcher's personal journal further supplemented the triangulation of data. NVivo12 was applied to identify common words, themes

and subthemes. In the first round of coding, the researcher read through the 31 transcripts. After a second round of analysis, a compilation spreadsheet was created containing responses to each of the questions from the interview protocol. The researcher continued to read through the hardcopy transcripts to confirm and document word duplication frequency and identify key words, themes and patterns, both individually and across participants for constant comparison.

The initial classification of themes was identified using Nvivo12 are outlined in table 4.3, which represents the participants mentioning the words and references to that category within the interview questions.

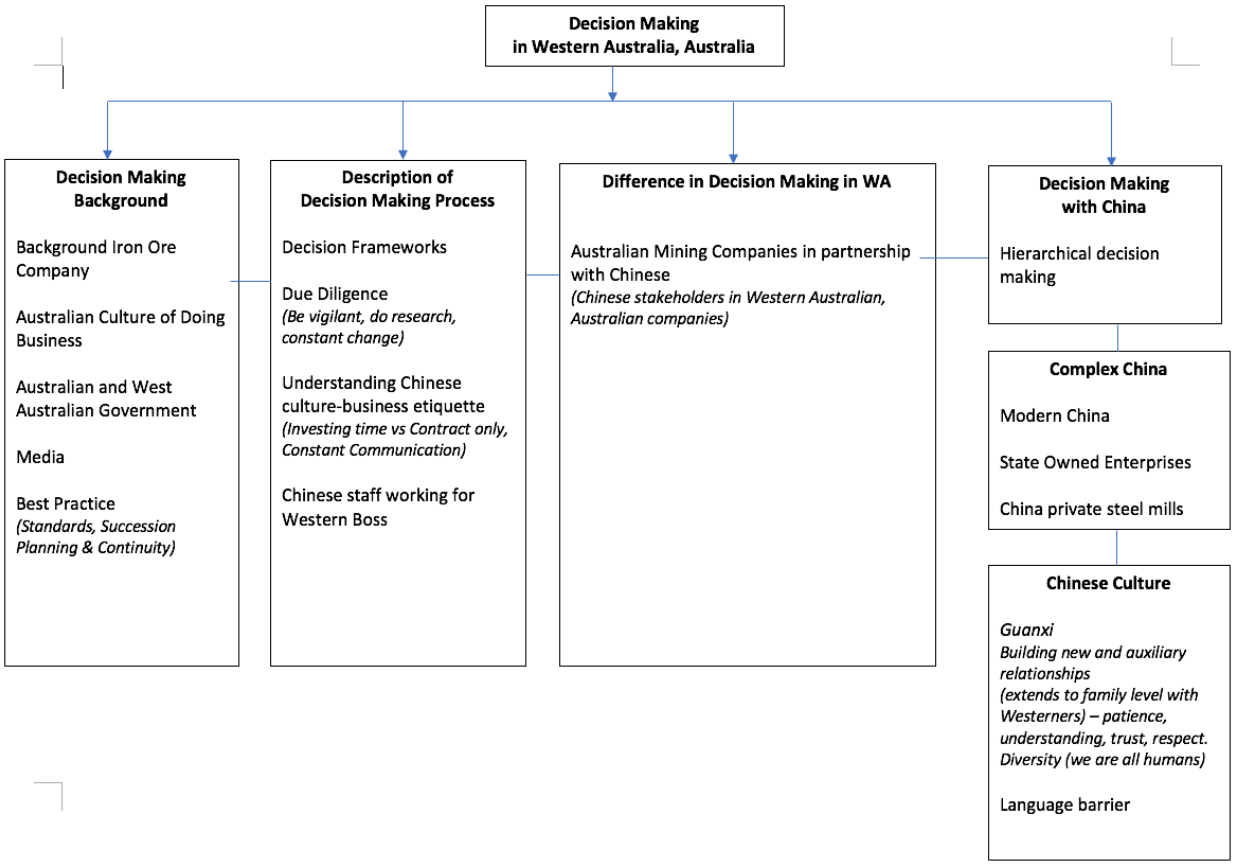
Table 4.3: Initial themes

Major themes	Participants	Number of References to Category
Chinese decision making	28	120
Description of Decision Making Process	27	139
Difference in Decision Making Styles in WA	26	73
Understanding Chinese cultural business etiquette	26	116
Western Decision Making	25	84
Education and Background	25	37
Building new and auxiliary relationships	24	93
Understanding	23	74
China experience	22	74
Decision Making versus negotiation	20	66
State Owned, State Administration	19	65
Hierarchal Decision Making	17	39
Constant Communication	16	41
Modern China	16	32
Respect	13	19
Mining company in partnership with Chinese	13	24

Source: Data and themes developed by the researcher of this study (2019)

The themes were further refined and improved which led to the codes being truncated further, where the researcher saw the emergence of 6 major themes

comprising Decision Making Background, Description of Decision Making Process, Difference in Decision Making in Western Australia, Decision Making with China, Complex China and Chinese Culture (see Figure 4.2).



Source: Six Major Themes emerging from the data developed by the researcher of this study (2019)

Figure 4.2: Six major themes emerging from the data

Under the six major themes, there are 16 sub-nodes that were clustered concurrently. The results demonstrate the complex dynamic environment for Western Australia and their China counterparts in the iron ore industry involved in achieving a decision point.

The flow from a common decision-making box labelled 'Decision Making in Western Australia, Australia' is important because it represents a relational perspective on conducting a successful partnership for decision making. Both Australians and Chinese need to understand each other's perspectives to thrive and for this study, it was important to investigate how well the executives in Western Australia embed this perspective to their decision making.

4.2.3 Theme 1—Western Decision Making Background

Under the box of Western Decision Making Background, five subthemes were identified: Background Iron Ore Market (Western Australia iron ore suppliers); Australian Culture of Doing Business; Australian, Western Australian Government; Media and Best Practice *(Succession Planning and Continuity)*.

4.2.3.1 *Western Australian Iron Ore Suppliers*

All of the participants mentioned and understood that the background to the iron ore market had changed for Western Australia iron suppliers to China. It transformed substantially when the demand for iron ore outgrew the speed of supply. This substantial change affected the way business relationships were conducted, including decision-making processes.

According to one General Manager, who had made over 100 business trips to China:

> "The Euro-centric (businessmen and) attitude had no involvement with China, [and they] knew nothing about China. It was the other side of the world. The iron ore industry was built on a one-to-one relationship between supplier and end user … and the mining company talking directly to the steel mill and negotiating the price with the steel mill rather than the trader in the middle who's making a dollar here and there. The stability of operation of the steel mill is critical in terms of financial planning and having a price that was going to be fixed for 12 months was what the steel mills wanted, what the customer wanted." Participant 15

The researcher deduced that with the benchmarking system within the iron ore industry, face-to-face negotiations were carried out between Australians and their Chinese counterparts in an effort to establish the one-to-one relationships that are vital for the success of a business partnership. With the spot pricing system, the conversation, communication and decision-making process between counterparts in Australia and China would gradually cease to exist. Ultimately, the legacy of the relationship and trust built over the decades between Australia and China might possibly erode. The spot pricing market also affects the decision-making process for Chinese steel mills in terms of long-term financial planning and stability.

As the same General Manager explained:

> "Long-term sales contracts were fairly unique to the iron ore trade in the Pacific and in Europe. These were derived from the Metal Bulletin and the traditional players in the metals market. These traditional players formed a closed group … and they would go to the London Metal Exchange to buy and sell cargos of copper and cobalt. They couldn't understand how two parties could get together and the negotiations might take 3 to 4 months to reach a price that was fixed for 12 months." Participant 15

A Managing Director also shared his understanding of the iron ore benchmarking pricing history:

> "The *TEX Report* [English daily newspaper] used to do an annual review of pricing negotiations and they'll be around somewhere on record. It was published out of Japan and had a very Japanese flavour to it, but it, it actually gave a lot of useful information about how negotiations went and so on, that's good if you understand that background to then see how it changed when China came in, in a big way from the early 2000s onwards. It started really impacting the iron ore market because if you look at the market from let's say, '80, '84, '85, '86 onwards … the prices were down, they were $11–$12 a tonne and that stayed pretty stable. We were negotiating about cents, not dollars back then and these were tough negotiations." Participant 10

The same Managing Director highlighted that the stock market pulled the benchmark system apart with the arrival of China in the iron ore market:

> "By around 2003/4, it started moving up under the benchmark, and then it just went through the roof when the stock market just really pulled it apart. And now it's pulled back down, it's come back down, not to quite where it was, well it hasn't come anywhere near where it was then at $10–$11 but it's, now it's $80. You can see there's quite a difference between that early period and when China, the impact of China hit, just on that pricing graph tells a story in itself." Participant 10

The same Managing Director emphasised the importance of how the historical benchmarking before China arrived in the market:

> "But it's really important to understand the context that existed before, China came into the market because the pricing in '97 was all about the Europeans, who would usually settle first and then we would go up and negotiate with the Japanese. And when that change started happening in Europe … traditionally, it was the German steel mills who would do the negotiating and then Company A became the biggest steel company in Europe and in the world, they then started pushing things around and changing the way that all happened. And in Japan you would go in and negotiate with the Japanese as a block until around about 2000 when their anti-trust laws came in and they had to stop doing that. And, those negotiations were tough, you'd go in as individual suppliers and you'd sit there for weeks and weeks on end going through this process and they'd pick you off one after the other. And it was a tough time but that was the benchmark pricing, plus long-term contract arrangement which had underpinned the industry, the whole iron ore industry for 30 years or more." Participant 10

In response to the momentum of the growing iron ore industry, in the early 1990s, established companies began opening offices in China to manage the iron ore and steel mill market needs. One General Manager who opened offices in Hong Kong, Shanghai and Beijing explained:

> "So, the interesting thing with China if you go back in history, the iron ore world at that time revolved around two main markets Japan and Europe and in fact, in terms of iron ore pricing, China for several decades enjoyed an institutionalised discount to the price that Japan paid. That went by the side in the '90s as China started to grow. [In 1990s], our company sold about 13 million tonnes of iron ore to China in a year and today that figure is about 200 million tonnes in effect. China took off post-2000." Participant 16

Even for China, its outlook for steel mills changed within the iron ore industry. Historically, Chinese steel mills were built inland for strategic reason but this made the transportation of iron ore more challenging. One General Manager said:

> "If you go back through history, not all the Chinese steel mills were built on the coast for various reasons, they were built to vertically integrate with their iron ore mines, which could be quite a long way. For strategic reasons they thought during the Cold War and before, tensions with both Russia and the West, some of these steel mills in the past tend to get built in very far, out of reach of enemy attack. So, when you look at geographic display or placement of steel mills in China, it's

> quite diverse but in modern times, all the new steel mills are being built around the coastal areas, and with the advent of major port developments, it allows bigger ships to come in, cheaper seaborne transport, it makes seaborne iron ore more competitive." Participant 17

In 2004, the world did not forecast China's surging demand for iron ore; the mills lost the stability of pricing, which made mill operations more difficult, especially in Japan. One General Manager further explained that:

> "With the iron ore price, how it was negotiated, each company had a negotiator. Back then, [the negotiator would go] to Japan and sit across the table with [the] Japanese counterpart and attempt to negotiate the iron ore price … which then became the global iron ore price. China had a negotiating team and included people on the ground China experience. The iron ore world in 1987 is very different from the China world of [today]. There was no way, even if we'd had the best crystal balls in the world, we could have foreseen what those changes have been." Participant 14

The findings outlined above are relevant to the research objective in this study; that is to explore the decision-making processes used when the benchmarking system was available and how that contributed to the quality of the decisions made by iron ore companies in WA and their Chinese counterparts. With the introduction of the spot pricing system outlined by the interviewees, the decision-making process has been changed significantly.

The impact of the global financial crisis during from 2007 to 2009 affected the prices of iron ore and impacted business relationships within the iron ore industry. As one CEO explained:

> "The problem during the global financial crisis was that we have annual contracts, they did lock in the annual price. But when the spot price was substantially below the benchmark price, all of the Chinese companies reneged on the contracts. And they [the Chinese] just said: 'Oh well we're not going to buy against a contract, we'll buy spot'. So, the impact on the company was enormous … and that really was the demise of the annual benchmark pricing. Now the Chinese knew, so did the Japanese, Koreans, Taiwanese and the Europeans … Everybody knew what had actually gone on, and everybody understood that this was a defensive move by

> the sellers in response to an outrageous move by the Chinese companies. Now they lived to regret that, because then iron ore prices started to escalate, and they would have been much safer with benchmark pricing, and it would have been much more stable and given the certainty that they needed. But they destroyed the system." Participant 4

These findings provide an insight into how the global financial crisis affected the decision-making process of a Chinese iron ore company that had a short-term view of getting the best price at that moment in time, and thus backed out of its benchmark pricing contract. The annual benchmark process was designed to bring some predictability to pricing, so that companies could plan. This raises a number of questions that Western Australian executives had to consider in their decision making. For example, *why did the Chinese decide to renege on the contract when initially they had decided to go with the benchmark system? What decision-making process did they follow? Was it a rational decision on their part? Did the Chinese think of the consequences? If given another opportunity, would the Chinese decide differently? How was this going to affect the decision-making relationship between Australia and China in the long run?* However, in this volatile price-sensitive market environment, iron ore companies big and small had to cope with market fluctuations, and at the same time manage their business relationships and decision-making processes with key clients.

4.2.3.2 *Australian Culture of Doing Business*

All of the participants stated that senior managers and employees working in Australian businesses must adhere to legislation and a set of rules and regulations. The Australian culture of doing business is clear and transparent. The legislative and communication framework for a public company listed on the Australian Securities Exchange (ASX) is transparent and Australian businesses must divulge the high and low points of the company's progression. As one CEO explained:

> "We have to comply with ASX listing rules. We have an independent non-executive controlled board, and our decisions are made in accordance with that framework. Some of those are based on legislative elements. I'm the CEO. I can fire someone if I want. Or can I? Let's be honest. In most situations I can't. If I have a member of staff turns up to work on drugs, I can fire them. It's very clearly

> set out in the Western Australian workers' legislation, the Fair Work Act, what I can and can't do in that respect. If I just don't like you because I've decided I don't like Asians today, well that's a clear breach of the Discrimination Act of the Commonwealth and the State level, and that person can take me to court. So, the decision-making framework for small decisions is often governed by a whole bunch of things." Participant 1

All of the participants mentioned that the Australian way of doing business was different from the way their Chinese counterparts conducted business in terms of the decision-making processes and how each party arrived at a decision for a project. As one Managing Director observed:

> "The Australian's evaluate everything to the nth degree, the nth level of engineering, make sure that the project is going to work whereas the Chinese are quite happy coming in and do the retrofitting. The decision making of Australian companies likes a firm decision to be made as quickly as possible and let's move on with it." Participant 7

Further, the findings suggest that the majority of the Australian businesses tended to follow quality and safety standards within the iron ore industry. The Executive Director explained further:

> "Australian standards of security, safety standards on equipment, ISO equipment, Australian standards equipment have created difficulties with projects where stuff has come from China and had to be sent back to China or had to be retrofitted." Participant 21

Of the 31 participants in this study, 42% were involved at the Board level with their Australian companies, making strategic decisions. None occupied a position at board level in China. One participant, Managing Director, coined the term 'China intelligence' and emphasised that Australian businesses needed to make decisions using emotional intelligence as well as China intelligence to build a better business relationship with China. As this Managing Director rationalised:

> "I can only think of two non-executive directors who are sitting on ASX200 listed companies who are resident in China, who therefore have a feel for what's happening in China today. For those companies who wish to do business with China, and you tell me a company in the top 200 that doesn't have to consider

> China in its strategic planning either as a customer, or as a source of a product, or as just as an influence on markets, and yet, 99% of them don't have anyone on their board who has that feel for China, they have zero CQ [China intelligence]. I think this is the weakness of Australian corporations in their decision making; to come to your question, in terms of decision making. For those that need to make collective decisions, particularly at the high level where the board … they don't have the capability to make informed decisions." Participant 7

From these findings it was evident that there was a need for both parties (Chinese and Australian) to understand each other's perspectives, having cultural intelligence and clear business objectives to ensure quality decision making. As one CEO stated:

> "I think Australians are much worse about this than English or Americans—they [Australians] go to China 10 times and they think they're experts, and then that again influences the way they act, it's like a P-plater driving like a lunatic on the highway, you know they're going to change gear, but they don't know the subtleties of positioning and weather dynamics." Participant 1

This same CEO explained further that it is also an attitude and mindset of both the Chinese and Australians that is required 'to understand the capability and the limitations of each other'. Participant 1

It became clear to the researcher that for decision-making processes to be improved, facilitating business with an open mindset and re-examining the capabilities that Australian businesses have with respect to China was needed.

In summary, within the subtheme of Australian Culture and how Australians do business, the regulatory and cultural dimensions of the country have a strong influence on decision making. In this sense, various decision-making aspects of Australia's business environment in terms of legislation, governance and cultural intelligence gathered must be communicated to Chinese counterparts to provide clarity and direction for their mutual business and partnership goals. These findings are in line with the research objective to explore and describe the quality of decisions made in Australian companies that deal with Chinese counterparts in the iron ore industry.

4.2.3.3 *Australian and Western Australian Government*

In this study, 25 Executives or 80 % of the study's participants shared that the Federal and State government of Australia were present only as a figurehead at opening ceremonies or events representing Australia-China relationships. One General Manager noted that:

> "…our counterparties have changed over the last 15 years in China and the way we interface with the government, both state and federal have changed very significantly as well during that time frame for the better from my point of view in that 15 years ago the government was very involved. I used to go to road trips through China with Minister for Trade, Federal Minister for Trade and we'd have this entourage trailing around after him going to endless meetings and dinners and so on. Now that is falling away, thank goodness." Participant 13

Another CEO stated that companies are practically independent from governments:

> "…the companies are fairly independently from Government, Government obviously has a role at some stage in terms of environmental approvals and all the normal things, but it's really the companies that are taking the lead to spruik their projects and seek investment from the Chinese steel companies. So, the Western Australian Government is really there as a regulatory framework and so forth, but they don't play an active role in deciding which projects are good projects and which ones aren't. That's really a commercial decision for both the Chinese companies and the Australian companies that are promoting the projects." Participant 3

Another General Manager explained that the government did not assist much in their company's business direction. The same General Manager stated:

> "Well, there would be the odd occasion where we would have a chat with the embassy or the ambassador. But that was more of an information sharing event than anything else. And I can't really say that there were any sort of pearls of wisdom that came our way from discussions with the government, and I don't mean that in a bad way…and I certainly don't want to sound arrogant about what we knew in our Company A. I'm sure there was a lot that we could learn, but personally, I never witnessed sort of an exchange where we thought wow, that's

> really insightful and that's really different from what we were planning on doing or would like to do." Participant 16

Another General Manager explained that Australian government does not have any involvement within the commercial arena. The same General Manager noted that:

> "So, in a decision making sense as I say, the picture I'm trying to paint for you is that from an Australian perspective it's very much done by the companies and the government plays no role whatsoever. From the Chinese side, as I said before clearly when a commodity becomes so significant to a country the Communist Party plays quite a major role, there are private steel mills in China some of them quite big, but most of the major steel producers, most of them are still state owned enterprises and they'll all have their chairman, their president, but they'll also have a very senior person in their structure being the Communist Party, senior Communist Party official in that enterprise." Participant 20.

The same General Manager explained Western Australian and Australian government involvement within the iron ore industry was more of a courtesy in explaining the issue at hand. The same General Manager noted that:

> "Selling Company A to Company B again is a board decision. Do the Western Australian government/Australian government get involved in any of those things? Not really directly, they may be concerned about something that might look bad in an Australia/China relationship and therefore there would be meetings between the CEO of Company C and the Prime Minister of Australia or whatever, but that's in some ways more of a courtesy than the Australian government having any direct influence in that kind of decision. Where the Western Australian government would probably get involved more is with the state agreements that we have and so if we were going to joint venture an ore body with a Chinese partner or indeed any other country then the Western Australian government in particular would have to sanction that. So in terms of the ore bodies and the state agreements in that sense we're accountable in a way to the WA government, obviously we pay royalties to the WA government which is very extensive, but there's not a lot of federal government involvement and you could argue that it's a bit like the flipside in China when there is much stronger government involvement or interest." Participant 20.

On that note, one CEO stated that the Australian government should handle business between the State and Federal Government better in terms of Sino relations. The same CEO cited an example that inevitably affected the Australia-China relationship:

> "If you look at things like the decision on the New South Wales power assets, the sale was very poorly handled. The state government put it out on tender, and a Chinese firm bid, and the state government encouraged it……and then FIRB comes in over the top and says no. It would have been much, much better for FIRB to comment the moment they knew that it was out for tender, and say "No this is strategic infrastructure, we won't accept an investor from X" – so that's causing sensitivities in China, which I think is legitimate. I think it was very poorly handled, and I've said that at the launch of the China/Australia economic forum." Participant 4

A Senior Manager explained the WA Government was not as knowledgeable and did not have the extensive human resources compared to the Australian Federal Government. The same Senior Manager noted that:

> "The WA Government was very supportive and they wanted to be involved and they wanted to help. No, you couldn't fault the Western Australian Government on that but I think the level of resourcing and their level of understanding wasn't there. The people that really seemed very clued in was Austrade and in particular the Chinese office which was based in Shanghai. So, from my perspective they seemed very competent in dealing with those things and that's because it's a Federal Government Agency. The Department of Foreign Affairs and Trade, I think were probably more influenced and better positioned for Australia than the Western Australian Government was and that's understandable. The Western Australian Government is focused locally .Well, we didn't expect that much more from the State. The Feds were really the main game." Participant 31

Another General Manager stated that the WA government do not get involved in company business. The same General Manager stated that:

> "Do the Western Australian government/Australian government get involved in any of those things? Not really directly, they may be concerned about something that might look bad in an Australia/China relationship and therefore, there would be meetings between the CEO of Company A and the Prime Minister of Australia or whatever, but that's in some ways more of a courtesy than the Australian

> government having any direct influence in that kind of decision. Where the Western Australian government would probably get involved more is with the state agreements that we have, and so if we were going to joint venture an ore body with a Chinese partner or indeed any other country, then the Western Australian government in particular would have to sanction that. So in terms of the ore bodies and the state agreements in that sense we're accountable in a way to the WA government, obviously we pay royalties to the WA government which is very extensive, but there's not a lot of federal government involvement and you could argue that it's a bit like the flipside in China when there is much stronger government involvement or interest." Participant 17

The same 25 or 80 % of the participants also noted that they were happier for government not to be involved in their company's business; but that it was fine for the Australian and Western Australian governments to promote Australian products and the economy.

Another CEO mentioned that the government's involvement with business in relation to China is subtle. The same CEO noted that:

> "I think with government to government relations, a lot of director generals from ministers, director generals visited China, and I'm aware that the Department of State Development has spent quite a bit of time up there to continue to promote relations, and even to a certain extent direct project investment. Perhaps something like Ord River is a good example where the state government's been intimately involved in supporting those relationships. So, they are there. But I say that they're subtle, in the sense that I'm not immediately aware of the rules of those engagements and the frequency of communication between respective government authorities" Participant 6

Another General Manager stated that it was important that the government did not stand in the way of business. The same General Manager noted that :

> "I guess back on board here in Perth, our leadership here would have periodic briefings with the Premier and other state departments to advise them of issues of the day. In a previous role when I was leading the expansion studies for our development, I was briefing State Government quite regularly about our master plan for development, which was going to be and was with the largest investment, mining investment in Australian history. The motivation there was to make it clear

> to them because the government approvals was the critical path for our projects. They need to be prepared for this wave of approvals coming at them that was unprecedented, they'd never seen anything like this before and they had to resource up for that. So, it was in our interest to let them know what our master plan was, what was coming at them because they needed time to budget and resource up for that." Participant 17

The findings also suggest that 100% of the participants within the iron ore industry were aware of Australian Federal and State government travelling to China to promote relationships and direct project investment.

This same perspective was confirmed by one Senior Manager, who worked in the WA government for over 30 years and stated that the role of government was more of a 'promotional' and 'educational' one with the Chinese Government and its enterprises. As this Senior Manager said:

> "… for the last 3 or 4 years … [we have been] taking major government decision makers to China to meet and talk about the environmental processes, Aboriginal heritage processes, Native Title processes to educate the Chinese hierarchy … because we have the State Administrative Supervision all over Chinese state enterprises, we have education backwards and forwards between those enterprises." Participant 21

The results suggest that even if the role of government does not affect the day-to-day business operations of iron ore companies, the government did play a part in assisting the relationships of individual Western Australia companies with their Chinese counterparts. As this same Senior Manager illuminated that:

> [The WA government] have protocols of meeting and matches a whole series of companies … giving opportunities to companies to the overseas Australian government offices based in China. Furthermore, the role of government would be a 'promotional one' for Western Australia where memorandums of understanding were signed with particular provinces in China to 'look at the investment and matching … potential for added value processing of iron ore' between Western Australia and China." Participant 21

The Senior Manager stated that government is only involved in a relationship building aspects between Australia and China. The same Senior Manager stated that:

> "Where there was such a boom in iron ore demand. There were so many companies selling blue sky, it was an education exercise. I feel that the Government very much promoted the cultural relationship…… and this was one of the reasons with the Shanghai office that I would go to … because what we're looking for is really consumer producer relationship rather than third party intermediary entrepreneur relationships. So, I think it was pretty important to develop that relationship and pretty important to from a Chinese cultural point of view as they like to get to know their partner and the importance of let's say hosting delegations here with a whole series of Australian companies." Participant 21

However, Participant 2, a CEO, stated that the Western Australia government should do more and invest more in building a relationship with China, similar to the South Australian government. As this same CEO explained:

> "I have seen better processes in South Australia than in Western Australia. I've spoken to the premier, Western Australia and he would say: 'I know best'. And if he goes to China, he would go to China with his Chief of Staff and maybe one Minister. The South Australian premier goes to China, he takes 250 people and he works the sister-state relationship very, very well. And as a subset of that, some of those will be resources people, iron ore people, and he will get his staff in China to have an iron ore forum or a resources forum. So, I've seen that work and I thought that actually works quite well. The Chinese value on the sister-state relationship is quite incredible. Things happen between Shandong and South Australia because of that sister-state relationship. And in a way because I live in Perth, I think it's to our detriment that we didn't think of getting Shandong as a partner, because Shandong and Western Australia are very similar in the amount of resources they've got in the ground. Nearly all of China's gold is sitting in Shandong, and a lot of its iron ore is in Shandong. The WA Government offices in China are just glorified tourist travel agents for the government. As for the Ministers and Director Generals, I don't think they come up with initiatives on their own." Participant 2

From the results, it is clear that the Australian and Western Australian government are not involved in the daily running of business operations and do not influence the decision-making outcomes of iron ore companies in Australia when dealing with their Chinese counterparts. However, with every political election and cycle bringing

a change of government the relationship between Australia and China will kick off again even if it is business as usual. As one CEO stated:

> "… the Australia and China relationships has 'its ups and downs' and every time there is 'a government change' the relationship 'sort of starts again'." Participant 4

Another Director mentioned that decision making aspect in terms of Prime Ministers holding office in Australia compared to China differs. The same Director noted the following:

> "So a decade ago, you would go into a state and you would be told we're [Western Australia] was the most remote isolated – now there's a greater awareness economically; geopolitically that we have shared interests and shared clause with several major economies in South East Asia and China as the major growth one of the last decades. China, I suppose would have the same leaders – it's about leadership… …the Chinese have had the same leader for about 10-20 years and Kevin Rudd who was the only Chinese speaking prime minister couldn't last…..he didn't even last a term." Participant 22

The results for this subtheme suggest that Australian and Western Australia government involvement has not enhanced the decision-making processes between Australian iron ore companies and China. It was concluded that from the Australian perspective, the Australian and Western Australia government have a limited influence in the daily operations and decision making of WA companies in the iron ore industry. However, the Western Australia government has the potential to foster a better relationship with China which might in turn enhance decision making. This could be facilitated through cultural promotions and signing state agreements with China to deepen the Western Australian and China relationship.

4.2.3.4 *Media*

Another sub-theme that emerged within this section related to the media. A total of 10 executives or 32% of participants in this study stated that news in the media tended to highlight and sensationalise the negative relationship between Australia and China within the iron ore industry, instead of the positive. This frustrated senior managers working in Australian companies because China and its companies were extremely sensitive to Australia's media coverage that did not present the truth

adequately. Inappropriate publicity can unwittingly destabilise a business relationship that is going through challenges, such as that which occurred between Australian and Chinese companies. Sensationalised news may disrupt decision-making processes taking place. One CEO exclaimed:

> "There was an article last week written by a journalist on [an iron ore company with Chinese stakeholders in Western Australia] … and I just looked at it and I went this is why white guys who don't understand China should not be writing articles, ultimately about the intentions of a state-owned enterprise in China. They don't understand. And what this guy wrote was just complete rot. I mean it couldn't have been more wrong. And it just showed a complete lack of knowledge. But there are journalists who thinks they're fantastic spouting completely erroneous stuff about state enterprise. These people are idiots. You know, I don't say that often, but in that case you've just got some opinionated Australian who doesn't know what they're talking about." Participant 1

One Managing Director who lived in China, mentioned how Australian media could influence decision making and it was good to have an Australian journalist come to China to write real media stories. They noted:

> "I've been reading a very nice series in Fairfax lately by a guy who came here on a visit and I haven't read his story this morning other than just the first couple of paras but I get the feeling that he's had his head turned by coming here, too much of the doom and gloom that is expressed in Australian media impacts decision making. And in [the journalist's] experience that he's had just recently, I get the feeling that there is an awakening, an eye-opening that's taken place, and it's great to see a commentator and especially a respected commentator, reporting on China in a very positive and optimistic point of view." Participant 7

Another example of how media can affect decisions was news coverage from a 2009 incident involving an individual and three executives from an Australian Iron Ore Company who were facing bribery charges from China, which caused tensions between Australia and China (ABC News 2018). In this study 20 executives or 65% of the participants stated that such news of corruption and bribery in the iron ore industry involving Australia and China had produced a negative impact for several years on the industry and the ramifications are still felt today. One of the General Managers stated that the media did not help with this situation involving bribery.

One Manager mentioned that media coverage provides another dimension to the relationship between Australia and China that needs to be managed sensitively when making decisions. The same Manager noted:

> "All I know was what was reported in the press about the bribery but was that because they genuinely broke the law or was it because there was an agenda around iron ore prices into China? Or was there an agenda around something else about tax or something else? I don't know but when you go and deal with a country, make sure you're aware of all of the issues so you're not going to get blindsided by something. For instance, don't get blindsided by the fact that the Government might have a particular agenda about a particular commodity like aluminium. The Government may want to talk about the aluminium industry. The Government may want to promote its own bauxite mines and therefore, they may make it difficult for people to import alumina into China. The fact that China is a huge market and there's such Government involvement would lead you probably to say okay…… we need to be more sensitive to that." Participant 31

Regarding the press about the bribery, another Managing Director explained what occurred would have an impact on how companies work and make decisions within the iron ore industry in the long term. The same Managing Director noted that:

> "So, there was a reaction by 2 peer companies to an incident, it took place now 7 years ago, and it's still impacting the way that those companies operate. And I think it will have longer term effect in the way that the companies work. As you know, so much is reliant on effective relationship management and my observation, … It is all just about process. You place your order, we deliver, you pay. Simple as that. It's a much simpler business model, and it may have had nothing to do with the 2009 events, but my feeling is that it probably did." Participant 8

Another General Manager stated that media coverage highlights the cultural sensitivities that decision makers have to be aware of in the country that they are having a commercial relationship with. The same General Manager noted that:

> "I think it's good to be aware of that, right, I mean look at some of the things that have been happening in China in the last five or ten years. Company X had a classic example with the whole case…you have to be mindful of the sensitivities around how some of these things are perceived. Now whether they're real or

> perceived is a different matter, but there's nothing that happens completely out of the blue, there's usually some signals and indicators that will tell you in this culture this is acceptable, and this may be acceptable, and this is definitely not acceptable, and you can choose to ignore those at your own peril. And a bit like the guys that were in the press, I guess, recently in their bathers and with the Malaysian flag, I mean you can't tell me that if you've got a little bit of nouse and you're attuned to the local culture that you would think that that was acceptable. That's just ignoring the obvious, right?" Participant 16

The impact of media coverage relating to this bribery case had a significant impact on the industry and decision making. For the participants working in the iron ore industry, this was certainly a stressful and pressurising time. As one General Manager noted, there was more at stake and when China struck out of nowhere it tore the heart out of the Australian company This same General Manager noted that the Australian company failed to appreciate the national interests of China and assumed that the relationship between the two entities was solid. Further, this same General Manager noted that the decisions made by the Australian company should also have considered China's motivations:

> "You think it's boring iron ore we're talking about. This is digging low-value dirt out of the ground, putting on big ships; this isn't meant to happen. A good lesson in terms of good governance, certainly understanding it is just not business in China; politics and business are intertwined. China's national interests … are very important to them, and if you are in a business where you are impacting on China's national interests, you need to be very cognisant of that." Participant 14

A free media can affect the reputation of firms, managers, politicians and regulators (Ghoul 2019). The impact of this bribery case illustrated that China did not follow its normal decision making, public relations and communication protocols. As the same General Manager concluded, 'A signal has been sent' by China Participant 14.

In summary, for the subtheme Media, publicity can unwittingly destabilise a business relationship going through challenges, as was the case for the Australian and Chinese companies involved in this bribery case. The impact of the news coverage disrupted decision-making processes. Australian decision makers must dig deeper to understand why China reacts the way it does and not wait for it to backfire through media coverage. Western Australian iron ore companies have the opportunity to

manage their own corporate identity and brand through social media platform by engaging its stakeholders in a positive way, writing a positive story to be uploaded on its company's website or developing a short 15 seconds You-Tube video on the company's Australia-China cultural events at a community level. The Australian iron ore companies can also establish media communications by being culturally aware of their Chinese counterparts and highlight current commercial partnerships that foster positive relationships between Australia and China.

4.2.3.5 *Best Practice in Decision-Making—Standards, Succession Planning & Continuity*

For the subtheme Best Practice in Decision Making, 21 participants or 68% of the participants considered that best practice, quality and standards should be part of the daily business operation that influenced decision making. As one CEO explained:

> "Yeah, but one there's the law, so you've got a minimum requirement. Then you've got best practice, which is what you aim for. Is it in the shareholders' interests to get from just compliant to best practice? I believe it is, because the reputation of the company and the fact that they're acting through me, as their agent for them. And then I've got the personal thing, which is I don't give a crap what they want, I have my own ethics and morals and I want to be at best practice. And I don't think anyone's ever going to have an issue with that. You know, my board sets a very high tone for that. It's really important, so therefore it's important to me, it's important to them we share those values, those things are important to us. But I still maintain it is in the shareholders' best interests, because reputational damage and lawsuits, negligence, all those things, are not good." Participant 1

Another Director mentioned that standards in Australia may differ with China. The same Director explained:

> "So here's an example, when I was working on a project we had quotes to build modules, so these modules are big pieces of equipment, they can be fifty meters tall, forty meters long, twelve meters wide; it's like ten storey buildings on wheels and they're usually steel framework, stairs, tanks, a piece of equipment, lots of electrical and water all piped throughout these big pieces of equipment. If you were to do that in Australia and let's say we'll set the benchmark in Australia that

> would cost you let's say a hundred percent. If you were to do that in China with Chinese standards it would cost you thirty to forty percent of the price, but it would be sub-standard, it would probably fail or break in five or seven years." Participant 23

The same Director mentioned that Australian companies have to ensure that Australian standards are applied in the Chinese construction yard. He stated:

> " If you spend time as a company in China at the manufacturing yard, you'll have to explain what standard you expect; and you have to monitor it and manage it and make sure that those standards are implemented at the construction yard and that will add cost. But what you get back is your standard you're happy with, it'll meet all the guidelines and it won't fail in five to seven years, it'll be as good an anything on the planet, but it won't cost you thirty percent, it'll cost you seventy percent of the price." Participant 23

The same Director stated that the specifications and standard from China will be high if the right quality resources from China are working on the project in relation to labour costs:

> So, you're still getting a thirty percent discount because of the labour costs and the efficiencies of these large manufacturing facilities, but it's not thirty percent of the price, it's seventy percent of the price. And the companies need to acknowledge that they have to put the effort in, you need to put very good project managers and engineers in China working with the teams in China otherwise you'll get misunderstandings." Participant 23

One CEO mentioned that Australian companies may be able to help with the concept of best practice and standards for the Chinese counterparts in relation to the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves known as the JORC Code (JORC, 2019). The JORC code is a professional code of practice that sets minimum standards for public reporting of minerals exploration results, mineral resources and ore reserves (JORC, 2019). The same CEO noted that:

> "NDRC is National Development Reform Commission. So they didn't really look at any Western due diligence and a lot of the projects that have failed have been because they didn't look for any Western due diligence which would say listen

> your iron ore grade is this, here's a mine plan, return on investment over 25 years, or it's gold at this grams per tonne. They had a mentality to try and make the big profits quickly and in mining, you make the big profits quickly in gold mining, you mine the vein, but if you want to mine the gold mine profitably for 25 years you mine it all, because if you mine the vein you cannot mine the rest because it's not recoverable. But if you mine it all, then the good stuff and the bad stuff goes together and gives you a good grade, and that's the difference. And so what they have done, especially in China, what they've tried to do, it's this typical shortcut mentality that some of the Chinese have is, how do we get rich quick, how do we get to this place the quickest way we can, and one of those is that they mine the vein and not mine it for a grade. So, if they understand that you mine for a grade, if they understanding they need proper Western due diligence which gives you real numbers. Where I see them adopting something is, there's a code called the JORC code." Participant 2

The same CEO explained that once the Chinese understands the JORC Code in Australia, that will assist in their decision making processes to invest in the business or not in Australia. The same CEO stated that:

> "Currently, the JORC code is being looked at, it's being translated to Chinese and the government is sort of making reference to it now as being the code that you should mine to, because obviously the JORC code is all about responsibility and report-ability. So, the JORC code says, if you're going to go to a stock exchange and say I've got this in the ground and I'm going to make this amount of profit, buy my shares. Then you've got to report that under a JORC." Participant 2

The same CEO explained that the Chinese counterparts need to recognise and understand the JORC code to avoid failed investment in Australia:

> "And if they do adopt the JORC code and they understand how to use the JORC code, they will need to use Western consultants that understand the JORC code to help them with that. And then they may not have as many failed investments, they really do need to take heed of the modern ways of, or the proper Western ways of investing and not betting on a horse, basically." Participant 2.

Another Manager explained that standards and regulations in Australia may take a while for the Chinese companies to get familiar with. The same Manager noted the following:

> "As I said before, the main thing is that often you take for granted what you know and what most of your Australian counterparts would know and you walk in and you think, okay, this should be fairly familiar. But, the Chinese haven't worked in Australia or have only been in Australia for a couple years……they're just not familiar with our standards and regulations. So, we often just taking for granted their base level of knowledge about the framework with which we work and are operating in, is one of the difficulties. The understanding – so, that's one part of it, their level of understanding" Participant 29.

For best practice in decision making to work, succession planning should be included in the decision-making process in ASX and Australian companies. The data showed that 12 executives or 38% of the participants working in Australian companies expected succession planning and continuity of roles to maintain their business relationship with China. One Managing Director mentioned that succession planning exists to facilitate the continuing business relationship between their company and China. This is noted in the following quotation.

> "In terms of our own succession planning , we have tended to look at who understands China here.. I think it's a bit of a mixture, sometimes it's not handled that well; it might be short-term issues being more pressing than long-term issues." Participant 10

One General Manager explained that succession planning is essential as it provides a continuity in personal relationships and network that has been built in China. The same General Manager noted that:

> "By my appointment–certainly to our Chinese customers – a signal that continuity is important for us, traditionally it's important for us. The history is important to us, and then for me to make sure that I can pass it on to the next generation, I mean the business is becoming more transactional and that concerns me a bit, because with the move to shorter term pricing, indexed based pricing, development of a financial market for iron ore, a lot of paper trading. That tends to drive to some extent how you do business, contracts becoming shorter, more transactional approach. So, trying to ensure that if it is going to transition that way, that it is a managed transition, it's not a disruptive transition where once again intent might be misinterpreted and yeah, where misunderstandings can lead to inappropriate action. We'll see, we'll see. So far so good." Participant 14

Another executive in senior management was concerned about the lack of succession planning and continuity of the relationship with China due to the change in business transaction and decision making. The same executive in senior management noted that:

> "… …it'll be a real shame if the value of all these long-term relationships is lost. And I think in terms of what you are doing with your doctorate and you probably can't get into that in any great depth, but you can pose a few questions perhaps that is there a danger that Australia's major resource companies, relationships with their counterparts in China are not as strong today or are trending down compared to what they have been over decades. You can pose that as a risk if you like. In an industry now that as I say is far more transactional than what it was for decades. So just to summarise that, we've moved from a position where prices were negotiated across a table, now there's not a lot of that anymore; the index sets the price if you like and that index is determined by what's called a price reporting agency." Participant 20

In summary, best practice and standards in decision making in Australian companies encompasses succession planning. By having best practice and standards translated into Mandarin, it provides the opportunity for Chinese counterparts to understand the business requirements in Western Australia, Australia , thus their business venture will be more successful to generate potential economic opportunities between two nations. For succession planning to work, it is vital that new appointees in Australian companies have the necessary decision-making skills and requisite local Chinese experience to understand the challenges Chinese businesses face to achieve success. From the findings outlined above, the researcher concluded that the emphasis of continuity in terms of relationship between Australia and China companies is crucial.

4.2.4 Theme 2—Description of Decision Making Processes

For this category, the participants were asked the following questions.

- How would you describe the manner in which decisions are made in your organisation in regard to your Chinese business counterparts?
- Are you able to provide a description of the decision-making process?
- Is it an individual decision or a collective decision?

