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Material Abstract

Organizational Control and Employee Resistance

Qizhong Hu

The study explores organizational control and employee resistance in a German invested manufacturing firm in China, MEP China. MEP was a highly controlled organization through top-down management systems and widespread aggressive measures to control its largely blue collar workforce. The case study considers why employees at MEP rebelled against their management to go on strike to achieve their personal interest. It seeks to provide an “insider account” by the researcher. By exploring the nature of control and resistance in a Chinese context the study provides novel findings about the Eastern context of strikes and what differences these can make to understanding these issues in the workplace. The interviews and first-hand experience reveal intertwined issues of disunity and volatile disagreement between top management; power struggles and blame games; illegal firings of key employees for political reasons; the widespread demoralisation of workers; and the complex and culturally bound Labour regulations that both led to, and attempted to resolve, the ongoing Labour dispute. The thesis begins with an introduction to key concepts ranging from “Organizational Control” to “Employee Resistance” as well as an overview of the context of the study. It is followed by a literature review in chapter 2 that locates a research gap around the Chinese experience of strikes. Chapter 3, gives an overview of the methods used for the study including an explanatory case study research method (incorporating interviews) combined with an autoethnographic approach to provide richer and deeper understandings of the situation. In chapters 4 to 6, the results of the study are explored and key themes are drawn that explain findings in MEP, exploring the push and pull between organizational control and employee resistance. Finally, conclusions and recommendations are provided which use this rare case in Chinese industrial relations to provide lessons to organizations in similar situations.

Organizational Control and Employee Resistance

Thesis submitted in fulfilment of the degree Doctor of Business Administration

Submitted by: Qizhong Hu

**Durham Business School
Durham University, England**

**Supervised by: Prof. Dr. Mark Learmonth
& Dr. Martyn Griffin**

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Chapter One: Introduction

This study is about (Organizational) Control and (Employee) Resistance. (Employee) Resistance, in the opinion of the author, to a great extent, is one feed back to (Organizational) Control.

Control is always an important aspect in any organizations. Without effective control, it will be very hard for any organization to achieve its objectives. Employee Resistance is a common phenomenon in all kinds of organizations, which also can affect an organization to achieve its objectives.

Organizational scholars have also found that organizational control and employee resistance are sometimes interactional. For example, on one side, Roscigno and Hodson (2004) found that “Well-organized, bureaucratic workplaces with little interpersonal conflict and abuse, for instance, will generate lower levels of resistance”; on another side, Prasad and Prasad (2000) found that “(routine resistance) limited organizational control in interesting and unexpected ways”.

“Organizational scholars have shown considerable interest in the rise of complex systems of organizational control, sometimes referred to metaphorically as the process of tightening the iron cage, as well as patterns of workplace resistance to it (Prasad and Prasad 2000).” Literature from scholars stated that employees sometimes would resist control in the organizations, including in the multinational companies.

Multinational companies are very important economic powers in the current world. Together with the globalization, multinational companies perform more and more active in most countries worldwide. The author has worked in the Chinese subsidiaries of multinational companies as well as in normal private companies owned by local Chinese investor. The Chinese subsidiaries of multinational companies, compare with its Chinese competitors, normally face more difficulties in its operation as well as management, also face more difficulties concerning employee resistance.

Strike is an extreme form of employee resistance. Strikes in 1830s’ and 1840s’ in Europe, representatively two uprisings of silk weavers in Lyon, France in 1831 and 1834, The British Chartism in 1842, and textile workers’ uprising in Silesia, Prussia in 1844, deeply changed the entire world history as well as organizational control practice. The Working Class

stepped onto the historical stage independently along with these strikes.

Specifically in People's Republic of China, Strikes in 1920s' as well as 1930s' were extremely important historically issues along with the development of China Communist Party, which is the ruling party in People's Republic of China after Oct 1949 until now. China Communist Party was founded in July 1921. As soon as China Communist Party was founded, it actively organized several important strikes, for example Hong Kong Seafarers' Strike starting Jan 1922, Anyuan Railway and Mine Workers' Strike starting Sep 1922, Strike in Kailuan Coal Mine starting Oct 1922, Beijing to Hankou Line Railway Workers' Strike starting Feb 1923, Great Strike of GuangZhou and Hong Kong starting June 1925. These strikes are noted (and praised) on the Chinese History Textbooks as well as Politics Textbooks in People's Republic of China, even recorded by numerous films, television dramas, and novels. All Chinese know these strikes and this ideological effect will be further discussed later in this thesis.