From the results of this investigation, four subthemes emerged:

1. Decision Frameworks
2. Due Diligence
3. Understanding Chinese Culture and Business Etiquette
4. Chinese Staff Working for Western Boss

4.2.4.1 *Decision Frameworks*

When asked whether there was a decision framework in their companies to assist with the decision-making processes, 29 of the 31 participants or 96% of the executives indicated that a decision framework did exist, which usually involved a collective decision regarding an issue. Two executives or four % said 'No, it was an individual decision'.

As one CEO explained that the decision making framework within the iron ore companies were guided by the ASX rules and regulations in Australia. The same CEO noted that:

> "It's very clearly set out in the Western Australian workers legislation, the Fair Work Act, what I can and can't do in that respect.." Participant 1

One General Manager explained a decision making framework exists for capital expenditure and major project from the board. The same General Manager noted that:

> "Well you know where you have to get approval from, I mean if you're doing capital expenditure, you've got to get approval. If it was a major project, you've approval from the board. I mean it would be a serious decision making process, but we don't have, a decision making process guide that says these are the things you've got to tick off on, do you know what I mean? It's much more, and it certainly wouldn't say have you thought about the impact on the Chinese company as compared to some other company, it would just be what's in it for us, what's our position, what do we want to do, what are the risks, what are the advantages, you know, the typical business games. I can't imagine it would be any different if there was a Chinese company involved. There's less about decision making than

> about the relationship and more about negotiation I think, than about decision making. Because the decision making is kind of easy, the negotiation is the hard part, that's where you're trying to find a position that actually works for you. Once you've found that position then the approvals process is not so hard." Participant 12.

Another CEO explained that decision making framework between Australian companies differed when it involved a Chinese stakeholder. The same CEO noted that:

> "I think the key thing was the relationship between the Board and the CEO and how you actually get things approved. And the problem with Company X [in Australia] was that Company X became a big headache for Company C [in China] because they'd made this multi-billion-dollar investment, they'd borrowed a lot of money from Bank A, and it had turned out poorly for them. And then the issue was, well no one really wanted to own the problem. So, the board was there, as they needed a board because that was a requirement, but that board wasn't empowered to make any decisions. So, it was very tough as CEO to work out. Okay as I said, there's some things that I can act on, but there's other things where it's outside of my delegated authority level, I need to engage the board and make, be able to get the board to support decisions or provide guidance. And that was absent, that was the major issue; and then it was up to the Chairman in Company C [in China] and I didn't have access to that top echelon. So, you'd ask for direction or you'd put forward a recommendation and then it would just disappear into the ether. So, you're left dangling, that was the biggest challenge." Participant 3

The same CEO stated that tough decisions were not made and noted that:

> "That was the reality, as I said it was a difficult project and the investment had turned out poorly for them and so it was just hard to work out who was going to make the decisions, the tough decisions." Participant 3.

The same CEO concluded with the following insight:

> "I guess what I'm saying is there's a difference between partnering with an established player and forming a long-term partnership with them to secure tonnes versus developing a greenfield business with a junior miner, that's the contrast.

> So, when things go well, the relationship is fine, when things go bad that's when you start to see the cracks emerge and the differences in business culture and approach, that really puts those things under pressure. When things are going okay, there's some differences in culture, and business custom you work through those and that's fine, it's when things go badly that's when the cracks can start to open up." Participant 3

Another General Manager stated that decision making framework in the company he works for is collaborative. The same General Manager noted that:

> "It's very collaborative. It's almost a cliché about Company Q is we're a very collaborative organisation. And almost all decision-making is actually made by consensus. Now that's probably a bit too simplistic in that the individual initiative is still very important. But there isn't a lot of sort of individual decision making actually in general in Company Q, especially for – almost all of the decisions we make are so significant in terms of financial impact that it wouldn't really be appropriate for individual decision making either" Participant 13

Another Director, Participant 23 stated that decision framework differs from a corporate company to a start-up company. The same Director noted that:

> So, from a decision making point of view, Company B had hierarchies of decision…… and there were teams of people. I found the organisation didn't like a single point of accountability. If you make the decision and you make a good decision, you get rewarded, but if it is a bad decision you get fired. So, it was a cultural behaviour to make group decisions. Therefore, the group is accountable not an individual, so there were teams of people that collectively made a decision. If it was a bad decision, there wasn't one person that got sacked and they couldn't sack the whole team, so that was the way it was done." Participant 23

In terms of decision making, the same Director, Participant 23 stated that surviving in a corporate world is ruthless. The same Director noted that:

> "Survival, it is about survival and the corporate world is ruthless. Company Z Group particularly, the higher you got in the organisation the more ruthless it was, so poor decisions, poor outcomes, poor performance is not tolerated for not long at all and often there are issues that are somewhat beyond your control. If there is an accident or a death at one of your mine sites and you're one of the senior

managers and despite potentially your best efforts if that occurred that's a very big black mark on your name and if it happened again, you'd be replaced. So, you are as a senior manager, your number one priority that completely consumed you was safety, you had to make sure every person was well aware of the tools and the systems were in place around safety. Safety first, production second and if you didn't have that in place and something happened, and you couldn't demonstrate you had that in place you would be removed." Participant 23

The same Director, Participant 23 explained that in small start-up company, the decision making process is different. The Director noted that:

"So in small Company S, it's a very different decision making process; there's essentially a board which is dominated by one investor and there's a CEO and a management team, but essentially the CEO is as the founder of the company is almost the single point of decision making… … with the chairman and the board, but he makes a lot of decisions with the chairman. There's really two people who are making the vast majority of decisions versus Company Z Group which have teams of people, teams of marketing, teams of executives that all bounce ideas off and make decisions. As a start-up you don't have that financial capacity, so there's two people essentially making the big decisions." Participant 23.

Another Managing Director explained that decision making on the Western Australia side is clear. The same Managing Director noted that:

"It's very clear, I think, what the decision making process – you've got a government that you have to do all sorts of interactions with, most boards and most companies have a series of standard procedures that you follow in order to make a very clear and well communicated and transparent decision. So, I mean, if you're on the Australian Stock Exchange, everything you do has to be put out there in the public eye, however, if you're a Chinese company, often you're part of a bigger conglomerate and you don't have to report to the Australian Stock Exchange, you don't know what they're doing. It works against us." Participant 8

Another CEO stated that the decision to have Chinese involvement in the engineering project within the iron ore industry was to understand the strategic interests of the Chinese upfront. The same CEO noted that:

> "I think what's important is you need to understand how, what their decision-making requires, and you need to understand –whether it's from my experience, even when you're talking to private groups there is government mandates on what to invest and how to invest, internationally, and I think people need to understand those requirements. To understand that the Chinese having strategic interests in the project or whatever it might be, and how do you satisfy that strategic interest. It's the reason one of the reasons I've got a Chinese company involved in the engineering on my project, rather than do that at the back end." Participant 5

The same CEO explained that understanding the strategic interests of Chinese counterparts helps to facilitate decision making in the company based in Western Australia. The same CEO noted that:

> " … even beyond that strategic involvement, particularly with iron ore, say, as an example, the Chinese, they've actually shifted their focus over the recent years, partly due to some of the stuff-ups or failures in their international investments in Western Australia, in particular, where it would appear that they're not as, necessarily interested in controlling assets, and their interest is in supporting continued development in the industry. And by supporting continued development that will ensure that there's loads of iron ore supply, and will keep the prices down, rather than necessarily having to actually own and control the supply. So, I think that's been a shift, and when you're dealing with Chinese companies, I think you need to understand that, because that's how their investments will likely be directed." Participant 5

The same CEO, Participant 5 stated that the decision making process and communication protocol would not differ if Chinese partners were involved. The same CEO noted that:

> "I don't think that would be any different to any normal company decision-making, as normally – I mean you've got management, and then you've got the requirements for governance. I don't think there's any particular decision-making protocol. I guess in what I've been doing, and what I've done in the past, you know, the arrangements, probably in this current project they're just getting to a formal stage where we'll have an ongoing relationship for a couple of years. Previously there were no Chinese partners actually signed up, so they weren't involved in the decision-making process. But as I said, you know, I can't see why it should be any different. You know, you might need to be a little more sensitive

> to pre-communications and socialising ideas prior to actual formal decision-making, just to engage discussion, etcetera, but that's normal practice, I would think." Participant 5

Another Managing Director (English is his second language) stated that the decision making framework is different from China and Australia. The same Managing Director noted that:

> "I think the decision making probably is very different from China and Australia, but I think China has gone through a lot of changes for many years and now is much quicker in decisions especially for this big project, important project. A guy based in Country H who is a team leader for the negotiation, so I'm the team leader at the working level, he's kind of the team leader for the senior leader level. He actually reports to the president and the chairman. So, it's really very efficient, we'll meet every time when we have a negotiation or a report – I'm in charge of the daily operation or negotiation [in Australia], when it's an important issue I report to Country H." Participant 9

The same Managing Director explained that decision making framework in China is quicker than it was ten years ago. The same Managing Director noted that:

> "The top guys are based in Beijing, the head office in Beijing. So, when we reached some important decision, we need to sign something…. Beijing [will] need a committee meeting, a board meeting to approve that, so everybody can have their comments, put it in the minutes. Then if most people approve that decision, we just go ahead. So, it's much quicker decision making than maybe ten years ago." Participant 9

The same Managing Director explained that decision making in China's government seems to be quicker than it was many years ago. The same Managing Director noted that:

> "China has become quicker, in terms of getting approval from the government. Before you need to provide a report and get approval from different departments of China's government like NDRC, MOFOM and so forth. But, nowadays a project valued above one billion [dollars] you require approval. If the project is below the billion dollar mark, just put in your application, approval is not required, it is very easy process." Participant 9

Another Managing Director from a different company explained that there is a decision framework in relation to its Chinese counterparts. The same Managing Director noted that:

> "A protocol for communicating to Chinese stakeholders about a decision? We would, if there was an important – and this is not just Chinese stakeholders, there was an important decision being made about anything which, which needed to get out there, there would certainly be a process. You'd go through the set ways you could do it, through your external relations people and, and if you were going to go public, if you were going, you'd sit down and you'd go through who do we need to talk? Who's going to ring whom and all that thing, absolutely that would happen. But in terms of any major decision that was going to be announced, there would be a of set protocols; if someone blurted something out that you would not be popular put it that way (Laughing). It was very specifically outlined what needed to happen in any set of important decisions who was going to announce who and who had control over it. It's the only way you can do it in a big company, you can't allow individuals to off their own bat go and say things or do things in, in an important issue like that." Participant 10

Another General Manager, Participant 16 from a different company explained that in terms of decision making framework, the need to understand the culture is important. The same General Manager noted that:

> "Look, I think people have this notion that every culture is completely homogenous, and therefore they all sort of think and act in the same way. I don't think that that's the case, and I think there's, for instance, big differences between Japan and China, Korea and Taiwan. I can't really comment on any of the other Asian economies, because I haven't really worked with them. I did a lot of work with India. So, I've pretty much done India, China, Japan, Korea, Taiwan and Indonesia, a little bit" Participant 16

The same General Manager explained that the Company X model was to have individuals or staff on the ground in various countries to assist in the decision making. The same General Manager noted that:

> "The Company X model was always let's have some individuals on the ground that are part of the culture or at least understand the culture. So, we would always have in China, we would have the local team in Japan, in Korea, in Taiwan, in

> India, we would always have the local team on the ground, who obviously understand the dynamics and the culture and that can give you some guidance of well, when this person said X, what he really means is. So, that's one part." Participant 16

With the combination of the right team, the same General Manager explained that trust and intuition help with decision making. The same General Manager noted that:

> "Well, you develop that trust, I guess. I mean people have different – there's negotiations within negotiations, if you know what I mean. So, everybody tries to influence the other party, right, so you've got to be mindful of that in that context. So, when somebody says to you what this really means is, then that's very useful, but you've got to understand well, what context is that being delivered in, right. So, I think it's a combination of having the right individuals on the ground who can guide you. Building up some experience, I guess and relying to some degree on your personal intuition as to what's going on, and that obviously gets better as you have more experience and get more practice in different countries." Participant 16

The same General Manager explained that in the public domain, intuition and skills plays an integral role in getting a holistic perspective in order to make a decision. The same General Manager noted that:

> "There's examples out there, I guess in the public domain of what to do, and what more importantly, sometimes what not to do. Sometimes it's much easier to understand what you shouldn't do, than rather what you should do. So, this whole in and out is quite a powerful framework. That's what you rely on, you have the individuals on the ground, you rely on your intuition, you obviously develop your skills as you go forward, you compare and contrast it with what happens in other part of the world, and you try and learn as much about what's happening on the ground from examples that may be in the public domain. So, basically you draw on as many sources as you can to get a balanced perspective on what's going on out there." Participant 16

The same General Manager, Participant 16 explained that at times negotiation within the organisation is harder than negotiating with an external party to arrive at a decision. The same General Manager noted that:

> "Yeah, often the hardest negotiation is not the one you're having with the external party. My experience was that the hardest commercial discussions are the ones you have within the organisation, and it wouldn't have been different for the other side where convincing your own senior team that what you've agreed is as good as you could do, given the circumstances and is a fair outcome, that is the hardest negotiation, because there's always a view that there's a lot of armchair negotiators out there that think that they can do better for one reason or another. So, and it's a hard discussion, because if you've got a three hundred and thirty million ton iron ore business, and in the old days we were negotiating benchmark, and you get five dollars more per ton, even if you're producing two hundred thousand tons, five dollars ore per ton, everybody can do the sums, that's a lot of incremental value and a lot of incremental shareholder value, and it effects dividends, it effects incentive programs, it effects all of those things." Participant 16

The same General Manager, Participant 16 explained that to negotiate effectively becomes part of a decision making process that requires hours of hard work within the collective team. The same General Manager noted that:

> "So, it's really all about being prepared. And then, if you're prepared, then the negotiation is fairly simple, because you've already – it's like playing chess, you've already pre-empted; I say X, he's going to say Y, when he says Y, I'm going to say this, and then I'm going to say that, and most of the time – most of the time it plays out like that, but there are situations where you'll get caught, and it doesn't follow the script, right. And we would even write scripts, right, we would have Q&A's. We would sit in a room for a few hours and go, right, you be X and I'll be Company Z. So, it goes down to that level of detail. People think you just rock up, you have a conversation and you just make it up as you go. Nothing could be further from the truth. It's highly structured. A lot of analysis. The amount of work that goes into it is phenomenal, and then, ultimately, one person becomes the mouthpiece of all that collective work." Participant 16.

The same General Manager mentioned that understanding the other party's culture and style is also crucial in negotiation and arriving at a decision. The same General Manager noted:

> "So, you rehearse all the Q&A's, you rehearse all the discussions, you think about the different styles, you look at all the numbers, you look at the different cultures

> and the different countries, you sometimes even have a think about how can I upset the other party to the point where they might actually lose a little bit of focus or agree to something that they might not necessarily want to agree to. How offensive do we go? Do we actually – what are the ramifications of no agreement, legally, commercially – look, the list goes on. So, you effectively spent three, four, five, six weeks, sometimes preparing for one round of discussions. And each customer would have a script. We would know what they buy, and we would know what the impact was of them taking less, more, buying – how much they bought from competitors – so, it's all preparation. Once you get to the negotiation, the work's done. It's like going to an exam." Participant 16

Another General Manager from a different company explained that management structure had evolved into a time-based system of management that defined the decision framework. This same General Manager noted that:

> "The management structure had evolved into time-based system of management so that you had five levels of management and they were defined by the length of time for which decisions at a particular level were effective. That is – your level ones which was the lowest level in the organisation's decisions only related to day to day operations – they wouldn't have – been applicable beyond 24 hours. Then you'd have supervisors, the next level up which included engineers, accountants, their decisions may be effective up to a month; managers' decisions effective up to a year's duration, general managers five years and managing directors out to 20 years. So, the development of a strategic plan which is essentially a whole of life plan but beyond five years was the managing director's responsibility." Participant 15

The same General Manager explained that each action plan developed by the company was allocated to a responsible manager. The same General Manager noted that:

> "The general manager was accountable for implementing that aspect of the strategic plan that was relevant to his area of responsibility so that if the X Strategic Plan said in ten years' time we want to be selling X million tonnes into China. It's then the general manager's responsibility to come up with the sales plans to get the sales levels up to that particular marker along the way to the 20 year plan. Managers are accountable for the one year action plan. So, the general manager was responsible for putting out the action plan and he'd develop his

action plan with his managers, knowing that the manager had to carry out those actions. And the general manager is responsible for the manager in China and manager in Korea and so forth …. So, they'd each have their different action plans. Then there'd be their supervisory staff who would be the assistant sales managers and they'd be allocated different customers or portfolios." Participant 15

The same General Manager stated that private and public companies or different organisations in general would have different decision framework. The same General Manager noted that:

"And different organisations were – I mean you'll have – I think that's more likely to exist within a public company than a private company – the owners such as [Person A] or [Person B] are going to have far more influence over management decisions and I'm not sure that there'd be any consistency on processes in some of those – certainly in some of them. I mean they'll vary tremendously depending on the individual and major shareholder and I would think the same applies equally in Chinese organisations; a privately owned one would operate totally differently from a state-owned organisation. And I think that's addressed in one of your questions where you ask for a distinction between decision making processes in Western Australian companies compared to Chinese organisations and then there's another one which compares them with non-Chinese organisations." Participant 15

In terms of decision making, the same General Manager, Participant 15 explained that the newer Western Australian iron ore companies tend to depend on the legal advice and legal team support more than the older iron ore companies. The same General Manager noted that:

"The newer Western Australian companies are far more litigious than Company A or Company B ever were and you know that goes from the smaller companies to the big ones. I think Person A keeps an army of lawyers employed in-house and Person B – that's the only way Person B does business. And I don't know that Person A been involved in going to court with any of the Chinese customers yet but if Person A does it'll be very damaging to Person A business prospects in the only market Person A has – I mean Person A is only in China. Person C got a bit more protection with Korea and Taiwan involved – as equity …. So, there are differences within the Western Australian companies; within the Chinese companies – Company R – actually it was Person D who took them to arbitration for breach of contract because Company R didn't send the ships. The other issue –

> and I make a note that it'd be a braver man than I am to go to court or try to go to court with a Chinese counterpart in a business arrangement." Participant 15

The same General Manager, Participant 15 explained that when a decision has been made for a contract to be signed between Australia and a Japanese company or Australia and a Chinese company, it provides a different meaning to the decision making process and relationship. The same General Manager stated that the relation between organisations or companies depending on spot market and trading in terms of a relationship with China differs. The same General Manager noted that:

> "The contract has a different meaning for not only Chinese but for Japanese; it's an expression of an arrangement, like industrial relations used to be in the good old days. The industrial agreement was something that sat in the bottom of the drawer and you never pulled it out if you could avoid it … talk your way through it. Issues between buyers and sellers traditionally have involved a commercial settlement reached by negotiation but I think particularly an organisation whose experience of trading has been through the metal exchanges or screen trading tend to be far more rigidly locked into terms of contract than partners in long term supply contract or sales contract. It's the only recourse they have because they're dealing with an anonymous - something on the other side of a screen, there's no one to negotiate with so their only recourse is a – the law." Participant 15

According to the same General Manager who stated that the decision making process changed for the iron ore industry when China's demand for iron ore grew. The same General Manager noted that:

> " The iron ore industry was built on a one-to-one relationship between supplier and end user and I was the mining company talking directly to the steel mill and negotiating the price with the steel mill rather than the trader in the middle who's making a dollar there and a dollar there. Participant 15

The same General Manager explained that the steel mills were assured security in a fixed annual price to ensure continuation of the operations in Japan and China. However, with the arrival of spot trading, the former decision making process and relationships changed within the organisations. Thus, iron ore became traded as a commodity within the financial sector. The same General Managed noted that:

> "So once the mills lost that stability of price that made their job more difficult; an organisation that had invented just in time deliveries and all sorts of industry efficiencies…… and I've just seen them blown out of the water by the involvement of financial sector. Iron ore became a more valuable commodity and in terms of the volumes there was an arena with the financial sector, just couldn't stay out of. So, it just became like any other traded commodity. That'd been probably the major difference between iron ore and the other commodities." Participant 15

The same General Manager, Participant 15 explained that with the demise of the benchmark pricing system for the iron ore industry that shifted to the financial sector represented the end of face-to-face negotiations for long term contracts. The same General Manager noted that:

> "We were running seminars on the fundamentals of the iron ore business. And probably 30% of our participants were from the X Bank and the X Bank were the first along and they said they were physically trading through their office in Singapore. I said "You're buying and selling?" and they said "Yeah". They have no absolutely no interest in the impact of prices on the producer or the consumer; all they're interested in how much money they're going to make out of it. And they're probably one extreme of the spectrum of traders that have become involved in the China industry; I mean … are part and parcel of Chinese commerce but they [the X Bank] were not involved in the business in Korea and Japan or in Taiwan." Participant 15

Another Senior Executive, Participant 19 who is in Senior Management in a different company stated that relationships are crucial in decision making and he noted that:

> "Once the spot market started to take off and prices took off, what seemed to have happened is that the major players who had long-term contracts were missing out – it's fundamentally now gone to a spot price scenario. There really isn't this long-term pricing regime that used to be there for 20, 30, 40 years. That's great while the prices are going up. When the prices started to come off, I think that created other issues as we've seen recently within the market. But you live and die by the sword. You can't have it both ways. You either want predictability and security of pricing or you don't. You've got to work out where you want to sit, and I think people have gone for the spot price because it just seems to be the way it is. But relationships are important irrespective. I know that for the organization I worked

> for relationships were steel mills and steel makers and that sort of thing was really important in terms of getting product into the market and people buying product." Participant 19

Participant 19 who is in Senior Management stated that a decision framework does exist in terms of recruiting the right personnel to communicate with its Chinese counterparts. Participant 19 noted that:

> "It was interesting, we had basically, I guess Chinese/Australian people within our marketing team who dealt with the Chinese buyers. There was obviously an awareness to have language is important as well and cultural. So that was a way to mitigate the cultural differences to a certain extent between very Western business people and the Chinese market. As to the framework I don't have a detailed understanding of that framework but that was the key way to have the right kind of people involved in that, in that process. It was a concerted effort to have the right people on the ground in China; as well as in Australia who dealt with both sides of the transaction, for want of a better term." Participant 19

From the findings outlined above, the researcher for this study surmises that the decision making processes and decision framework have fundamentally shifted from benchmark pricing based on long negotiations that would ultimately reach a contract between Australia and China. The elements of face-to-face communication were built on a relationship based on mutual respect, intuition and trust to determine a price for iron ore were now compromised and devalued.

With the arrival of spot trading, the relationships built over the years between Australia and China have been pushed into a state of flux, replaced by a vacuous commercial relationship where iron ore is a traded commodity within the financial sector. The following additional valuable insights for decision making frameworks and the decision making processes within the iron ore industry are identified.

- Established long term players have a competitive advantage in stability of relationships that have been built over the years with Chinese counterparts compared to a 'green field' business with a junior player. Thus, the decision making framework would be more sophisticated in managing delicate and sensitive issues in relating its Chinese counterparts.

- Collaborative organisations comprising collective decision making is based on a consensus where hierarchies of decision and teams of people are rewarded (due to the financial impact that it will have on the organisations through maximising shareholder profits). Individual decision making is not feasible in big corporations, however, individual initiative is recognised. In bigger organisations, a time-based system of management of decision making is implemented to achieve best practice and standards.
- Individual decision making is reflected in small start-ups. Start-ups have typically one investor, a CEO and small management team. The founder is the single point of decision making. The financial capacity within this business is limited.
- The decision framework for Chinese stakeholders in an Australian organisation is also based on collective decision making.
- Decision making in getting the right personnel is key for Australian iron ore companies who have set up offices in China. Local personnel are recruited to understand the dynamics, style and culture, so as to provide guidance in the decision making processes.
- Negotiations within negotiations becomes an art of influencing other decision makers based on intuition.
- Negotiation with Chinese counterparts is about being prepared strategically. Scenario planning and preparedness takes a minimum of six weeks before a negotiation occurs to arrive at a decision point.
- Decisions made can also mean to not do anything in a public domain.

In this next section on Decision Frameworks, more specific examples are given of frameworks, ideas and models from the various executives who have responsibility for decision making in their organisation. Another General Manager from a different company explained that a decision framework exists to clarify stakeholders and customers. The same General Manager noted that:

> "The framework would be what I described to you around the stakeholder management system that we developed right, so you've got you know customers, different customers. It was created on a two axis matrix sort of thing, but you've got size and opportunity, and performance. The tier one customers were the big companies like Company A, Company B, Company C in China, they were no

brainers. Then you had slightly smaller groups, and you might have 7 or 8 in tier one, you know Company D, Company E is a private mill but very big, and then it goes it down, and the category 4 really small and not much opportunity there. If there's anything happening around mergers or different collaborations or they're moving into different, which makes them more attractive to us, then that might come up. But, so really the tier one and tier two, and some degrees the tier three customers that we'd look at." Participant 17

The same General Manager, Participant 17 explained that management and communication plans were tailored to service the clients in China within the decision framework. The same General Manager noted that:

"And then as I said to you had a management plan, a communication plan, like a servicing plan, like how often do we think we should meet them. It's a guideline right, I think it was easy to get into a bit of a box ticking exercise where we've been to see them once a quarter. Just make sure that you're not grossly over servicing someone or you're not, or you haven't missed, that you've had the appropriate communications with them. Also, just having a bit of a plan for who your senior leadership should visit, they don't always get to come to China that often, and so you have to use their time well, so it's good to know in advance and plan well in advance for those communications. I guess the other element is our meeting reports and documentation around those meetings …… again for good governance as well as just good customer relationship management purposes……We had a system where minutes of meetings were taken and meeting notes were provided, with actions coming from them ……and they were all put onto an internal system." Participant 17

Another General Manager, Participant 20 from a different company explained that decision framework depends to the day-to-day or business strategic activity involved within the iron industry. The same General Manager noted that:

"I guess if you can break it down perhaps in terms of day to day selling, the day to day kind of activity versus the more strategic kind of activity. So, the day to day, month to month, year to year even in an iron ore selling business is pretty much all done by the people who are accountable for it, from the Managing Director down. If it becomes some kind of significant issue, then CEO may get involved, but not directly in terms of going to China, so the day to day stuff is very much managed by the team responsible for the Chinese market be they Perth based, Hong Kong

based as they were or now Singapore based or Shanghai based. So, nothing strategic would be decided on the ground because we can't sign long term contracts in China from a tax perspective, so that's always done out of China, but that's more a process than the real decision making. But when you get into things like joint ventures and the things like the Company XY that I've just talked about, the relationship with Company Y that is when you would get not only the CEO of iron ore involved but you'd probably get the Company X executive and executive committee, the CEO of Company X, possibly even the board of Company X. So, something like bringing Company Y on as a major shareholder clearly was a board decision." Participant 20

Another CEO from a different company explained that decision making depends the individual's position and line of authority within a company. This same CEO noted that:

"Look, my answer to that question is you ensure you have very good people, you have the best people that you can, and that you delegate it according to the responsibilities of the level. So, if your supervisor, in an operation, in a mine or plant, then your focus is going to be what's going to happen the next hour, what's going to happen the next day. If you're the manager of that area then you're focusing on what's going to happen this week, what's going to happen this month. If you're the general manager then what's happening this month, what's happening this year." Participant 4

This same CEO, Participant 4 highlighted that at a Chief Executive Officer Level, the decision making focus is about long term and strategic planning within the iron ore business. The same CEO noted that:

"By the time you get up to my level, my focus ought to be on what's happening in the next 5 years or 20 years from now. I used to comment to investors that the mine plan for our iron ore business here, goes out to 2073 and people would look at me and they would say, that's a bit extreme. It's not extreme because everything builds on what happens before and if you, 50 years from now, you're going to develop something, well you better get the sequence right, and you better make sure that there's a railway there to handle it, you better make sure it can maintain that … and so on. You have to make sure that you have done all the drilling and the title and everything else that you need to be able to mine. Mining is a long-term business, it's not short term at all, and you need to put the foundations in

> place. So the answer to your question is, yes there are issues that would happen every day, that I would learn about and I would delegate, assist, support, or whatever, but it was for my management to handle, not for me to handle, because the CEO's role, yes it has operational responsibilities, but it also has strategic responsibilities. It also has ambassadorial, in terms of customers and suppliers and so on. It has government interface." Participant 4

The same CEO explained that empowering individuals with key information about the business is vital in assisting with decisions within the iron ore industry. The same CEO noted that:

> "You need to empower, engage and communicate with people, so that they can make the right decision themselves, and they don't need you to make it all the time. Over the time I was CEO I became very friendly with another CEO - we were both going through a turnaround, we both had similar issues, and we both had a deep feeling that we had to empower people by giving them information and giving them the data, so that they could make the same decision you'd make." Participant 4

From the information outlined above, the researcher surmises that at Chief Executive Level the decision making focus, insight and perceptions differs from Board, Senior Management to Managerial Levels within a company in the iron ore industry.

Another Senior Manager, Participant 30 from another company explained various departments were managed by the line authority in a silo fashion within the organisation. The same Senior Manager noted that:

> "So, in the beginning it was very, very siloed. We just had processing and mining sort of belting heads. I think it was because they were both run quite autocratically. The mine manager was running the mine, we had a mining director running the mining, and a processing director running processing." Participant 30

The same Senior Manager, Participant 30 stated the issue involved the CEO who asserted that the different departments had to communicate to come to a decision. The same Senior Manager noted that:

> "Our CEO basically put his foot down and said: "You guys get together and sort this out or we're all going down the tubes." What's the word? Communication, I

> guess, at the lower levels of mining and processing. Both of my mine geologists are Chinese and they had friends in processing so they would discuss problems but the higher ups – myself and my counterpart and my boss and his counterpart – we just tried to sort out our little bits without looking at the effect it was having on the other guy. I think our CEO could see that we've both got a problem, but we are not talking to each other about how to solve them." Participant 30

The same Senior Manager explained how the decision making framework was a collaborative one in the company. The same Senior Manager noted that:

> "We established an operation in China and I think it was about 150 people and we employed local people obviously, local management and we were targeting management that were used to Western companies. The project that we established this in similar to a free trade zone where there were a lot of foreign companies operating there and we were fundamentally recruiting management that obviously know the culture, the language but also know how Western companies operate. We had a general manager, finance manager, HR, safety and environment quality processing manager etc. The decision making in our operation in China reflected our decision making at a corporate level, so we have a philosophy of collaborative decision making." Participant 30

The same Senior Manager, Participant 30 illustrated that staff were encouraged to participate in the decision making as a collective group within the company. The same Senior Manager noted that:

> "So, we encourage people to participate – at the end a decision – there's a decision by a decision maker but the more important thing is to collect inputs or opinions before the decision is made. So, there's a feeling that everyone is involved in the decision. The difference I guess in a traditional Chinese company where there isn't that Western corporate management from my view is that it's very hierarchical. Typically, in Chinese companies, the head of the organisation makes the decisions, either the owner or the executive chairman and so on. So, my view is that in China there's a lot of people in organisations that are not encouraged or willing to make decisions because fundamentally why is because they get their heads chopped off. But that's the structure of decision making in China. People tend to filter the decisions up to one key decision maker whereas in Western companies we tend to have more people involved in the decision making." Participant 30

The same Senior Manager, Participant 30 mentioned that Western style of communication differs from Chinese style of communication in terms of decision making. The same Senior Manager noted that:

> "I probably think Western people would probably just assume that just because you've sent an email out everyone – they understand what's going on. You can't rely on that. You really have to do the face to face and the chatting and the background talk and I'm just thinking of our boards how we operate. Generally, I guess my style is quite collaborative anyway. I think the communication style is slightly different framework. You asked me framework. There's no framework, I think it's just – you just learn what works and also China I think it's changing. So yeah, China just a bit like Japan after the second world war is – it's grown or one market share because of its costs base. But suddenly they realise that they're cost base is increasing, labour costs are increasing. So, they're no longer the cheapest increasing nation. So now they have – they realise in that quality just like Japan did they have to improve their quality to compete in the world and so this is the next phase of I think China." Participant 30

From the information outlined above, the researcher concluded that Western companies have to be sensitive and realise that decision and communication framework will change and shift due to changes in China's economy.

Another CEO, Participant 6 from another company explained that there's no decision framework towards a communication protocol in relation to its Chinese counterparts within the company. This same CEO noted that:

> "No, there is no protocol. There's no policy. We are relying on the experience and the advice that we have available to us. This is true at Company A – we have key advisors that help us in the relationships with China, and we have drawn on that relationship, those advisory relationships, historically to give ourselves the best chance of not miss-stepping. Yeah, but we often wonder about the reverse." Participant 6

The same CEO, Participant 6 explained that collective decision exists within the company to arrive at a decision in relation to China. The same CEO noted that:

> "I believe that the strategy of the company, including relationships with China would be driven by the executive, as opposed to being driven by the board. The

job of the board is to either stress test that strategy, or at different points in time, actually approve or disapprove that strategy, but the building blocks, the fundamental sort of the strategy is actually formulated by the executive, and I think that's quite important, I don't think that's the board's role. The board's role is to be a point of reference and to maintain railway tracks, as opposed to telling the executive what the strategy should be. That's my view of the sort of executive board relationship, and I think that worked very well at Company A." Participant 6

Another Director, Participant 26 from a different company mentioned that a decision framework did exist in terms of communicating with its Chinese counterparts. The same Director noted that:

"So, I think how they're doing it at the moment is they use people on the ground to collect intelligence that is then taken to decision makers who are not on the ground, whether it's Singapore, Australia, or wherever. And in their opinions, it allows them to objectively analyse the intelligence to work out how to then negotiate with the Chinese. What we used to do at Company A was very different and it worked well most of the time, is that we accepted that you've got to have multiple levels of trust and understanding, which go right up to the decision makers. So, the frequency of interactions and the sort of detail and minutiae of information that they're talking about will vary between the levels. But you've got to take the time to maintain the relationships right up to the most senior decision makers and in our case it was the managing director. So, we would have people based in China. We would have marketing managers that were based in Singapore that would spend – the one that was accountable for China would spend about a third of his time in China on the ground. The general manager would be, who was looking after all markets, would make sure that he was in China of the order of five to six times a year to maintain the relationships, maintain the trust, to understand the latest issues. I would take the time to visit both the head office people and the operations people twice a year" Participant 26.

The same Director, Participant 26 explained further how decisions were made at multiple levels with different perspectives. The same Director noted that:

"And then when we were making decisions we could then integrate the information, because the conversations would be different at different levels. So, if I'm talking to the executive about what's your long-term vision about where you're going in five or ten years or in some cases twenty years, that would be very

> different to the local person talking to the operator who's complaining about the shipment that was late this week. And by having the trust at the multiple levels and those different perspectives, it gave us a better ability I think to holistically understand where they were coming from and therefore better work out what we needed to be doing. Even if some of it was things that we were going to do long term that we wouldn't tell them about to start with, that we would build it into our longer term thinking as well as the shorter term conversations and the negotiations." Participant 26

Another Director, Participant 25 from a different company mentioned that the decision framework for the company is technically inclined. The same Director noted that:

> "In terms of providing technical advice to them for example, it's no different and perhaps this is a problem, it's no different to how I present decisions to an Australian or any other company and basically I review the facts and provide an opinion and yeah, it's that simple. If the audience, depending on the audience that I'm providing information to and an opinion or a decision to I will tailor the level of detail that I go into, but the decision making framework for me is a real technical one, it's really does the plan do the tonnage that it's meant to do and it's a yes or, it's very binary, it's a yes or no decision. Participant 25

Another General Manager (English is the second language), Participant 18 from a different company stated that the decision framework is straightforward as the company was owned outright. The same General Manager noted that:

> "The company actually 100% owned by us, decision always made by us, but in the lower level, for example, in the plant operation, of course, they have a lot of different decisions because when we make decision, we are slightly different from Australian company. Our company culture is slightly different. So, we make decision in a consulting way, we listen to a lot of people, but in the lower level, because we only have local employees, most of the time they are more like workers, you know what I mean? But in here, we have the engineers , the management …… I see the big gaps actually. A lot of … people go to the marketing or doing the management rather than the engineer anymore, so it's changing. But in here … the level is professionals right, so that's a huge difference in term of decision making because [of] the background difference." Participant 18

This last section of Decision Frameworks has highlighted a range of strategies, frameworks, ideas and models from the executives in this study who have responsibility for decision making in their organisations. The factors they use to enhance their making decisions include the following.

- Considering the input of stakeholders at all levels.
- Having in place a solid external communication plan that covers all levels as well as a strong internal communication system to ensure information flows smoothly across all levels of operations in both directions.
- Understanding at which level decisions have to be made based and by whom – daily operational ones versus long term strategic ones.
- Empowering members of the organization at all levels to provide input when decisions need to be made and ensuring those at different operational levels are making good decisions.
- Establishing offices in China and have a local team to communicate with the Chinese market to facilitate decision making processes. Gathering cultural intelligence and knowledge at grassroots level in China and feeding that information back to Australia.
- Incorporating technical knowledge into decisions.
- Building knowledge management systems that build efficacy in communicating with the Chinese. This includes using experience as well as having people on the ground in China who support better communication understanding.

4.2.4.2 *Due Diligence*

Under the subtheme Due Diligence, 12 participants or 41% of the participants mentioned that it was critical to 'be vigilant', 'do research' and be aware of the 'constant change' surrounding the iron ore industry in relation to China.

An Executive Director, Participant 21 mentioned that due diligence is key for Chinese and Australian companies. The same Executive Director noted that:

> "Always advise companies to engage independent consultants for due diligence work. Do a full due diligence on projects and this primarily related to some of the juniors. It probably doesn't apply as much at the present time because really it's

> only the investments are only with the majors and there is an expectation from the Chinese that Government will be there to give advice of is it a good investment or isn't it a good investment. The processes between China in Western Australia is very different, very transparent, very open. I've conducted lots of exercises with Chinese groups here on how to access Government databases, how to access information, how to access status of projects through let's say the environmental protection system, through the mineral resources system, through the mining system, Aboriginal heritage etc. So just an education on the processes and the transparency of processes in Western Australia which are very different to China" Participant 21

One CEO, Participant 2 from another company commented that due diligence is important and that the Chinese companies need to understand the JORC code to conduct business in Australia. The same CEO noted that:

> "JORC code is being looked at, it's being translated to Chinese and the government is sort of making reference to it now as being the code that you should mine to, because obviously the JORC code is all about responsibility and reportability. Once the Chinese start to become aware of JORC, they'll be playing on this level playing field." Participant 2

From the information outline above, the researcher surmises that the Australian companies need to be aware that their Chinese counterparts understand the due diligence required to operate successfully within the iron ore industry in Australia. In addition, employing independent consultants to conduct due diligence work is advisable.

Another Senior Manager, Participant 20 from another company explained that due diligence is vital to the foundation, venture or investment within the iron ore industry. The same Senior Manager stated that:

> "So if you think about due diligence you've got to do a lot of due diligence and you've got to understand the resource, you've got to understand the infrastructure, you've got to understand the company you're dealing with and you've got to understand in say X case or Y case or Z case or any of those kind of people you've got to understand individuals if you're dealing with individuals like in X. I actually feel a great empathy for my Chinese friends that so many of these investments have been poorly done, extremely poorly done." Participant 20

Another Executive Director, Participant 24 from another company mentioned that the lack of due diligence from some Chinese companies were outstanding and the Australian companies have to be aware of that. The same Executive Director noted that:

> "I'll talk about the resources sector, I think I understand a fair bit about it. I would often say that Chinese investors go where nowhere else is afraid to go. And it appears to be very rapid decision making without a great deal of due diligence, it frightens me the lack of due diligence and we twigged what was going on and particularly in relation to some of iron ore but in other commodities that Chinese were starting to invest in projects, I would never invest in. We actually developed several presentations in Chinese about due diligence to say, "Look this is what you've got to look out for if you're looking at investing in a project," because they seemed to have no idea of risk management of due diligence or anything. " Participant 24

The same Executive Director, Participant 24 explained that the Chinese business would buy an investment without proper due diligence. The same Executive Director noted that:

> "But certainly, when they came out to here, they were like babes in the woods, they came here and just invested in things…… It's frightening so we developed talks on due diligence, I would be talking to some Chinese group and they'd say, "Oh we've got a licence." "And how you'd get the licence, did you apply for it through this Department or did you joint venture or farm-in to it?" "Oh no we just bought the licence off somebody?" "Who'd you buy it from?" And it turns out that various expatriates, often expatriate Chinese here that were doing it, ripping off their own ethnic group. It's a wild West at times here and there's a grey end of our industry when it was fully run by white men but then you've got now Chinese grey end of the Chinese system into it as well." Participant 24

Another Director, Participant 26 from another company explained that the Chinese's view of due diligence varies from the Western's view of due diligence. The same Director noted that:

> "What I've seen of the learning approach of China is it's very much one of I'm trying to understand from a fundamental perspective why this adds value. How does this fit into the bigger picture? Whereas a lot of Western learning is I go and

> pick up the latest textbook, it's got a one-page summary, I can apply that to fix everything. They want quick fixes and they don't necessarily understand some of the complexity. There is an acceptance from the people that I've met in China around when they learned that life is complex, life is long. How all of these pieces fit together requires a different level of thinking and understanding to succeed." Participant 26

The same Director continues to explain that:

> "Do you think when China, the tortoise, when they are going around buying companies without the Western way of doing it, because when I'm speaking the data that's coming out is they don't do their due diligence, they just seem to buy anything, they seem to think it's correct, there's no direction to it. That's one perspective. And another perspective is they have a long-term strategy, they have the money, they have the patience, they just go because they can. They have different objectives. So, a traditional Western due diligence, a lot of them don't do." Participant 26

From the information outlined above, the researcher surmises that due diligence may be a Westernised concept that works differently for the Chinese companies within the iron ore industry. It is essential that Australian companies who are seeking to deepen with business relationship with their Chinese counterparts highlight the importance of due diligence in an Australian business context. The Chinese perspective of doing business in Australia may exclude the Westernised concept of due diligence because of China's long-term strategy. In doing so, the decision making process will be much smoother between both business entities in Australia and China within the iron ore industry.

4.2.4.3 *Understanding Chinese Culture and Business Etiquette*

An understanding of the business culture is crucial to the way business decisions are made in relation to Chinese–Western relationships. All of the participants expressed that it was 'absolutely necessary to understand the Chinese cultural and business etiquette' to assist in their decision-making process. As one General Manager, Participant 15 explained:

> "……stand in Chinese partner shoes or the Chinese supplier shoes, the more you understand how critical that is. But I think it is really important to have those close relationships. We had a strategy of becoming the preferred supplier partner and customer for China and we put a lot of effort into that. We stepped up the amount of soft contact we had across China with cultural discussions, with the press and all the rest." Participant 15

Another CEO, Participant 1 from another company explained that understanding Chinese culture and business etiquette is crucial to the way business decision are made in relation to Chinese-Western relationships. The same CEO noted that:

> "Yes, I do think it is very important. I think there are many issues that probably would take several days to explain everything in my head. Chinese corporate culture etiquette, I think that there's a lack of understanding, in some respects, a massive lack of understanding by Westerners in how to work with Chinese cultures. And that causes significant issues. So, people who don't really understand China will often talk about, oh etiquette relationship is everything, or oh, you know, use your chopsticks or toast in the right way, and I think that it's a simple fact that people like to do business with people who are like them. People get on better with people who are like them, who think like them, who work like them" Participant 1

The same CEO, Participant 1 explained that cultural etiquette is different from business etiquette. The same CEO noted that:

> "There's business culture, and the understanding of the way that decisions are made, the understanding that the way that people work – I give you an example, you know, we can have a cast of thousands at a board meeting via video conferencing. We've two directors on screen and there's twenty people around the edge. You know, technically those things should be noted. Technically, if someone's available at a board meeting, under good corporate governance, we have to be very careful about shadow directors, about acting without consent. The Chinese business culture is the board papers are given to a junior, who will brief the board member on the important bits, and from a corporate governance point of view I think that the way the Chinese work is just so different" Participant 1

Another General Manager, Participant 12 from a different company explained that Australia's business depends more on result and with the Chinese, the cultural business etiquette is to sit back and wait. The same General Manager noted that:

> "[Our Chinese colleague will talk] to us at the time about what we might expect and how we might think of behaving, I guess. More about, understanding what was going on in the other side of the room, because often it was very difficult to determine what's going on. I think the natural Australian way of doing things is to try and push for a result rather than sit back and allow things to happen or evolve. And especially, when you're negotiating, time is often a crucial resource and my experience was they just would not be hurried. It was absolutely in their time and their way." Participant 12

Another CEO, Participant 3 from a different company explained that understanding the business objectives of the Chinese is important. The same CEO noted that:

> "It is different and at times there are misunderstandings or misalignment on objectives. So, I think it's important to spend time to make sure you understand what the counterpart is really looking for because it's not immediately clear. There's different drivers for the Chinese which at times aren't clear to you. It can be a bit of a journey to work out what they're really endeavouring to achieve. It is quite hierarchical right, so people at a more junior level aren't really empowered to make decisions. They're really about taking messages back up and down the chain. That's also part of the learning you've got to spend the time to understand how that all works and who the key decision makers really are in the business." Participant 3

Another Manager, Participant 31 from a different company explained the cultural difference in a social context which the same Manager was expected to participate. The same Manager noted that:

> "I want to make sure that I'm doing the right things. It was in Taiwan, so not mainland China but we had quite similar sort of cultural issues around dining and that sort of stuff and this guy was about 70 odd and his health wasn't that good. But his son who was a young, robust and in his 20's was my nominated drinker partner for the evening. So, I was sat between them and luckily being a larger Westerner it's a bit easier to absorb the drink and your body weight makes a difference. So, this poor guy, the son, tried in his valiant attempt……but yeah, he

> didn't quite drink me under the table. So, they made everybody else drink with me as well but with the intent of getting me absolutely hammered. I've got to say it worked but yeah but it was important that I make a good attempt because I quite frankly didn't feel like it but it was one of those times where you say right, this is the expectation and I'm not a big drinker." Participant 31

Another Director, Participant 22 from a different company explained that cultural empathy is important. The same Director noted that:

> "Look I'm a great believer of cultural competence. A bit of cultural empathy - we don't do that particularly well in Australia because we turn around and say well, we treat everyone the same. Now, who says treating everyone the same is universally the right way to go about it. I think having cultural empathy is important because we talk about cultural competence and we should understand. Understanding is important but understanding and feeling - there's a difference. And I think we need to understand also that I think, we in Western Australia and Australia have had tremendous opportunity and privilege for generations and that hasn't been the same in whole swathes of Asia and China." Participant 22

Another General Manager, Participant 13 from a different company explained cultural understanding is very important though understanding it fully is hard to achieve in China. The same General Manager noted that:

> "I think it is very important to understand it. I don't think we ever really fully understand what is happening in a really detailed sense. I think one of the first things is to understand that you probably never will understand. I've been working in China 15 years now. I think we're certainly seeing differences in the way Chinese business operates. I've seen significant changes over that period of time. So, you're having an appreciation of the way your counterpart, whether it's Japan, any of these or even the US to be honest, just how the various counterparts operate is very, very important. And they do vary, even within China. The deal we did last week was with a counterpart who's very different to the ones we'd been dealing with previously. So, it's just an example of the way Chinese business is changing." Participant 13

Another Director, Participant 23 from a different company explained that the Chinese way of doing business differs from Australia. The same Director noted that:

> "Absolutely essential. I have a closer insight with the start-up. The Chief Executive recognised early that a very large capital requirement with a fairly long payback period wouldn't fit the Australian banking debt models, so, the only area to get his finances was going to be China. He started to build those relationships and understood their etiquette, he spent a lot of time going out to dinners, doing speeches around the table and understanding that the way of thinking is very different to a Western way of thinking. The Western way of thinking is very linear, you do A then you move to B you move to C; where the Chinese way of thinking as he's described it to me is very circular, you'll do an A and B and then you'll come back and do B and C and then you're back in A and B. It's a very circular process and very much not just about here's your product, here's your price; that's not the way they do business." Participant 23

Another Manager, Participant 27 from a different company explained that building lasting relationship with the Chinese helps business prospects and outcomes. The same Manager noted that:

> "From what I've noticed with regards to Chinese business practices are that is only one piece of it. It's also the relationship. Chinese businesses are willing to accept a higher price for a supply with a partner that they trust more and that they have a better relationship with. And therefore, being able to develop those relationships and recognise the customs that are viewed as being important." Participant 27

Another General Manager, Participant 8 from a different company stated that a fundamental understanding of Chinese business etiquette is essential. The same General Manager noted that:

> "Fundamental, totally agree 100%. There needs to be a better understanding on both sides. I would say that from our experience that Australian companies and Australian corporations can act quite quickly in the decision making process. Whereas, the Chinese can take a long time, a very long time to make a decision; and you can actually see that there are layers and layers and layers of decision – of groups, people, individuals in that decision making process. So, for example, it can start here and Perth, it can then go higher up in Perth, then it can go to Shanghai where Company X is based and then it can go to somewhere else. We're talking weeks versus days. I also find the Chinese don't tend to be very transparent when they come to talking about things and expressing their feelings. They have a very poker face." Participant 8

Another CEO, Participant 5 from a different company stated that relationship building was a priority over making business decisions in relation to Chinese counterparts with Australia. The same CEO noted that:

> "Well it's always crucial to understand people's culture and sensitivities. Particularly for China, I think the Chinese certainly have approached business differently to the way we do. Whereas we're, I think we're very black and white, and focused on outcomes. I think with the Chinese you will take a little bit more of a journey to get there. I think, as your question sort of alludes to, I think they do regard relationships more highly, and so, they need to develop relationships, as prior to making business decisions, and they will quite easily make business decisions once they have those relationships." Participant 5

Another Manager, Participant 29 from a different company explained that understanding of culture and business etiquette is important. The same Manager noted that:

> "Most definitely, yeah. Understanding of the culture and the business etiquette is really important particularly, when you're dealing with Chinese partners that may have not been formally brought up through a Westernised system of school or management or just culture. The obvious one that I think most people know about is making sure that you weren't putting people down if you didn't agree with anything. The Australian culture business etiquette is, generally speaking in my view, that you would have a robust discussion. In the [Chinese] environment that's not the case. You'd make sure even at colleague to colleague level, you'd have to be very careful you didn't show up the person or make them feel that they were lacking in knowledge. You have to be very careful in the way you spoke and how you approached the conversation. You'd use a lot of open questions to help support the conversation or the decision making." Participant 29

Another General Manager, Participant 17 from a different company explained that different cultures exist within Chinese organisations from state owned enterprises to privately owned ones. The same General Manager noted that:

> "And the cultures can vary, like it's hard to characterise as just one culture, because just like Western companies, different companies have different cultures, and it's like a lot of people tend to lump China as one market and it's certainly not that. So, you've got very traditional state own enterprise mills, the, some that we

> call the rust belt mills. But then you've got the more modernistic such as Company B, they had some part ownership from the Japanese from Company N, and they have adopted a commercial base culture for a stable enterprise. Then you've got the private steel mills like Company P which is a very large privately owned steel mill, and that's a, pretty much a family affair, A very strong patriarch of the company and he brings his children up through the ranks, and they have quite a different culture." Participant 17

The same General Manager, Participant 17 explained that the strength of relationship plays an important role in Chinese business. The same General Manager noted that:

> "I think you would say that the state owned enterprises, it's very authority driven, so a lot of decisions are deferred to the leadership. They're very cautious about making the decisions and that's amplified in the last few years with anti-corruption campaigns. Where people might leave them open to accusations around their favouring one supplier over another. Understanding is pretty universal, that relationships play an important role in Chinese business. Although, sometimes you do see that break down in periods of stress, and some of the commercial behaviours do not withstand the strength of good relationships. Sometimes, they've been given a mandate to do certain things by their senior leadership, and I guess that puts some of those people in a very difficult position because while they value that relationship built up over a long time, they're forced to take actions that can cause a break down in commercial relationship.: Participant 17

Another Senior Manager, Participant 20 from a different company explained that within China, Australians have to understand the political and cultural sensitivities that exist with its other states. The same Senior Manager noted that:

> "There is that difference business to business even with a State Owned Enterprise from China. So back then you had to have two passports because you couldn't go into China and have a ROC Republic of China stamp in your passport. It is not an issue now, there are flights between Kaohsiung or Taipei and China. So, it was sensitive back then, I think from a business point of view that sensitivity is long gone, so it would only become sensitive again if there was a geo-political problem between China and Beijing and Taipei. Now, that oscillates over time depending on who the president of Taiwan is and who the president of China. It's always there in the background and obviously you see that in Hong Kong today, it's very sad what's happening in Hong Kong, the Beijing interference if you like. So, we

> could talk forever about those political issues, but from a pure business point of view it's much less of an issue than what you might expect." Participant 20

Another Director, Participant 26 from a different company explained that is a big difference between Chinese state owned enterprise and Chinese private companies. The same Director noted that:

> "There is also a big difference between dealing with the Chinese state owned enterprise and Chinese private companies. And Chinese private companies don't behave the same as Western private companies either because the whole dynamic of the politics within China does mean that private companies in China are very conscious of managing their external stakeholders and where they fit in the broader jigsaw that is China, whereas Western companies are all this is where we're going, everybody else get out of my way, this is what I want to do." Participant 26

The same Director, Participant 26 stated that some Chinese executives had never liaised with Australian companies before. The same Director noted that:

> "It was interesting, I was in China the week before last with Company X and we got into this exact discussion around what is the difference between the cultures and thinking practices in China's companies versus Australian companies because we were there to promote Australian technology. And some of the Chinese executives had never dealt with Australia or Australian companies before. Their initial perception of Australia was from a very rational thought if you like. If you look at the population base of the country, that Australia just doesn't have the population to create the volume of intellectual thinking or technology or innovation that could actually have any hope of competing with the large population of what China has access to. So, he had these preconceived ideas around what Australia was about." Participant 26

Another Managing Director, Participant 7 from a different company stated that the 'respect' value should be added to Australians' understanding of the Chinese business etiquette and culture.

> "Etiquette is probably not the word—I think it is respect. If you have respect for the other side, it doesn't matter where they come from, or who they are—if they are a customer or a business partner, you need to respect them and to deal with

them in the appropriate way and if you appreciate that there are differences you'll be successful." Participant 7

In summary the information presented above about *Understanding Chinese Culture* revealed several key points for enhancing decision making with China including the following.

- Cultural competence and cultural empathy is important because treating everyone the same in the world respectfully is too simplistic to manage complex decision making relationships that exist in China.
- Western decision making tends to be black and white, Australians tend to be rather straightforward. Decision making with China has layers and layers of authority, not just within the organisation but the external bodies such as the state government and decision makers within the various organisations.
- Chinese private companies do not operate the same way as Australian ASX companies. Chinese private companies are part of a jigsaw in a bigger strategic picture for China where politics, profitability and people intertwine to support the national interest.
- Even if business is continuing as usual between Australia and China, iron ore executives need to be aware of the sensitive geopolitical issues concerning China, Taiwan and Hong Kong.
- State owned enterprises are driven by authority, and decisions are deferred to the party leadership in China. State owned enterprises are cautious in making decisions.
- Cultures can vary, just like Western companies, different companies have different cultures. Therefore, do not lump China as one market and one culture. Traditional state own enterprise mills are governed by the state whilst the private steel companies are owned by a family patriarch and the family work through the ranks.
- Developing a relationship based on respect and trust is important to the Chinese. Understanding and acknowledging business objectives is required on both sides to avoid misconceptions and misalignments.

4.2.4.4 *Investing Time versus Contract Only*

Within the theme of Understanding the Chinese Culture Business Etiquette comes some further sub-components. With regard to the Australian way of doing business, 21 of the executives or 70% of the participants conveyed that the key issue was investing time in the business relationship with China and not just trying to achieve a contract as a business objective.

An Executive Director, Participant 21 explained the Chinese favoured developing relationships over a long period of time when making a decision with an Australian business partner. The same Executive Director noted that:

> "I think it was pretty important to develop that relationship from a Chinese cultural point of view. They like to get to know their partner and the importance of hosting delegations here with a whole series of Australian companies. They're saying: "Don't expect a deal to be done within a month, 3 months, 6 months." The Chinese side need to get to know you, need to be comfortable with you and certainly on one investor who gave the parameters of the project he was looking at. We provided profiles of about 39 different projects and he came back with 6. He spent a week going around each one of those 6 and spent a bit of time. And what it came down to is that company had been in Western Australia previously and he knew two individuals from the two of the companies and his decision was made primarily on that. We had to basically say to him, we're quite happy for your decision because of your cultural relationship, you're comfortable with that person." Participant 21

A General Manager, Participant 14 from a different company explained that investing time in a relationship with China is crucial. The same General Manager noted that:

> "Being able to take that broader view of events and sometimes being able to remove yourself from the immediacy of the situation and just trying to put it in a bigger context, and I think particularly coming to the topic of your questions with China. Generally, I think the importance of time in anything you do, in any engagement, that there's a sense in Western business, in any business engagement to just go in, do the deal, conclude and that's success. It's also a great path to failure…… because it's all about investing the time, building the relationship,

> understanding real needs, which may not be stated needs. Understanding that even when you negotiate any kind of agreement, it's only one step on a very long journey, and you have to keep reinvesting in the relationship to make whatever you negotiate as success." Participant 14

Another Managing Director (English is the second language), Participant 9 from a different company explained that thinking of the other party can help with the commercial success of the relationship. The same Managing Director noted that:

> "I think in past more of the Chinese doing business just like being a friend first, had a lot of drinking over the dinner table and then you make the decision. But more and more Chinese companies are now more like Australian companies. Here you have to show you have a good model, you have to prove your project is economically feasible rather than just making friends first." Participant 9

The same Managing Director, Participant 9 continued stating that it is important to think of the other company when a relationship has been established long term. The same Managing Director noted that:

> " When we started the negotiation with Company X, we can always think from their aspect rather than just think of yourself. Lots of time you only think of yourself, you think this it is a perfect deal, it's a perfect plan; but normally when you have a perfect plan for yourself…… all the risk belongs to the other party, you don't take any risk. The only result is the other party will never accept it; you can never have a deal. You have to think if you were them, what's the benefit you can bring to them. So, this can help make a deal." Participant 9

Another Manager, Participant 29 from a different company explained that time was required to achieve a business outcome with the Chinese, not the Westernised way. The same Manager noted that:

> "I felt that it took me three to six months before I felt confident to actually achieve good outcomes [with the Chinese], to be honest with you. I approached it like I had every other business they'd ever operated in for the last 20 odd years - that you don't go out of a meeting until you've got a decision and everyone's agreeing and off you go and often what I thought would be achieved in half our meeting might be three or four separate meetings of a similar period of time and that was just because I wasn't approaching it the right way." Participant 29

Another General Manager, Participant 16 from a different company said investing time in the relationship is important. The General Manager noted that:

> "Building those relationships takes a long time. So, you can't be new and the other thing that you would never do, and if you were inexperienced you might get drawn to that, you never get into the meeting and immediately start talking business, in Japan, not even in China. In India, yes, you can get straight into it. But you wouldn't. You would have a little bit of broad conversation, maybe for five or ten minutes, a bit of a laugh, and then right, you would sort of gradually get onto the agenda of the day." Participant 16

The same General Manager, Participant 16 stated that when the meeting is over, the next layer of relationship resumes in a social setting. The same General Manager noted that:

> "I guess that you learn and try and understand what can I discuss here, what can I discuss over dinner. And there's another layer; what is it, particularly in Japan, that our senior people go and discuss after dinner. So, there's all these layers. There's this is what we discuss in the meeting, this is what we discuss over dinner. At some point people would leave. I would leave, as the chief negotiator. But some of the more junior people would stay behind, and some of the more senior people would sometimes have another round of discussion. They would go and have a drink somewhere or whatever. And often, the real progress got made in those discussions. They wouldn't make the decision, because ultimately, there was not their prerogative, but that's where we would get a better understanding, sometimes of different positions. So, there's all these layers, and the thing is, you can't just shortcut that process – it takes time." Participant 16

Another General Manager, Participant 17 from a different company stated that long term relationships are important. However, the change in business structure may alter that relationship that has been developed. The same General Manager noted that:

> "I like to think so that the relationship is essential to the Chinese organisations and Australia , I think as long as we have long term contracts, I think that facilitates that. But where you move more to a transactional spot relationship, then it does become exactly that, it's much more transactional. And a number of iron ore suppliers have moved away from having people on the ground, large teams on the ground as relationship managers which is basically what we do. But I guess the

> trend is with onscreen dealing and more spot placements on electronic platforms and that depersonalises it somewhat." Participant 17

Another General Manager, Participant 14 from a different company explained that sometimes to rectify and nurture the long term relationship built over the years, the commercial interests of the company had to be toned down to reinvest into the relationship. The same General Manager noted that:

> "We pulled back, so really clamped down on governance and risk aversion in terms of our commercial relationships; we took a backseat in terms of pushing for changes from benchmark to spot, we didn't do that, we followed others. We let other companies do that. We deliberately wound down our commercial aggressiveness in terms of seeking, maximising profit outcomes. We took a step back in terms of how we managed our contracts. We took a far more customer centric approach to how we interpreted contacts." Participant 14

The same General Manager, Participant 14 stated action and behaviour reflected the value of the relationship between Western Australia and China within the iron ore industry. The same General Manager noted that:

> "We massively expanded touch points in China. So, the chairman, board of directors, chief executive, head of iron ore, down through my team was moved to [another Asian country]– A huge amount of time on the ground; we reinvested back into building that trust and you can only do that face to face. And making sure, as I say, you've got that congruence between what you're saying and what you're doing and making sure that everyone is all saying the same thing in the same ways, and that everyone's behaviour is matching those words. Some things we went below the radar, other things we actually – tie ups with Chinese universities, investments in local communities in China, high profile donations and we toned down the commercial rhetoric." Participant 14

From the information outlined above, the researcher surmises that long term relationships with China that have been established over a long period of time may be vulnerable due to the change from long term contracts to transactional spot relationships. It contradicts Australian companies who essentially strived to establish long term relationship with their Chinese counterparts who seek to do the same. In

the long term, the challenge remains for Australian companies and its government to strive to maintain and sustain the established relationship that was built over the years with China, in spite of the changes to the iron ore business structure. The human face-to-face contact is still paramount in establishing the Australia-China relationship and the time spent in deepening those relationships in a social setting enhances understanding and respect for both parties.

4.2.4.5 *Constant Communication*

At a company level, 16 Executives or 54% of the participants stated that their companies had a decision framework in relation to communicating with Chinese stakeholders and Chinese organisations and that constant communication was important. As participant one Managing Director, Participant 10 described:

> "A protocol for communicating to Chinese stakeholders about a decision? We would if there was an important [issue to discuss]—and this is not just for Chinese stakeholders, if there an important decision being made about anything which needed to get out there, there would certainly be a process. You would go through the set ways you could do it, through your external relations people and, and if you were going to go public, you would sit down and think who do we need to talk to? Who we are going to ring and absolutely that would happen? But in terms of any major decision that was going to be announced that there would be very set protocols.." Participant 10

One CEO, Participant 1 from a different company mentioned that if they involved a Chinese board that had a stake in an Australian company, the nuances and dynamic of the decision making and communication processes changed. According to this same CEO, Participant 1, for Australian companies with Chinese stakeholders, the protocol policy was that communications were handled through the CEO, the Company Secretary, or the Chair. The insight that this CEO provided was critical:

> " … within the Chinese hierarchy the Chairman is seen as the most senior person and the person who the President will communicate with. They wouldn't communicate with a CEO, as it is too junior, even though I'm the CEO, and that's the difference in the way that Chinese companies are run. Protocol policy [with Chinese stakeholders] is that communications are handled via myself, the Company Secretary and/or the Chairperson. All decisions are translated to ensure

> effective communication. The CEO is the most senior executive officer. The Company Secretary is the executive officer responsible for ensuring communication, corporate governance, responsibilities, matrices adhered to and the chairman is the ultimate." Participant 1

At an operational level, 16 Executives or 54% of participants agreed that constant communication deepened the Australian and Chinese relationship within a business environment and a comfortable banter could transpire. A face-to-face conversation could facilitate an honest and open exchange, as a Managing Director, Participant 10 explained:

> "In day-to-day stuff, in terms of telling Chinese what was going on, it depended on what it was and in most if there was a good dialogue going or something it'd be fairly, it's like with anyone else, it'd be a fairly open discussion. As you know if there's any, once people know each other that there, there's not a lot of holding back unless they're actually told to hold stuff back for commercial security reasons or other reasons, sensitivity, political sensitivities whatever, they'll then keep it back." Participant 10

The findings also show that constant communication with the Chinese on a daily operational level vastly differed from an official email if using a social app in decision-making processes. Another CEO, Participant 2 explained that the use of Chinese apps like WeChat (or Weixin 微信) or QQ Chat had the ability to dissolve the hierarchal barriers between the Australian company and its Chinese counterparts. As the same CEO noted that:

> "The first thing, if we deal with the communication and talk about the decision second. With communication the first thing you need to be very clear on, is that you understand the communication pathways in China, and I've spoken about WeChat. The reason that I'm getting on really well with this Chairman and we're getting somewhere are simple things, like he said to me when I went to China. '[CEOM2] what's that thing on your phone?' and I said, 'It's WeChat' and he goes 'I'm going to try it'. So, he got his phone out, got his QR code up, and he would go across the table to the other Chairman and offer it, and that has been such a big and powerful thing, because it shows that he knows how to communicate, and he's prepared to give his communication to the people on the other side of the table." Participant 2

In terms of daily communication via email, one CEO, Participant 2 acknowledged that if an Australian employee wrote an email with several questions to a Chinese counterpart, there would be a long response time because of the levels of authority and bureaucracy. As the same CEO, Participant 2 articulated:

> "So, if you understand that communicating with the Chinese, when you write a paragraph with five questions in it, you'll get one answer. In an email, the obvious problem is CC'ing in anybody, because it's got to go up the tree level by level and then come back down." Participant 2

For the findings outlined above, the researcher surmises that constant communication was split into two levels. The first level represented the official communication from the iron ore company and the second level reflected the day-to-day operations in the company for the Australian and Chinese counterparts. Both are important considerations in decision making. An interesting development in part of the decision making processes is the new style of communication through WeChat and QQ apps which represents the informal communication that exists amongst the Australians and their Chinese counterparts.

4.2.4.6 *Chinese Staff Working for Western Boss*

In this study, 16 Executives or 54 % of the participants worked for companies that had Chinese staff working for a West Australian boss. One General Manager, Participant 13 stated that to facilitate communication, Australians needed to find a way that was acceptable and included the Chinese in the chain of communication. The same General Manager articulated:

> "Well firstly we have local people working for us in Beijing and Singapore offices. There is this lady who I was talking to you about party membership. She grew up in Beijing - that actually goes a long way to helping us – and absolutely critical to making deals happen. It'd be very difficult to do it without them, very, very difficult. Apart from anything else, the counterparties don't really want to struggle through a conversation on the phone in English regularly. Most of them can speak English but obviously to our discredit we can't speak Mandarin. So, having somebody who can interact easily with them sounds like a simple thing, but very, very important. So, you have to have that sort of aspect to your business. You've got to be easy to deal with." Participant 13

Another Manager, Participant 29 from a different company stated that the company had several Chinese working within. The same Manager stated:

> " … there were quite a few Chinese people in there. We had one person who was a Western trained guy, one was our commercial manager who'd lived in China for ten years that was Chinese speaking, obviously, and came through an English – Western background. So, we would talk to him about the ways to approach meetings to try and influence – the influencing style we would need to use to negotiate those sort of outcome – a good outcome without necessarily getting people offside or getting them to close down so the decision couldn't made to the best advantage of the business." Participant 29

The same Manager, Participant 29 stated that working with Australian and Chinese staff the internal communication changes and it is important to go through the issues before a meeting commences. The same Manager noted that:

> "The Chinese colleagues would have been in Perth – there would be probably half a dozen…… and onsite there's probably double. As I said before, through finance, treasury, technical, operational, project management roles, there would be, generally speaking, a key Chinese person in each of those areas – procurement is another one they had people in. Depending on what you need to get a decision on, whether it was a technical outcome or a major drilling program, or a project that you were trying to get through, you would find out who the Australian, the Western representative. At the end of the day, the decision maker would find out how you would approach the discussion and what sort of information they'd want to see. Most of the work went in actually before the meeting than at the meeting. So, it was more about trying to find out what their concerns might be before the meeting because often, they would be broadcast in advance through the Chinese the Australians/Westerners Chinese people, they would have a sense of what the potential issues might be. So mostly doing your homework and setting yourself up for a good meeting – know what the issues were, having potential solutions for each of those, and then approaching the meeting with those constructed issues that have been well thought through." Participant 29

Another Managing Director, Participant 10 from a different company explained that having Chinese staff working on local ground either in Australia or China helps to facilitate communication constantly. The same Managing Director noted that:

> "The Company X office in China - the main role is to be a bridge between the two sides because there is a lot of room for misunderstanding. The cultural differences and all the rest of it drive misunderstanding. So, it's to make sure that the communications kept up constantly and to don't go too far one way or the other, you get some people in that role who will become everything the Chinese do is right. And you think, no you're actually not useful at all to me, or everything we do is right, no you're not useful at all to me. What is it? Where is the common ground? How do we find the common ground? And I think that is pretty critical if someone can deliver that, they're delivering a lot of value because what you're doing is providing a glue between the two organisations as you go ahead or whatever." Participant 10

The same General Manager, Participant 10 explained to hire the right Chinese staff in your company is just as important to facilitate communication. The same General Manager noted that:

> "I've seen companies have an issue and they will go off to someone who is Chinese, looks Chinese and, and you look into their background and I said, "Well actually they come from Malaysia or somewhere and you're putting them in there with someone who's sitting there from a State Owned Enterprise and you're expecting them to talk to them as a local? Come on?" If someone has come from the system or something they might talk to them, but they will always see them as representing a foreign interest." Participant 10

Another General Manager, Participant 17 from a different company explained that translating a language is different in the interpretation of the intent and in terms of communication, it is important to note the contrast with the Chinese staff representing the company. The same General Manager stated that:

> "Well I speak very bad Chinese; I call it banquet Chinese, so I get myself into trouble, make people laugh around a banquet table. So, it's genuinely through interpreters, my staff, …….certainly, towards the end of my ten year in China, I was probably the only non-fluent Chinese speaker in a team of 40-45 people. Basically, they're all either local Chinese people or expatriate returnees. Certainly, translation was a big part of communication, but there were the Chinese counterparts that had excellent English and were internationally trained people. They were smart people and very well educated. The translation thing is a challenge and that's something to learn and there's two elements. There's

> interpretation and then, there's translation. Sometimes, with the more lucid conversation, you allow your Chinese speaker to interpret, so they can sort of paraphrase or add to, and probably smooth off the rough edges of the way you might be approaching something if they think it's not quite culturally right. But sometimes in translation, you need to say: "I want you to, I want this verbatim, you've got to translate this because it's very critical, very important", so it's important to recognise that difference." Participant 17

If a question related to a business objective was to receive an answer from the Chinese regarding whether they agreed to a project with the Australian company, the Australian company would need to source good Chinese staff on the ground to determine how things worked. One CEO, Participant 2 explained how his Chinese staff worked to achieve outcomes:

> "Now you could be pounding away on an email to somebody [in China] and getting nothing back. But if you've got good Chinese [staff], they'll drop the file into WeChat or QQ and usually they'll get an answer pretty quickly. If they don't, then they just give them a quick call on WeChat. We understand the threshold and we understand the amount of pressure and we understand that if they're not interested, they're not interested, don't bother them anymore. And I think that's important as well. If we can get that yes or no from them, that's important. Because a typical Chinese way is to go silent, and we've got to be quite experienced at getting past that silence, because all we're after is a yes or no." Participant 2

Another General Manager, Participant 14 from a different company explained that there are offices are set up in different cities of China to facilitate constant communication. The same General Manager noted that:

> "We used to have Beijing and Shanghai offices, now Beijing is simply corporate, Shanghai is really the working hub and we have account management teams who are all Chinese in China. We still have an expatriate general manager. That team in China provides all of the day to day face to face communication and interaction with customers. Decisions though, around contracts, contract terms and conditions, prices, specialist teams, sitting offshore; again, internal debate, internal discussion, we use specialist negotiators who go in for, particularly high value negotiations, and part of this is they're trained specifically for that, they're given a

> different kind of training. No emotional attachment to a particular outcome, they just want the right outcome for the business." Participant 14

Another perspective was provided regarding another Western Australian company in which a Chinese expert was brought in from China to facilitate the operational activities in Perth. As one General Manager, Participant 12 explained:

> "We generally run everything through [Chinese staff], certainly from a marketing perspective. Any of our customers who are Chinese, everything goes through the [Chinese staff]. So, he doesn't need [a corporate decision-making protocol], he has his [own] decision-making process, he's got his own understanding. And I mean it's interesting to see how, he is more aggressive than anyone I've ever seen when dealing with his Chinese counterparts, but yeah, that's just his innate knowledge and experience." Participant 12

This Western Australian company had a Chinese team based in China also as the General Manager indicated:

> "We also have people over in China now, Chinese people who are employed with the specific purpose of keeping relationships up. They do more sort of discussion with government, but they also talk to customers, suppliers." Participant 12

Based on the findings gathered for the subtheme, *Chinese Staff Working for Western Boss*, it was revealed that having Chinese staff employed in a Western Australian iron ore company is important for effective decision making. Having local Chinese team on the Chinese soil represents the closeness and physical proximity that the Australian iron ore company wants to achieve. It sends a signal that the Australian iron ore companies are approachable and easy to understand when communicating to its Chinese counterparts. Furthermore, the gathering of up-to-date intelligence, having cultural competence, understanding the nuances and semantics of what is happening in the Chinese iron ore business at grassroots levels is extremely valuable and beneficial. Therefore, effective decision making is enhanced by ensuring the correct communication business etiquette and mutual business objectives in Australia or China is maintained and understood.

4.2.5 Theme 3—Difference in Decision Making in Western Australia

4.2.5.1 *Australian Mining Companies in partnership with Chinese, and Chinese stakeholders in Western Australian, Australian companies*

All of the participants expressed that the government and company setup for the iron ore industry in Western Australia created differences in decision making. One CEO, Participant 1 described his understanding of this difference in decision making as follows:

> "You've got [Company A], which has a board controlled by Chinese, but it's still, at least in theory, independent. And you've got [Company B], which has no more corporate governance required than a fish and chip shop, because it's a Pty Ltd, so you've got no minority shareholders, you've got a company where the decisions are guided entirely by the joint venture agreement. So, each of those companies is fundamentally different. You've got [Company C], which has a lot of Chinese support but American debt. Every company is different and every company, I think, you know, the decision-making processes will be guided by all of the usual things which guide decision-making processes, so if you have a very powerful and autocratic chairman you're going to have a company which is, effectively everything is decided by one person and communicated. If you have a very autocratic and powerful CEO and a relatively weak chairman or a non-executive chairman, you're going to have a company where everything is decided by the CEO. If you've got a company, [Company D] in this case, where you've got a very collaborative collegiate environment where decisions are made collectively based on discussion between the most senior people, the board and the senior execs, then again you've got a very different decision-making style." Participant 1

A Managing Director, Participant 10 in another company described how the difference in decision making between WA staff and those based in China at times made it a challenge to convince their own board of potential economic trends developing in China and how the company could support China. This same Managing Director noted:

> "So that was all there when China started demanding a lot more iron ore and when that happened, I guess which takes me to the next period of my involvement which was, round about '03, 2003/2004 onwards up until I went up to China it was not

> all clear what was going to happen. It was not clear China was going to take off. It only really became apparent I guess during 2003, when we sat down with McKinsey's and did a 6-month study about, what does all this mean? About what is starting to happen in China? And it just blew us away when we saw it. And we came to the conclusion and we went to the board. It took some convincing to get the board to understand that this was happening. We had to go through a process because what we were saying is, the market is going to go through the roof, we need the volumes to support it. However, we don't have the volumes. And the board was saying, well, we need proof that this is right because you're asking us for billions of dollars. So those decisions, they were being taken right up and down the company, from the board up and down because there was so much capital involved. This is a highly capital-intensive industry." Participant 10

It was clear that an Australian team based in China was grappling with the new intelligence and the enormity of the business opportunity in China. The Australian team had done a commendable task of communicating internally to their board to convince them that the phenomenon was occurring and to calculate risks in decision making that had to be taken to move forwards. This same Managing Director, Participant 10 stated that this group decision making was necessary to provide the best outcome as explained below:

> "Do we protect, try and protect that traditional system or do we roll with what's going? And, and we're having a number of discussions with the customers about this trying to see what they wanted to do and it, I guess most of them, the traditional ones and certainly the Japanese, and some of the traditional mines in China were saying, we want to protect the system. Others seemed to be less inclined to do that, and the other thing to remember in all of this is China is a much more complex market than any other market for iron ore. There were so many players, not just the big guys and there were a lot of those, but there were many, many small mills starting up who could see that with China's massive urbanisation, industrialisation that there was a demand for steel and everyone from flour makers to construction companies or whatever were getting into, setting up steel mills. And it was just, it was quite an extraordinary phenomenon to have lived through and seen." Participant 10

One CEO, Participant 4 commented that the Western Australian government could help foster the relationship with China and decision making processes between Western Australia and China. The same CEO explained that:

> "I have seen better processes in South Australia than in Western Australia. I've spoken to the Premier in Western Australia and he would say I know best. And if he goes to China, he would go to China with his Chief of Staff and maybe one Minister. The South Australian Premier goes to China he takes 250 people, and he works the sister-state relationship very, very well. And as a subset of that, some of those will be resources people, iron ore people, and he will get his staff in China to have like an iron ore forum or a resources forum. So, I've seen that work and I thought that actually works quite well. The Chinese value on the sister-state relationship is quite incredible. Things happen between Shandong and South Australia because of that sister-state relationship. And in a way because I live in Perth I think it's to our detriment that we didn't think of getting Shandong as a partner, because Shandong and Western Australia are very similar in the amount of resources they've got in the ground." Participant 4

Another Managing Director, Participant 7 in a different company observed that particularly Western Australian or Australian companies that are investing into China or establishing in China is that too much of the decision making is made remotely from China and often ill-informed. The same Managing Director noted that:

> "About 10 years ago we had something in the order of 400 projects, exploration projects being run by foreign companies in China. Today, we have less than a handful of companies that are doing – foreign companies doing exploration here. So why is it so? What's happened? What's taken place? What's caused that to be the case? China still needs minerals to be developed and – admittedly exploration by decision making to explore during a down cycle is, exploration is one of the first activities to be affected by companies, their investment in exploration diminishes very quickly. But I think there's more to it to that when it comes to China, it's not just the downturn that caused that, there's more to do with the regulatory environment here." Participant 7

Another General Manager, Participant 13 from a different company also explained that:

> "If you go back ten years there was almost an obsession in Western Australian businesses at getting into China, doing business in China, we have to be part of the boom in China and all for understandable reasons. But what that tended to lead to was almost a disregard of the commercial aspects of any deal and a desperation to just do a deal." Participant 13

The same General Manager stated that Western Australian companies did not make good decisions and that led to the businesses resulting in financial loss. The same General noted that:

> "There are always these tell-tale phrases that are used that always mean you're going to lose money or it's going to be a bad deal and they go along the line of strategic initiative, foothold, anything that says we just need to get in and get a presence and then everything will be wonderful but this initial investment is – we're going to lose money on it. That has led to people losing an awful lot of money and quite rightly that the Chinese side I think took advantage of that and fair enough." Participant 13

The same General Manager, Participant 13 stated that now the Western Australian business community understands a bit better to conduct business decision in China. The same General Manager noted that:

> "Obviously the China boom is still growing very fast but it is much less so than before and there's more experienced levels within the Western Australian community and has increased to understand the positives and the negatives around doing business into China. So, I think if you go back that ten years there was that very different approach. You didn't really have that into other markets in quite the same way, this desperation to get in. There was almost like a blinkered approach to doing anything with China, just to get in there. And that's ebbed away is my observation." Participant 13

Another General Manager, Participant 14 in a different company stated that relationships built overtime with China in Western Australia helps to pursue commercial interests. The same General Manager noted that:

> "Is anyone ever going to move away from ultimately doing what's right for their self-interests or their organisations self-interests? I think you can go too far. It's the relationship, they're my friends, the end of the day, you're pursuing your

> organisations commercial interests and they're pursuing theirs. If you have a strong relationship built by shared experiences, a trust base, it facilitates the doing of business. It facilitates the solving of problems as they arise, and it facilitates, I think, recognising problems before they arise as well, because little problems don't become big problems" Participant 14

Another General Manager, Participant 8 in a different company stated that:

> "Australian companies can make decisions rather quickly in a few days, whereas, for the same size decision making process, it takes weeks for a Chinese to make and they don't tell you why it's taking so long. They'll invent an excuse or come up with a – it's just not as transparent, so, you get frustrated, waiting and waiting and waiting. I think there are less levels of management to make a decision making process than there are in Chinese culture, in a similar size company." Participant 8

All of the participants considered that the size of the company and what the company did played a part in contributing to the difference in decision making in Western Australia. The differences in decision making processes by Western Australian companies parallels the decision making processes by Chinese companies within the iron ore industry. This difference in decision making processes needs to be acknowledged by the Western Australian companies and to find a middle ground to communicate to its Chinese counterparts effectively. The decision frameworks in terms of collective versus individual and the differences in decision making is further discussed in Chapter 5 – Discussion and Analysis.