(Organizational) Control and (Employee) Resistance were sometimes essential parts in classic theories: Marx and Engels (1848) as well as Marx (1867) gave the control and resistance appearance a class struggle explanation, in the historical literature "Manifesto of the Communist Party", Marx and Engels (1848) made propositions based on their observations of factory work: "Masses of laborers, crowded into the factory, are organized like soldiers. As privates of the industrial army, they are placed under the command of a perfect hierarchy of officers and sergeants. Not only are they slaves of the bourgeois class, and of the bourgeois state; they are daily and hourly enslaved by the machine, by the overlooker, and, above all, in the individual bourgeois manufacturer himself." "The proletariat goes through various stages of development. With its birth begins its struggle with the bourgeoisie. At first, the contest is carried on by individual laborers, then by the work of people of a factory, then by the operative of one trade, in one locality, against the individual bourgeois who directly exploits them. They direct their attacks not against the bourgeois condition of production, but against the instruments of production themselves; they destroy imported wares that compete with their labor, they smash to pieces machinery, they set factories ablaze, they seek to restore by force the vanished status of the workman of the Middle Ages." Foucault (1975) saw the rise in "Discipline", (which was very similar as "Bureaucratic Control"), as a form of control, and this sometimes led inevitably to the resistance from the human beings under this "Discipline".

1.1 My Story

In 2004, after receiving my Master's Degree in Switzerland and after several year's working in Switzerland, I joined a German invested manufacturing company (will be referred as MEP China in the below chapters) in China to work as Financial Controller. MEP China was (indirectly) fully invested by a German investment group listed on Frankfurt Stock Exchange and initially started its operation in China from 1993. MEP China produces industry cord (also be called as engineered cord or industry yarn) for automobile industry, sells its products to China, other Asian countries, Europe, as well as North and South America. In 2004, this company generated about 78 Million RMB turnover (almost 10 Million US\$) and hired 74 employees in China, including 54 blue collar employees, mainly in production, logistics and engineering department. In 2004, this company was the market leader in China for industry cord business and was quite profitable. The average salary for the blue collar employees in this company was 20% higher than the blue collar employees working in the neighbouring companies (mainly local private companies).

In June 2006, I was promoted as Associate General Manager & CFO in this company, reporting to the Chairman of the Board of Directors who was based in Germany. And my responsibility was expanded from Finance and Controlling Department to also Admin, HR, IT and Logistics Department. From then on, HR affairs in this company were also managed by me and I spent almost 20% of my time and energy in dealing with it. Thus, as the top HR responsible person in China, I directly experienced the management attempt to enhance organizational control in MEP China, as well as directly experienced the employee resistance in both collective and individual ways. Afterwards, as the top responsible person in finance area, I could see how organizational control and employee resistance would affect MEP China in achieving its objectives, especially financial objectives.

1.2 Study Purpose and Research Questions

The study purpose for my thesis is to find the interactional relationship between Organizational Control and Employee Resistance in MEP China, thus gives the managers (especially managers in multinational companies in China) some practical suggestions on executing organizational control and handling employee resistance issues. The most important

issue is I want to share my experiences with managers (especially managers in multinational companies in China): What kind of organizational control practices will most likely cause employee resistance? And, how to avoid employee resistance when the management execute new organizational control practices? I think my experiences will help the contemporary managers (especially managers in multinational companies in China).

I worked in MEP China from 2004 till the middle of 2014. In this almost ten years working period in MEP China, I really experienced several critical moments facing collective or individual employee resistance, which were tightly linked with certain organizational control actions or even organizational control attempts.

In 2009, 2010, and 2012, when I worked as Associate General Manager & CFO in MEP China, there were three strikes happened in MEP China. I realized that, these strikes were unique experiences, not only for me, but also for the managers in this period in China. I think that I should record those unique experiences, and share them with the people who were also interested with them.

Starting Sep 2012, I joined the Durham DBA program. During my DBA study, I have discussed these strikes with several professors who were teaching me. My professors encouraged me to write down these “stories”, and analyze them. The professors informed me, the analysis on the strikes in a foreign invested company in mainland China would be “unique” enough to be a doctorate thesis. As early as in 2014, I have decided to choose this topic (strikes) as the topic of my DBA thesis.

This cases study as well as autoethnography study is based on the documents collected by myself, such as company reports, meeting minutes, agreements, announcements, E-mails, etc. Especially, in order to report to the boss in Germany at that time, when there were special situations happened in MEP China such as strikes, I had interviewed some employees to collect information and kept the interview records in the written form. These interviews were done between 2009 and 2012, before I started my DBA study project and the initial purpose for these interviews were not on research use. This is the reason that these interviews were not taken according to the research standard and without voice recording (all the employees refused to speak with me when the voice recorder was switched on). The interview records can only be regarded as complementary research documents and in 2016 I found I couldn't do my research only based on these old interview records made between 2009 and 2012. To collect more research material, in 2016, after leaving MEP China for two years, I have managed to do a new

round of interviews with some of my former colleagues, some of whom were the key persons during the strikes. This time, since I have left this MEP China for two years and then I was no longer a top manager in this Company, these colleagues gave me more frank opinion towards the strikes happened several years ago. And I tried to use standard interview method for the research this time, made voice records as much as I was permitted by the interviewees.

Based on the above mentioned documents, I focus on three research cases (three strikes in 2009, 2010 and 2012) as Chapter 4, Chapter 5 and Chapter 6 of my thesis.

I ask three research questions in my thesis and try to answer them:

(1) On the company management side, what caused the strikes in MEP China?

(2) On the employees side, why employees in MEP China struck?

(3) On the company management side, how to avoid employee resistance when the management executes new organizational control practices?

Chapter Two: Literature Review

Organizational Control and Employee Resistance were essential parts in classic theories and they were jointly noted by seminal writers such as Marx and Foucault. After the Second World War, Contemporary Organizational Control Theories developed and “Cultural Control” became the focus, as well as different theories concerning Employees Resistance appeared. But there is a gap between “Contemporary Organizational Control Theories” and “Contemporary Employee Resistance Theories”.

2.1 Organizational Control

2.1.1 Organizational Control Theories

For one person, his (or her) life in current society can be described mainly as an organizational member in one or several social organizations. Organizations imply control. In the organizations – which “are characterized as orderly arrangements of individual human interactions”, control is a critical ingredient. Each member in an organization must face “control” as “an aspect of organizational environment” and must adjust to it. Control is not only an inevitable correlate of organization, but also “is concerned with aspects of social life that are of the utmost importance to all persons”. “Variations in control patterns within organizations” “have implications for the performance of the work group and for the organization as a whole” (Tannenbaum 1962). The results of the studies of Tannenbaum (1962) suggested “an important hypothesis connecting the total amount of control and organizational performance”. Tannenbaum (1968) detailed expanded his organizational control theory in his book “*Control in Organizations*”. More than one decade later, Kavcic and Tannenbaum (1981) used that organizational control theory to finish a longitudinal study concerning the distribution of control in (former) Yugoslav Organizations, focused on the legal system of workers’ self-management in (former) Yugoslavia.

Based on the theory of Tannenbaum, McMahon and Perritt (1973) further argued: Organizational effectiveness will be directly related to the amount of total control; The less negative (more positive) the slope of the control curve (this means relatively more exercise of

control by lower organizational levels), the greater the organizational effectiveness; The greater the concordance among the control curves of the various managerial levels (this relates to the agreement among hierarchical levels' perceptions of the amount and distribution of control within the system), the greater the organizational effectiveness. McMahon and Perritt (1973) thus designed three control measures in the study to describe the three attributes of control: Total Control, Distribution of Control, and Concordance.