4.2.6 Theme 4—Decision Making with China

4.2.6.1 *Hierarchical Decision Making*

In this study, all of the participants commented that Chinese hierarchical decision making tended to be closely associated with the government. As one CEO, Participant 1 described, Chinese decision making in China:

> " …it's totally different. Even though they do break out in different companies, they're privatised, they still sing the same song. The one thing that I have seen consistently in terms of decision making is a failure to underpin that decision making through solid risk analysis. An arrogant failure to say right, what are the

> fundamentals of this commodity, what are the fundamentals of this project; what does it look like if we try and break it; where does NPV [net present value] equal zero, you know, at what point do you lose money on this project? What happens if grades go down by 10% or strip ratios go up by 10%? Or recoveries drop by 10%, where are we at? And you know, I think that that's a real issue. And it's an issue I see in Western companies too." Participant 1

Another CEO, Participant 2 explained that the corruption perch and restructuring in the Chinese government affects the Chinese decision making within the iron ore industry. The same CEO noted that:

> "What you're seeing now in the restructuring is, for instance, I've got a very high level Chinese group here at the moment, I've been with them today, and the way that you can measure how important this is, is who owns their passport. And so really now with the people that I know in China, their passports are owned by the government and they are only let out of the safe when the government has approved their travel. So that restructuring has been a tightening of the way that they're able to travel to the West, and the amount of money they're allowed to spend travelling to the West. That's just one small – that's at a management and executive personal level." Participant 2

Another CEO, Participant 4 described that Chinese decision making by government had an effect on improving the standard of living of people in China and shared information about his encounter with the vice premier of China:

> "We were talking about communism before; I remember the China Development Forum 2 years ago [when] I was there with the vice premier [of China] … he was talking about the reforms and what the government was doing, and it was a long shopping list. And as you're listening you're thinking oh gosh you're going to do all that in the next year, and then you remember, oh this is China. China can do this because it's a commando control economy, they can do whatever they want to do. And they can make things happen that other countries can't even think about it. I mean the exact opposite is India, where you've got a democracy just tied up in bureaucracy and tied up with whatever." Participant 4

In relation to the Australian and Chinese iron ore industry, this same CEO, Participant 4 stated that even when an Australian iron ore company offered its

Chinese partner a business opportunity to increase the size of the joint venture, the Chinese declined. As this CEO explained:

> "Well my understanding is that within each organisation there is a commercial arm and a political arm. The government has State owned enterprises and there is a political organisation within. So, you've almost got two masters. You've got a business case, but then you've got government policy issues and so on. I think that it is a continual process for them, of compromise. I remember with Joint Venture X, and at the time the Chinese premier and the Australian prime minister were involved, we had agreed to a joint venture, 10 million tonnes, plus or minus 1 million tonnes; so, 11 million tonnes maximum. And the market took off, and I said to the [state owned enterprise company] management, we should increase the size of the joint venture, and they said why, and I said because the market demand is very strong. There's an opportunity and we should use the infrastructure and the synergies and what-have-you of expanding the joint venture. And they said: 'no sorry we can't do that, because this decision has been made by the Chinese premier, we cannot change it'. So, the Joint Venture X has stayed since 1988 10 million tonnes, plus or minus 1 million tonnes." Participant 4

One General Manager, Participant 14 in another company explained that China's decision making process is based on its government. The same General Manager noted that:

> "Not the case in China, in terms of the decision other than that the decision making process and the fact that though the senior person has a lot of authority. It's authority that exists because the group gives them that authority. So things are, the horrible Western term, workshopped, an internal consensus is reached, so it has the support, similarly in China, which is why you need all that multilevel engagement, because if you want the right decisions to be made, you've got to make sure that it's supported all the way through the organisation, because that again helps, where I can make this decision because I'm not going to have someone criticise me, I'm not going to have someone denounce me. It is a group supported decision and now I'm in a comfortable place, I can make this decision and I can take it to my leaders, because again if it's a State Owned Enterprise, we were talking about, and we're talking about something as significant as a joint venture, it's not made, the decision isn't made by Company X who was our partner in Joint Venture X, it was made by the state council." Participant 14

Chinese decision making was heavily influenced by the Chinese Government, as one Senior Manager indicated:

> "…there's much more influence in Chinese Government decisions. I mean I can suggest a case of [Company X] was looking for developing a whole basis of contracts and they were completely on the nose in China for one time. I went there and nobody wanted to sign up contracts and of course, they were going through the case of [Company X] providing misleading information on the resources and the relationship with the Metallurgical Construction Group [in China] was not that good. At that point in time in the NDRC [National Development Reform Commission], the Chinese Government were allocating particularly major steel companies to take the lead role with major companies around the world. So, they were influencing individual Chinese companies, who was going to negotiate on behalf of a whole stack of companies. So even though [Company X] the company wasn't ultimately charged, they felt a bit out of joint." Participant 21

One Executive Director, Participant 21 stated in that period, the Chinese Government claimed that the Company A in Western Australia had provided misleading statements. However, when the same Executive Director returned to China 3 months later, the Chinese Government had a new perspective of Company B and another giant iron ore company in their decision-making process. The same Executive Director explained China's rationale:

> "The NDRC had decided that … another giant iron ore company and Company C were getting too big in the market place and the Chinese wanted to sponsor a fourth competing party on the market. So, all the state-owned enterprises' steel companies were told to sign a contract with Company B. So, Company B got a pretty solid base going and that was directly influenced by the Chinese Government directive." Participant 21

As highlighted earlier, joint ventures with Australian companies linked to State owned enterprises could cause a misunderstanding to the point of conflict in terms of Chinese and Western decision making. As one CEO, Participant 3 explained:

> "For example, Company X in Western Australia at one point had to make a write-down on the carrying value of the investment, and Company Y in China resisted and said, 'Well we cannot do that'… because that created issues for Company Y in China. Where an Australian Board and executive team would just say, 'yep,

> we're not happy about it, but we have to do it'. Because you have to be upfront, you have to be transparent and you have to make the tough calls, right? That's just ingrained, you wouldn't think of not doing that. Whereas Company Y in China is like, 'Oh no we cannot do that'. And you'll say, Why?' … 'Oh, because there's never been a State-owned enterprise that's made a write-down before.'… Or 'If we make a write-down then that has an impact on our listing'. Which is okay, that's the China context, but it doesn't help you in Australia. You've got to comply with the law and directors have an accountability and take that very seriously. There were issues that created tension in the relationship around governance. We had the auditors auditing Company Y in China. They were not happy with issues such as write-down and carrying value." Participant 3

This same CEO, Participant 3 explained that it was a difficult project and it was hard to work out who was going to make the tough decisions. This CEO emphasised:

> "I wasn't able to because I would be overstepping my authority. And if I do that, then I'm exposing myself, legally. It was a difficult, difficult period at times." Participant 3

It was clear that according to the Chinese decision-making mindset, it was acceptable for this CEO to not reveal the write-down for Company X because they were stakeholders in the company. The Chinese were faced with a huge learning curve that this behaviour might be culturally accepted in mainland China, but not in Australia's business structure. The Chinese had to come to grips with a new set of legislation and operating business procedures in a foreign land (Australia).

However, not all joint ventures with Australian and State owned enterprises are unsuccessful with regard to Chinese decision making. This depended on the type of company with which the State Owned Enterprises (SOE) were associated with in Australia and how established was the relationship. As this same CEO, Participant 3 explained:

> "For example, the [WA] joint venture and the [SOE] joint venture were quite successful projects, where [Company X is the operator, with lots of capability and experience. For those joint ventures, there would be a joint venture meeting every couple of months; they would alternate between Australia and China. The joint venture meetings were really an opportunity to really to have a dialogue about

> how productions are going and any capital investments. Then, it was really just a dialogue between the two entities. Those joint ventures have been highly successful but they're really marketing joint ventures or long-term contracts dressed up with an investment in a mine. So, the way they work is, [SOE 1] and [SOE 2], for each one, invested some money in a mine and it was a fixed investment. So, they put some money in return they got a volume of ore over a period of time, at a certain discount. The investment was structured so they got a return on that and they secured tonnes at the market price. The return of the investment really was effectively a discount if you like on the ore that they received. As I said, that's why it was more of a marketing arrangement than a true project investment in some respects and those investments have gone very well." Participant 3

It was clear to the researcher that the Chinese themselves were exploring investment opportunities in Australia and WA within the iron ore industry and were going through a decision-making process in the hope of establishing a sound business venture with an appropriate Australian partner. For instance, company X may not have born much fruit with one of China's SOE companies compared with Company B—which had the right size and structure and a stronger foundation—with China's other two State Owned Enterprises companies.

Another CEO, Participant 2 provided an insight into how Chinese decision making in the government influenced companies and controlled the opportunities of their staff to travel to Western Australia or elsewhere:

> "I think it's also born out a little bit of the corruption purge. What you're seeing now in the restructuring is, for instance, I've got a very high-level Chinese group here at the moment, I've been with them today, and the way that you can measure how important this is, is who owns their passport. And so really now, with the people that I know in China, their passports are owned by the government and they are only let out of the safe when the government has approved their travel. So that restructuring has been a tightening of the way that they're able to travel to the West, and the amount of money they're allowed to spend travelling to the West. That's at a management and executive personal level." Participant 2

Another Managing Director, Participant 7 who was the chair of Company X and had been based in China for 4 years and before that for 8 years in a different capacity.

The Managing Director offered an alternative perspective on Chinese decision making. The same Managing Director applauded their business model, as explained in the following:

> "I tell them that there is nothing wrong with their business model. Their business model is very successful; it works very well for them. I admire so much of what they do—however, when they go abroad they need to make some adjustments, and just as if you take your laptop to Sydney or to London or wherever, it's got all the information in there that you might need and it will work, you can't operate without it. In fact, you get to your hotel and you plug it into the wall and the socket doesn't fit your plug, you can work with your computer for a short time, but eventually it will run out of power. And the solution isn't to throw your computer out and go and buy a new one. Your simple effective and efficient solution is to get yourself an adaptor. And so, I would like to think that businesses also can have an adaptor. You don't need to change everything completely to be able to work effectively. You need to have the right people in the right place that can help you to adapt to that particular market, so that decision making can go through this adaptor. So, your decision making whatever, whichever model you have for decision making can process it the way that it normally would, but that it's had the benefit of having the adaptor to be able to get you to the point where you can actually put it into your own processes." Participant 7

From the researcher's perspective, this Managing Director's analogy of the universal adaptor required in different countries was ingenious and represented the essence of human relationships, which need the right amount of electrical surge to connect with another individual in a different country.

One General Manager, Participant 12 from another company was involved with a potential State Owned Enterprise company in China and explained Chinese decision making in his own words:

> "I mean they're just, they're much more, well certainly in my experience, much more conservative and they just take a long view. You know, they don't think about the world like we think about it. If they're looking for a project, they don't care if it's developed today, tomorrow, 2 years, 10 years. It seems to me that when it's right, it's right. And it's almost a Zen-like way, I guess of looking at the business world. Having said that we weren't in a situation where they wanted

> something quickly, and I wonder what their behaviour would be like if they did. Because as I said, my sense was it would have been pretty ruthless and they wouldn't care about any of the interests or the relationships they'd build, they would plough through. Again, that was just a sense." Participant 12

From the above findings, Hierarchical Decision Making is prevalent in the iron ore industry, the researcher includes the following salient points.

- Hierarchical decision making exists for State Owned Enterprises and privately owned companies. They have the same objective of conserving and protecting the Nation's interest.
- The State owned enterprises and private owned companies in China are heavily influenced and controlled by the key decision maker, which is the Chinese government
- For the Chinese decision-making mindset, it was 'acceptable' for the Australian CEO not to reveal the write-down for Company X because they were stakeholders in the Australian based company. The Chinese were faced with a huge learning curve that this way of thinking might be culturally accepted in mainland China, but not in Australian's culture of doing business. Hierarchical decision making did not work out for the Chinese in this situation which predictably will be hard to accept for the Chinese counterparts.

The following section looks at *Complex China* comprising the sub themes of *Modern China, State owned enterprises* and *China private steel mills*.

4.2.7 Theme 5—Complex China

4.2.7.1 *Modern China*

A total of 22 executives or 71% of participants stated that the iron ore industry in China was modernising as a result of its Westernised educated locals and the change of political leadership. As one CEO explained:

> "So Company X, I think in my experience, more Western in its outlook. There are executives within Company X who have MBAs from Western universities and probably what I'd call a more sophisticated SOE. Whereas Company B is what I would call a traditional SOE; they're very much focused on their own operations.

> You would never really find a senior executive at Company B who spoke English. Whereas at Company A, who were looking at the Pilbara iron ore project, they brought one of their guys out who speaks very good English and can operate in a Western environment. Whereas Company B they're making a big investment in Australia but they're sending the guy who spent 30 years in XXX running businesses in China, which is just completely different." Participant 3

One Managing Director, Participant 7 from a different company also shared that personnel recruited in international companies based in China changed from 2008 onwards:

> "So, for international companies coming into China, my first business model was to introduce these sea turtles back into China, and we did salary surveys each year. We used to divide the groups into ex-pats like myself, local people, and returnees, and not unexpectedly the most expensive executive when we first started doing the surveys in 2005–2006, the most expensive executive was someone like myself, and then the returnee and then the local person. By about 2008, not long after we'd started doing the surveys, the returnees overtook the expat like myself as the most expensive executive. And we put that down to the fact that these adaptors were very important, that people, that international companies were finding that they weren't making the right connection into the business here, and into the system. And having somebody who understood there are two cultures at play: the culture of head office, as well as the culture of China. Everyone gets worried about the culture of China, but they forget that they have a culture of their own to deal with." Participant 7

It was clear that there had been a shift towards Western expatriates working in China being replaced by Chinese expatriates and local staff who intrinsically understood the nuances of Chinese decision making and the semiotics of the Chinese Government, cultural grassroots and heritage into which they were born.

As one Managing Director, Participant 10 from a different company noted:

> "I think the [decision-making] style is largely dictated by the complexity. [Of] Japan and China, [China] is by far the most complex market. So, it meant that to understand what was going on, you had to get around and see a lot more people. So, to try and understand what was happening in a very complex market, we found sometimes it was very difficult to understand that." Participant 10

The point made by Managing Director in the above quote is important because face-to-face conversations and meetings between companies in different nations are extremely valuable. To have a real sense of what is going in business, Australian decision makers must be on the ground to recognise their Chinese counterparts, deepen the relationship, understand the development of the Chinese economy and at the same time, appreciate the ideology that surrounds it. From the researcher's perspective, it is a complex situation and new ways of decision making within the iron ore industry are emerging for both China and Australia.

Another Executive Director, Participant 21 in another company stated that there is an evolution of Chinese companies becoming world major players. The same Executive Director noted that:

> "I used to work for a steel company looking are raw material supplies and we would develop a strategy, a policy of securing by investment, by long term contract. In the market place, Company A from China and Japanese groups are very much in that style. Company A were talking to me about their investment strategy and going around looking to secure a certain amount by investment. Whereas 5 years ago, you wouldn't get one Chinese steel company talking about any strategy on the percentage. They would just take whatever they can and whatever comes along but now, and of course Company A has just bought out Company B [in Australia]. It was all part of their strategy of buying to secure supplies through investment for their steel mill." Participant 21

The same Executive Director further explained that

> "I think there's an evolution and I think there's more an evolution of Chinese companies becoming world majors and operate in the strategy of the world market rather than purely from a Chinese historical, cultural point of view. There's certainly a shift in the attitude where the whole Chinese steel industry is going through mergers and acquisitions and particularly on a Provincial basis." Participant 21

One General Manager, Participant 13 from another company explained that the new players are China's private companies and these companies are more Westernised compared to the traditional state owned enterprises. The same General Manager noted the following:

> "I said our counterparties have changed over the last 15 years in China and the way we interface with the government, both state and federal has changed very significantly as well during that time frame for the better from my point of view in that 15 years ago the government was very involved. I used to go on road trips through China with the Minister for Trade, Federal Minister for Trade, and we'd have this entourage trailing around after him going to endless meetings and dinners and so on. Now that is really falling away, thank goodness. And I haven't been on one of those for a long time. So, and again, the new players in China are private companies. They're certainly more Western but they're not the big state-owned monolithic national corporations that we used to deal with 15 years ago. They still exist and we still deal with them but they're really being marginalized to some extent." Participant 13

One General Manager, Participant 14 from another company explained that China of 1987 is vastly different from China of today. The same General Manager noted that:

> "China today is different from the China of 1987 – my first trip there and from arriving at Capital Airport and all the baggage handlers were out for their dinner, because we landed at 6 o'clock at night. So, you just wait till they come back from dinner, and then there was the single lane in from Beijing airport, which you're sharing with the horse and carts, to downtown Beijing, and there's no street lighting at night. At night the little 3 wheeled tractors are allowed in central Beijing and it's all grey and concrete, everyone was wearing Mao suits, bicycles everywhere but no cars." Participant 14

The same General Manager continued to share his China experience stating that:

> "Toilets that don't flush. You were lucky if you got water sometimes at some of the steel works, they would put the water on especially for you, which is a huge privilege. But yeah, it was interesting. I wish I had a camera, although we probably wouldn't have been allowed. Travelling on steam trains….. now you go on a high speed train and everyone says: "Oh this is pretty cool… 320 kilometres an hour"…… and you think yeah….. it pretty cool when we used to go on the steam trains as well." Participant 14

Another General Manager, Participant 16 from another company explained that the international market plays an increasing role in China. The same General Manager noted that:

> "I think as the market plays an ever increasing role in China, and obviously, the government has made it clear that that's what they want over time, I think people have become more comfortable with the mad Western model. I also think that so many of the senior executives in China now study abroad, whether it's in US, or Europe, or Australia, or other places, that they really get quite a good understanding of what does capitalism look like, what do free markets look like. I'm sure, given that a lot of them also studied in China, they sort of can compare and contrast how that model sort of compares to the model that we've got in China, which is obviously more about centralised control and collaborative decision making." Participant 16

One General Manager, Participant 17 from a different company explained that the iron ore market is getting more sophisticated and with it changes in China's demands. The same General Manager noted that:

> "I think the market is becoming more sophisticated, and we've gone from benchmark to the futures market. The futures market is becoming much more prominent and dominant. So, I guess it's being able to deal with the risk management around that. The changes in China, and their economy, a lot of steels been used for construction and will continue to be for a while. But that can change over time too, to a different profile, which will require different raw materials to promote, or to facilitate the production of the appropriate quality steels. So, in terms of that sort of decision making – that sort of analyses and knowledge information and future trends, that's going to be quite important I think." Participant 17

From the findings outlined above, the researcher surmises that even though China is embracing the Western business model within its own private companies; it still retains its communist ideology in the heart of its operations. From the researcher's perspective, China is trying to recognise the way international markets work and Australian companies have to be prudent and realise that even if Chinese companies are modernising their business operations towards the Western model, it operates very much as communist control economy. Through the various cultural dimensions research highlighted above, it has indicated with a country like China, that this nation has a dual combination of state controlled private enterprise overseen by a socialist and communist government. With its ideological and political set-up, China's way of doing business is completely different to the Australian context.

Thus, the Australian companies within the iron industry need to incorporate that paradigm in their decision making processes so as to align and understand their Chinese counterparts' position; which is the inbuilt national interests of any Chinese company, be it private or state owned will have to be incorporated in Australia's decision and communications framework.

4.2.7.2 *State-Owned Enterprises*

The interview findings include that 25 Executives or 81% of the participants mentioned they had encountered State Owned Enterprises in the iron ore industry in China and it was important to identify the right decision maker in China with which to negotiate. As one General Manager, Participant 14 explained, understanding where decisions were made and which interested party needed to be kept informed was vital for the success of their business. As the same General Manager explained:

> "S-A-S-A-C [State-owned Assets Supervision and Administration Commission]—that's the central assets administration body under the National Development Reform Commission. So that's the holding entity for all of the systemically important state-owned enterprises. So Company B is a systemically important enterprise; it's the champion of the Chinese steel industry. It's a centrally controlled state enterprise. The other big steel mills in China are controlled by provincial-level SASAC, not by the centre. In terms of understanding where decisions are made, understanding who it is you're actually negotiating with, understanding which interested parties need to be kept informed, or you need to ensure that you're aligned with, it's important to know where your counterpart sits in the China space. Company B, and you might have read, they've just been merged with Company C, so Company C is also one of the few centrally controlled state enterprise—I think there's only three central SOE steel mills, so Company B and Company C are being merged to make a new national champion for the China steel industry. So, you talk to Company B, and there's obviously Company B's own self-interest, in any negotiation, but there's also a national interest at play and it's very important, for example, with Company B to understand that." Participant 14

One CEO, Participant 1 from a different company explained that Chinese making decision at the very most senior echelons controlled by State-Owned Assets

Supervision and Administration Commission (SASAC), the Chinese government. The same CEO noted that:

> "The Chinese making decisions at the very most senior echelons. And then how do they make that decision? The fundamental economic governance of State-owned Assets Supervision and Administration Commission (SASAC), saying well do we shut these projects down; what is our decision. And who makes that decision – does the president make that decision – well it's probably not big enough for him, but does the most senior person at SASAC or the most senior person at Bank A in Beijing or Bank B in Shanghai make that decision or do they leave that decision to the executives?" Participant 1

The same CEO explained that the way Chinese companies operate in China, it is still very much under the influence and control of State Owned Enterprises (SOEs). The same CEO explained further that the President of these companies make their decisions based on their government's directive. The same CEO noted that:

> "Now if it's made by the president, he or she is going to make that decision based on what the country needs not whether or not Company A [in Australia] makes money. The country needs captive resources of iron ore, because China doesn't have much of its own iron ore of any quality, and it's still cheaper to produce iron ore at Company B [in Australia] than at most Chinese iron ore mines. But if you leave that decision to the president of Company A, well, ultimately, he needs to have a return for his shareholders. So, does he decide to shut that down, and where is the value for China? Well, as a State Owned Enterprise, maybe he's still making that decision based on China, but someone has allowed him to make that decision." Participant 1

Another CEO, Participant 3 from another company explained that it is important to know who is the decision maker, as the Chinese government is hierarchical in nature. The same CEO noted that:

> "At times, there are misunderstandings or misalignment on objectives. It's important to spend time to make sure you understand what the counter part is really looking for because sometimes it's not immediately clear. And there's different drivers for the Chinese which at times aren't clear to you. So, it can be a bit of a journey to work out what they're really endeavouring to achieve. And it is quite hierarchical right, so people at a more junior level aren't really empowered

> to make decisions, they're really about taking messages back up and down the chain." Participant 3

Another Senior Executive, Participant 19 from a different company mentioned that decision making from State Owned Enterprises take a long time. The same Senior Executive noted that:

> "To deal with a State-Owned Enterprise, to have a decision on an investment will take 6 to 12 months. Everyone does the work and you spend a lot of time doing the work and nobody knows who the decision maker is. Finally, as you are pushed up into the system, you want to meet the decision maker and have dinner. Once he likes the idea, then the work gets done to support that decision. The Western companies have a system where the proposals are entered in with the investment committee. Whereas the system in China, it's really comes down to one key person. It's like home really. It's the Mrs that makes the decisions." Participant 19

From the findings outlined above, the researcher surmises even if Australian iron ore companies are communicating with the President of a private or public iron ore company in China, the decision maker lies at a different decision making structure of the Chinese government. The researcher concludes that Chinese model decision making in China is supported by its government officials working in different organisations and is intrinsically linked to State Owned Enterprises and State Owned Assets Supervision and Administration Commission. Australian iron ore companies exist without government involvement in their decision making business structure and operations. The researcher in this study concludes that Australian iron ore companies will have to establish relationship networks with China's government, and recognise the core of decision making processes of their Chinese counterparts differs greatly from the Western business decision making model.

4.2.7.3 *China's Private Steel Mills*

The findings include that 21 Executives and 70% of the participants had experience in dealing with China's private companies.

One CEO, Participant 6 from another company mentioned that it was easier to deal with private enterprise in China. The same CEO noted that:

> "Our engagement has often targeted private enterprise in China to try and bypass that very problem, but even then, it can still take some time. Historically, there would have been a preference to deal with private enterprise, rather than state owned enterprises because of the ability to get things done, and the ease with which that could happen. It's a gross generalisation, but it's mostly the case that private enterprise has some Western trained representation and a bit more entrepreneurial, in which case you can typically get things done a bit faster than you would with a state-owned enterprise." Participant 6

As one General Manager, Participant 14 from another company stated:

> "Well I mean what we're seeing is the private enterprises are already competing with the State-Owned Enterprises really very aggressively. A lot of the State-Owned Enterprises, all actually, have really suffered from the whole corruption issue over the last five years. I mean people I know quite well personally are currently in jail on corruption charges and some bad business decisions have really undermined almost like the authority of the State-Owned Enterprises. And we're seeing these private companies and some other smaller State-Owned Enterprises sort of trying to go around them and develop external links around State owned enterprises, who often had a sort of chokehold on the infrastructure you need in our business. For instance, to get [a commodity] into the market you need certain bits of infrastructure that were controlled by State-Owned Enterprises. We're seeing the private companies breaking in there as well to allow them to deal directly with us. So, it's definitely a changing environment." Participant 14

One Director, Participant 26 from another company explained that there is a big difference in communicating with Chinese State Owned Enterprise and Chinese private. The same Director noted that:

> "There is also a big difference between dealing with the Chinese State Owned Enterprise and Chinese private companies. And Chinese private companies don't behave the same as Western private companies either because the whole dynamic of the politics within China does mean that private companies in China are very conscious of managing their external stakeholders and where they fit in the broader jigsaw that is China. Whereas Western companies are all about where we're going, everybody else get out of my way, this is what I want to do." Participant 26

Another Director, Participant 25 from a different company explained at times the decision has been already made by the Chinese private company but we are told a different perspective. The same Director noted that:

> "The Chinese foreign investment rules if they're investing overseas often they will have to get a third party to provide an independent view on buying or selling an asset, so sometimes I believe it is a bureaucratic process or step that they have to go through before they can make the decision anyway. For example, they might want to buy something but their foreign investment board have said no. If you're going to spend this amount of money, you have to go and get an independent party, a non-Chinese independent party to provide some commentary on this and we do that, but often I get the feeling that they've made their decision anyway." Participant 25

From the findings outlined above, the researcher surmises that the Chinese private steel mill companies though Westernised in their outlook and have the ability to compete aggressively with the State Owned Enterprises. Ultimately, the Chinese private steel mills decision making is intrinsically linked to the State Owned Enterprises or SASAC. Australian iron ore companies may find it easier to deal with the Chinese private steel mill companies as the Chinese counterparts are Western educated and can speak the English language fluently. However, the Australian iron ore companies still need to be aware that these Chinese private steel mills are backed up by the national interests and decision makers of China and heavily influenced by the Chinese government.

4.2.8 Theme 6—Chinese Culture

4.2.8.1 *Guanxi—Patience, Understanding, Trust, Respect and Diversity—Extends to Family Level With Westerners*

In relation to *Guanxi*, 100% of the participants believed that building new and auxiliary relationships will help facilitate the decision-making process. The majority of the participants noted that it will take time to build these relationships.

It was revealed in the interview findings that 29 Executives or 93% of the participants had heard of the word *guanxi* and were aware of what it means in

Chinese culture. It is about saving face and giving face. In China, the concept of *guanxi* has been valued for generations.

One CEO, Participant 2 stated that *guanxi* can extend not only in a commercial relationship in China, it may overlap in the personal and family realm. The same CEO noted that:

> "What I would say is that if you're dealing with the guy at the top, the chairman, then the first priority is to look after his family. Over the years, I have been the guardian or whatever you want to call me for a number of students from the Chairman. And that forges a relationship at family that overrides anything else, and the trust that comes from the fact that they trust you to look after their children. At the moment, I'm dealing with their children from very, very senior government people in China. For instance, with one of them, I'm taking him down to Margaret River to give him a tour of, a personal tour of some wineries and introduce him to the Premier. So you work on looking after the children, I'm also giving them advice on PR [permanent residency], so I'll get specialist agents to give them advice on PR and then we'll be looking at how, when they come out of university we place them into groups that may support them with their PR. So that's also part of what I do, but it has all got to be above board." Participant 2

The same CEO, Participant 2 mentioned that in terms of developing *guanx*i, as a Western business person one needs to be prudent and pick the moments to be involved in social drinking. The same CEO noted that:

> "So that congress that happens around eating, and the drinking that goes with that. And this is my 96th trip to China, this trip. The amount of times I've gone to China, if I'd gone hard on every invitation that I'd done to, for drinking, I'd be dead by now. I really would, I would be a mess. But what I do on special occasions, especially with Chairman." Participant 2

The same CEO, Participant 2 explained that patience and understanding of the culture is essential for developing and building relationships. The same CEO noted that:

> "Patience and definitely understanding the culture. Now you won't get past first base if you don't deal with the Chinese in the way that they know. You build a lot of face and respect from the Chinese by showing that you understand their culture.

> And they will actually then in a way try to show that they understand your culture. But if you go over there and put your foot in the door and say I'm not leaving till you sign this contract. You're never going to get anywhere in the next 2000 years, with the Chinese. They have their own understanding about how business works and business is based on trust and understanding. The most powerful thing for me in the trust is dealing at the family level." Participant 2

One General Manager, Participant 12 in another company explained that not understanding the way China works initially can be frustrating. The same General Manager noted that:

> "In some levels I guess it was frustrating, but once you realise that that was the way that was going to be, I think it helped us to develop a deeper relationship with them, and to think about, so we had to think about more social events to engage, rather than thinking we could walk into a room and have that relationship. So, we spent a bit more time going out for dinners and supporting things that they were supporting. I'm still not sure that really created a real and enduring connection. I always felt that they were strangers in a strange land and were very cautious because of that." Participant 12

The same General Manager, Participant 12 mentioned that saving face was an important aspect of developing *guanxi*. The same General Manager noted that:

> "Absolutely. There is no question that this idea of saving face. I can't think of any other things that came in, but when we talk strategically about what was happening, we were always mindful. I mean it wasn't something that we had written down, we never had decision making rules and processes, but when we talked about what was happening and what should be our next move, we always thought about what would be the impact, you know, would there be shame, saving face issues with Company M if we did something. And sometimes we actually made the wrong move, we would do things and forgot about them and we got told pretty clearly, not by them per say but by some of the Australians that were working there." Participant 12

The same General Manager, Participant 12 stated that respect was important even if at a meeting to involve and include the Chinese counterpart. The same General Manager denoted the following:

> "I think it's the most important, I mean obviously things like understanding about respect, saving face, why certain behaviours might exist. I think the respect thing is enormous. You know, sometimes we would find ourselves not talking to the head guy who doesn't speak English and talking to the Australian project engineer if you like, and you could just see in those moments that we were starting to lose the meeting. We had to pull ourselves back and go back and address the chair and engage with him again. And even if he didn't understand, it didn't matter. So, I think just being really cognisant of culturally what's going on, is the first one, and then secondly, and trying to behave in accordance with them." Participant 12

Another Manager, Participant 31 in a different company explained that China is opening up and getting more international and that helps with building the relationship. The same Manager noted that:

> "I think because China's opening up and there's more companies doing business internationally they understand that there are cultural differences as well that need to be respected but everyone likes their own culture to be respected and if the counter parties, it's like going to France and not speaking French." Participant 31

The same Manager further explained his understanding of *guanxi* is that fundamentally people are the same and value the same thing. The same Manager noted that:

> "People are the same all over the world right. They value the same thing. People value, whether they want to admit it or not they value family, they value relationships, they value love, everyone wants to be loved, no one want's to be rejected. Treat people well. Right treat people with respect regardless of what culture they're in and treat people how you would want to be treated. So, show the trust, be genuinely interested in people, because if you're the kind of person that just sort of pays lips service to stuff people will know and you come across as insincere." Participant 31

From the findings outlined above, the researcher surmises that culture is intrinsically linked with decision making and the environment the company operates within in terms of government and commercial regulations.

One General Manager, Participant 13 from a different company explained that to a certain extent *guanxi* helps with the decision making process through relationship building. The same General Manager noted that:

> "So, it's something you have to be aware of. For instance, we've got a representative in Beijing and his job is to build relationships, facilitate us building relationships even though we're only there during visits. And it's actually a fairly challenging job. It sounds like a wonderful job in that he's out to lunch and dinner and so on and exactly, that's my reaction as well. That's what his job is - building those relationships in a way that's effective. It definitely makes a difference, but it makes a difference in every culture I've worked in. If people like you they want to do business with you. I mean there's just a truism everywhere. And if they know you they want to do business with you and if they trust you they want to do business with you. And I don't necessarily see that as being particularly different in China" Participant 13

Another Director, Participant 23 from a different company explained that for *guanxi* to work, both sides need to understand each other and spend time in each other's culture and countries. The same Director noted that:

> "So I think we're on a good path, I think both parties realise that this is not just Australia needing to understand Chinese culture, it's the Chinese needing to understand Australian culture, so it's a conversation and I think those individuals that I see that have spent time travelling this path both Australians and Chinese they eventually get to it. You see them understand appreciate and accept and be able to get to the point of making deals and I'm seeing that happening, so it's time and having key individuals spend time, Australian individuals spend time in China and Chinese individuals spend time in Australia. So, the South Australian-Shandong partnership I think that needs to be replicated as much as possible because Australia is now understanding their culture and Chinese is understanding our culture better. So, I think fundamentally that can only be a good thing." Participant 23

Another General Manager, Participant 14 from a different company explained that when a long historical relationship has been established, the oral tradition of passing the stories on in terms of *guanxi* and the continuity of that relationship is important between Australia and China. The same General Manager noted that:

> "When I first started out…….You're the bag carrier, but you're there at the table while those solid relationships are being reinforced. You're meeting your very junior counterparts, who one day aren't very junior counterparts. So, now I'm the alternate chair for the X venture, so we alternate Company A [in China] and Company B [in Australia] alternate the chair. My counterpart chair is someone I knew from Company A 25 years ago, so now he's a senior vice president at Company A and I'm whatever I am. But I mean, if we have a problem, we've got 25 years, and I know some of our customers probably better than I know my wife, I've probably spent more time with them. In all seriousness I probably have, and that continuity……it sounds a bit touchy feely, but the oral tradition, passing the stories on of, why do we do business with these people, what's the history, and have being able to pass that on, and we're fortunate in our office [in China] we've got people who have 20 years' experience of Company B doing business with China and we've had that in our 40 plus year history." Participant 14

Another Manager, Participant 29 explained that *guanxi* occurred within the company that he worked for. The same Manager noted that:

> "My understanding is about saving face is about not being embarrassed, to be made to feel belittled or shown up for lack of knowledge or understanding…… or made to seem inadequate. As I said before, when you were talking to your counterparts, that you used open questions rather than statements of fact. You had to be very careful that the person that you were talking to or the people you were talking seem to be shown up in front of their boss." Participant 29

Another Executive from Senior Management, Participant 20 from a different company stated that *guanxi* cannot be underestimated between Australia and China and like any relationship it has its ups and down. The same Executive from Senior Management noted that:

> "You go through periods where relationships get very strong and then something will happen and they'll deteriorate and you go back into a difficult space, difficult period of time. And then you'll change again, and the relationship will get strong again and where we sit today, we might be on the cusp of a period where the relationships going to go downhill again which is rather unfortunate." Participant 20

Another Managing Director, Participant 10 in another company stated that *guanxi* exists and it is important to have those personal relationships to facilitate the tough business decision and negotiations. The same Managing Director noted that:

> " I think there are personal relationships are obviously very important in the whole *guanxi* thing in China. There are personal relationships right across between various people that have been involved in the Chinese negotiations and discussions and, you would go to anyone who's been involved, and they would have personal friends who are Chinese. You would also have people like the China trainees who would come out and stay with families up in Western Australia for 6 months and so on. I guess what I would also say is that personal relationships are one thing, and you can have very good personal relationships, but business is business. And I remember the Chinese saying that to me early on, "Friendship is friendship and business is business." And they were basically saying, "Listen we can be friends, but this is going to be tough." I think it's true, I don't see decisions in the iron ore business being made on a one-on-one basis between someone who's got *guanxi*." Participant 10

The same Managing Director explained that having *guanxi* established allowed frank and open discussions to occur within the business setting for decision making. The same Managing Director noted that:

> "People having *guanxi*, might be able to have a frank discussion. To me, the important thing is being frank. So, that you're not beating around the bush say, "Listen come on, this is what I really need." That is very important and for big projects in particular having a circuit breaker in there, someone who can go and have a quiet word in the corridors with the counterpart and say, "Listen what are you guys doing? This is what we're meaning, what do you mean?" And they'll say, "Well what are you guys doing this is what?" And that comes back to the negotiating table, that is invariably the way I found it working that having that circuit breaker is very important. Having someone who is trusted on both sides or some dialogue that's trusted on both sides, but that won't of itself, won't solve the deal." Participant 10

Another General Manager, Participant 16 from a different company explained that *guanxi* occurs over an informal setting where sensitive issues are discussed over dinner, not in a formal setting. The same General Manager noted that:

> "I guess the moral of the story is there's all those intangible sorts of dynamics that ultimately govern where you end up in terms of the commercial discussion, and it's important to be aware of the history and the legacy and the roles that different countries and different industries have played. All of that goes into the bucket, ultimately, in terms of how you have a commercial discussion. There are sensitivities around, nobody likes to talk in China about what's happening in Japan, and nobody in Japan likes to, particularly talk about what's happening in China, unless they absolutely have to. And again, it's not a conversation you would have during a formal meeting. If you had it, you'd probably have it over dinner." Participant 16

From the findings outlined above, the researcher surmises that the understanding of *guanx*i in China needs to be developed and invested over a period of time to facilitate an open, frank, trusting and respectful personal relationship between Australia and China within the iron ore industry. In doing so, when the Australian and Chinese counterparts meet to discuss a commercial decision or negotiation, it offers a foundation for an easier decision making process. In challenging times, *guanxi* built historically over many years will help ride through the confronting issues between the Australian and Chinese companies. The findings also illustrated that *guanx*i can be extended beyond the commercial realms where trust built overtime, the Chinese counterparts have faith to seek advice from their Australian counterparts in their personal lives.

4.2.8.2 *Language Barrier*

All of the participants in this study acknowledged that the language barrier would make it difficult for Australian and Chinese counterparts to communicate. Only 10% of the participants spoke Mandarin: two Chinese nationals and one Westerner.

One CEO, Participant 3 stated that the language barrier makes it hard to understand how the Chinese want things done within the iron ore company. The same CEO noted that:

> "The language barrier and, and some of the cultural norms are still hard to understand sometimes, how they want to actually do things. So you get a few curve balls." Participant 3

One General Manager, Participant 13 from another company explained the language barrier is an issue and choosing the right local representative is key for the company. The same General Manager noted that:

> "It's a range of strategies I suppose that we use but the critical one actually is having local people who can interact with our counterparts in the Chinese company and have some understanding of what's going on and relay it back to us. I think for some entities having trustworthy local people can be a challenge, again, not just in China, in all areas where you're dealing internationally. So how you choose your local representative is quite a challenge." Participant 13

One Director. Participant 22 from another company explained that learning the Mandarin language helps to overcome the cultural barrier. The same Director noted that:

> "I think if you're just coming as a Western company planting yourself there and expecting business to happen that just won't happen, so you need to identify a Chinese partner, use government organisations to maybe make that first point of contact but then you need to expect to put a lot of effort in to building relationships and credibility. Ultimately it comes down to your credibility and trust with individuals and companies in China. So, unless you've put the time in you won't go anywhere, so I think if you can speak Mandarin fantastic, most of the executives that I know are learning Mandarin. The CEO of Company R has been learning Mandarin for six years." Participant 22

Another CEO, Participant 5 from a different company explained the perspective that Australian companies do not have issues in dealing with Chinese companies. The same CEO explained that the Australians behaviour is due to the foreign culture language barrier. The same CEO noted the following:

> "I don't think Australian companies have problems dealing with Chinese companies, I think the biggest issues are probably it affects the way we behave – around language and culture. It's not that we try to do business in a different way, I think we're probably just constrained by those far more open and less reserved, I guess. But that's why the big companies have managers living in China, who have been living there for many years, and apparently understand the culture and so forth." Participant 5

One Managing Director, Participant 9 from another company explained that understanding the Chinese language and culture provide the connectivity and bridge understanding. The same Managing Director noted that:

> "English is not big problem for us. In the old days, the boss needs a translator with them all the time, so like me I don't need any translator, we can talk to each other. That's why I think the culture is very important, because we know each other very well already. We are also doing something to improve the culture of Australia so there's understanding between two parties. In my office, we have two free Mandarin classes every week for the Australian staff, it's just some basic Mandarin. At least they can learn a lot of culture and words about China and it's good for them to understand why some colleagues think that way." Participant 9

One Manager, Participant 29 from another company explained not understanding the language at times, hindered the decision making process. The same Manager noted that:

> "Language - was it because they didn't know? The objections might be not because they didn't disagree, but it's just because they didn't want to tell you that they didn't understand. You had to try and differentiate between the two of them, whether it was a lack of understanding or whether it was just purely an objection to what you're proposing. So, sometimes that was a very difficult thing to understand too." Participant 29

From the findings outlined above, the researcher surmises that recognising languages can be a barrier to arrive at a decision point between Australia and Chinese companies in a formal and social setting. Thus, it is important for Australian companies to make the time to be aware of the undercurrent issues facing our Chinese counterparts when communicating with them within the iron ore industry.

Chapter 5: Discussion and Analysis

From the findings explored in Chapter 4, Chapter 5 analyses the decision-making milestones that were made in relation to the political, economic and social landscape between Western Australia and China.

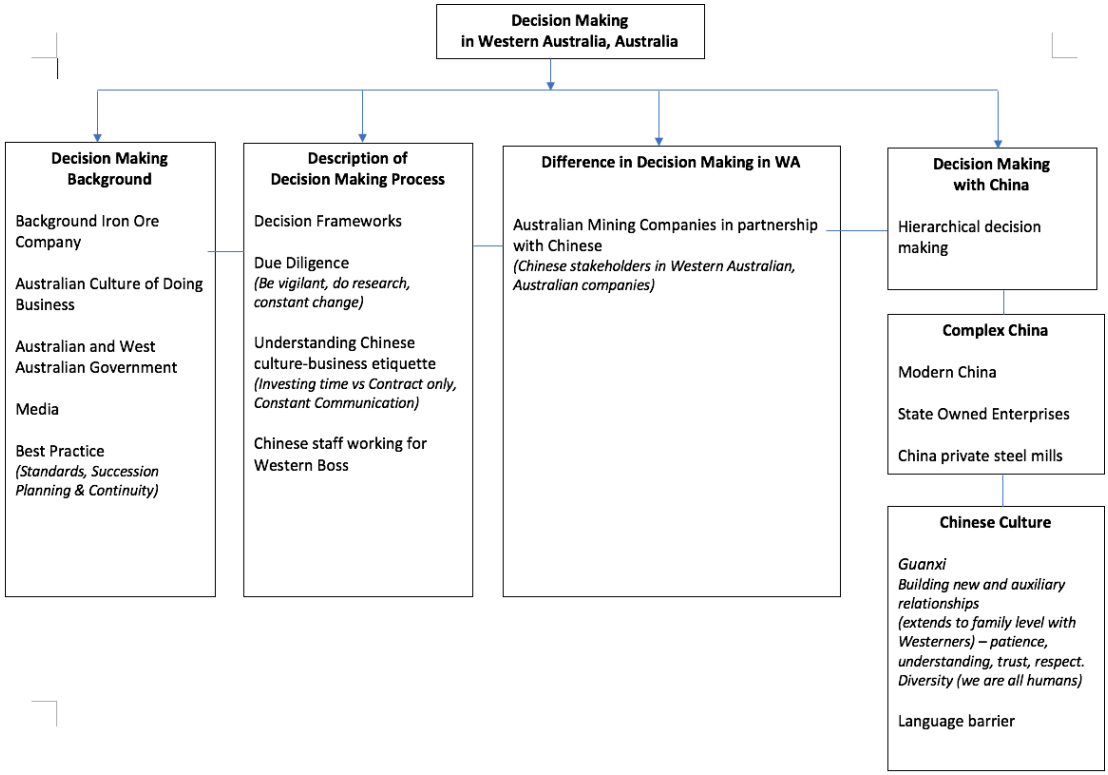
As discussed in Chapter 2, the researcher deliberated with the selected decision making theories that existed from 1970 – 2007. In Chapter 4, the researcher assessed how the participants' world view and their decision making experiences aligned with the developments of China.

Coincidentally, with each change of political leadership, new economic and social reforms, it overlaps with the decision-making processes between Western Australia and China within the iron ore industry. Participants reported on these changes, noting how the industry has changed from the early 1970s to current day and the impacts on decision making.. Based on the findings, the researcher had to assess whether those decision-making theories mentioned would be applicable between the two countries. Through the analysis, the researcher has developed an Emergent Decision Making Model that reflects the participants' lived experiences in this extraordinary iron ore boom phenomena between China and Western Australia.

Decision making models can get obsolete and decision makers have to realise that when a scenario changes, the structured or tried way of decision making need to change within its company. In today's complex environment, has strategic decision making become the norm of decision making to survive and thrive?

After describing the findings in Chapter 4, the researcher began relooking at the themes again in Figure 5.1, it became obvious to the researcher that understanding the political, economic and social reforms of China (or any country for that matter) was of paramount importance, in particular the national interests of China. For China, the state government's ideology and its undercurrent power dynamics running simultaneously with the State owned enterprises interest vastly differs from Australia's democratic capitalist economy where government and private companies daily decision-making processes are separate. As a result, this first section of Chapter 5 presents information on how China has changed over the years, how its iron ore

industry has transformed and how this impacts on Australian decision making with respect to their counterparts in China. This information is presented here as it provides further background to understand the decision making data that was shared by the executives in this research project.



Source: developed by the researcher of this study (2019)

Figure 5.1: Six Themes and 16 Subthemes

Recapping the iron ore phenomenon between Western Australia and China, there were key stages within the industry that the decision makers had to make during the 1970s to 2019. The researcher created a Table 5.1 *Changes in the iron ore industry that affected Australia and China decision making* reflecting the decision models that are applicable in that era from the 1970s to 2019. These are highlighted below and discussed in the following sections.

5.1 Decision Making Background of China State Owned Enterprises 1970s – 2019

The following decision making themes are discussed in this section: Decision Making with China; Complex China; and Chinese Culture.

To understand Chinese decision making, people from other countries including Australia must understand how China's economic reform of state-owned enterprises (State owned enterprises) evolved between 1970s to 2018 (Garnaut et al. 2018) and the current political environment that China is operating in. Restructuring industrial enterprises was the focal point of Chinese economic reform from the late 1970s to the early 1990s (Wang 2007). The speed and result of reform fluctuated across enterprises, depending on the type of ownership (Wang 2007).

The economic reform of State owned enterprises from 1970s to 1992 occurred in several phases and is explained by (Wang 2007). Firstly, the government stimulated enterprises by transferring the distributional relationship between the state and the enterprises through financial incentives. Increased power was granted to enterprises to decide on profits and bonuses schemes. The second course of action was to increase State owned enterprises independence by increasing their decision-making power. The third phase of the policy was to push for organisational restructuring by implementing a contract accountability system (Xun Wang 1995). The relationship between the State and State owned enterprises is important because the state in a socialist economy plays a decisive role in shaping the behaviour of enterprises, and because the state itself constitutes the most important element of the social environment of economic units (Ge 1990).

5.1.1 Changing Distributional Relationship Between State and State Owned Enterprises (1978–84)

During this period, several documents were decreed, including Decision Concerning Problems of the Acceleration of Industrial Development; *The Circular Concerning the Implementation of the Bonus and Piece-rate Wage System; The Regulation of Profit Retention in State owned enterprises; The Provisional Regulation of a Fixed-Asset Tax in State owned enterprises; The Regulation of an Increase in the*

Depreciation Rate and Improvement in the Use of Depreciation Fees in State owned enterprises; and The Provisional Regulation concerning the Use of Bank Loans for the Total Amount of Working Capital in State owned enterprises (Ge 1990).

National figures show that 1,300 enterprises were involved in the changing distributional relationship between the State and State owned enterprises in early1979, and this had increased to 6,600 by the end of 1980 (Ge 1990). Although these 6,600 enterprises represented only <10% of the total number of state owned enterprises they accounted for around 60% of total output value and 70% of profits (Ge 1990). At the core of the experiment was the right of State owned enterprises to utilise a component of their profits; formerly, State owned enterprises profits had been delivered to the Chinese Government (Wang 2007).

5.1.1.1 *Application to the understanding of decision making between Australia and China within the iron ore industry in terms of government and business structures during this period 1978–84*

In relation to the iron ore industry between Australian companies and their Chinese counterparts, understanding the background of how the State owned enterprises work in relation to their Chinese government and nation's interface; where the State owned enterprises' profitability and financial gains are being transferred and utilised shows that the decision making business structure differs from the Australian commercial structure and its legislation. From the researcher's perspective for this study, it highlights the inherent mindset of Chinese companies' retainment of profits and wealth differs from Australia's government and business decision framework which is based on the ASX legislation, stakeholder's and shareholder's value. In China, this did not occur, Chinese citizens initially did not hold shares and were not paid dividends like Australian shareholders, the State Owned Enterprises exist for purely non-financial initiatives. The complexities of the political structure in China and the State influence in decision making is depicted in table 5.1 which represents the Chinese decision making over 60 years including economic and social reforms. Table 5.2 illustrates the politics and ideology in Chinese Decision making over 60 years. Thus, Australian companies within the iron ore industry need to understand that fundamental difference in business and decision principles that underpin China's State owned enterprises and its privately owned companies.

5.1.1.2 *Changing Power Relationships Between State and State-owned Enterprises (1984–86)*

The second period of reform began in 1984 when State owned enterprises gained more power financially (Wang 2007). According to Wang (2007), the State Council issued the *Provisional Regulations on Expanding the Autonomy of Enterprises*. Under the new regulations, State owned enterprises were authorised to produce in keeping with market needs as long as contracts with the Chinese Government were fulfilled (Ge 1990). State owned enterprises were free to sell the products they made on their own initiative. For instance, prices could be 20% higher than those fixed by the state. However, State owned enterprises could not make the decision to hire or fire based on their own economic objectives (Ge 1990). That power was still in the hands of the Chinese Government (Wang 2007). State owned enterprises were authorised to keep a share of their profits after meeting the production quota but were unable to access the retained funds (Wang 2007). Such funds were allocated to social services such as employee housing, medical clinics, and bonuses (Wang 2007).

5.1.1.3 *Application to the understanding of decision making between Australia and China within the iron ore industry in terms of State owned enterprises gaining power financially*

In relation to the iron ore industry in China, it shows that the State owned enterprises' steel mills are going through a change in terms of decision making processes where now, some State owned enterprises are able to retain some profit. In a competitive environment in China, it also highlights the profitability of State owned enterprises and the failure of some State owned enterprises within the iron ore industry and reflects to the ability and capacity of the decision makers. Australian companies need to be aware of this change and assess who are the key decision makers when building relationships.

5.1.1.4 *Changing Contractual Relationships Between State and State-owned Enterprises (1986–92)*

In the third period, from 1986-88, the Chinese Government published a number of documents regarding the contract responsibility system, including the *Regulation Concerning Deepening Enterprises Reform and Increasing Vitality of Enterprises; Suggestions Concerning Deepening Enterprises Reform*; and *Improving Contract Operational Responsibility System and Provisional Regulations Concerning Contract Operational Responsibility System in State owned enterprises*. On 13 April 1988, the First Session of the Seventh National People's Congress passed the *Law Concerning State owned enterprises*. These new administrative and legal bases were instrumental in transforming State owned enterprises into commodity producers with independent managerial power (Wang 2007). Reforming ownership of the State owned enterprises became the most important issue during this period because contractual relationships between the Chinese Government and State owned enterprises cannot be fully established without reforming ownership structure (Burns et al. 1991).

Table 5.1: Chinese decision making over 60 years—economic and social reforms

Era	1960–70	1970–80	1980–90	1990–2000	2000–10	2010–2019	Researcher's perspective
Economic and Social Reform	Cultural Revolution 1966–1976	1978–84 Changing distributional relationship between state and State owned enterprises 1975—Four modernizations: developing agriculture, defence, science and technology industries	1986–92 Changing contractual relations between state and State owned enterprises 1984–86 Changing power relations between State and State owned enterprises	China's industrialisation and urbanisation increase the need for iron ore	Economic mantra of reforming and opening up China's modernisation First Chinese leader to attend the meeting of the G-8.	2013–ongoing Anti-corruption crackdown 'tigers and flies' 11 March 2018 Constitutional amendment passed—removed the country's 10-year presidential term limit	China with its various political leaders over 60 years has affected the economic and social reforms of its country and trade partners like Australia. The decision-making processes and decision framework undoubtedly had to evolve and adapt

Source: developed by the researcher of this study (2019)

Table 5.2: Chinese Decision making over 60 years—politics and ideology

Era	1960–1970	1970–1980	1980–1990	1990–2000	2000–2010	2010–2019	Researcher's perspective
Chair or President of China	Liu Shaoqi 1959–68 (9 years) Mao Zedong Founder of Chinese Community Party 1949–59 (10 years)	Ye Jianying Chair 1978–83 Soong Qingling Acting Chair 1976–78 Dong Biwu Acting Chair 1972–75 (presidency vacant)	Deng Xiaoping 1982–87 (5 years) Soong Qingling Acting Honorary President 1981 (presidency vacant)	Jiang Zemin–Zhu Rongli regime 1993–2003 (10 years) Yang Shangkum 1988–93 (5 years)	Hu Jintao–Wen Jiabao regime 2003–13 (10 years)	Xi Jinping 2013–current	8 presidents in 60 years

Era	1960–1970	1970–1980	1980–1990	1990–2000	2000–2010	2010–2019	Researcher's perspective
Premier of China	Zhou EnLai 1949–76 (27 years)	Zhao Ziyang 1980–87 (7 years) Hua Guofeng 1976–80 (4 years)	Li Peng 1987–98 (11 years)	Zhu Rongji 1998–2003 (5 years)	Wen Jiabao 2003–13 (10 years)	Li Keqiang 2013– current	7 premiers in 60 years
Ideology—Communism, Socialist State with Marxist influences	The Great Leap Forward 1958–60	Maoism ('whateverist') v. pragmatist factions 1975–Abolished state chair, leadership of the Communist Party of the state	Reformists v. conservatives Course of reform Household Responsibility System 1982—President title adopted	Elitist coalition v. populist coalition 19 May 1989 Premier Li Peng imposes martial law 1 June 1989 China halts media 4 June 1989 Tiananmen Massacre, killing 10,000 unarmed civilians (Tiananmen means 'gate of heavenly peace')	Promised more transparency	Transparency is weak	The turning point for China when State owned enterprises was allowed to operate as an entrepreneurial company which in the long run challenged the decision making of a socialist government

5.1.1.5 *Application to the iron ore industry in relations to changing contractual Relationships*

Whilst Australian business rules, regulations and legislation for companies have been established upon Federation in 1901, China was reviewing the changing contractual relationships between State and State owned enterprises in the 1980s and 1990s. Prior to that the iron ore industry between Australia and China were operating in a different legislative framework. This means that the recognised decision makers within the Chinese State owned enterprise were able to be held accountable for the success and failures of the company.

From the researcher's perspective for this study, China's step towards embracing a Westernised business decision model, does not mean it is a move away from its communist roots. This was also the period where it coincided with Australian iron ore companies establishing several offices based in China to facilitate constant communication and enhance decision making processes.

From the period 1993–2003, the Chinese iron and steel industry experienced a rapid growth spurt in the process of China's economic transition since its reform of pricing system, and its total output became the highest in the world iron and steel production (Tian et al. 2005). Table 5.3 shows the annual output of crude steel in Chinese iron and steel industry in from 1993 - 2003.

Table 5.3: Annual output of crude steel in Chinese iron and steel industry

Year	Output (unit: 10 ths tons)		Year	Output (unit: 10 ths tons)	
		Growth rate (%)			Growth rate (%)
1993	8953.87	-	1999	12395.40	8.17
1994	9261.27	3.43	2000	12850.00	3.67
1995	9535.99	2.97	2001	15102.86	17.53
1996	10124.00	6.17	2002	18224.89	20.67
1997	10891.10	7.58	2003	22232.86	21.99
1998	11459.00	5.21	-	-	-

Source: Tian et al. (2005)

The hot rolled steel in Chinese iron and steel industry has characteristics of an oligopolistic industry (Tian et al. 2005). The price of hot rolled steel provides the

base for the pricing decision of steel products in the five leading steel companies, Bao Steel, Wuhan Steel, Anshan Steel, Handan Steel and Taiyuan Steel. (Tian et al. 2005). The output of these five steel companies occupies 54.1% of the total in China (Tian et al. 2005). According to Tian et al. (2005), the hot rolled steel is a common product and there is no difference among the product qualities of these five companies; yet, the price difference among them results from their differentiated brand names. In the hot rolled steel sector, the price of the product of Bao Steel is highest, followed by Wuhan Steel (Tian et al. 2005) (see Table 5.4).

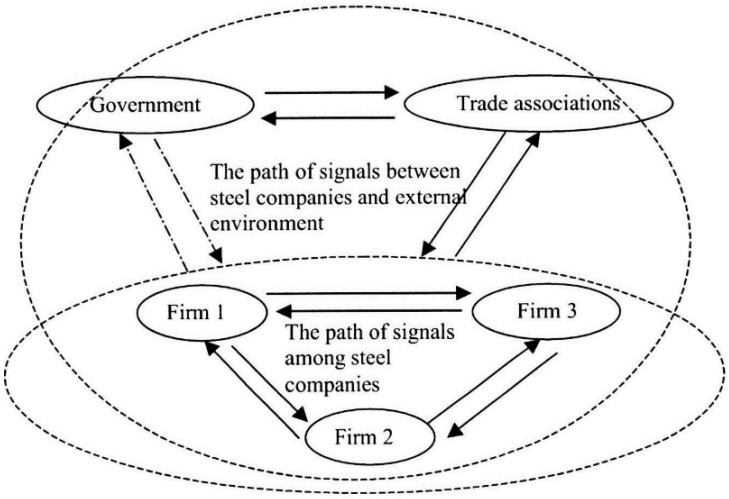
Table 5.4: Principal Indicators of Five Major Steel Companies in China in 2003

Company	Equivalent energy consumption per ton steel (kg/ton)	Total assets (billion Yuan)	Output of crude steel (10 ths. Tons)
Bao Steel	698	172.09	1991
Wuhan Steel	778	46.69	835
Anshan Steel	767	15.01	1070
Handan Steel	776	16.59	603
Taiyuan Steel	959	26.80	460

Source: Tian et al. (2005)

In the hot rolled steel sector, the entry barrier is high, including capital, technology and regulation barriers because of strict market access (Tian et al. 2005). The Chinese government restricted new entrants but selected private investments were permitted to get into the imarket (Tian et al. 2005). The Chinese government did not directly intervene in the pricing decision-making of steel companies directly, it enforced the market price through economic, administrative and legal instruments (Tian et al. 2005). For instance, the Chinese government implemented a raft of measures to cool down the overheated economy (Tian et al. 2005). The measures included raising bank reserve requirements three times and curbing unwanted fixed asset investment projects (Tian et al. 2005). The power of macro-regulation by the Chinese government was extremely influential and the steel price declined to its lowest in May 2004 from the peak in March 2003 (Tian at al 2005).

Figure 5.2 depicts the information communication decision making dynamics among competitors, government and trade associations in relation to price determination (Tian et al. 2005).



Source: Tian at al (2005).

Figure 5.2: Information Sharing Decision Making Dynamics in Chinese Iron and Steel Industry

According to Tian (2005), there were three paths of information sharing decision making dynamics in the iron ore industry in China. The first were the seminars on market situation organized by large scale steel companies (Tian at al 2005). Marketing managers or sales managers in steel companies reviewed future market price patterns (Tian et al. 2005) and competing firms exchanged their judgements about the market informally before the pricing decision-making (Ma 2010). From the researcher's perspective for this study, this information decision making scenario would not occur in Australia's iron ore industry or seminar. Perhaps, an iron ore price forecast would be envisioned but not formed by deliberately coming together as an industry with different competitors determining a price point for the entire iron ore industry in Australia.

Secondly, the communication method was implemented via conferences organised by trade associations (Tian at al 2005). In China, economic transformation from a central planned economy to market-oriented economy took twenty-five years which is considered a relatively recent experience (Tian et al. 2005). With the progress of a market-oriented economy, the Chinese government gave up explicit intervention in the pricing decision of organisations, but retained indirect influence (Tian et al. 2005).

Hence, the communiqué between government and steel companies was indirect, and trade associations were responsible for moderating the communication relationship. To assist steel firms in maintaining confidence in the steel market and comprehend the government's policies, the trade association of iron and steel organised symposiums. The symposium would include the following:

> "… eighty representatives, comprising the vice presidents or sales managers responsible for marketing of 40 major steel companies and large scale dealers In this symposium, the government had signalled its policies' intent to the trade association of iron and steel After the symposium, all the firms increase their prices concurrently. The steel price recovered to a "reasonable" level after it swayed in the past nine months" (Tian et al. 2005)

From the researcher's perspective in this study, this scenario would not occur with Australian iron ore companies where the commercial objectives are led solely by the Australian government's influence, interference and intervention. Thus, the Australian iron ore companies need to realise when partnering with a Chinese iron ore company, be it State owned enterprises or a private steel company, the decision making relationship is simultaneously backed by Chinese government decision makers. It is a hierarchical decision making framework that exists in China and it is certainly not a linear decision making process.

The third method was to become the member of steel related websites (Tian et al. 2005). These major steel websites provided the information for the steel companies, such as "daily market", "industry dynamics", "market analysis", "the companies' prices", and "macro-environment" (Tian et al. 2005). Each member accessed information only available by membership (Tian et al. 2005). This membership was supported and fortified by Chinese government and trade associations, and established by steel firms themselves (Tian et al. 2005). Government is the important element never to be ignored by local companies (Tian et al. 2005, Ma 2010).

This dynamic communication and decision framework that exists within the iron steel industry illustrates the depth and breadth of decision making processes that take place in China. For Australian iron ore companies, who want are involved in the market competition of China, establishing good relationships with the Chinese companies, the

Chinese government and trade associations is paramount in order to understand the market situation of China.

Another line of thought in relation to the transformation of State owned enterprises from the 1970s to the 2000s is the political landscape in which China is embroiled. Contrary to economic justifications, which are anchored predominantly on the market, political economic approaches hinge on analysis of the state (Li 2009). States are seen as the most important institutions that frame and constrain economic actions (Li 2009). Susan Shirk discussed the 'political logic' of China's economic reform by examining the authority relationships between the Communist Party and the government; leadership incentives; bargaining arenas for policy making; groups involved in the policy process; and rules for making decisions within the bureaucratic hierarchy (Li 2009; Shirk 2007; Shirk 1993). Shirk argued that China's chosen path—economic reform without political reform—refutes the standard wisdom about the rigidity of communist systems(Shirk 2007). Shirk concluded that China's path of economic reform is more successful than Russia's due to two features of Chinese political institutions(Shirk 2007). First, China's political institutions are less institutionalised than those of Russia, which gives Chinese leaders more leeway to reconfigure their government and party procedures to make policies favourable to economic reform (Li 2009; Shirk 2007, 1993). Second, China's authoritarian institutions, characterised by 'reciprocal accountability', enable China to make effective progress in at least some policy areas (Li 2009; Shirk 2007, 1993).

Building on and extending Shirk's approach, political factions have occurred within the Communist Party. These factions are fluid and complex but have permeated Chinese politics across the various eras of party rule. For example, Lai (2006) described the Maoist ('whateverist') versus the pragmatist factions from 1976 to 1978 during the period of transition from the Cultural Revolution to economic reform; and the reformist versus the conservative factions from 1978 to 1992 during the period of economic reform (Lai 2006). Factional politics did not dissolve after 1992 (Li 2009), the emergence of new factions—specifically the elitist coalition and the populist coalition, that developed during the transition from the Jiang Zemin–Zhu Rongji regime (1989–2002) to the Hu Jintao–Wen Jiabao regime (2002–12) (Li 2006, 2008, 2009).

Since 2019, the new President of China, Xi JinPing who took office in 2012, has promoted the concept of the Chinese Dream (Wang 2014). According to Wang, the

Chinese Dream is the new leadership's "mission statement" and "political manifesto" for the Chinese Communist Party and the country's future. It is "a major strategic thought" for developing socialism with Chinese characteristics. It's focus is national rejuvenation (Wang 2014). The word "rejuvenation" is entrenched in Chinese history and national experience (Wang 2014). As citizens of the "Central Kingdom," the Chinese feel a strong sentiment of national pride in their ancient civilization and accomplishments (Wang 2013). According to Wang, the word "rejuvenation" has deep meaning for China:

> "The very use of the word rejuvenation instead of rise illustrates that the Chinese have a different perspective of this issue. Many Chinese see this rejuvenation as a regaining of China's lost international status and power rather than obtaining something entirely new. At the same time, the Chinese consider the process of rejuvenation as a restoration of fairness instead of a gain of advantages over others. From this one can see there is actually a big difference between rejuvenation and rise." (Wang 2014, p. 9)

It is undoubtedly easy for people outside China to say that China should just "move forward" (Wang 2014). According to Wang (2014), historical memory of humiliation is not just a psychological concern, it is a journey of constructing the Chinese national identity (Wang 2014). It is too simplistic to think of the rejuvenation narrative as an ideological or propaganda campaign (Wang 2014). For the Chinese, it has historical and cultural semblance, and many Chinese have discovered this through oral narratives, storytelling and by seeing old family photos, diaries, and treasured articles passed down through the generations (Wang 2014). According to Kellas (1990), a county's "official nationalism" relies on the of "social nationalism" shared by all citizens. Countries must become social nations in order to mobilize nationalist behaviour successfully within the population (Kellas 1990). After going through a great decline of national strength and status, the nation is determined to resurrect its past glory and strength (Wang 2013). That is the Chinese Dream (Wang 2014). Xi Jinping states that China must choose the right path for nation building, saying "paths determine destiny." (Xinhua 2012). Embracing the international market has brought China exceptional authority and affluence which represented a new interpretation of the Chinese Dream; for instance, since China joined World Trade Organisation, jobs are generated and prosperity among Chinese has intensified (Wang 2014).

What was astounding was the way that China operated and privatised its shareholding system. China has accomplished significant privatization under the camouflage of 'shareholding economic reform' (*gufen jinji gaige)* (Ma 2010). Earlier regulations focused on the managerial and administrative facets of enterprises, it is only the shareholding system that affected the nature of ownership of State owned enterprises (Ma 2010). The crux of the shareholding system reform (*gufen jingji gaige*) is to transform State owned enterprises into shareholding enterprises (Ma 2010). Shares are issued to the state, enterprises, and individuals (Ma 2010). China took 13 years, from the establishment of the first Chinese shareholding company in 1984 to the formal endorsement of the shareholding system in 1997 for this decision to be accepted as the standard reform scheme (Ma 2010). This decision making process is another demonstration of the gradual and incremental characteristic of China's reform (Ma 2010).

Through this process, state assets are changed from the state to private decision makers, and link the shareholding economic reform as a form of privatization (Ma 2010). Under the shareholding system, a range of shares have cropped up and Ma (2010) describes the following share categories:

> "In terms of type of owner, Chinese shares are categorised into state shares (*guojia gu*), corporate or 'legal-person' shares (*faren gu*), and individual shares (*geren gu*). In places of listing, there are A-shares and B-shares listed domestically, H-shares listed in Hong Kong, and N-shares listed in New York. As will be discussed below, the demarcation among these different types of shares has become increasingly blurred, which is a major characteristic of the Chinese privatization." (Ma 2010)

Originally, state shares and corporate shares were forbidden from being transferred, as a measure against privatization (Ma 2010). China's share market was established in 1990, trading Renminbi-denominated A-shares and US dollar-and Hong Kong dollar-denominated B-shares of Chinese issuers (Yao 2012). By 2012, the Shanghai Stock Exchange was ranked by the World Federation of Exchanges as No. 4, and the Shenzhen Stock Exchange No. 5, of the world's top ten exchanges, measured by equity share trading value (Yao 2013).

According to Ma (2010), A-shares are traded in the Chinese currency, yuan, and are reserved for domestic enterprises and individuals; whereas B-shares are traded in foreign currency, and are available only to foreign individual and institutional investors. Chinese enterprises have issued H-shares and N-shares in the Hong Kong Stock Exchange (HKEx) and New York Stock Exchange (NYSE) respectively (de Jonge 2008). Despite different names and places of listing, B-shares, H-shares, and N-shares are all held by foreigners, they are collectively known as foreign shares (*waizi gu*) (Ma 2010). The various types of Chinese shares are summarised in table 5.5.

Table 5.5: Type of Chinese Shares

	Non-transferable, and not publicly listed		Place of listing			
			Shanghai and Shenzhen Stock Exchanges		Hong Kong Stock Exchange	New York Stock Exchange
Owner	State	Enterprises	Domestic investors	Foreign investors	Foreign investors	Foreign investors
				Foreign shares		
Type of shares	State	Corporate	Individual, or A-shares	B-shares	H-shares	N-shares

Source: Ma (2010) p. 63

According to Yao (2013), in relations to China share market:

> "China opened up its domestic A-shares market to Qualified Foreign Institutional Investors or QFIIs-in an interesting role switch with its B-shares market, which was designed exclusively for foreign investors but was reoriented to Chinese individuals. In 2005, China effected an A-shares Reform, consolidating tradable-versus-non-tradable, segmented A-shares market into a unitary, all tradable A-shares market. At the end of 2011, China officially lifted its ban on margin trading and short selling in A-shares (while the ban remains for B-shares), provided that the government be the sole securities lender to the borrowing securities industry and the sole securities borrower to the securities lending investors." (Yao 2013, 1)

It showed the government's influence in terms of magnitude and control in relation to the private sector and impact it had on the international share market.

Most major currencies like the U.S. dollar, Euro and Japanese Yen are free floating, meaning markets set their exchange rates minute by minute. Others, like the Hong Kong dollar, are pegged closely in value to another currency. Mainland China used a system like Hong Kong's until 2005, but today the yuan is somewhere in between (Bird 2018). Chinese authorities fix a daily midpoint, based partly on the previous close and let the yuan trade as much as 2% above or below this level, intervening to buy and sell the yuan if it rises or falls too far (Bird 2018). In doing so, that controls daily volatility. Furthermore, China's currency trades in two markets as Bird (2018) explains:

> "The onshore market is under the government's direct jurisdiction, while the offshore market has no trading band. The offshore yuan is traded mostly in Hong Kong and is also known as CNH. It often reflects where investors believe the onshore yuan, or CNY, will end up. China owns around $3 trillion in foreign-exchange reserves, a key tool for currency management. From mid-2014 to early 2017, those reserves fell by nearly $1 trillion as the People's Bank Of China tried to stabilize its currency and as Chinese investors moved money overseas. If the yuan is too weak, it can sell U.S. Treasuries or other assets and use the received dollars to buy the Chinese currency, supporting its value ." (Bird 2018)

According to Bird (2018), China's major state-owned banks can help by buying swaps, a way to bolster the currency without immediately depleting reserves. In 2016, Beijing internationalized the yuan and joined the International Monetary Fund's basket of reserve currencies, a milestone in the country's financial development (Bird 2018). Many central banks rely heavily on benchmark interest rates, which in turn directly affect currencies, since higher rates draw in capital. But China's monetary policy is different as Bird states that:

> " ……its central bank focuses on so-called reserve-requirement ratios, a tool rarely deployed elsewhere, which determines how much a bank must hold in reserve at the People's Bank of China relative to its deposits. Higher rates mean less lending. The central bank, which isn't an independent entity like the Federal Reserve, has done this in part because this ratio is less politically sensitive than moving interest rates." (Bird 2018)

This arrangement suggests that Beijing can endeavour to stimulate the economy without pressuring the yuan as much as a traditional interest-rate cut would (Bird 2018).

More significantly, the state's involvement in Chinese enterprises listed in Hong Kong represents the nonconformity of internationally accepted practice, but the uncovering of domestic vulnerabilities of a planned economy to a market economy (Ma 2010). According to the Department of Justice based in Hong Kong, the intervention from the Chinese government goes outside the jurisdiction of the securities guidelines in Hong Kong and the Government of the Hong Kong Special Administrative Region (DoJ 2018).

In relation to China's rebuilding its economy on a global scale, from the researcher's perspective in this research study, China's unprecedented and insatiable demand for iron ore to build steelworks, buildings and so forth supports the Chinese Dream. Australia government and Australian companies have to acknowledge and understand the national psyche of China, and how it manages its central reserves, in its pursuit of this nationalistic goal in its decision making processes.

When historic annual benchmark pricing system switched to pricing on a spot basis (Troszkiewicz 2009), producers were in power to take advantage of the high demand of iron ore from Chinese mills as there was a shortage of supply (Madsen 2015). Changes occurred from 2015, with an influx of new iron ore product into the market, that saw prices cut in half, to levels close to $60 per tonne China (Madsen 2015). The price slump in China affected iron ore traders impacted and China's traders are moving the largest volumes of the raw material into the country (Madsen 2015). Table 5.6 relates to China's ambition in continuing its nationalistic, economic and financial objectives extending to the global markets. The Table 5.6 also highlights Australia's relationship with China's traders in particular, the Chinese company, Henghou which started trading iron ore in 2008. It formed a joint venture with the world's fourth-largest iron ore producer, Fortescue Metals Group in Western Australia, and junior Australian miner BC Iron to develop the Nullagine Iron Ore project, which started to produce iron ore in 2011.

Table 5.6: Selected China's Traders within the Iron Ore Industry

Chinese company	**China's traders are moving the largest volumes of the raw material into the country Source : Steel First {Madsen, 2015 #585}.**
RGL Group	*Estimated 2014 trading volume: 120 million tonnes* The Rui Gang Lian Group (RGL) is one of China's largest iron ore traders and importers. The privately owned company was set up in Beijing in 2003. With a trading volume in excess of 100 million tpy, which eclipses the production output of many mid-tier miners, it is often referred to as "the world's fifth-largest iron ore miner", sources told Steel First. RGL remains a mystery to many market participants, however, due to its low-key style and lack of media exposure.
CNBM International	*Estimated 2014 trading volume: 60 million tonnes* China National Building Materials & Equipment Import & Export Corp, to give it its full name, is an integrated service supplier to the international trade in building materials. It is under the supervision of the state-owned Assets Supervision & Administration Commission of the State Council. Its business covers trade in building materials, steel, forestry products, building equipment, machinery, new energy products, mineral products, coal, and more. Its operating revenue was reported in 2013 to be 98 billion yuan ($15.9 billion). CNBM International ranked 37th among China's Top 500 Foreign Trade Enterprises and fourth among the country's Top 500 Building Material Enterprises. It has become one of the biggest iron ore traders in China since 2012.
Tewoo Group	*Estimated 2014 trading volume: 43.05 million tonnes* Tewoo, the Tianjin Material & Equipment Group Corp, is the largest state-owned material distribution enterprise in Tianjin, and was ranked 185th in the Fortune Global 500 list in 2014. It trades bulk commodities including metals (ferrous and non-ferrous), energy products (coal, coke, fuel oil), minerals (iron ore, non-ferrous ores), and chemical, automotive and electromechanical products. Tewoo is one of the largest iron ore traders in China, and has stable co-operative relationships with many renowned mineral developers and traders, such as Vale (Brazil), BHP Billiton, Rio Tinto, Fortescue Metals Group (Australia), Cargill (USA), and Santa Fe Mining (Chile). The company stalled a $990 million investment in Sierra Leone's Tonkolili mine last year after the mine's operator, African Minerals, ran into financial difficulties. It reported iron ore sales of 32.85 million tonnes in 2011, ranking it third in the domestic industry.

Chinese company	**China's traders are moving the largest volumes of the raw material into the country Source : Steel First {Madsen, 2015 #585}.**
China Minmetals	*Estimated 2014 trading volume: Over 40 million tonnes* China Minmetals Corp is an international metals and mining enterprise. It primarily engages in exploration, mining, smelting, processing and trading in metals and minerals, but is also engaged in finance, real estate, mining and metallurgical technology. In 2013, the company reported an operating revenue of 414.65 billion yuan ($67.3 billion) and total profit of 6.472 billion yuan ($1.1 billion), which ranked it 192nd in the Fortune Global 500 and fifth among metal companies. China Minmetals has transformed itself from a traditional state-owned enterprise into an independently operated one. At present, the group has six business centres, these being non-ferrous metals, iron ore and steel, ferrous mining, finance, real estate, and science and technology.
Wanbao	*Estimated 2014 trading volume: 22 million tonnes* Shandong Wanbao Group, headquartered in Rizhao city, is a large-scale enterprise group operating in three principal business sectors – bulk commodities, services and high technology. Wanbao's total annual import and export volume exceeds 30 million tonnes, and its annual sales income in 2010 totalled nearly 30 billion yuan ($4.9 billion). It is one of China's Top 500 Foreign Trade Enterprises and has been honoured as a National Enterprise of Creditworthiness.
Henghou Group	*Estimated 2014 trading volume: 20 million tonnes* Henghou Group, previously known as Ningbo Hengli Steel Plate and based in eastern China's Zhejiang province, was founded in 1992 and originally sold steel plate and developed infrastructure. After 20 years the company transformed itself from a single-industry business to a multiple-industry group. It now has interests in real estate development, the iron ore trade, international shipping, hotels and steel plate processing. Henghou started trading iron ore in 2008. It formed a joint venture with the world's fourth-largest iron ore producer, Fortescue Metals Group, and junior Australian miner BC Iron to develop the Nullagine Iron Ore project, which started to produce iron ore in 2011. Henghou achieved total sales of more than 10 million tonnes of iron ore in 2013.

Source: Madsen (2015)

5.1.1.6 *Application to the understanding of decision making between Australian government and China's government within the iron ore industry*

From the researcher's perspective in this study, with each different faction in power led by various political Chinese leaders, the era reflected the growth of iron ore demand within the Chinese economy that was unprecedented and unexpected from 1990s onwards. During this period, the Australian political landscape was led by Australian Prime Minister Paul Keating representing the Labour Party for 5 years (from 1991-96) and Prime Minister John Howard representing the Liberal Party for 11 years (1996-2007) (see Table 5.7). As indicated earlier, in the introduction to Chapter 2, change is a constant, and new models of decision making emerge, enhancing leadership decision making in organisations in a competitive complex environment. Theoretically, for Australian companies to develop long lasting relationships with their Chinese counterparts within the iron ore industry, the companies need to recognise the political changes that occur in Australia and China concurrently and acquire new decision making models to be profitable and successful.

Table 5.7: Australia and Western Australia's decision making - Premiers of WA and Prime Ministers of Australia

Era	1960–70	1970–80	1980–90	1990–2000	2000–10	2010–20	Researcher's perspective
Premiers of Western Australia	Liberal Sir David Brand 1959–71 (12 years)	Liberal Sir Charles Court 1974–82 (8 years) Labour John Tokin 1971–74	Labour Peter Dowding 1988–90 (2 years) Labour Brian Burke 1983–88 (5 years) Liberal Ray O'Connor1982–83	Liberal Richard Court 1993–2001 (8 years) Labour Dr Carmen Lawrence 1990–93	Liberal Colin Barnett 2008–17 Labour Alan Carpenter 2006–08 Labour Dr Geoff Gallop 2001–06	Labour Mark McGowan 2017–current Liberal Colin Barnett 2008–2017 (9 years)	13 premiers in 60 years Liberal party in power for 38 years Labour party in power for 22 years
Prime Ministers of Australia	Liberal John Gorton 1968–71 Country John McEwen1967–68 Liberal Harold Holt 1966–1967 Liberal Robert Menzies 1949–66 (17 years) 1949 Founded Liberal Party 1939–41 (2 years)	Labour Gough Whitlam 1972–75 Liberal William McMahon 1971–72	Labour Robert Hawke 1983–91 (8 years) Liberal Malcolm Fraser 1975–83 (8 years)	Liberal John Howard 1996–2000 Labour Paul Keating 1991–96 (5 years)	Labour Kevin Rudd 2007–2013 (6 years) Liberal John Howard (term started in 1996 - 2007) (11 years total)	Liberal Scott Morrison 2018–current Liberal Malcolm Turnbull 2015–18 Liberal Tony Abbott 2013–15 Labour Julia Gillard 2010–13	15 prime ministers in a span of 60 years Liberal party in power for 46 years Labour party in power for 14 years

5.1.1.7 *Australia and China's national, sovereignty and political interests within the iron ore industry*

Following the concept of the nationalistic drive from China and supported by the information provided by the participants pointed the research in the direction of China's relationship with Rio Tinto. A journal article entitled 'Chinalco and Rio Tinto: A long march for China's national champions' in *China Quarterly* explained China's intentions. Rapid growth over thirty years has made China more zealous in its quest for oil and raw materials (Yao and Sutherland 2009). In a push to obtain a stable and cost-effective supply, decision makers in China encouraged national champions to buy or invest in foreign companies, including gigantic transnational corporations such as Rio Tinto, the world's second-largest mining company (Yao and Sutherland 2009).

In February 2008, Chinalco paid US$14 billion to buy a significant stake (9%) in Rio Tinto (see Table 5.8). The purchase, representing China's largest-ever foreign investment (Yao and Sutherland 2009). Chinalco generated an additional US$19.5 billion strategic partnership in February 2009 with Rio Tinto (Yao and Sutherland 2009). Chinalco and China appeared to achieve what they wanted according to Yao (2009). However, during Australia's long Federal Investment Review Board (FIRB) review process, Rio Tinto's share price increased substantially, and shareholders questioned the terms Chinalco was offering and by June 2009 Rio Tinto unilaterally terminated the deal. According to Yao and Sutherland (2009) Rio Tinto's actions greatly angered China's leaders as it did not reflect the *guanxi* and face saving gestures that were built over decades. As a result, in July the Shanghai Security Bureau detained Stern Hu (a Chinese national with Australian citizenship) and three other Chinese staff working in Rio's Shanghai office (Yao and Sutherland 2009). On 12 August 2009, they were formally arrested and be charged with using improper means to obtain commercial secrets about China's iron and steel industry (Yao and Sutherland 2009). Only in July 2018 was Stern Hu released from prison (Birties 2018). According to Birties (2018), China's foreign ministry confirmed his release, which came a year earlier than his original sentence due to good behaviour. The Foreign Minister Lu Kang representing the Chinese Government stated the following:

"While serving his sentence, Hu Shitai complied with prison regulations and discipline and submitted himself to education. The Chinese justice organs reduced his sentence in accordance with the law." (Birties 2018, p.1)

In terms of decision making and relationship building between China and Australia, this issue reverberated throughout the iron ore industry because Australia was in a unique position to have one major client, that is China, contributing substantially to its exports and Australian economy in financial terms. It also illustrates that the Chinese government's influence is strong in the private sector and the Australian companies operating in this environment need to understand the nuances they are operating in.

Important dates	Event
October 2007	Rio Tinto bought Alcan for US$38.6 billion, incurring US$34 billion of debts
November 2007	BHP attempted to buy Rio on a 3:1 all-share swap
February 2008	Chinalco with the US's Alcoa invested US$14 billion to buy 9 per cent of Rio's shares
August 2008	Chinalco raised its stake in Rio to 11 per cent
November 2008	BHP abandoned its plans to buy Rio due to Chinalco's intervention
February 2009	Chinalco agreed to invest another US$19.5 billion in Rio: US$12.3 billion for minority stakes in iron ore, copper and aluminium assets and US$7.2 billion for convertible bonds to take its equity stake in Rio to 18 per cent and two non-executive seats in Rio's board
5 June 2009	Rio unilaterally abandoned its deal with Chinalco and proposed an alternative, to raise US$15.2 billion through right issues and US$5.8 billion from BHP Billiton by forming a joint venture with the latter in western Australia

Source: Yao (2009)

Table 5.8: Chinalco, Rio Tinto and BHP's struggle for control

Simplistically viewed, it could be seen as one incident not worthy considering in a decision making context within the iron industry. Rio Tinto did what it did best, based on its decision making business and legislation in the Western business model. Rio Tinto was deemed correct to pull out of the Chinalco deal in its interests for its stakeholders and shareholders for its own business objectives and fulfil legal requirements. However, the researcher in this study provides another decision making perspective or scenario. When adding the nationalistic zeal of China and *guanxi* element into the decision making processes or decision making paradigm, the iron ore company, Rio Tinto, possibly could have made an oversight in making the decision to pull out of the Chinalco bid without notifying China beforehand which is the *guanxi* element that needs to be re-examined and respected. (On the other hand, if Rio Tinto did notify

China, in Australian's culture of doing business, Rio Tinto would be breaking the law and that will have serious repercussions legally.) When Rio Tinto made its decision to do so, it did not consider in its decision and communication framework how it would affect their Chinese counterparts who are a major client in the global market. In doing so, it unwittingly treaded on China's imperialism objectives and a win-lose scenario tragically resulted in the partnership. According to Kwock et al. (2013), looking back at the events that led up to the convictions, perhaps, the principal reason the Rio Tinto executives were imprisoned is that trust broke down as a result of the failure to establish strong *guanxi* relationships of mutual respect.