Ouchi and Dowling (1974) defined the "span of control". "Span of control", is the measure of supervisory manpower, or is normally regarded as "a measure of the limits of hierarchical authority exercised by a single manager". Ouchi and Dowling (1974) compared four different measures of the span of control in their study on 78 retail department stores: raw span of control, adjusted span of control, adjusted span of control plus helpers, and adjusted span of control plus helpers over FTEs (full-time equivalents).

Afterwards, Ouchi (and his partner) published several papers to discuss behavior control and output control, as well as control loss (Ouchi and Maguire 1975, Ouchi 1977, Ouchi 1978). Ouchi and Maguire (1975) drew distinction between two modes of organizational control: "behavior control" which is based on "personal surveillance"; as well as "output control" which is based on the "measurement of outputs". In their study of employees over five levels of hierarchy, Ouchi and Maguire (1975) found that "the two modes of control are not substitutes for each other, but are independent of each other". The two forms of control work for different purposes. A manager will rely relatively more on "behavior control" as his understanding of means-ends relationship increases; a manager will rely relatively more on "output control" as his need to provide legitimate evidence of performance increases.

Ouchi (1977) stated that: "The structure of an organization is not isomorphic with its control system. Structure is related to control." Ouchi (1977) used a figure to explain the relationship between control type ("behavior control" or "output control") and its antecedent conditions: in one organization, when availability of output measures is low but knowledge of transformation processes is perfect, "behavior control" will be suitable for it; when availability of output measures is high but knowledge of transformation processes is imperfect, "output control" will be suitable for it; when availability of output measures is high as well as knowledge of transformation processes is perfect, both "behavior control" and "output control" work; when availability of output measures is low as well as knowledge of transformation processes is imperfect, neither "behavior control" or "output control" works, that organization could only rely

on “ritual control”.

Ouchi (1978) discussed the transmission of control through organizational hierarchy and the control loss in this transmission. It was proved that “behavior control” and “output control” differ sharply in transmission: “behavior control shows almost no interlevel consistency, while output control is transmitted through three levels of hierarchy with relatively little loss.” Behavior control can’t be expected to show high interlevel consistency or transmission because behavior control is determined by local as well as particularistic conditions.

Afterwards, Ouchi (1979, 1980) focused his organizational research on different control mechanisms in organizations.

Ouchi (1979) described three fundamentally different control mechanisms in organizations: markets, bureaucracies, and clans. The design of organizational control mechanisms must focus on the problems of achieving cooperation among individuals who hold partially divergent objectives. A market mechanism which precisely evaluates each person’s contribution and permits each to pursue non-organizational goals, but at a personal loss of reward; a clan mechanism which attains cooperation by selecting and socializing individuals such that their individual objectives substantially overlap with the organization’s objectives; and a bureaucratic mechanism which does a little of each: it partly evaluates performance as closely as possible, and it partly engenders feelings of commitment to the idea of legitimate authority in hierarchies.

Ouchi (1980) further analyzed those three fundamentally different control mechanisms. Markets control is efficient when “performance ambiguity is low” and “goal incongruence is high”; bureaucracies control is efficient when “both goal incongruence and performance ambiguity are moderately high”; and clans control is efficient when “goal incongruence is low and performance ambiguity is high”. Markets, bureaucracies, and clans are therefore three distinct mechanisms which may be present in differing degrees, in any real organization.

Also in 1970s and 1980s, Ouchi (and his partner) published several papers to discuss Type A and Type Z control, afterwards developed Theory Z based on the Type Z control (Ouchi and Johnson 1978, Ouchi 1981 A, Ouchi 1981 B, Ouchi 1982, Barney 2004 A, Barney 2004 B).

Ouchi and Johnson (1978) presented two ideal-type representations of organizational control: “Type A is derived from the prototypical American work organization and is characterized by highly specialized tasks, relatively high turnover, and by contractual relations between employees. Type Z represents an American version of the prototypical Japanese organization and is characterized by relatively low task specialization, low turnover, and by

primary or wholistic relations between employees.” 68% respondents (including a group of senior-level government officials, a group of electronics executives from 41 different companies, and a group of personnel executives from various industries) regarded Type Z as better managed. Ouchi (1981 A) suggested that “Theory Z organizations capture the best in management methods from Japanese and U.S. approaches.” “A Theory Z organization is egalitarian, engages fully the participation of employees in running the company, and emphasizes subtle concern in interpersonal relations. It is characterized by employee cooperation and commitment to the objectives of the company.”