5.1.1.8 *Application to the understanding of decision making between Australia and China's national, sovereignty and political interests within the iron ore industry*

From the researcher's perspective in this study, with the collapse of the iron ore benchmark pricing system, has also spelt the end of Australia-China's face-to-face contract negotiations and eradicated that aspect of the decision-making process that existed for over 40 years. In its place, was a spots market determining the iron ore price, however, it left a vacuum for Australia-China companies to readjust their communication and decision-making styles. The iron ore senior executives in this study expressed that the closeness of that relationship and "*guanxi*" developed over 40 years were now represented and replaced through stock markets, financial houses and numerical models, leaving an uneasy divide in the Sino-Australian relationship. This relationship is shifting in a new direction and the Australian companies have to address its decision-making processes to include a communication and cultural framework to address the Sino-Australian relationship.

After highlighting the historical and nationalistic decision making elements of China and its State owned enterprises within the iron ore industry, the researcher of this study, points the reader to the scholarly aspects in terms of the discussion relating to Chapter 4. For this section, the researcher in this study looks at the relevance of decision making processes, decision models and so forth that were discussed in Chapter 2.

5.1.1.9 *Corporate Culture in Chinese organisations – The Chinese Dream, spirituality, religion*

Bringing in the concept of the Chinese Dream discussed earlier in this chapter, it is embraced by individuals and organisations in China and that concept extends in the organisations building a corporate culture of shared values and workplace spirituality (Zheng 2019). The Chinese Dream is intertwined with the memory of a history of national glory and wealth as the centre of the world (prior to 1839's First Opium War) and the century of humiliation by the western powers; traumatic experiences of natural disasters, internal wars, class struggles and conflicts (Zheng 2019).

According to Zheng, constructing a 'spiritual civilization' goes hand in hand to building the "material civilization" through rapid economic growth and wealth creation (Zheng 2019). Li (2015) related that such "spiritual messages" like stability, continuity and happiness dominate the Chinese media (Li 2015). These shared values originated from the socialist root, instead of the capitalist, and include a strong consciousness of a socialist development path, a socialist theoretical system (Marxism) and a socialist political system with Chinese characteristics (Li 2015).

According to Zheng (2019), the author notes that:

> "Eudaimonism is mostly close to the idea of Confucianism which is what many Chinese have followed as either a traditional spirit or religion till today. The basic belief and values system of Confucianism is centred around four words (*Zhong* – loyalty; *xiao* – filial piety; *ren* – genteel; *yi*- righteous) for guiding the lives and behaviour of human beings as they interact with their superiors, subordinates, family members and friends." (Zheng 2019, p.158)

Zheng (2019) expresses that Asian people with the Confucianist values, similar to those with the Judeo-Christian values tend to treat suffering as meaningful and necessary learning or spiritual experience for growth instead of pain (Zheng 2019).

Rosso et al. (2010) states that spirituality is an aspiration towards

> "connection to the sacred, including a higher power, guiding force or energy, or belief system." (Rosso et al. 2010, p. 106)

Both the meaning of work and workplace spirituality may be subject to different interpretations as the official Chinese government prefers using the term 'spiritual civilization' in order to build a harmonious society (Zheng 2019). Building a 'spiritual civilization' requires 'correct spirit' of workers and employees (Wielander 2018). Yet, in Western literature, spiritual employees were treated as seeing their work as a response to the sacred calling from God and interpret their work activities with a higher purpose or meaning (Rosso et al. 2010).

In contrast, in China, workers with "correct spirit" are the ones that respond to the China Communist Party's calling, as the Party is the sovereign power, the only leader – a secular God *per se* in China (Zheng 2019). President Xi, the Party Leader urges their 80 million China Communist Party members to strive and realize the Chinese Dream (Zheng 2019). Responding to the Party Leader involves personal costs and sacrifices and workers with "correct spirit" are encouraged to do work with a spiritual sense of service and transcendence. Even if the work is hard and menial, the labour achieved in service of the national interest is greater than the individual (Wielander 2018)

From the researcher's perspective for this study, in understanding that Chinese communist ideology is tied to spirituality and Confucianism beliefs and values illustrate the multifaceted and intricate psyche of the government which is mirrored in Chinese corporate organisation's values and culture. Whereas, the Australian dream is straightforward and simple, to own your own home, protected from the machinations of the world (James 2007). Differences between the Chinese Dream and the Australian Dream is illustrated in table 5.9.

Table 5.9: Comparison of the Australian Dream versus the Chinese Dream

Items for Comparison	Australia's Dream of Capitalism	Chinese Dream of Socialism
Corporate Culture	Shared values and vision among stakeholders	Shared values and vision directed by the China Communist Party to secure individual and organisation's consensus
Strategic Human Resource Management Goal	Create meaning at work to promote individual wellbeing and wellness	Encourage individual happiness and wellbeing through resilience and hard work
Target	Individual focused	Collectively driven
Control types	Free, with varieties	Restricted, dominated by the State
Frequency for change	Constant change	Reasonably stable, slow change
Theory guidance	Positive psychology movement	Positive psychology mingled with Marxist spiritual civilization movement

Source: Adapted from Zheng (2019) with the researcher's inputs from this study

Acknowledging the fundamental differences between Australian and Chinese culture, it is important for both parties to reach a middle ground in terms of decision making and communication. Cultural ideals will influence decision making as iron ore executives need to make decisions that will be acceptable within their home culture. However, they must also recognise that China will also be working towards culturally appropriate outcomes. Hence, as noted in the data from Executives, having this cultural awareness makes the decision making process more effective. In summary, understanding the context of the Corporate Culture in Chinese organisations – The Chinese Dream, spirituality, religion, provides the insight to Chinese culture and possibly how the decision making processes may differ from the Australian background. The next section looks at another cultural aspect of business decision making – the element of *guanxi*.

5.1.1.10 *Guanxi*

According to Hofstede (2018), China has high power distance orientation that embodies inherent authority characteristics (Hwang et al. 2009, Hofestede 2018). Power distance refers to the degree of power that leaders should have over followers (Hofestede 2018). High power distance orientation leads people to believe that leaders have natural superiority, power and status, making them difficult to get close to (Kirkman et al.

2009). This results in high perceived leader distance between leaders and followers (Du et al. 2019). However, the Chinese society has its cultural and social roots based in *guanxi* (Hwang 2006). Communication and interaction between people are based on the type of *guanxi* between them (King 1991). Therefore, a leader and his/her followers have a high hierarchical difference and may have intimate *guanxi* that leads to a decrease in perceived leader distance (Du et al. 2019).

According to Gong at al (2013), there are two kinds of *guanxi* in Chinese history and culture: the role-based hierarchical *guanxi* identified by Confucianism and the soil-rooted egocentric *guanxi* embedded in individuals' daily life. The influences of role-based and soil-rooted *guanxi* on trust between alliance partners demonstrates a positive synergy between the two on building inter-organisational trust in Chinese history and linking both to inter-organisational trust in the current business environment (Gong et al. 2013). Confucianism accentuates that 'gentlemen' should possess the five virtues so as to maintain the ideal state of *guanxi* structure in the society:

(1) Ren (仁, Humaneness);
(2) Yi (义, Righteousness or Justice);
(3) Li (礼, Propriety or Etiquette);
(4) Zhi (智, Knowledge);
(5) Xin (信, Integrity).

Confucianism highlights the value of *guanxi* instead of individual's identity, and advocates collectivism and the security of the society (Leung et al. 1996). Definition of this type of *guanxi* as role-based hierarchical *guanxi* establishes the mandate of the society from the authority's judgement (Gong et al. 2013). It is akin to the structure of bureaucratic organisation, but different in its focus on relationship connection and the interactive and negotiating guidelines.

Fei (1992) in his book titled *From the Soil, the Foundations of Chinese Society*, suggests that the real-life *guanxi* in China's agricultural economy reveals itself as egocentric relationship networks (Fei 1992). Each *guanxi* network is formed by a stack of circles with different distances toward the self at the centre (Fei 1992). The inner circle of the network values the outer-circle *guanxi* in order to join with another person's network (Fei 1992). This effectively classifies the scope of ego-related collectives, subjects oneself to a manageable set of social roles, and avoids infinite

interpretations of specific *guanxi* ties (Fei 1992). The observation of Fei (1992) indicates the enduring cultural elements are inherited through embedded learning rather than written documents (Fei 1992). According to Gong at al (2013), he explains:

> "This type of *guanxi* as soil-rooted egocentric *guanxi* where the relationship building is instrumental. The soil-based egocentric *guanxi* lies in the liberty that it offers to the self in the centre of the network circles, rather than the role that the self is designated to in a hierarchical structure. The self is not constrained by the responsibilities of the role in an organisation, it is identified by the diversity of the egocentric network that everyone in the radius can improve the self to achieve their own goals." (Gong at al 2013, p.365)

In the Western world, businesses may perceive *guanxi* customs to be unscrupulous and corrupt (Ang and Siew 2000). Following the years when subsequent rules become obsolete and new regulations have not yet been endorsed, soil-rooted *guanxi* produce questionable and debateable behaviours. *Guanxi* is wide spread when regulations are either absent or not well observed (Bian 1994, 2002; Luo 1997, 2007). The lack of formal behavioural guidelines creates a diverse of doubtful areas between what should be done and what should not (Gong et al. 2013). Individuals overseeing resources are not confined by clear regulations but become the decision making power centre in the allocation distribution (Gong et al. 2013). As a consequence, *guanxi* practice may interfere the manner in which resources are allocated (Bian 1994) and may stray to fraudulent behaviours to secure underserving benefits (Nolan 2011).

5.1.1.11 *Evolution of guanxi in modern Chinese history*

With the founding of People's Republic of China, the social structure remained stagnant for about 30 years (Gong et al. 2013). The Chinese Communist Party embraced the Marxist-Leninist principles and executed a centralized economic system that assured employments and renumerations for life to the members who laboured for the State-owned organisations (Gong et al. 2013). The society obeyed a strict hierarchical structure characterised by a centralised administration (Gong et al. 2013). The market was non-existent and undertakings of industries were scheduled in advance ahead by the State (Gong et al. 2013). Correspondingly, the allocation of labour was deliberately consigned (Gong et al. 2013).

In exchange, the State provided the "iron rice-bowl" policy that signified a lifespan of work and renumeration (Gong et al. 2013). Outwardly, these policies sounded attractive and stationed employees in a disadvantageous position because their job and personal status were manipulated and managed by the employers (Shen 2008). The system favoured collectivism and rejected individualism (Gong et al. 2013).

Seemingly the role provided employment stability, individuals were "owned" by the "*dan wei*" (unit or organisation) and lost their self and liberty (Bian 1994). The system disregarded individual characteristics amongst people and managed them according to their specified stations in the organisation (Gong et al. 2013). For three decades, Confucianism was severely censured, yet the Confucian rule of adjusting oneself to reach a virtuous benchmark paralleled with the automation of one's role (Gong et al. 2013). This, added with the powerful stance of the collective, carried on to lead individuals' behaviour in sustaining role-based guanxi (Gong et al. 2013).

5.1.1.12 *The spiral development model of guanxi evolution*

Fei's (1992) research was conducted at the beginning of the 30-year period of the closed economy and centralized planning. As illustrated above, the role-based *guanxi* was reinstated, while the soil-rooted *guanxi* lay dormant (Gong et al. 2013). From 1978 onwards, China went through a succession of economic reforms with its market opened to the outside world (Gong et al. 2013). These reforms shook the inflexible pyramid-shaped formal organisational structures at multiple levels of the society and people's social roles changed unexpectedly (Gong 2013). Role-based *guanxi* networks became vague, as position power and intelligence emanated were not coherent with the hierarchical structure (Gong et al. 2013).

Yang (1994) examined the elements of guanxi in China during this era. Yang (1994) noted the significance of *guanxi* in people's daily life and labour work Chinese cities (Yang) and documented guanxi-related elements such as *mianzi* (face), *renqing* (favours), and *ganqing* (feelings) (Yang). Western society acknowledged Yang's three culture-factors as the dimensions of the guanxi construct (Gold 2003). Yang's work focusses on gifts, favours, and banquets, which are *guanxi* customs in China (Yang 1994) and many of the iron ore executives in this research referred to these practices. These guanxi traditions are entrenched in China's history (Gong 2013). Yang's (1994)

work identifies the return of soil-rooted egocentric *guanxi* after years of supremacy by role-based hierarchical *guanxi*.

China's reform and opening policy saw an era of economic and social change (Gong et al. 2013). In the interim, archaic rules were obsolete while new regulations were slowly established (Gong et al. 2013). Role-based *guanxi* could not always withstand the change, as it could not keep in stride with the fast evolving relationships (Gong et al. 2013). Thus, soil-rooted *guanxi* flourished and it was freed from the rigidity of role-based hierarchical *guanxi* (Gong et al. 2013). The new period saw that soil-rooted egocentric *guanxi* became powerful in assisting people look for prospects to obtain benefits amidst change and instability (Gong et al. 2013).

5.1.1.13 *Guanxi in today's China*

While the earlier section discusses *guanxi* in Chinese history, the researcher of this study explores the role of *guanxi* in today's China. Building upon the historical analysis of *guanxi* in China, Gong et al. (2013) states that there are two types of *guanxi* among strategic alliances through the development of inter-organisational trust (Gong et al. 2013).

5.1.1.14 *Guanxi in the relationship of strategic alliances*

Since economic reform and opening policy came into effect, China has acknowledged the desire of knowledge and learning from the outside world and has supported the establishment of strategic alliances in industrial expansion (Gong et al. 2013). This is ties in with the culturally embedded value for long-term oriented *guanxi* among organisations in China (Hitt 2004). According to Murray (2005), *guanxi* among strategic alliance partners facilitates organisational performance by reducing the market uncertainty and enhancing sharing of intangible resources (Murray 2005). Although, *guanxi* is not a sufficient reason that boosts an organisation's performance, the importance of *guanxi* among alliance partners is recognized as a catalyst to the success of business (Cui 2011).

From the researcher's perspective for this study, this is an important feature that Australian businesses need to be culturally aware of within the iron ore industry with its Chinese counterparts. *Guanxi* enhances the decision making processes by building a

relationship of mutual trust and respect for its business and partners. Again, this was noted by the executives interviewed in this study.

5.1.1.15 *Benefits of guanxi in strategic alliances*

According to Gong et al. (2013), from an organisation's perspective, the objective of *guanxi* practice is to benefit the organisation. Amalgamating the research on the ethical feature of *guanxi* with the social and cultural aspects of *guanxi*, the rewards of *guanxi* are established by the formal resource allocation and the social circle in which one's role resides in (Gong et al. 2013). The former provides the chance of using *guanxi* for contributory purposes, whereas the latter forecasts who will gain the benefits of *guanxi* customs (Gong et al. 2013).

According to Gong et al. (2013), there are pros and cons for both types of *guanxi*, when it comes to relationship building. Gong et al. (2013) explains that:

> "Role-based *guanxi* is consistent with the organisational structure, has relatively clear behaviour guidelines. However, it is rigid and tends to be impersonal. On the other hand, soil-rooted *guanxi* is flexible and supports innovation, although its practice can be ambiguous to an observer. The ideal situation is that the soil-rooted *guanxi* circle and the role-based *guanxi* scope are overlapping" (Gong et al. 2013, 368)

For instance, the spokesperson of the buyer has a contact (inner circle soil-rooted *guanxi*) who also represents a quality supplier; and choosing this supplier is a win-win situation for the organisation and the spokesperson (Gong et al. 2013).

Gong et al. (2013) states that for the buyer organisation, the commitment of the supplier is enhanced due to the *guanxi* connection. For the representative of the buyer, the business produces benefit to his/her inner circle and reinforces interpersonal relations such as friendship and trust (Gong et al. 2013). Thus, an organisation should be sensitive to the *guanxi* person's identification to the organisation (Gong et al. 2013). While supporting individuals to use their soil-rooted *guanxi* for the organisational aim, it should have an in-built mechanism that averts *guanxi* practices that allow the inner circle of individuals to be rewarded at the detriment of disproportional allocation of organisational resources (Gong et al. 2013).

5.1.1.16 *Guanxi and interorganisational trust*

To measure the impact of *guanxi* is through inter-organisational trust. Trust between alliance partners is vital for the organisational network, organisational learning, learning organisation and organisational performance (Bstieler and Hemmert 2010). Trust is established from assessing behaviour and open communication between organisations.

In Chinese history, *guanxi* plays a significant role in building successful business relationships in China (Gong et al. 2013). Research suggests that *guanx*i is a necessary condition of business collaboration (Fang 2008). It is a length process to nurture *guanxi* with Chinese counterparts (Fang 2008). In the beginning, the process is convoluted and perplexing to multinational corporations, but once the essence of *guanxi* is ascertained, discussions and negotiations become amiable and effortless (Leung 1996).

This leads the reader to the next section of *guanxi*, face, trust and respect being applied in the iron ore industry between Australia and China and how *guanxi* and understanding the meaning of contracts improve the decision making processes.

5.1.1.17 *Decision making in relationship building, guanxi and contracts between Australia and China iron ore companies*

In the opening line of Kwock et al.journal article, the author presents the following background:

> "In March 2010, Australian citizen Stern Hu and three of his Chinese colleagues were sentenced to lengthy prison terms for bribery and stealing commercial secrets. Mr. Hu and his colleagues were executives of Australian iron ore mining company Rio Tinto. They were convicted of taking kickbacks from steelmakers to arrange preferential access to iron ore. The charges for stealing commercial secrets were not clearly stated in the lawsuit" (Restall 2010 cited in Kwock 2013, 10).

In retrospect, Kwock et al. (2013) explains that the sole motive the Rio Tinto executives were jailed is that trust disintegrated and the failure to re-establish strong *guanxi* connections of mutual respect (Kwock et al. 2013).

According to Kwock et al. (2013), contracts in China do not have similar legal effect as they do in the Western world (Kwock et al. 2013). For instance, when China's

economic situation underlying a contract changes, the Chinese party assumes the terms of the contracts to be renegotiated (Kwock et al. 2013). Due to feeble courts, application of contractual terms is vague (Yao and Yueh 2009). Kwock et al. (2013) explains the law in China exists, but contracts and the laws must be deciphered from the Chinese viewpoint (Kwock et al. 2013). That perspective or viewpoint is that relationship or connection (otherwise known as "*guanxi*") and it is paramount to the stipulations and requirements of contracts in decision making processes.

Contracts validates the relationship stemmed from mutual respect and trust (Kwock et al. 2013). So, if the situation changes, contract terms may well be modified out of mutual respect and trust for each other (Ambler and Witzel 2000). According to Kwock et al. (2013), *guanxi* is institutionalized by way of concepts that are scripted into China laws, and the China courts interpret those laws are embodied in the *guanxi* customs. Hence, *guanxi* must be understood in order to successfully do business in China (Kwock et al. 2013). Kwock et al. (2013) acknowledges China as a global player in the world markets, will be obliged to follow international standards for commercial transactions (Kwock et al. 2013). This may cause an erosion of the role of *guanxi* in the application of law, however, *guanxi* will continue to be the heart of business dealings in China (Kwock et al. 2013).

The Chinese are inclined to evade disagreeing directly and preserving relations is a deeply embedded social value and in way, *guanxi* overrides the law (Kwock et al. 2013, 2014). Consequently, a contract is signed without much thought to legal aspects (Leonhard 2009), it is only a mere formality.

According to Ambler et al. (2008), Westerners are direct in communication and think in a linear logic fashion with clear alternatives; for instance, if option A is not acceptable, then go to option B and so forth. In contrast, the Chinese build a strong relationship going forward, may fuse option A and option B, or take separate parts of each option (Ambler et al. 2008). Table 5.10 shows the distinctions in approaches.

Table 5.10: Differences between Chinese and Western Culture

Chinese Culture	Western Culture
Group orientation	Individual orientation
Relationship driven	Goal driven
Conflict averse	Inclined to address points of conflict
Seeks harmony, avoid confrontation	Seeks immediate resolution of issues
Communication is top down	Communication is multi-directional
"No" terminate negotiations	"No" means "make me another offer"
"Yes" enables negotiations to continue	"Yes" is an agreement to close the deal

Source: Chen and Partington (2004 p .399)

In a business setting, Westerners' objectives are to sign up the deal or project first, followed by relationship building afterwards. However, the Chinese counterparts would want to get to know the people they are dealing first, assess the like and respect elements that result in the transaction or project (Kwock at al 2013). If anything goes askew, the Chinese will expect that the counter party will be reachable and deal with the problems to maintain a long-term relationship (Gold et al. 2002). According to Gold et al. (2002), the relationship must be based on mutual respect, realism and flexibility that evolve over time. If the situation changes to the detriment of any party, then both parties must discuss and be prepared to modify the terms of the deal (Gold et al. 2002). The Chinese require a partnership relationship mutually advantageous to all sides (Gold et al. 2002). Therefore, the Chinese focuses on establishing a trusting relationship first, and consequently, the business transactions will ensue. Westerners negotiate transactions first, and then wait for relationships to develop (Gold et al. 2002).

Currently, *guanxi* is going through another cyclical process as it is being moderated by China's legal organism; thus, institutionalizing *guanxi* into its system and lessening its reliance on relationships (Kwock et al. 2013).

Guanxi is also being regulated by dynamic market elements that now favour quality commercial relationships in terms of supplier, customer products (as opposed to special personal relationships) (Kwock et al. 2013). Western companies must address the variations of *guanxi* caused by time (Kwock et al. 2013). For instance, *guanxi* will possibly be eroded and become obsolete by Western law such as international

conventions like the World Trade Organisation compels China in becoming an integral part of the global community. (Kwock et al. 2013).

The survival of *guanxi* is likened to a prestigious alliance, club or league that guarantee the members the right to belong (Schramm and Taube 2003). *Guanx*i represents rights and personal networks for Western and Chinese partnerships that are more cost effective than legal systems and time exhausted in expensive courts (Schramm and Taube 2003). In the long run, when the *guanxi* members multiply and the *guanxi* network becomes inefficient; and when China's legal system improves, it may be more feasible to the *guanxi* network (Schramm and Taube 2003).

The information as reported by the iron ore senior executives in this section reveal that long-term contracts between Australia and its clients allowed for future planning and stability of the iron ore industry and its steel mills. The researcher was able to glean that during the periods 1960–96, 1997–2009 and 2010–19, the decision-making relationship between Australia and China in the iron ore industry would have altered significantly when China's demand for iron ore increased and the benchmarking system collapsed (see Table 5.13).

To be culturally intelligent, offshoring partners should evaluate how their specifications, payment, project monitoring, knowledge sharing, human capital management, and teamwork differ from each other (Ang and Inkpen 2008). At the very least, to avoid any cultural chasms and fallout, offshoring parties to act in due diligence and structure culturally informed norms and expectations for the interorganizational interface (Ang and Inkpen 2008).

From a practical perspective, the framework and its associated measures also provide a form of an intercultural balance scorecard for organizations venturing overseas (Ang and Inkpen 2008). According to Ang and Inkpen (2008), a company could conduct an internal audit of the level of cultural intelligence of (i) its top management team, (ii) the projects managers responsible for specific international business ventures, (iii) its competitive capabilities, and (iv) its structural norms associated with managing the interorganizational interface.

To a company that is largely culture blind and culture bound (Triandis, 1994), Ang and Inkpen (2008) stress the focus on cultural intelligence as a firm-level capability is a strategic imperative for businesses in light of globalisation and the strategic necessity in decision making on an international sphere. It is proposed that firm-level cultural intelligence is complex and multidimensional (Ang and Inkpen 2008).

From the researcher's perceptive in this study, for the Australian iron ore businesses to apply the concept of *guanxi* in the company's decision and communication framework, is an integral component in managing and building the Chinese relationship. The Australian iron ore companies must also realize that the concept of *guanxi* evolves and contracts signed are affected by time, domestic and international affairs. Once established, *guanxi* cannot be taken for granted. *Guanxi* becomes a dutiful commitment of mutual trust, face and respect. Contracts are just another channel for open, trusting and respectful communication exchange. The understanding of the concept of contracts in the Chinese context is reflected by the iron ore senior executives in this study. The iron ore senior executives mentioned that the investing time and patience is required in obtaining the contract. Thus, new comers to the iron ore industry in Western Australia need to understand that the fundamental difference between the definition of contract in the Western sense and the nuances and semantics of contract in the Chinese sense. *Guanxi* becomes part of a decision making process, to move forward and enhance the relationship. In doing so, contracts signify the continuation of *guanxi* with the Chinese counterparts that must constantly be nurtured and updated in relation to global market development.

From the researcher's perspective in this study, from the Chinese side, the evolution of *guanxi* will possibly seek to achieve common ground with the Western decision making processes for today's iron ore industry operating environment. Based on the findings and scholarly articles illustrated above, the researcher developed figure 5.3 to represent the evolution of *guanxi* within the iron ore industry between Western Australia and China as expressed by the senior executives and participants of this study.

Source: Guanxi Concentric Circles developed by the researcher based on the findings of the senior executives and participants of this study (2019)

Figure 5.3: *Guanxi* concentric circles between Western Australia and China within the iron ore industry

At the grassroots level, the largest concentric circle is represented by the China Communist Party derived from the citizens of the Republic of China, *guanxi* is built on the integral values of trust, respect and face. The next inner circle is represented by the establishment of private companies reflecting the evolution of *guanxi* at an organisational and institutional level when interacting with the international market and the globalisation. It also illustrates the hierarchical organisational and institutional *guanxi* that exist. The recent development of private companies within the iron ore industry affect the way *guanxi* is being adopted and implemented during this period. It is noteworthy to mention that *guanxi* will be challenged within its own Chinese counterparts.

The next concentric circle, named State owned enterprises, represents the governmental *guanxi* that has long existed within the State owned enterprises. The government concentric circle is illustrated by the key inner *guanxi* circle, where the next concentric circle is the Party Leader (current President) and decision makers of the China

Communist Party. As depicted in the diagram, the aim of these *guanxi* connections in the various concentric circles is to support the national interests of the country which is the heart of the concentric circles. Based on the findings and invaluable experience from the senior executives and participants of this research study, a multi-level approach is required to connect with their Chinese counterparts (from Chinese government, State owned enterprises and private companies) within the iron ore industry.

There are three main arrows that cut across the *guanxi* concentric circles identified as *guanxi*, contracts and globalisation. Firstly, the arrow labelled *guanxi* illustrates that *guanxi* has existed for centuries with the intrinsic values of trust, respect and face. *Guanxi* will always be a foothold and present through the various levels of concentric circles, from grassroots level, to the establishment of new private companies, State owned enterprises, the decision maker and Party Leader. These components will always be interlinked and interconnected. Secondly, the arrow titled contracts represent the relationship building and communication with the Australian iron ore companies. Contracts may be signed, however, they may be changed midway if circumstances alter within the Chinese domain. Australian iron ore companies have to be aware this might occur and grasp the concept of *guanxi* to assist in this adjustment or modification. Thirdly, the arrow named globalisation is the new paradigm that China is tackling with in terms of understanding international businesses and markets. For instance, China familiarising itself with the ASX rules and regulations within the Australian iron ore industry.

Significantly, these three main arrows points to the ultimate aim of achieving and supporting China's national interests within the iron ore industry. Consequently, the Western decision making and communication processes within the iron ore industry need to acknowledge that *guanxi* is an integral part of Chinese cultural business etiquette and the layers of guanxi influencing the decision making process in China.

In summary, from the findings of this study, the senior executives represented hard work and commitment in developing, sustaining and nurturing the relationship with China for over a period of 10 to 20 years. Some senior executives from the Australian iron ore companies have visited China more than 30 to 50 times in their working career to continue the personal, *guanxi* and commercial relationship. The iron ore senior

executives in this study have also established several offices and lived in various parts of China for several years. The aim is to get close to China and to deepen the valuable relationship with their Chinese counterparts within the iron ore industry. The senior executives of this study understood the nuances and semantics of complex China and the traction required to gain trust, respect and face.

On the Western Australia side, the iron ore executives stated that the company with its board, senior management and executives have a different decision-making relationship with their Chinese counterparts. Senior executives who have daily routine conversations and business relationships, who are on the ground running with their Chinese counterparts, have a different worldview or perception of decision-making processes and interests in contrast to their Australian Board. It is recognised that the Australian Board has its shareholder interest at heart, and at times are in conflict with their own staff running on the ground with their Chinese counterparts. In Australia, this needs to be addressed as the Australian Board's overall business objectives may collide with the Australian Senior Executives' business objectives and may unwittingly, hurt the working relationship with Chinese counterparts that have been built over the years within the iron ore industry.

Lastly, even if the relationship between Australian and a Chinese company have ceased in the commercial realm, it is critical to ensure that the relationship between the two companies continues over the course of time, in terms of scheduled face-to-face meetings and touchpoints such as social events. The iron ore senior executives expressed concern when relationships are not managed or sustained appropriately between Australia and China when change in leaderships, organisation structure or new developments occur within the iron ore industry.

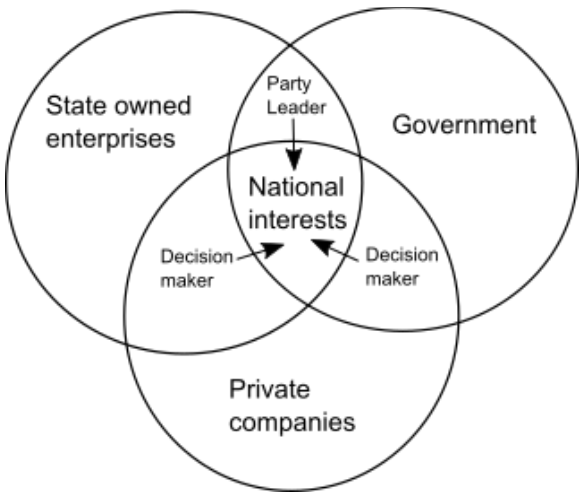
Thus, for new start-ups in the iron ore industry, they must realise that the decision to enter into the China market requires a massive amount of effort, energy and time. Being aware of the Chinese cultural aspect of *guanxi* is instrumental in enhancing communication and helps to facilitate decision making processes. Consequently, for any new start-ups, a review of its decision making and communication frameworks at Board and ground level are integral for its eventual success with China.

In addition, this could be achieved through the learnings from the iron ore executives in this study by developing the following initiatives: organising Sino-Australian annual events either in Australia or China; sponsoring economic forums in China, co-authorship on Sino-Australia experiences in joint ventures, positive media interviews, Australia-China grants in research and education, cultural lessons in *guanxi* and mandarin language, internships, developing relationships at a commercial, personal and family level.

In short, from the findings of this study, the researcher has contributed to the knowledge gap in the decision making perceptions between Western Australia and China in terms of the fact that *guanxi* is not a stagnant cultural artefact. The evolution of *guanxi* is an intangible cultural value that needs to be nurtured by the government and private iron ore companies in Western Australia. China is a key client and market for Western Australia, hence, the private iron ore companies have to continue nurturing that relationship in a personal and commercial sphere.

5.1.1.18 *China decision making environment within the iron ore industry*

The researcher of this study has developed a diagram that represents the Chinese decision making environment based on the findings from the senior executives and participants of this study (see Figure 5.4).



Source: China decision making environment developed by the researcher for this study (2019)

Figure 5.4: China decision making environment between Western Australia and China within the iron ore industry

There are three main circles identified as the Chinese government, State owned enterprises and private companies. These three circles overlap with the Party Leader and each decision maker is in charge of each circle. There are three arrows pointing in the nucleus of the overlapping circles labelled *national interests,* illustrating the overarching objective of each circle is to concentrate and achieve the national interests of China successfully. The circles of the Chinese government, State owned enterprise and private enterprise do not compete with each other; rather, each circle participates in synchrony and the politics of the nation are intertwined with China's commercial interest in the international market to support the national interests of China.

The senior executives of this study shared the difference between how the State owned enterprises worked in terms of hierarchical decision making compared to the Chinese private steel companies which were more Westernised in decision making. The senior executives of this study stated that the change in economic and legal regulations in China started the aggressive competition between State owned enterprises and Chinese private steel mills and ultimately, impacted on the decision making processes. The senior executives mentioned that the Chinese in the private steel companies were Western educated, spoke English and Chinese fluently and understood the Western decision making model of doing business in Western Australia. The iron ore senior executives of this study stated that even though the Western Australian iron ore companies were dealing with Chinese private companies, the heart of Chinese business objective is the national interests of China. This is the fundamental difference between Australian iron ore companies and Chinese iron ore companies. The Australian iron ore companies independently exist to maximise the profit for its shareholders, whilst, the Chinese private iron ore companies aim to maximise the collective promise of its national interest. The iron ore senior executives of this study stated that in recognising this difference, it helps to understand better the way the Chinese counterparts think, communicate and behave in their decision making processes and how they arrive at their decision point.

In summary, from the experience and insight gained with the iron ore senior executives of this study, for new Australian business ventures within the iron ore industry, it is necessary to understand that when dealing with a Chinese private company, the Chinese commercial objectives have two prongs: first, the national interest of China; second, profitability.

The researcher of this study notes that the private companies in China operate differently from the Western decision making environment within the iron ore industry. The Australian private companies operate independently of government control and the commercial emphasis is to maximise shareholders' interests, not intrinsically support the national interest of Western Australia, Australia.

5.1.1.19 *Decision Frameworks in Western Australian iron ore industry*

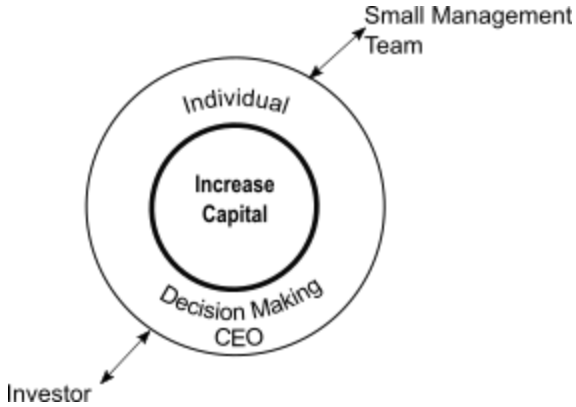
For the research study, the iron ore executives and the participants indicate the various decision frameworks that exist within the iron ore industry. For a private company, the senior iron ore executives illustrated that the decision framework is a collective decision making process. Figure 5.5 shows that the corporate organisation is involved in collaborative decision making based on consensus. All the decision making processes by the Board, CEO, legal department, senior management, managing directors, general managers, employees in Australia, employees in China feed the information in a collective decision making focal point. Clearly, no individual decision making is allowed as it has huge financial impact on the organisation. The objective is to maximise shareholders' value and the Australian government at the State and Federal have no involvement in the commercial operations.

Source: developed by the researcher in this study (2019)

Figure 5.5: Collective Decision Framework in a Private Iron Ore Company

From the findings, individual decision making is shown in figure 5.6. It is a Western Australian start-up and is backed by one investor. The Australian government at the State and Federal have no involvement in the commercial operations. The CEO has the authority to make the individual decision and is supported by a small management team

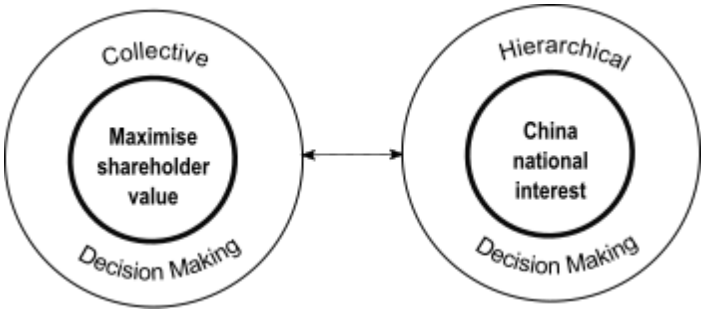
with limited financial capacity. The objective is to increase capital to continue the next phase of its feasibility study or operations.



Source: Developed by the researcher in this study (2019)

Figure 5.6: Individual Decision Framework in a small start-up

From the findings, the iron ore executives working in Sino-Australian iron ore companies have a different decision framework (see Figure 5.7).



Source: developed by the researcher in this study (2019)

Figure 5.7: Sino-Australian Decision Framework in a Private Iron Ore Company

The iron ore executives mentioned that the decision making power ultimately resides in China, not the CEO or management team based in Western Australia. Thus, the decision framework involving Sino-Australian stakeholders have different decision making processes. The perception of urgency and write downs have other cultural semantics and nuances that have to be bridged. The Sino-Australian company based in Western Australia has to maximise shareholder value and if write downs occur it has to be reported in accordance to the Australian culture of doing business. Whereas, in China, the hierarchical decision framework is led by the Chinese government, where the variables of national interest and economic initiatives are intrinsically intertwined with the Sino-Australian Decision framework.

In summary, the different decision frameworks within the companies outlined above illuminate the various vibrant culture, vision, mission and values embodied in organisations. Hence, the decision making culture of any company is represented through the human spirit and connectedness of doing business between Western Australia and China within the iron ore industry.

5.1.2 Differences in Decision Making

5.1.2.1 *Difference in Decision Making - Australian Mining Companies in partnership with Chinese*

In the results and findings, the iron ore executives have communicated the importance of engaging their Chinese counterparts and stakeholders directly to strengthen the goodwill and reputation of the organisation, and to generally build more long-term and lasting relationships (see Table 5,11). There was a difference in decision making between the companies who are in partnership with China and the companies who have Chinese ownership.

Table 5.11: Australia iron ore company in partnership with its Chinese counterparts

Position	Decision making responsibilities identified by participants
Board members	The Board exists to test the strategy of the company, be solvent and represent the shareholders.
CEO/Managing Director/Company Executives	CEO has strategic responsibilities. Oversees strategic aspects of the company, including relationships with China driven by the Executive. It is not driven by the Board Stakeholder Management System. China Market - know your customers and different customers. Clients are categorised in different tiers.
General Managers	Management and Communication plans also known as Servicing Plan tailored to service clients in China within the decision framework. Ensures good governance. Customer Relationship Management. Negotiation contract and prices, scenario planning
Senior Managers	Technical decision making Human Resources decision making is to recruit the right personnel to communicate with its Chinese counterparts is key.
Australia Company China Team	Team on the ground to collect intelligence on China, Singapore and Australia. To develop trust at multiple levels, a set of different perspectives is given so that holistic thought is part of the decision making process. For instance the China team comprises of 150 personnel signifying collaborative decision making. This is the daily communication style and writing emails will not suffice.

Source: developed by the researcher in this study (2019)

From the findings, the iron ore executives stated that the Australia iron ore company that has a partnership with its Chinese counterparts have different level of decision making processes and communication frameworks to support the China market. Discussed further are the positions of employment and descriptions of the decision making processes that support the China Market. First, the roles of the Board, CEO and Managing Director look at the decision making activity in a strategic capacity. The Board exists to test the strategy that the company has envisioned. Second, the CEO's role has strategic responsibilities, integrating strategic planning scenarios fifty years into the future. It is about empowerment and engagement with the employees to develop that future plan. The CEO oversees strategic aspects of the company, including relationships with China driven by the Executives. Third, the various Managing Directors are responsible for the Stakeholder Management System or negotiation of

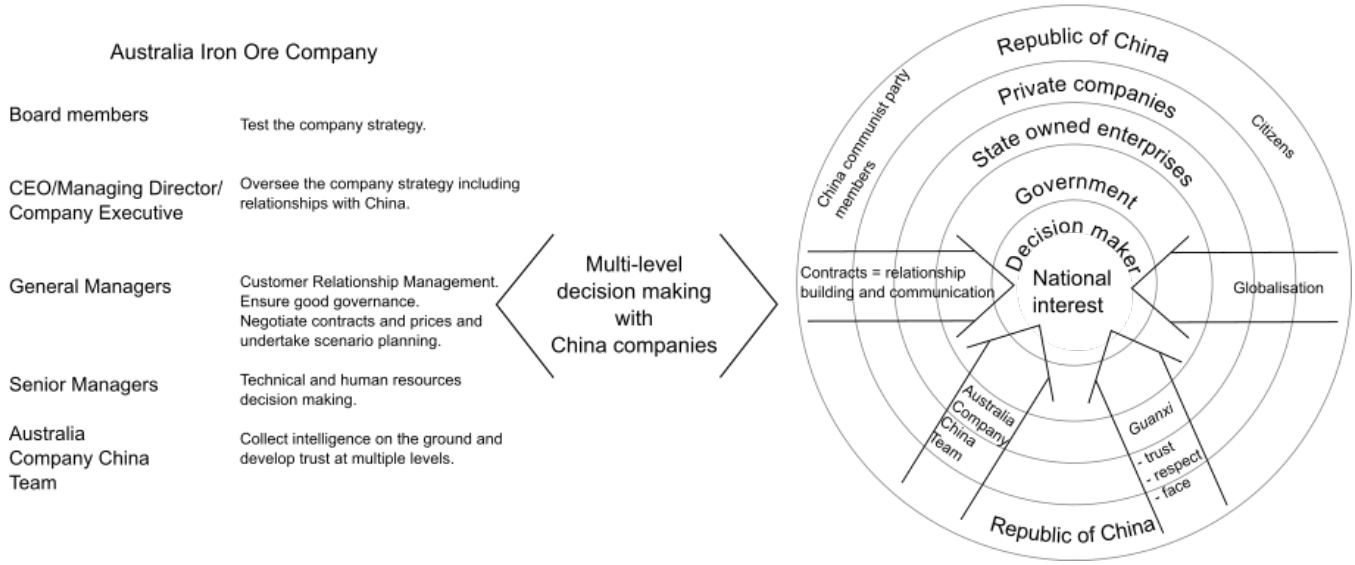
contracts to support the China Market. It is vital to know the customers from different companies in China. The Chinese clients are categorised in different tiers to ensure that the right touch points are activated. Fourth, at a General Manager level, Management and Communication plans known as Servicing Plans are personalised to service clients in China within the decision framework. It ensures good governance and Customer Relationship Management is in place. Minutes and notes are entered systematically into an internal system. Fifth, technical experts provide another level of decision making paradigm that enhances the iron ore business. Sixth, Human Resource Management decision strategy to recruit the right personnel to communicate with their Chinese counterparts is key. Seventh, the establishment of the China team and offices in China. For instance, the China team comprises of 150 personnel signifying collaborative decision making. This is the daily communication style and just writing emails will not suffice in managing communication. Face-to-face contact with Chinese counterparts is extremely important. The China team on the ground collect intelligence between China and Australia to provide the glue to sustain and maintain the relationship. By having a systematic approach, the company implements standards, best practices that encompasses succession planning when the person in charge of a designated position retires, moves on or is promoted to a different position with the company.

The objective is to develop trust at multiple levels and organically, a set of different perspectives is given so that holistic thought, experience and knowledge becomes integral to the decision making process in relation to the China market. From the rich data emerging from the findings, representing the iron executives 'lived experience and multiple realities' in the moment of time, is a tremendous experience; and the insight involving massive human energy, time, interaction and spirit is felt between Western Australian and its Chinese counterparts.

Though the benchmarking pricing system has collapsed, negotiating contracts remains a vital element in the decision making process between Western Australia and China. Contracts still exist even though the spot market has arrived. According to the iron ore executives in this study, the perception of contracts has changed subtly and is represented in a form of partnership or joint venture between Western Australia and China. The semantic and nuances is noted by the researcher in this study, where the multilevel approach of building the relationship over the years has made available the exchange of communication to occur even though the pricing business structure within

the iron ore industry has altered. In doing so, the stability of business operations can continue between the Australia and its Chinese counterparts. Thus, a win-win scenario can be achieved successfully on both sides. On the Australian side, to maximise shareholder's value and for the Chinese side, achieving its economic objectives that are tied to its national interest and sovereign issues. More importantly, the foundation of trust, respect and *guanxi* continues to be enriched and fostered and a partnership is forged.

Within the Australia iron ore company there are decision makers at multiple levels interacting with China companies (Figure 5.8). The *guanx*i, contracts, and globalisation themes are incorporated in The Guanxi Concentric Circles (see Figure 5.3) with an additional theme labelled the Australia Company China Team is recognised. The Australia company China team is geographically close to the China market in order to have access to the latest market intelligence and developments.



Source: Developed by the researcher of this study (2019)

Figure 5.8: Australian Multi-level Decision Making Approach with China companies within the iron ore industry

The presence of the China team is critical as it allows the opportunity to immediately troubleshoot problems, smooth business transactions, identify new market opportunities; and to resolve any language and cultural barriers in doing business. The China team's presence also helps to strengthen the relationship and *guanxi* elements at a face-to-face level between Australia and China.

In summary, the researcher in this study reflects that within this complex environment, the decision framework that encompasses multilevel engagement represent the competitive advantage and cross cultural competences valued and cultivated in managing the decision making process and communications with its Chinese counterparts. The depth and breadth of its capacity for this multi-level engagement within the decision framework will be hard to replicate for junior iron ore companies.

5.1.2.2 *Difference in decision making - Chinese stakeholders in Western Australian, Australian companies*

Decision making processes and communication changes when there is a Chinese stakeholder in a Western Australian iron ore company. Though the decision framework and culture of doing business in Australia may seem familiar, the designated authority in decision making has changed. As illustrated in figure 5.7, the hierarchical decision maker resides in China. The CEO in the collective decision making still exists, however, the final mandate comes from the Chinese stakeholder. According to the iron ore executives, transparency and reporting is key in Australian's culture of doing business. However, in China, reporting the necessary information and not to reveal unfavourable reports like a write down or failure to proceed is acceptable in the Chinese context. Thus the CEO in this working relationship will inevitably have to manage the conflict and tensions that erupts through the different decision frameworks between Australia and China. It can be a tenuous situation for the CEO and management team when withholding information is breaking the law in Australia. Thus, constant communication and educating the Chinese stakeholders to understand the different mindset of how Australian companies operate facilitates a smoother relationship in the long run.

This emerging data is supported in Cornelissen's book identifying the characteristics of the old and new methods to organisation-stakeholder relationships in organisational decision making (Cornelissen 2017). See table 5.12, identifying the characteristics of the old and new approaches to organisation-stakeholder relationships. For instance, the 'old' approach of stakeholder management is made up of different practitioners and departments in the organisation 'managing' interactions with stakeholders, often from the perspective of their own function or department (Cornelissen 2017). Another characteristic of the 'old' approach is the attempt to 'buffer' the claims and interests of

stakeholders to prevent them from interfering with internal operations and instead trying to influence their attitudes and opinions (Cornelissen 2017). In this approach, in line with an informational communication strategy, an organisation is trying either to insulate itself from external interference or to actively influence stakeholders in its environment through such means as contributions to political action committees, lobbying, and corporate advertising (Cornelissen 2017).

Table 5.12: Characteristics of the old and new approaches to organisation - stakeholder relationships

Stakeholder management	Stakeholder engagement
Fragmented amongst various departments	Integrated management approach
Focus on managing relationships	Focus on building relationships
Emphasis on 'buffering' the organisation from stakeholders interfering with internal operations	Emphasis on 'bridging' and creating opportunities and mutual benefits
Linked to short-term business goals	Linked to long-term business goals
Idiosyncratic implementation dependent on department's interests and personal style of manager	Coherent approach driven by mission, values and corporate strategies

Source: Cornelissen (2017, p.76)

The 'new' approach of stakeholder engagement, in contrast, involves an emphasis on stakeholder relationships across the organisation. According to Cornelissen (2017):

> "The aim here is to build long-term relationships and to seek out those stakeholders who are interested in more direct engagement and possibly collaboration. The 'new' approach is more in line with a dialogue strategy with its emphasis on 'bridging' stakeholder claims and interests. Bridging occurs when organisations seek to adapt their activities so that they conform with the external expectations and claims of important stakeholder groups. It suggests that an organisation actively tries to meet and exceed regulatory requirements in its industry or that it attempts to quickly identify changing social expectations in order to promote organisational conformance to those expectations." (Cornelissen 2017, p.75)

Whilst collaborating with stakeholders means that companies dedicate time and resources, away from economic production, it may reveal additional potential for value creation (Cornelissen 2017). From the Chinese perspective, as the evolution of *guanxi*

relies on trust and building lasting relationships, Cornelissen provides the Western perspective in the following:

> "The key here is that when companies develop trusting relationships with stakeholders, these stakeholders are more likely to share nuanced information that can spur innovation and allow the company to better deal with changes in the environment. In such circumstances, stakeholders are also more likely to reciprocate and continue to transact with organisations. They may even become advocates for the organisation who through word-of-mouth and peer-to-peer influence communicate favourably about the company to others. This information sharing, reciprocity and advocacy lead to direct competitive gains, which are gains that are sustainable because of the strong ties that companies have established with stakeholders.(Harrison, Bosse and Phillips 2010)." (Cornelissen 2017, p.77)

According to Cornelissen (2017), for competitive advantage to be achieved, the benefits of engaging with stakeholders must generally exceed the costs (Cornelissen 2017). The costs of stakeholder engagement include the time that managers spent in communicating and managing relationships with stakeholders and the direct allocation of other resources to the stakeholders (Cornelissen 2017). The crux in other words for senior managers and the team to conceptualize a detailed logic on how the company engages stakeholders, and to ensure that the appropriate amount of time, resources and dedication goes into managing those stakeholder relationships (Cornelissen 2017).

From the researcher's perspective in this study, the 'new' approach of stakeholder engagement is possibly in alignment with *guanxi* that represents organisational hierarchical interests and networks with its members and inner circle. It also represents the iron ore senior executives shared experiences in this study and how they manage to find middle ground to communicate delicately and sensitively with their Chinese counterparts as part of their decision making framework. From the Western and Chinese viewpoint, the mutual objectives of building trust, value and building lasting relationship are essential. Thus, the newer iron ore companies in Western Australian will have to gain knowledge and ascertain within its decision making frameworks how to communicate with its stakeholders and in particular, its Chinese counterparts who value trust and respect when building these relationships. It is not a straightforward road and requires attentiveness in this aspect.

Table 5.13: Changes in the iron ore industry that affected Australia and China decision making

Era/Key developments	**1960– 1970**	**1970-1980**	**1980-1990**	**1990-2000**	**2000-2010**	**2010-2020**	**Researcher's Perspective**
From the Findings, the researcher selected decision-making model/theory applied in each period	Stable and Linear environment Rational Theory (Lindbolm) Classical Rational Model (Dewey)	Complexity and political dynamics in decision making (Mintzberg)	Prospect Theory *Choice* Kahneman and Tsversky 1979 *Heuristics and biases programs*	Rational Model Organisational model Political Model Self-interest Process Model (Harrison 1993)	Complex System Cynefin framework Snowden and Kurtz 2003, updated 2007 Complex Adaptive System	Emergent Researcher's Emergent Decision Making Model based on the findings	WA need to be aware of China's political and economic reforms that changes every 8-10 years. WA companies need to have the decision-making capacity to respond to our key trading partner, China with a win–win outcome.
Iron Ore Constant Prices	Iron Ore Constant prices 1960s – 1996				Prices of iron ore escalates to a high of US$190 per tonne		The stable and linear decision making business environment experienced from 1960 – 1990s changed to a complex environment from 2000-2020
Iron Ore Boom period 2003					Extraordinary Phenomenon 2003 onwards, massive growth in the Chinese steel industry and production caused demand for iron ore to surge. China over took Japan as the single biggest buyer of iron ore		Majority of iron ore was sold by WA. A significant change in bilateral trade and decision-making relationship. WA companies trying to meet demand
Global Financial Crisis							China starting to question benchmark system vs lower iron

2007					Global Financial Crisis – widespread speculative lending		ore prices in spot market.
Iron Ore Benchmark system changed to Spot Market June 2009	For about 40 years, iron ore suppliers have held annual talks with steelmakers to fix prices for the next 12 months 1960 – 2009 June 2009 - China has rejected the annual price accord and called for contract prices to drop as much as 45%						With the demise of benchmark system, face-to-face negotiations ceased, eradicated that aspect of decision making.
Leadership changes in China	Chinese Decision Making over 60 years - Politics and Ideology Chinese Decision Making over 60 years - Economic and Social Reforms						8 Presidents and 7 Premiers in 60 years
Leadership changes in Australia	Australia and Western Australia's Decision Making – Premiers of WA and Prime Ministers of Australia						13 Premiers and 15 Prime Ministers in a span of 60 years

Source: developed by the researcher of this study (2019)

5.1.3 Academic Application within the Iron Ore Industry between China and Australia

Understanding the history of decision making of China, is the first step of understanding the Australian's key client within the iron ore industry. In 1910 Dewey, the classical decision making theorist and philosopher, acknowledged and observed that China had its own 'democratic' principles in governing its state which differed from Westernised rational thought. Dewey also mentioned that China's communist and Confucianism thinking led to a harmonious collective society.

Thus when applying the decision theory discussed in Chapter 2 regarding an individual, company or government, the decision making process and experience is different, simply from the foundation and nature of the individual's culture, the company's commercial objectives, mission, vision and values; its cultural competence and the government's interest in nation building, foreign affairs and international trade.

5.1.3.1 *Westernised Chinese personnel in the decision making mix in Australia and China*

Human resources in strategic decision-making is important in the strategic human resources role (Jackson 2014; Sheehan at al 2016). Yet there has been little comparative empirical research into potential differences between China and western countries such as Australia (Zhao et al. 2019).

According to Sheehan et al. (2016), human resources executives, responding to a national Australian survey, recounted high levels of participation across each of the strategic decision-making stages, with 58 per cent of senior human resources managers describing contribution in proposals and 83 per cent engagement in the execution of decisions made (Sheehan at al 2016). The research showed increases in human resources representation on boards of directors compared to the 1995 levels reported by Dowling and Fisher (Dowling and Fisher 1997). Australian research illustrates that human resources professionals contributed to strategic involvement in decision-making (Zhao et al. 2019).

In China, research showed that the involvement of human resource professionals within top senior management is a new and under-researched phenomenon (Zhao et al. 2019). Chinese human resource managers operate on mandatory daily activities (Zhao et al.

2019). For instance, most Chinese senior managers favour all decision-making procedures and leave human resource managers to deal with day-to-day routines in human resource operations (Warner 2008).

Björkman and Yu (1999) stated that in international joint ventures in China, local human resource managers focussed on daily human resource management routines such as hiring new employees and obeying procedures adopted by foreign partners of the international joint ventures.

Wei and Lau (2012) stated that Chinese human resources managers have become a part of the senior management team to increase team functional diversity, improve team effectiveness at top management level (Wei and Lau 2012); improve the organisational innovation on new programmes of management, administration and human resources' planning (Qian et al. 2012). Thus, human resource management have positive effects on firms' organisational citizenship behaviour towards the environment (Paillé et al. 2014).

Similarly, Chinese firms with different ownership structures, the human resource managers follow western-style human resource management practices and actively participate in strategic decision-making (Fan et al. 2013; Warner 2008; Gao et al. 2016).

From the researcher's perspective, this is reflected in the findings where the iron ore senior executives explained that they have communicated with their Westernised Chinese counterparts who speak excellent English and are overseas educated with the iron ore industry. It is an indication that within the iron ore industry, the Chinese State Owned Enterprises, and in particular, the Chinese private companies have embraced their own overseas Chinese graduates who speak English to be more involved in the communication and decision making processes at senior management level with the Australian companies. It also represents a reduction in the reliance of translators and that decreases the language barrier issue, which in turn facilitates decision making, communication and relationship building between the Australian and Chinese companies.

5.1.3.2 *Legal*

Since Reform and Opening in the 1980s, the judiciary in China has encountered milestone achievements alongside the country's rapid economic growth and global market assimilation (Li 2018). State-led professionalisation assumes that Chinese courts are becoming increasingly similar to their Western counterparts (Li 2018). This belief is stems from the premise that the legal system is an identical judicial entity adapting to powerful top-down policies, a notion challenged by regional disparity experienced in *Embedded Courts: Judicial Decision-Making in China,* a qualitative study (Ng and He 2017). Ng and He suggest that the operational patterns of Chinese courts are not massive and underlying the courts' superficial uniformity in implementing laws lies significant diversity (Ng and He 2017). Ng and He (2017) identified four types of forces: administrative, political, social, and economic embeddedness, and they depict how Chinese courts metamorphosise to these exterior stimuluses (Ng and He 2017; Li 2018}.

According to Ng and He (2017, 652) the court setting in a developing region versus that in a developed one, identifying two typical operational patterns: "work-unit courts" and "firm courts". These two types of courts are distinct in terms of four key attributes:

> "vertical hierarchy, administrative nature of decision-making process, the organisation oriented model of promotion and the role of the court for its judges" (p. 8). The term "work-unit" refers to the socialist and collectivist employment system, while the "firm courts" are organised according to a "quasi-market mechanism" (p. 12). In a work-unit court, tight vertical control is more important than efficiency; social skills are deemed more important than expertise and knowledge, and judges rely heavily on socio-economic welfare provided by the courts. Firm-type courts, on the other hand, have a "weakened hierarchy" (p. 12), a "tendency to use more law" (p. 13), an enhanced role of professionalism, and fluid employment of judges." (Ng and He 2017 p 52)

Ng and He (2017, 53) explains the various features of judges' daily work and the "structurally porous" judicial process in Chinese courts. There are three categories of the judges' work routine: adjudications, mediations, and post-judgement work, and illustrate the features of judges' investigations, the administrative hierarchy of courts, and the individualistic operations of collegial panels (Ng and He 2017).

The generational peers of judges are divided into three groups: veteran, middle-aged, and post-1980s that affect the law decision making processes (Ng and He 2017). These cohorts differ greatly in their training background, administrative identity, and professional or technocrat mentality (Li 2018; Ng and He 2017). The Chinese judiciary has experienced a process of "intellectualization" (Ng and He 2017, p. 74). Post-1980s judges are unwilling than their predecessors to concede to administrative control; they admire professionalism and value the use of laws (Ng and He 2017; Li 2018). This generational tension and trepidation in relation to goal focussed management by the Supreme People's Court (SPC) to administer regional disintegration by sanctioning legal consistency via tutelage (Li 2018). It was forecast that the firm-type mindset will be progressively powerful in China compared to the traditional ruling of the law (Ng and He 2017).

The administrative embeddedness investigates how the components of judges' work rounds are related to each other (Ng and He 2017). Ng and He (2017) use the minutes of a work-unit court's adjudication committee to investigate the bureaucratic nature of Chinese courts (Li 2018). As Li (2018) explains:

> "The administrative hierarchy of the committee is organised according to the principles of professional competence and collegiality to a limited extent, but administrative rank overrides legal expertise; senior judges use both formal and informal methods to influence the judgements of junior judges. In the firm court, this vertical control is less common, partly because of the heavy caseload, so the hierarchy appears to be flatter. However, internal administrative supervision is only one facet of administrative embeddedness, as the blurred boundary between the judiciary and other party-state institutions facilitates external administrative impact on the courts." (Li 2018, 199)

It is routine and customary for high-ranking judges with organisational power to have involvement working in other party-state organisations (Ng and He 2017). Furthermore, court presidents are already members of the Political-Legal Committee (PLC), a major sector of the local party-state (Ng and He 2017). The senior judges and court presidents are accountable for serving as a connection to aid the "local party coalition" (p. 109) in political or state initiatives, such determining collective social protests or passing administrative procedures (Ng and He 2017). The dual functions of the senior judges symbolises a "hand-in-glove relationship" (Ng and He 2017, 120), in which exterior

managerial sectors are only strengthened via internal managerial powers (Ng and He 2017; Li 2018).

In relation to the political embeddedness, or the "instrumental nature of law in promoting broader government operations of stability maintenance" (Ng and He 2017, 122); in contrast to their Western counterparts, Chinese are invested in political issues rather than endorsing the law (Li 2018). Currently, political matters give precedence to stable governance, impacting the judicial system in four ways (Ng and He 2017). First, the judiciary is answerable to the People's Congress; second, the courts are concerned with preservation and upholding stability; third, politics thwart legal rulings as the political issues obstruct the exercise of law (Ng and He 2017). Lastly, judges are reluctant to arbitrate cases that trigger petitions, which ultimately blames the judges instead of the law itself (Ng and He 2017). In comparison with firm courts, judges are keen to uphold social and political stability is greater in the work-unit courts and the strain between promoting stability and implementing laws has become noticeable as China urbanises (Ng and He 2017).

Social embeddedness, which refers to the influence of social ties on the judicial decision-making process (Ng and He 2017). Li (2018) explains that:

> "Social ties affect judges' decision-making through both cultural and institutional paths: horizontal influence from members of their private circle, to whom judges feel a sense of obligation, and vertical influence from administrative superiors, who can influence judges' career advancement or welfare distribution." (Li 2018, p. 200)

Ng and He (2017) propose that prominent connections has a powerful effect, whereas feeble connections are least powerful. In work-unit courts, the vertical managerial relationship is stronger than in firm courts because judges are dependent on welfare designated by their supervisors; therefore, social embeddedness entrenches itself more than in firm courts (Ng and He 2017).

The economic embeddedness decides a court's financial autonomy from local government (Ng and He 2017; Li 2018). To provide inexpensive judicial services, Chinese courts implemented a "dual-track" policy that frees funding for the courts from the profits made (Ng and He 2017). However work unit courts in less-urbanised areas have a budget shortfall, the work unit courts need to justify the discrepancy to local

governments to gain financial backing (Ng and He 2017; Li 2018). In comparison to firm courts, the lavish income sourced from litigation fees has allowed operation without the demand for allocated budgets; this stabilises the firm courts political autonomy (Ng and He 2017; Li 2018).

From the researcher's perspective in this study, the dynamic interplay of administrative, social, political and economic embeddedness and other forces impact significantly on decision making processes in China's judicial system and highlights Australian's legal system that the iron ore companies operate in. It is an era when China is willing to promote new era of openness and cooperation (Fiscor 2018). It also illustrates the existence of an international joint venture between China and Australia, the legal expectations from China and Australia are working possibly in a parallel decision making environment. The iron ore senior executives in this study involved in a Sino-Australian joint ventured based in Western Australia stated that they are legally bound by the Australian culture of doing business. It was challenging to work with their Chinese counterparts who are yet to develop their own legal and justice system in accordance to the international market. This may inadvertently cause friction as experienced by the iron ore senior executives in this study. For this knowledge gap to be reduced, the understanding of the complex environment that China's legal system is operating in, is vital for Australian iron ore companies. Therefore, for new iron ore companies venturing into a market with China, it is recommended to engage a group of qualified lawyers and experienced general counsel specialising in China law as part of their decision making and communication framework.

5.1.4 Early Theories of Decision Theory and Models of Decision Making

Referring to Chapter Two and the literature map, the researcher points the reader back to the foundation of early Decision Theory describing the normative, descriptive approaches and rational theories. The breakthrough came from Tsversky and Kahneman in 1979 who revolutionised decision making by incorporating the central theme of human judgement which has inherent "heuristics and biases" (Tversky 1982). Tsversky and Kahneman challenged the economic and algorithm concepts in decision making processes and included the intuitive human elements of emotion and choice (Tversky and Kahneman1982). Thus, the researcher in this study concludes that decision making is not purely based on rational and mathematical options. The researcher of this study

agrees with the concepts offered by Tsversky and Kahneman (1982); and from the findings in this research, supports the relevancy of the concept of human emotion and choice in the decision making processes and communication frameworks within the iron ore industry between Australia and China.

Following on from the Decision Theory segment, Models of Decision Making were selected in this section, Chapter Two. They are as follows: *The Rational Model (Dewey 1910), Bounded Rationality Model (Simon 1976), interdisciplinary models comprising Rational Model, Organisational Model, The Political Model, The Process Model (Harrison 1993, 2001; Buchanan 2003) and The Garbage Can Model (Cohen, March and Olson, 1972).* When selecting the Models of Decision Making to be applied in the Australian-China iron ore context, the researcher concludes that using the selected decision making models in isolation will not provide a holistic decision making process for Australian iron ore companies working with its Chinese counterparts. Neither does the inter-disciplinary decision making models illustrated by Harrison (1993, 2001) comprising *The Rational Model, Bounded Rationality Model, Organisational Model, The Political Model, The Process Model* to explain fully the decision making complexity within the Chinese iron ore industry on a cultural aspect. The Australian iron ore industry requires a more holistic and robust decision making model to facilitate its decision making processes with its Chinese counterparts. The Western decision making models hypothesized by Dewey (1910), Cyert and March (1963), Simon (1976), Harrison (1993, 2001), Buchanan (2003) and Cohen, March and Olson (1972) do not suffice as it only provides an aspect of the decision making process. Furthermore, the researcher in this study has observed that these scholars offer only a Westernised viewpoint in decision theory and decision making models; and these decision making models may not possibly assist with the understanding of the Chinese decision making perspective.

5.1.5 Developing Theories of Organisation Decision Making and its Structure and Group Decision Making

5.1.5.1 *Decision Making in an Organisation Structure*

In this section, the researcher looks at the organisation structure that exists within the Western and Chinese companies within the iron ore industry. From the topics of

Decision Making Literature Review in Chapter 2 and *Findings* from Chapter 4, there's an inter-relationship between decision making and the organisation structure.

As illustrated in the earlier part of this chapter, the researcher has shown the contractual and power relationship changes over the years from 1970s where the State Owned Enterprises received more independent power in decision making and the Chinese government allowing some of its State Owned Enterprises to be privatised. In doing so, the private companies in China within the iron ore industry are able to participate in the current world markets today.

As organisational structures of Western and Chinese companies have evolved over that period of time, so have the decision making frameworks in terms of communication and decision making processes.

Since the collapse of the benchmarking pricing system, the Chinese iron ore companies started adopting more proactive Western approaches to their decision making business model (Fiscor 2018). However, the essence of the company would still remain nationalistic and communist in nature (Hays 2015). Thus, even if the Chinese iron ore companies that have been privatised are laden with Western business principles, the intrinsic value and the culture remains unswerving. This fundamental difference and nature of Chinese companies in general, be it privatised or State Owned Enterprises are its alignment with the collectivism nature of the current Chinese Dream (Wang 2013, 2014) led by President Xi Jinping. Whereas, the iron ore companies established in Australia are based on democratic and capitalistic laissez-faire concepts. The Australian iron ore companies' strategic commercial objectives are to achieve and maximise profits for the stakeholders and shareholders; it does not encompass to its nation building exercise and links to the government.

According to Hatch (1997), as soon as there are two people involved in an enterprise, a relationship is implied. Structure is defined by relationships, so even the simplest organisations have social structures and they are extremely small and are highly organic (flexible, dynamic) organisations. (Hatch 1997). Hatch (1997) explains that:

> "The simple structure is a set of completely flexible relationships that has low levels of complexity resulting from limited differentiation. The members of such an organisation…carry the organisation chart around their heads so formalisation is not

> required. Attention to tasks is determined by management decree or by mutual agreement and is usually open to direct and information coordination and supervision." (Hatch 1997, p. 183)

Simple structures are characteristic of newly formed organisations (for instance, an entrepreneurial venture) or permanently small organisations (Hatch 1997, 2018). From the researcher's perspective in this study, for a simple structure or a start-up iron ore company in Australia wanting to have a commercial relationship with China, it will require substantial time, face to face meetings to establish the contact and *guanxi* networks before a contract is eventually signed by both parties.

As illustrated earlier in Chapter 2, Hatch (1997, 2018) described the simple, hierarchical, functional, divisional and matrix structures that affects organisation decision making. From the researcher's perspective in this study, it is sound to state that this is the case with China's change in organisational structure when the government changed its regulations to allow some of the State Owned Enterprises to be privatised (Garnaut 2003, 2018; Zhao 2019), it fundamentally affected the way decision making processes and communication were made between Australia and China.

From the above discussion on organisation decision making and its structure, the researcher highlighted two points of view in relation to decision making and its processes within an organisation. In order to understand how decision making works, decision makers have to understand how the organisation was established and the environment that they operate in. That is, either the decision strategy was made to establish an organisation to achieve its business objectives; or the decision maker has to recognise the existing organisational structure in order to implement its decision making processes. The distinction may be slight, however, the impact of decision making processes made within the various departments, units and staff differ greatly. As this study illustrates, the relationship between Western Australian and Chinese iron ore companies and their decision making processes, awareness of organizational decision strategy and structure are important as well as other factors such as networked structures.

The researcher surmises that there are diverse organisational structures. In each structure, there is a separately agreed decision-making system. Therefore, for each organisation a balance is drawn to ensure the correct decisions are made at the right

level. By guaranteeing each level is in balance and well-coordinated with each another, the organisation will operate more effectively and have a greater opportunity for success (Lunenburg 2012).

Under China's government strategic influence in the economy, China's organisation structures were metamorphosising from simple, hierarchical, centralised, decentralised, functional, divisional, matrix and network in a global market. The change within the organisation structures within the companies from State Owned Enterprise to private companies impacts on the frameworks on decision making. Hence, the decision making environment became more complex for the Chinese to operate within and internationally.

In summary, from the researcher's perspective, how an organisation's structure is established influences its decision-making process. On the Australian side, it became more challenging to be aware of the complex decision making structure exist within the iron ore industry for its Chinese counterparts (Barre et al. 2017). This is reflected in the findings where the Senior Executives and participants started to encounter Westernised Chinese counterparts (Björkman and Yu 1999) who were interested in joint ventures and/or stakeholder within the Sino-Australian iron ore companies.

With the selected *Group Decision Making Models* discussed in Chapter Two, such as *the Vroom-Yetton Participative Model* (Vroom 1973, 1988, 2005), *Nominal Group Technique* (Van de Ven and Delbecq1974; McMillan et al. 2016), *Brainstorming Technique* (Bartol 1998*), Delphi Technique* (Rand Corporation 1960; McMillan et al. 2016), *Groupthink* (Janis 1982), *Devil's Advocate* (Schwenk and Cosier 1990) and *Six Thinking Hats* (de Bono 1988, Kivunja 2015); these Group Decision Making tools are still relevant today to facilitate and assist in group decision making processes to arrive at a decision.

5.1.5.2 *Current Theories in Decision Making in a Complex Environment and Decision Making in the Australian Business Environment*

Complexity thinking can offer useful insights on how to approach situations and challenges faced by decision makers (Buffardi 2016). However, these recommendations rely upon underlying assumptions about relationships, power and flexibility that may

not always hold true in practice, where organisations have established internal and external ways of working (Buffardi 2016).

The researcher was attracted to the Cynefin framework (Snowden 2008; Snowden and Kurtz 2003) as it was an innovative strategic decision process model and it offered an evolutionary perspective of complex systems characterised by uncertainty. The Cynefin framework is still pertinent in today's decision making complex environment for decision makers to develop and foresee various decision making scenarios (McNichols 2008; Nickols 2015; Snowden 2002).

When applying the Cynefin framework to the Australia-China iron industry to explain the phenomenon, the researcher discovered that the Cynefin framework does not strongly reflect the following features as explored in the study's findings such as time, culture, communication, ideology, political, economic and social reform in Chinese decision making and Western decision making.

5.1.5.3 *Cultural Intelligence in Decision Making*

Thus, to balance this Western decision making concept, as outlined in Chapter Two, the researcher highlighted Cultural Intelligence encompassing Hofstede's Cultural Dimensions (Hofstede 2011) to illustrate the differences between Australian and Chinese culture within the decision making process, GLOBE (House et al. 2004), The Circuit of Culture Model (Curtin and Gaither 2007) and Intercultural Communication – Discourse Systems (Scollon et al. 2014).

With over 40,000 citations, Hofstede's (Hofstede 2011, 2018) contribution *Culture's Consequences: International differences in work related values* is among the 25 most cited books in social sciences (Beugelsdijk et al. 2017). In today's complex business environment, Hofstede's Cultural Dimensions (Hofstede 2018) is still able to assist in the decision making processes for Australian and Chinese iron ore companies at a national level. In doing so, decision makers are able to remove themselves from a position of bias and have the foresight to be aware of how to communicate and arrive at a decision better with their Chinese counterparts.

As discussed in Chapter Two, apart from Hofstede's insight on cultural dimensions, Ang et al. (2007) operationalize cultural intelligence as a four-factor model that includes

metacognitive, cognitive, motivational, and behavioural dimensions. Cultural intelligence as a four factor construct is built on Sternberg and Detterman's (1986) framework of the multiple foci of intelligence.

With the opening of China's open door policy and China's acceptance as a significant member of the World Trade Organisation (WTO), modern Chinese executives are now more experienced in global trade. Many of these executives have received Western based business education and can incorporate this Western perspective to represent Chinese interests in business negotiations and decision making. For the Australian Iron Ore executives, the adoption of Western business practices by Chinese executives made it easier for this latter group to do business in Australia within the iron ore industry. Furthermore, Mandarin or English translators are not seen as pre-requisite today, compared to 20 years ago, as the Australian Iron Ore Executives are communicating with their bilingual Chinese counterparts that now speak perfect English and Mandarin.

This change encourages business partnerships and relations because these individuals have started to create a bridge for the two countries with aligned interests. What is apparent in this research is that where decision making has been successful between the two countries is in the cultural intelligence that Australian iron ore executives have developed as a result of their ongoing work with China. It reflects the cultural intelligence at firm- and grassroots level, where individuals and teams require and develop the metacognitive, cognitive, motivational and behavioural dimensions

The cultural intelligence acquired by the Australian Iron Ore Executives are significant as it paves the way for future relationships to be built with their Chinese counterparts. For some companies, it has taken over a 50 year period of relationship building, sustained face-to-face meetings, travelling-to-and-fro between Australia and China, establishing team offices in parts of China to facilitate the decision making process, communication protocols and succession planning as part of the overall decision making framework.

The Australian Iron Ore Executives who have been involved with their Chinese counterparts, have come to recognise that China, has her own cultural distinction. For example, China embraces *guanxi* as one of the key elements in pursuing relationships and business in the foreign world. China is bounded by its national ideology and

national interest, thus, when the Chinese counterparts are ready to cement the relationship with the Australian Iron Ore Executives, the researcher surmises that it is not just a contractual obligation, it is a long term legacy that is being activated, a partnership, akin to a marriage to be celebrated and challenged.

In this sense, for Australian businesses or individuals who are wanting to start a business relationship with a Chinese enterprise, it is essential to grasp the cultural intelligence of China, or as former Chairman, Participant 4 coined the term– "China Intelligence" as a necessary nuance to conducting a win-win business and prosperous relationship with China. In short, it is not a windfall to have a signed contract, it is the prize of having the ongoing relationship that continues to be nurtured, developed and treasured – that is the cultural intelligence and cultural competence that the Iron Ore senior executives have learnt.

In appreciation of the findings explained, Australian businesses that would like to establish or start a business within the iron ore industry for example, it is pragmatic, practical and sensible to include cultural intelligence as a core tool in its decision making business framework.

Cultural intelligence includes various cultural theoretical and research perspectives from various sources, Hofstede Cultural Dimensions (Hofstede 1980), GLOBE (House et al. 2004) , the Circuit of Culture Model (Curtin and Gaither 2007), the Intercultural Communication Discourse Approach (Scollon et al. 2012) and the recent Emergent Decision Making Model developed by the researcher of this study.

This research has contributed to the literature on decision making by pointing to the importance of cultural intelligence in transnational business decisions. This cultural aspect has been demonstrated to be integral to the decision making process for the Australian Iron Executives in relation to their Chinese counterparts within the iron ore industry.

The "voices" of the participants have been represented in terms of showing the dynamic decision making, cultural intelligence and cultural activity taking place at a national, organisational, team and individual levels. The decision making process in each level, is a hybrid of various cultural semantics and nuances that may or may not be translated or communicated within the team, organisation and national level. It is in hope, to have a

successful relationship with their Chinese counterparts, that each decision making process at a cultural level is captured and acknowledged to arrive at a quality decision.

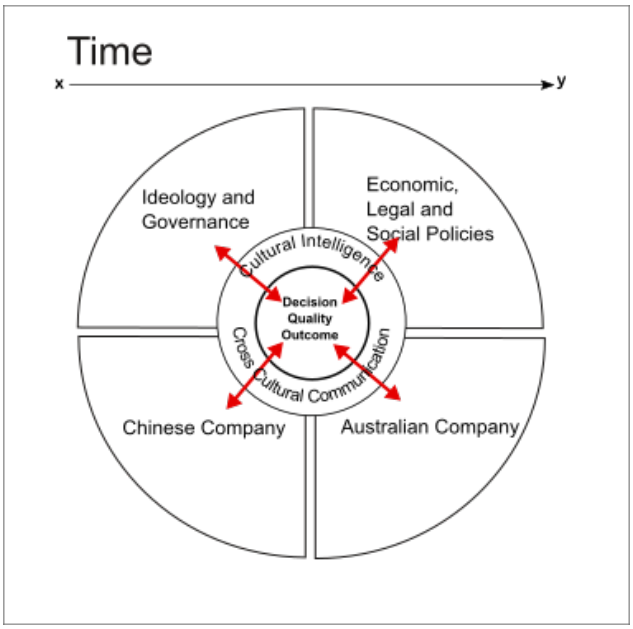
Thus, the researcher of this study initially developed an Emergent Decision Making Model. The Emergent Decision Making Model adds clarity to the decision making process, as the core of the model considers elements of *cultural competence* and *communication*, within a certain *time* period. The model also recognises the differences between two countries in terms of their *ideology* and *political governance*, *the economic, legal and social policies* that exist, and how the two different companies manage their business relationship within this context, By considering all of these core elements to help to achieve a *win-win* relationship it can lead to a more successful decision quality outcome between, in this case, Australia and China.

Bringing it all together, the history of decision making, the decision making environment comprising of national interests, politics, economic regulations, time, legal framework, cultural intelligence embracing social and cultural elements such as *guanxi,* the importance of cross cultural communications within the global markets, technology and so forth, illustrates how Australian iron companies have to navigate through each different system in China's complex structure.

From the researcher's perspective of this study, there's no one decision making model that can help interpret the decision making or strategic decision making process in a complex environment. A holistic approach is required to tailor the needs of the business and relationship building initiatives between Australia and China within the iron ore industry.

5.2 The Culture Bound Decision Quality Model

In applying the theory of the Emergent Decision Making Model here, the researcher subsequently developed the Culture Bound Decision Quality Model based on the findings from the participants within the iron ore industry (see Figure 5.9). The Culture Bound Decision Quality Model has four main quadrants. On the top left-hand first quadrant covers the ideology and governance of the two countries, Western Australia, Australia and China. The second top right quadrant covers the economic, legal and social policies that exist and how it affects the operating business environment.



Source: developed by the researcher in this study (2020)

Figure 5.9: Culture Bound Decision Quality Model between Western Australia and China within the iron ore companies

The bottom left quadrant considers the Chinese company of interest, its structure, hierarchy and whether it is a State Owned Enterprises or privately owned based in China. This preliminary overview assesses the fit with the Western Australian, Australian company which is looking to partner with the Chinese company in business. The bottom right quadrant includes the domestic Western Australian company, its structure, capability and decision framework to pursue its business objectives further with the identified Chinese company. The four bi-directional red arrows pointing towards the centre of the concentric circle are the words "Decision Quality Outcome" representing the concerted effort by both Chinese and Western companies working towards a decision quality outcome for the joint venture that may influence a win-win scenario. This "Decision Quality Outcome" is made possible by acquiring cultural intelligence, respecting the culture of the Chinese company and the effort to have consistent and frequent communication within its Western Australian's decision-making processes and decision-making framework. For instance, ideology and governance flows through to the decision quality outcome. The flow of cultural intelligence, cross-cultural communication and these factors within the quadrants are dynamically working towards a decision point. The information is digested as cultural intelligence, the decisions of these outcome flows on as feedback to the quadrants.

These key words “Decision Quality Outcome” represents the decision making processes incorporating the elements of cultural intelligence, cross-cultural communication, ideology, governance, economic and social reform, the Chinese Company and Western Australian Company are permanent features of the Culture Bound Decision Quality Model for the iron ore industry.

5.2.1 Time

The element of “Time” will assist decision makers apply their decision making planning scenarios, for instance, an estimate cycle of 5-10 years of a nation and company of interest. Decision makers can also revisit “Time” with the Culture Bound Decision Quality Model in the historic phenomenon within the iron ore industry to assist with lessons learned. The model can be applied to each era of change and it will explore the decision-making process that may occur during that period. The horizontal timeline with the axis marked x and y helps to the decision makers to identify the period that they are looking at.

5.2.2 Ideology and Governance

Decision makers recognising the ideology and politics of China is vital, in doing so, Australian companies realise that it has to frame its decision-making processes, in the other decision maker’s “set of shoes”. As identified in the findings, China’s state interests tie in closely like “hand in glove” with its economic objectives."

5.2.3 Economic, Legal and Social Policies

Australian decision makers have to be aware of the China political leaders in power as they affect the economic, legal and social reforms of the nation. In turn, it has a domino effect in its business environment, communication and negotiations with our Australian companies. Australian decision makers have to grasp the economic and legislative differences in China that occur and how they affect the business and communication decision making style between the two companies. This takes time and patience to smooth out.

5.2.4 Chinese Company

Chinese companies tend to be hierarchal with a chain of command and procedures attached to it. Australian decision makers have to ascertain whether the company of interest is a traditional State owned enterprises or modern State Owned Enterprises based in China. Traditional State Owned Enterprises are managed by locals educated in China compared with the modern State Owned Enterprises which are managed by Chinese individuals educated overseas. Australian decision makers have to ascertain the new power play that exists between the traditional and modern State Owned Enterprises. In the third quadrant, Australian decision makers also need to distinguish whether the company is privately owned or State Owned Enterprise. Different sets of decision-making styles and communication are required for all three, that is, traditional State Owned Enterprises, modern State Owned Enterprises and private owned companies. Australian decision makers have to realise that governance in China differs from Australia's governance.

5.2.5 Domestic Company, Western Australian

The Domestic Company, Western Australian engaging with the Chinese company will need to assess its own internal capabilities to engage in a joint venture, partnership or business with the Chinese Company. If it is an Australian junior mining company, it will need to understand that the Chinese communication and decision-making style differs vastly from Australia's. The expectations from the Chinese stakeholder in the China context will be vastly different from another Australian stakeholder running its company in Australia. If it is an Australian conglomerate, the decision makers have to manage the balance of power in the client- customer relationship in relation to trade and national interests of China. Organisations in Australia are ASX legislated, transparent in terms of governance and applies to functional or matrix business structures.

5.2.6 Cultural Intelligence

From the findings, Cultural Intelligence embraces the following key attributes: cultural business etiquette, respect, *guanxi*, patience, understanding, trust, building new and auxiliary relationships and language barrier. If the Western Australian Company can invest in understanding the semantic and semiotics of a century old Chinese culture, its decision-making framework and decision-making processes would be enabled in

building professional relationships that will last. This contrasts significantly with the Western way of pursuing a purely business needs objective outlined in a contract.

5.2.7 Cross Cultural Communications

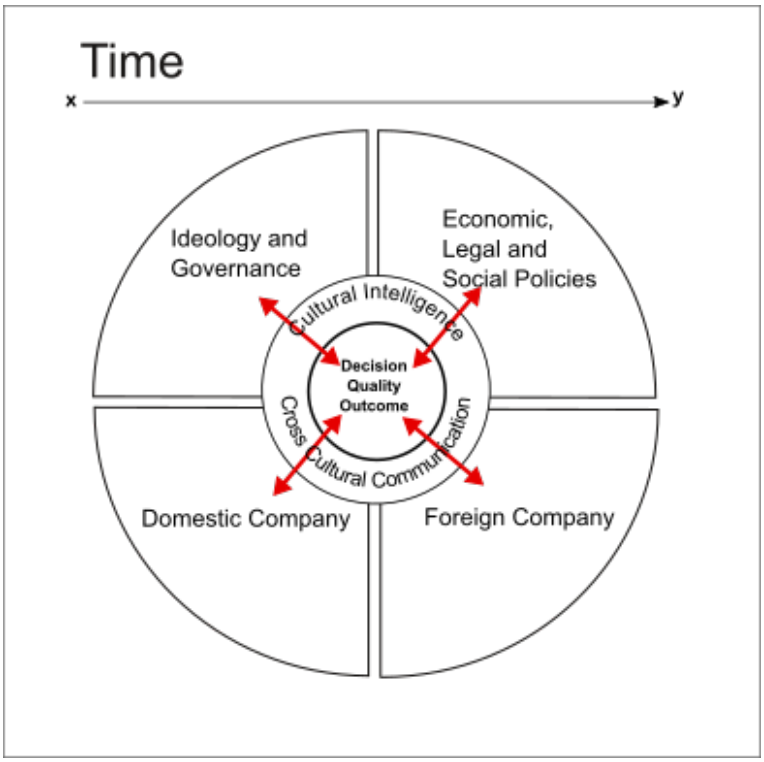
Constant communication is key between the two companies in decision making. The style of communication between a Chinese company that is hierarchal, being exposed to the functional, matrix and network business structures in Australian companies are a challenge to any decision maker. Australian companies and decision makers will have to find a way of communicating seamlessly with their Chinese counterparts. Cross Cultural Communications protocols will have to be developed and created to seamlessly bridge communication between the Chinese Foreign Company and the Domestic Company, Western Australia.

5.2.8 Decision Quality Outcome

The Culture Bound Decision Quality Model's objective is to ensure that the Chinese company and Western Australian company make quality decisions that possibly work towards a successful outcome for both parties. If both parties are happy, the business relationship can be established further in the next 5-10 years. It signifies professionalism, trust and respect have been achieved and the two parties are able to work through their strategic decisions in a complex environment.

5.2.9 Generic Use of the Culture Bound Decision Quality Model

Revisiting the Culture Bound Decision Quality Model, in the lower half of the two quadrants, the researcher took away specific words like "Chinese Company" and replaced it with "Foreign Company"; and the words "Australian company" are replaced with "Domestic company". The researcher assessed whether the Culture Bound Decision Quality Model can be used in today's complex environment (see Figure 5.10). Hypothetically, the researcher realised that the model was applicable to any industry between two nations.



Source: developed by the researcher in this study (2020)

Figure 5.10: Generic use of the Culture Bound Decision Quality Model

5.3 Theoretical Implications

At a theoretical level, this research contributes to the decision theory in four ways. First, it illustrates the decision theory that evolved from 1960 to 2019, could not be applied to the current complex business environment that exist within the iron ore industry and its dealings with China. A relevant decision-making model emerged from the findings of the participants that lived through the iron ore boom phenomenon. The findings explained the unpredictable nature of the iron ore business that required both sides of decision makers from Australia and China to come together so that their business objectives could be met. China did not expect to require an unprecedented demand of iron ore to meet its internal national interests of industrialisation and urbanisation. Australia did not expect to supply a record shipment of iron ore to China and for China to overtake Japan as a sole customer. Australia and countries involved in the iron ore industry were also unprepared for the collapse of the 40-year-old benchmark pricing system that saw the end of negotiating face-to-face contracts between nations. This is

significant as it meant that the aspect of negotiation which was part of their decision-making process within the iron ore industry was eradicated. The touch point and the human face of business interactions were replaced by middlemen and spot markets selling a commodity for a quick buck. Also, the ability to plan for the future, which the benchmark pricing system previously provided, eradicated that safety net as part of the decision-making process. More importantly, the established business relationships and *guanxi* that Australia and China built over 40 years between the companies had to be strengthened and fortified in new ways.

Second, the present findings show that different ideological and political parties between socialist China and laissez-faire Australia require different decision-making frameworks and decision-making processes to successfully drive business profitable pursuits. Unlike Australia, China's economic, legislative and social reforms are closely linked to its political leaders and ideology, protecting its national interests. While Australian private companies are able to run their business operations independently within the Australian governance model and ASX laws. Chinese stakeholders such as State Owned Enterprises find it hard to overcome their ideology and understand Australian governance rules of reporting its write downs and transparent financial status to its Australian shareholders. For China, the shift of traditional State Owned Enterprises and modern State Owned Enterprises trying to operate in today's Western business environment, challenges China's hierarchal system of decision making.

Third, the present study demonstrates that, in the context of managing decision-making processes, time is a precious commodity in a complex business environment. Theoretically, the factor time in decision theory becomes more prominent in complex theory. *Why?* From the era 1960s-1970s, Lindbolm mentioned that Rational Theory could be applied to a stable and linear environment, it had a luxury of time to assess the pros and cons of a decision (Lindbolm 1959). However, Mintzberg theorised that complexity and political dynamics collide in decision making in the period 1970s – 1980s (Mintzberg 1979) and the time pressure to make a decision speedily was upon this business environment (Butler 1995). The shift of rational decision making into a complex environment was reinforced by Kahneman and Tsversky in 1979 who developed the Prospect Theory of Choice, Heuristics and Biases program (Kahneman and Tversky 1979; Tversky 1982; Rabin 2003). This meant that the decision makers were not rational and had preconceived judgment, biases, emotion when making

decisions in a company. During the year 1980s-1990s, decision making was now not purely based on the economics and quantitative and financial aspects, it also included the psychology, emotional and mental facets of the decision maker. From 1990s-2000s, researchers like Harrison (1993) illustrated several decision-making models to include the rational, organisational, political and process (Harrison 1987, 1993, 2001; Harrison et al. 2010).

However, from 2000-2010, with the coming of the World Wide Web, sophisticated information and technology became part of daily business routines and the business environment became more complex with virtual organisations and complex adaptive systems. This meant that time as a commodity is immediate, as information is readily available in a split second, communication between decision makers and staff are instantaneous, communication between countries can be created on the spot with WhatsApp, WeChat, QQ, Facetime, Skype and so forth. Decision makers have to make informed decisions in a precise and swift manner. However, time as part of the decision-making processes, has to be used wisely to gauge the right conditions and factors to make the right decision. Decisions cannot be rushed until all scenarios are considered, weighed, discussed and factored in properly to manage Sino–Australia relationships. In also meant that for future decision-making plans and scenarios, decisions have to include decision theory and complex theory in today's business structure and environment, it cannot be a silo exercise.

From the Culture Bound Decision Quality Model that has emerged, the researcher has achieved the research objective and questions. Synthesising the literature review from decision making theories, cultural intelligence and cross cultural communications, the researcher has aptly linked all the data, findings into a coherent and logical piece of work.

The Culture Bound Decision Quality Model represents decision making and cultural intelligence required at a national, organisation and individual level. Decision makers will have to assess not only the ideology and governance, economic, legal and social policies that exist an international paradigm, decision makers will also have to look within their own organisational structure and decision making framework and processes - how to manage, negotiate internally before communicating externally. Governance

represents the current political party in power that the Australian and Chinese company have to negotiate and understand the decision making process that exist during that period. The Culture Bound Decision Quality Model also represents the complexity of decision making and decision making processes that exists as explained by Cynefin Framework (Snowden 2007) and reflected in the 'voices' of the participants.

The Culture Bound Decision Quality Model covers the Hofstede Cultural Dimensions (Hofstede 1980) on a national level, as well as the recognising that within each organisation, a culture with a certain set of values and decision making framework exist that may impact and influence on the potential relationship and partnership with a foreign company highlighted by GLOBE (House et al. 2004).

At grassroots level incorporating the teams and an individual basis, the Culture Bound Decision Quality Model represents the elements of cultural intelligence, cultural competence and communication that are taking place between the Chinese company and the Australian company amongst its team members. The bilateral arrows in circulation or in motion are interacting, intertwine and these quadrants work in tangent, not separately, moving in tandem to generate new meaning, cultural exchanges highlighted in the Circuit of Culture Model (Curtin and Gaither 2007, Scollon et al 2012). Understanding each quadrant is necessary, as part of the decision making process to arrive at a decision of quality, and that a good decision is made, not a random process.

Thus, when a decision maker makes a decision, the Culture Bound Decision Quality Model provides the overall holistic decision making strategic view and perspective to arrive at a decision. If a part of the quadrant is not covered and a decision is made, the decision made is not of quality if it doesn't consider the other components in the decision making process. The Culture Bound Decision Quality Model addresses this quality and cultural intelligence issue in decision making. Thus it meets the research objective and questions of this study.

Finally, this study adds to research on the ability of industry leaders to present new and considered decision-making frameworks between Australia and China. This research identifies that decision-making processes need to include strong organisational cultures, procedures and capabilities to enhance sustaining relationships. Previously, Western

Australian companies struggled to recognise that the national interests and political ideology are intrinsically linked to the State Owned Enterprises (traditional or modern) embodied in China. Western Australian companies who have a relationship with traditional State Owned Enterprises will need a different set of decision-making processes and communication protocols in contrast to modern State Owned Enterprises. Also, Western Australian companies have to differentiate between the private steel mills in China who are stepping into new territory in terms of entrepreneurial spirt and pathways. The findings are clear that China's national interests marry the economic objectives of its State owned enterprises in today's complex market and the Australian industry need to be cognisant of that in their decision making when establishing a relationship with the State Owned Enterprises.

5.4 Management Implications for the Iron Ore Industry

This study provides a number of practical implications for decision making and enhancing the cultural aspects of a relationship between China and Australia.

First, because China is recognised as a valuable partner within Australia, it is important to give consideration to our decision-making frameworks and decision-making processes to China and its associated meaning when establishing a commercial relationship such as a joint venture, stakeholder arrangement or business partner. This means that routine decision making and audit decision-making processes should be conducted internally, whereby decision makers offer perceptions of their client. This is an important step, in understanding the role of China plays in a commercial relationship and will enable the Australian company to determine whether the current decision making frameworks allows for the introduction of profound or incremental initiatives and whether the underlying business philosophy will accommodate such an approach. In essence, the Australian companies can then determine whether their decision, is aligned with the updated approach and business philosophy with China.

When a misalignment does occur, the Australian company has several options by which to rectify the situation. First, the Australian companies may change their underlying business objective, shifting from a market driven to a market-driving approach. For instance, this misalignment of experience occurred when the benchmarking price system collapsed for the iron ore industry in 2009 and the relationship with Australia-

China was tested. This would involve putting in place the necessary management decision-making initiatives that would allow the Australian firm to effectively capture and use information from both internal and external sources, such as customers, competitors or internal personnel. Alternatively, the Australian company could elect to change the type of personnel who have the ability to think creatively and shape the decision-making process but also changing the overall culture within the organising to encourage communication protocols to suit China. The third option to bring about alignment with China is to change the internal communication protocol by embracing Chinese's cultural and business etiquette. With the aim of preserving and building relationship equity, attempts can be made to change how Australian companies think and feel about a Chinese company, is to develop a set of decision-making frameworks and communication protocols within the company. For example, using the researcher's the Culture Bound Decision Quality Model to refine the decision-making process. In addition, training personnel to attend Chinese business etiquette workshops, learning the Mandarin language and organising personnel to attend Chinese cultural events either in Australia or China. The reactions of internal personnel should also be measured, as they tend to have a greater degree of familiarity with the organisation's underling philosophy and desired future direction with China.

Third, the Australian company with its board, senior management and executives have a different decision-making relationship with their Chinese counterparts. Senior executives who have daily routine conversations and business relationships, who are on the ground running with their Chinese counterparts, have a different worldview or perception of decision-making processes and interests in contrast to their Australian Board. It is recognised that the Australian Board has its shareholder's interest at heart, and at times are in conflict with their own staff running on the ground with their Chinese counterparts. In Australia, this needs to be addressed as the Australian Board's overall business objectives may collide with the Australian Senior Executives' business objectives and may unwittingly, hurt the working relationship with its Chinese counterparts that has been built over the years within the iron ore industry.

Lastly, even if the relationship between Australian and China company have ceased in the commercial realm, it is critical to ensure that the relationship between the two companies continue over the course of time, in terms of touchpoints and scheduled face-to-face meetings.

5.5 Significance of Research Study

This exploratory study has filled the gaps in the existing decision-making process literature and East-West relations by using a qualitative research design with the quintessence of looking at how decision-making processes are implemented within Australian companies in the iron ore industry.

Further, the exploration of Chinese corporate culture, change and business etiquette in the familiarisation process allow the establishment of a better understanding and working relationship between Australia and China; and in particular, Western Australia's iron ore industry. It will also allow decision makers to align their processes and style with the Chinese way of doing business.

This is a pioneer qualitative research study that has explored the perceptions of decision-making processes between Western Australia and China within the iron ore industry. Iron ore is Western Australia's biggest export in terms of trade with its key client, China and represents 47% of employment for Western Australia (DoJTSI 2018, 2019). Most decision-making research studies are quantitative, however, this qualitative research provides a different paradigm, a new perspective lens, in terms of how the decisions were made by key decision makers in ASX companies and junior minors starting out with their Chinese counterparts. Why is this significant? It is significant because in spite of all the decision theory and complex theory that exists to assist with the decision-making processes, the "lived" experiences and "multi-realities" of the participants offers an invaluable insight at board, senior management and managerial level for its decision-making framework and its decision-making processes within the Australian companies with their Chinese counterparts.

Does the current decision making framework that exist in Western Australian companies work during a challenge, crisis or dilemma? Do Western Australian Companies require a new decision making model to meet those challenges? The study also represents the "voice" of participants and the roles that government-to-government play between the two states and how ideology and political parties affect business operations and Sino-Australian relations within the iron ore industry. Government is important to the business environment as governance, legislation and economic policies provide a fair playing ground for Western Australia and China companies, even if

perceptions from the Chinese company may differ, as China comes from a socialist ideology.

The research study found that the cultural component is a vital feature in the decision-making process and a Western Australian company needs to have the cultural intelligence and embrace the cultural aspect as a key part of its communication and decision-making framework to succeed with their Chinese counterparts. Human connections are made through face-to-face meetings and negotiations, in part the values of respect, patience, understanding, integrity and *guanxi* bind the spirit of these relationships that are forged between Western Australia and China in this complex business environment. For any major decisions to be made, a contract to be signed, or a joint venture to materialise, the established foundation that occurs behind the scenes of constant communication, building the network of new and auxiliary relationships lend a helping hand with the decision-making processes that ultimately, leads to the win–win outcome achieved by both parties. From the findings, the researcher developed the Culture Bound Decision Quality Model to improve decision making for the Western Australia iron ore industry with China companies.

5.6 Limitations

The scope of this research study which is exploring the decision-making perspectives and decision-making processes between Australia and their Chinese counterparts was limited to the iron ore industry. Hence, applying these constructs to the oil and gas resources industry, other commodities like aluminium, gold, coal, lithium and so forth should be taken with caution.

For the sample size, the majority of participants came mostly from Western Australia, Australia. The sample size could have included participants living in China working for the iron industry between China and Australia. For instance, Chinese nationals working for the Western Company based in China or Australians expatriates living in China working for the Western Company. However, when the researcher approached Chinese nationals working in Western Australia or China to participate in the research study, most of the participants declined politely.

Specifically, the findings are focussed on the iron ore industry in Western Australia, hence, while others who read this may find similarities to their own experiences, the

findings should not be generalised. There may be differences in the decision making and relationships with China in other parts of Australia and globally as sectors differ in how they are resourced, bid and funded and have different Governments at the local, state and federal levels.

The participants were also predominately male so perspectives from females is not strongly represented in the study and perhaps a factor due to the demographics in the industry largely being male. However, by exploring what the iron ore executives were reporting were similar to two executives in another industry, this enhanced the study's credibility, dependability and comparativeness and further triangulated the study's findings.

In terms of conclusion, it was hard to pinpoint exactly which decision-making theory or complexity theory could be applied to this study as the researcher outlined the eras in 10 year cyclical periods in terms of political leadership, economic, legislative and social reforms and so forth from 1960s to 2020s.

5.7 Recommendations

For a company to develop a decision making process or a robust decision framework, cultural intelligence is an essential component that cannot be ignored. The researcher recommends training in the areas of cross-cultural awareness and cross-cultural communications to be included in these Australian companies.

The Australian company should retain experience senior management to pass on to their successors to bridge the gap and relationships built with their Chinese counterparts who value the *guanxi* of this partnership on a commercial and personal level. These two elements are intertwined and interlinked from the Chinese cultural background as part of *guanxi*, it is not separate like Australia's business setting.

Senior management that have retired within the resources industry, in particular, the iron ore industry should be brought back to the fold to give presentations or seminars to the organisation or share their knowledge and experience with Western Australian business wanting to invest in China. The invaluable and insightful knowledge needs to be tapped and not lost so the importance of knowledge management is critical. The story of relationship building with their Chinese counterparts has to be captured. This is

cultural intelligence – knowledge learned, earned and experienced between Australia and China within the iron ore industry. Learning the nuances, the semantics of a foreign Chinese culture other than Australia's way of working is part and parcel of the decision making process. This has been reflected by the 'voices' of the participants who embrace the ways of working with China. The participants have created and recreated new relationships, thus generating a 'new culture' between Australia and China, working within, appreciating and understanding the boundaries of ideology, governance, politics, legislation and culture.

From cultural intelligence harnessed by senior management and passed on within the organisation, cross cultural communications protocols will have to be developed to facilitate communication between Australian and their Chinese counterparts at a grassroot level. If this is done successfully, a working partnership will be smoother as communications are established that may influence the decision making process.

It is through this dynamism and exchange, that a decision of quality is made. A good decision based on cultural intelligence, proper decision making processes and an understanding of the governance of the day.

5.8 Future Research

The participants interviewed in this study represent iron ore related industries which restrict the transference of the findings. Further research efforts could include qualitative studies such as this in the oil and gas resources industry, and other commodities like aluminium, gold, coal, lithium and so forth. In doing so, the relationship between China and Australia could be revealed more deeply and the various decision-making processes explored.

Possible research studies in decision making could also be extended to explore the Chinese nationals' perceptions of working in Western Australia within the iron ore industry and how they view decision making in Australia compared with China. This could go some way in addressing whether the findings presented here are relevant in a wider context.

In addition, the Culture Bound Decision Quality Model developed by the researcher of this study could be applied in future research for the resources sector within the decision making, cross cultural and stakeholder management disciplines and so forth between Western Australia and China. The results will possible add to the knowledge within these disciplines, in particular, decision making within the iron ore industry between Western Australia and China.

5.9 Conclusion

This research study has achieved the research objective, that is, to explore the decision making process in the Australian resources industry when dealing with China. In particular, the iron ore industry in Western Australia. The study has explored the Western Australia decision-making processes and the decision framework that exists when working with Chinese counterparts. In its findings and analysis, the researcher identified from 1960s to 2020s, a range of decision-making processes were required at board, senior management and management level between Western Australia and China within the iron ore industry. Different political leaders in each different era, had an effect on economic and social reform that affected the Western Australian-China decision making business environment. Through cultural intelligence, understanding, *guanxi,* patience, respect and constant communications, challenges can be overcome to ensure a thriving and positive relationship between Australia and China.

Appendices

Appendix 1 – Excerpts of the Audit Trail

Participants in Interviews	Comments made by participants unrecorded. The researcher jotted down the notes manually in this study
Interview 1	Native title is a difficult exercise for the Chinese Full due diligence on projects especially for junior Confidentiality agreement in this interview is important
Interview 2	Looking at legal versus strategic issues Asked the researcher after interview, whether I was really a researcher or a reporter Emphasised on confidentiality discussion in interview
Interview 3	Old China has no strategy. The Chinese State Owned Enterprises are slow in decision making process. However, modern China is progressive in business and will purge old China as they are holding them back.
Interview 4	No handwritten notes after the interview were required
Interview 5	Chatted about experience when the Chinese decision makers were heated in an exchange and bang their fists on the table
Interview 6	Don't piss off the Chinese government
Interview 7	Iron ore – concern with significant cost impact. Iron ore becomes a strategic commodity
Interview 8	Poor investment decision. Feels sorry for the Chinese when they are ripped off by an investor. Poor due diligence
Interview 9	Disconnect is real. Not respectful. Take the time to understand the customers. No quality of information means the inability to compete on a level-playing field.

Appendix 2 - Participant Information Sheet and Consent Form

Re: Perceptions of decision- 1making in Western Australian Iron Ore companies dealing with Chinese organisations.

Dear Participant,

Thank you for taking an interest in this research with Curtin University.

Summary of research

Decision making in Western Australia's iron ore companies dealing with their Chinese counterparts is vital to the success of the Australian-Chinese long-term business relationship. This study focuses on the perceptions of decision makers with respect to decision making processes in Australia in response to China's business interest in the resources industry, in particular the iron ore market. It also explores the perceptions of decision quality by our decision makers. The outcome from this research will contribute towards a better understanding of the business relationship between Australia and China.

This project is being conducted by Renee Ralph to achieve a Doctorate of Business Administration, Graduate School of Business at Curtin University.

Target audience

We are seeking executives in the resources industry, in particular the iron ore market by participating in a face-to-face qualitative interview. The interview will involve 8-10 questions about decision making processes, decision frameworks and short open-ended questions regarding your perceptions of Australia's iron ore industry with China. Completing the interview should not take more than an hour of your time.

Benefits

Although there may be no direct benefit to you from participating in this research, it will give you an opportunity to discuss your views and invaluable experiences related to this research. We hope that the results of this research will provide insight into the impact of various decision making frameworks and processes that exist amongst organizations in the iron ore industry. Apart from the time taken to participate in the

interview, there are no foreseeable inconveniences, costs or risks associated with participating in this research project.

We have been careful to ensure that the questions in the interview do not cause you any distress or discomfort, however, should you feel any anxiety or discomfort about the questions in the survey, you do not need to answer them and can simply go onto the next one or choose to discontinue the interview.

Confidentiality and Ethics

The information collected in this research will be coded and only identifiable by the researcher. This means that your information is anonymous and will only be assigned a code for reference purposes. On a separate file, the code will be linked to you for cross reference purposes in case the researcher needs to follow up with you to clarify some information. Only the research team will be able to identify your information via this code which will be held in a secure computer. When the research is completed, this document which links your name to your information will be destroyed and only the anonymous coded information will remain for a time period specified in the next paragraph.

Any information we collect and use during this research will be treated as confidential. Only the following people will have access to the information we collect in this research: the research team and the Curtin University Ethics Committee. All electronic data will be stored on a password- protected computer and the information collected from the study will be kept under secure conditions at Curtin University for 7 years after the research has ended. Following this period, the information will be destroyed. You have the right to access, and request correction of your information in accordance with relevant privacy laws. The results of this research may be presented at conferences and published in professional journals. You and your organization and any information that may aid in linking your organization to what is published will not be identified in any results that are presented or published. Fictitious names and codes will be used to represent findings.

We are not able to send you the complete results from this research, although we may invite you to look as some of the findings as a way to see if you agree with them. This is a way of grounding the validity of the findings in research. The overall results and

findings of the research may be available to you through publications in professional journals. Taking part in this research project is entirely voluntarily. It is your choice to take part or not. You do not have to agree if you do not want to. If you decide to take part and then change your mind, you can withdraw from the interview at any time. Should you decide not to participate in the interview after you have started, we will use any information already collected unless you explicitly request us not to by contacting the research team via the contact details provided below.

If you require further information or have any questions regarding participation in this research please contact any of the following:

Doctoral Student

Renée Ralph, Graduate School of Business, Curtin University Mobile : 0438 800 923 Preferred Email : rralph88@gmail.com

Supervisor

Professor Richard (Rick) Ladyshewsky, Curtin University Contact Via Email : rick.ladyshewsky@gsb.curtin.edu.au

Thank you for taking the time to read this information sheet.

I, _____(provide name of participant in block letters) have read and understood the information provided here in the information sheet and consent to participate in the research project.

Signature of Participant,

Email:_____Mobile/Tel:_____Date_____

Appendix 3 - Proposed interview questions to participants

Ask about Background

Before we begin, tell me a bit about yourself (i.e. their role, what they do, how long they have been with the organisation, background, where they have worked. etc etc)

Tell me about your organisation (organisation, type of business, context in which they are operating, what it's like to work here)?

Note: This provides an overview of the types of decisions they are making

1. How would you describe the manner in which decisions are made in your organization in regard to your Chinese business counterparts? Are you able to provide a description of the decision-making process? Is it an individual decision or a collective decision?

2. What is your understanding of Chinese corporate culture, business etiquette? Do you think it is crucial to the better understanding and working relationship between Australia and China within the iron ore industry?

3. Are you able to identify the processes that are used to enhance the quality of decisions made by government agencies that liaise with China, WA companies and the Chinese companies in the iron ore industry? Do those processes exist?

4. How are decisions made in relation to the Chinese stakeholders? Is there a decision making process or is it based on "guanxi" and/or contacts?

5. (Handover definition of guanxi: about face, personal contacts and networks, respect)

6. Are you able to provide a decision framework in relation to communicating with Chinese stakeholders/organizations? Is there a protocol or policy that you could explain?

7. Do you think there is a difference in decision-making 'styles' in WA's iron-ore industry when dealing with China in comparison to other non- Chinese businesses? Please describe.

8. Do you think there is a difference in decision-making 'processes' in Chinese organizations and WA within the iron-ore industry? Please explain.

9. If working in a Chinese organization – What is different from other companies that you have worked in? What are the issues faced in decision making, decision quality?

10. Do you deal differently with Chinese organizations that are non- Chinese? Compared to other non-Chinese businesses? (Is this the same as questions 6 and 7?)

11. Looking into the future, what do you see emerging as the critical decision making competencies (with a focus on achieving long run success in dealing with China; Are any more important than others?)

12. Given your position and experience in dealing with Chinese organisations you must have climbed a few Mt Everest's in your time and have a few tales to tell .... Imagine you were mentoring someone you wanted to do well.... What are the lessons or pieces of wisdom you would pass on?

(Probe for experiences/specific stories.)

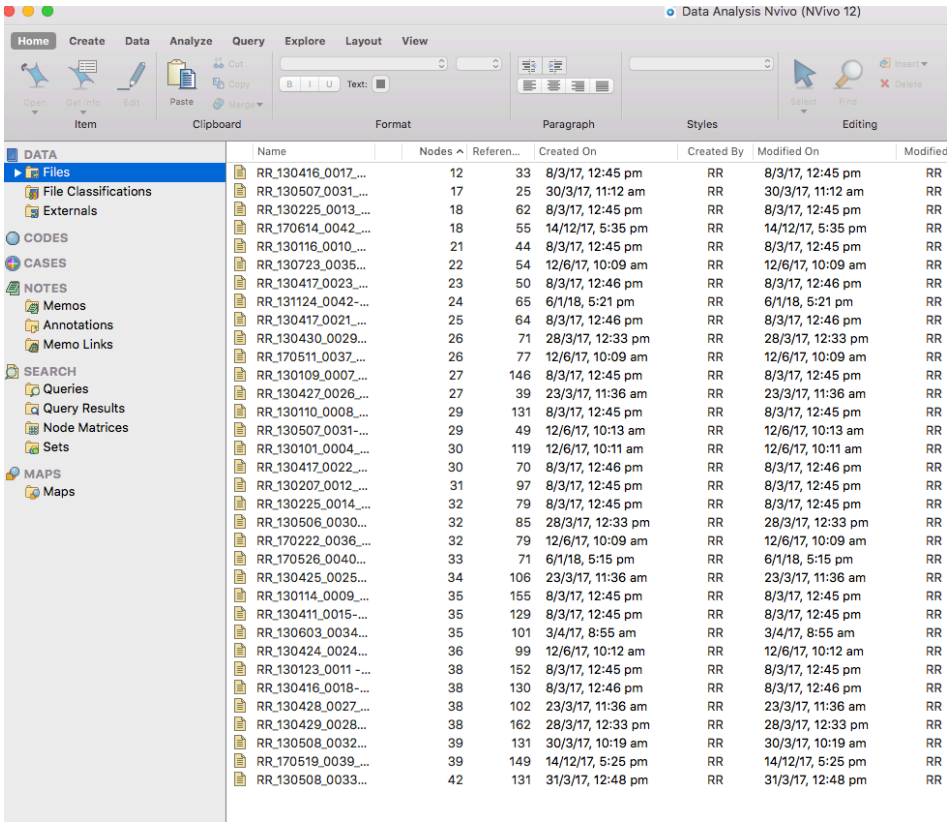
13. Is there anything else you would like to share with us regarding decision making when dealing with Chinese organisations?

14. (This is a 'what have we missed' question)

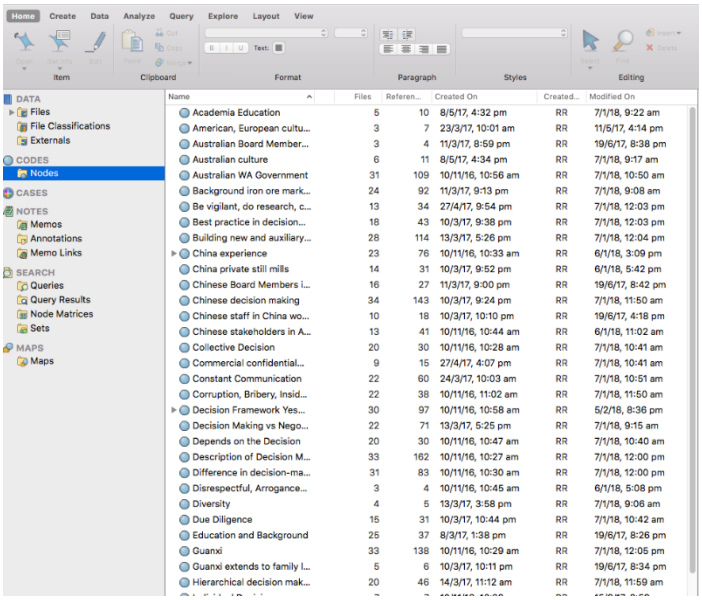
Grateful if you could provide contacts for theoretical sampling. Thank you.

Appendix 4 – Screenshots of Coding and Emerging Themes Process – Step 1 to Step 6

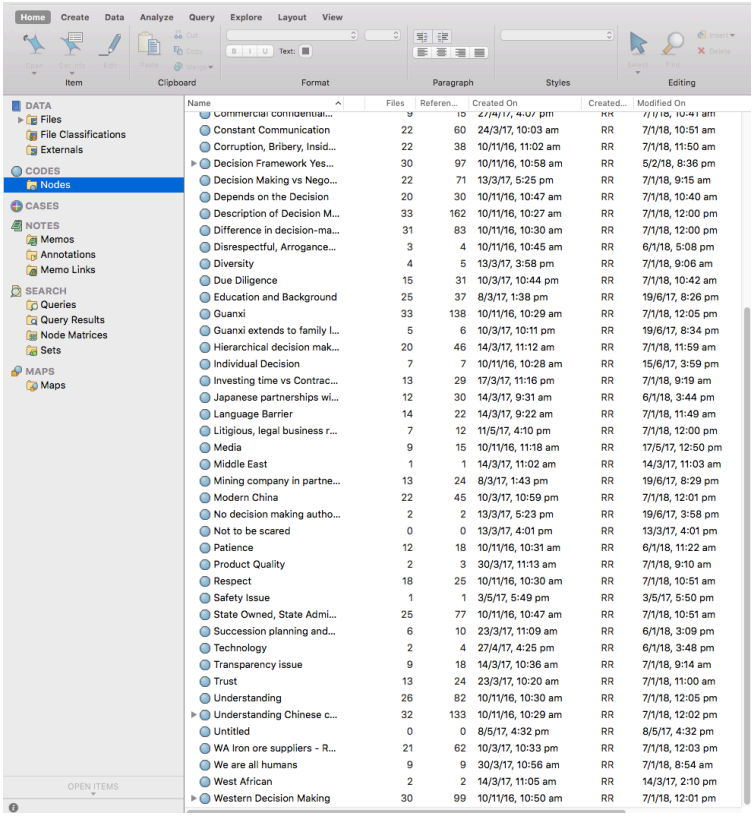
Step 1 – Uploading Transcripts on Nvivo 12 - Reading and highlighting hardcopies - Reviewing electronic copies



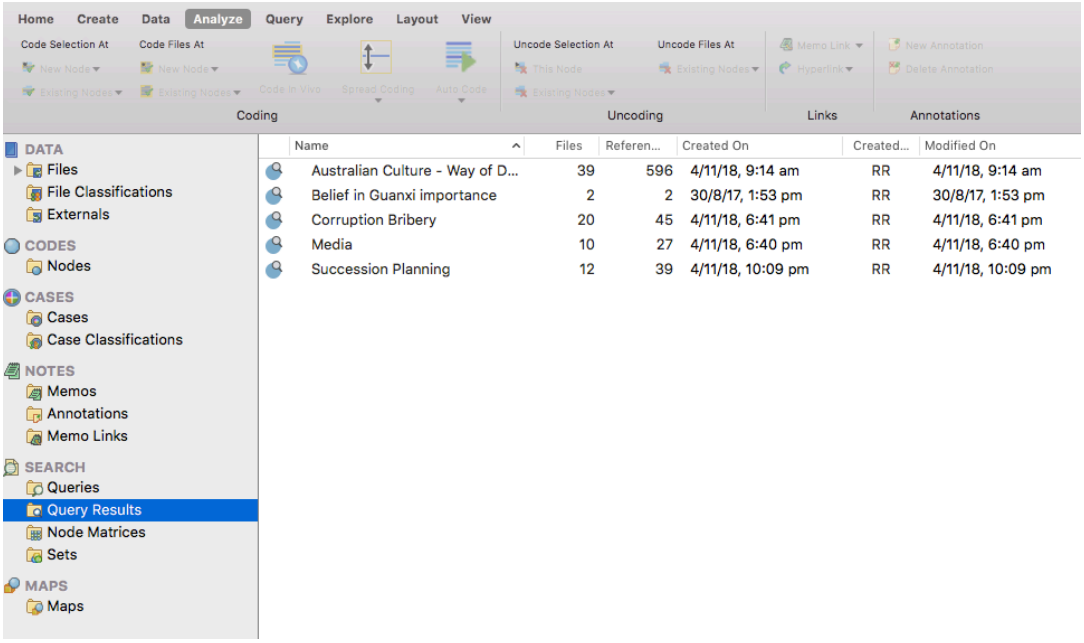
Step 2 – Creating Nodes – example of screenshot below



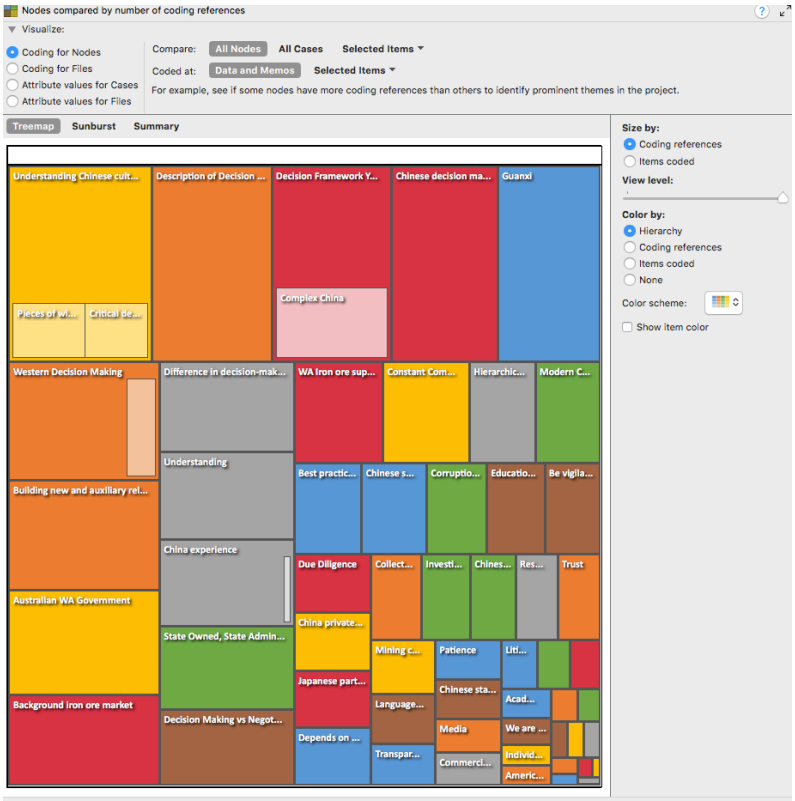
Step 2 – Creating Nodes – another example of screenshot below



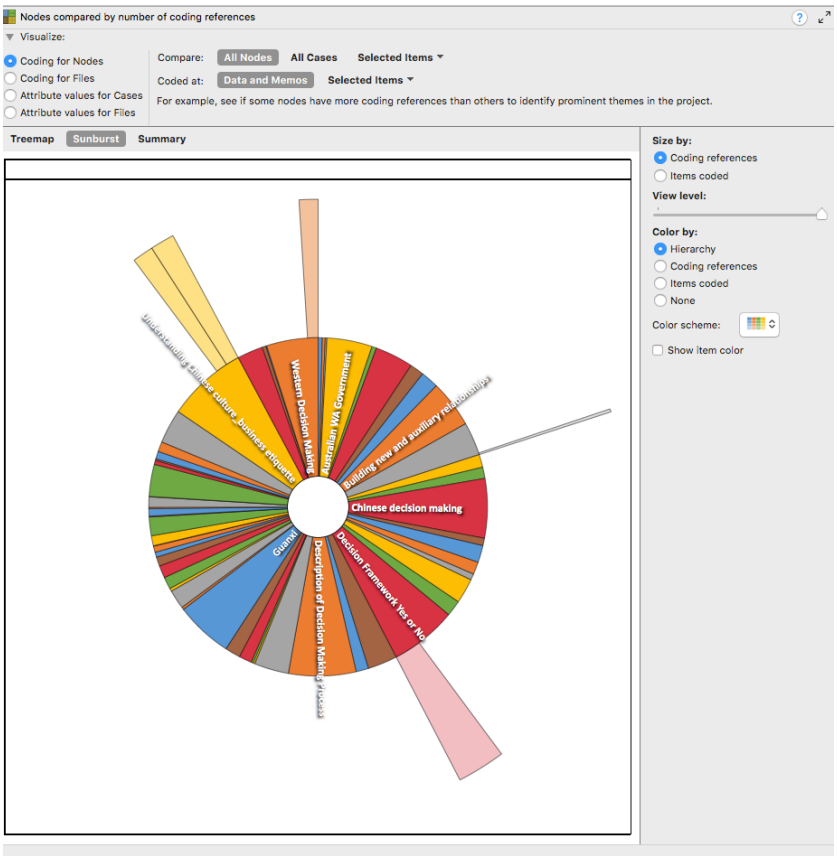
Step 3 – Analyse – Running Query Results



Step 4 – Analyse - Exploring Nodes by Tree maps



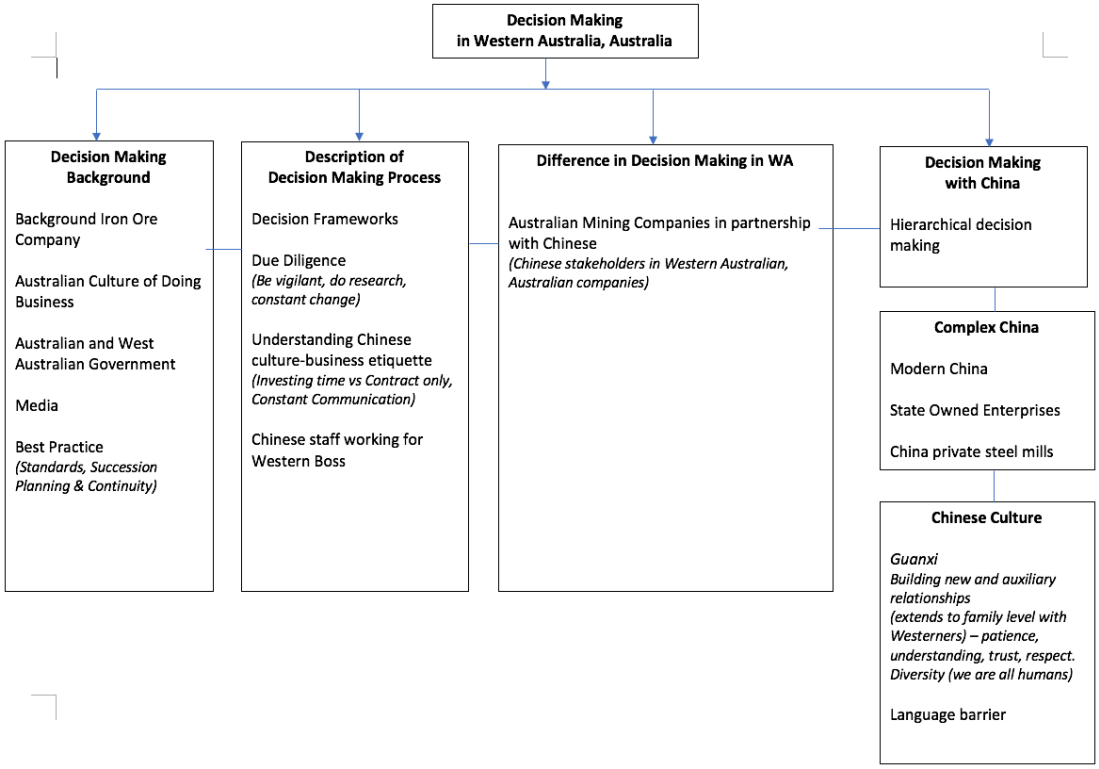
Analyse - Exploring Nodes by Sunburst



Step 5 – 16 Initial Themes identified

Major themes	Participants	Number of References to Category
Chinese decision making	28	120
Description of Decision Making Process	27	139
Difference in Decision Making Styles in WA	26	73
Understanding Chinese cultural business etiquette	26	116
Western Decision Making	25	84
Education and Background	25	37
Building new and auxiliary relationships	24	93
Understanding	23	74
China experience	22	74
Decision Making versus negotiation	20	66
State Owned, State Administration	19	65
Hierarchal Decision Making	17	39
Constant Communication	16	41
Modern China	16	32
Respect	13	19
Mining company in partnership with Chinese	13	24

Step 6 – Truncating codes to 6 themes



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