Ouchi (1981 B) suggested that culture is clan-like and identified three elements that came from it: trust, subtle, and intimacy.

Ouchi (1982) stated that “trust” between management and employees were essential in a Type Z / Theory Z company (called as “Company Z” in his thesis). The base for the trust is to know that the management and employees share basic goals in the long run.

Ouchi’s Theory Z was so popular that it was still discussed after more than two decades. Barney (2004 A) introduced Ouchi’s Theory Z again in 21st century, tried to find the answer how American business can meet the Japanese challenge. Barney (2004 B) also interviewed William Ouchi, to learn the details when Ouchi built Theory Z in 1980s.

After the work of Ouchi, most researchers regard clan control as cultural control and posited organizational culture as an “insidious management strategy of organizational control” (Harris and Ogbonna 2011). Harris and Ogbonna (2011) found: as antecedents of management-espoused cultural control, “Formality of Socialization” as well as “Need for Social Approval” were positively related with “Extent of Management-espoused Cultural Control”, while “Job Mobility” were negatively related with “Extent of Management-espoused Cultural Control”; as consequences of management-espoused cultural control, “Job-induced Stress” as well as “Extent of Surveillance” were positively related with “Extent of Management-espoused Cultural Control”, while “Employee Self-esteem” were negatively related with “Extent of Management-espoused Cultural Control”.

Several years ago, Chen *et al.* (2008) divided management control into strategic control, operational control and informal control. “Informal control seeks to impose normative restrictions by influencing the organizational culture of the (subsidiary)”, so indeed we can also regard informal control as cultural control. Chen *et al.* (2008) found that the strategic and operational controls of the foreign partner (of the joint ventures in China) were susceptible to

government restrictions, state-ownership, and cultural distance, while informal control (cultural control) was less likely to be affected.

The concept of “organizational control” is widely used in different kinds of industries and contexts. For example, McKee *et al.* (2008) described the organizing and reorganizing in health care organizations; Hodson (1999) described the “organizational control” of workplace, and stated that “Many control theorists have interpreted worker participation programs as management’s latest attempt to elicit greater effort from workers while maintaining full control of the labor process”.

2.1.2 Cultural Control & Cultural Difference

Even before the concept “cultural control” came into being, Horvath *et al.* (1976) had already studied the cultural context of organizational control. In their study, they found that because of the cultural differences, there should not be a “universally applicable principle” in management. In their research, they also found that the convergent pattern of the relationships appeared: a. “in the influence of scale (measured by the number of employees) on formalization and specialization;” b. “in the influence of technology (conceptualized and measured as automaticity mode) on centralization;” c. “in the influence of internal dependence (the relationship of the local organization to its parent group) on centralization.”

“Business is globalized and managers are required to operate within and across different national cultures (Armstrong *et al.* 2012).” Until today, most studies concerning “Cultural Control” are indeed based on two different cultures: “western culture” and “eastern culture”.

There are too many definitions on “western culture” in different papers. In this review, the author would like to define “Western Culture” as the culture in these countries: European countries, USA, Canada, also including Australia and New Zealand. Indeed, the people in the above mentioned countries are mainly ethnic European and all these countries are developed countries.

It is even much harder to define what is “Eastern Culture”. So, practically, maybe it will be easier to discuss only “Asian Culture”? The author finds even this is still a “mission impossible”. Geographically, “Asia” means any land east of Turkey, “all the way to Indonesia and Japan (Hofstede 2007).” But, in the definition in their paper published in “Journal of Management Studies”, Bruton and Lau (2008) exclude the nations of the Middle East and the Caucasus to

their studies of Asia. To make it easier, the author in this paper will use “Eastern Asia” to call all the countries and regions seriously influenced by Confucianism, including China, Japan, Korea, Taiwan, Hong Kong, Macao, Singapore and Vietnam. The “Eastern Culture” referred in this paper mainly means the Confucianism culture in these above mentioned countries.

In these two different cultures, people are valued differently. In the “Western Culture”, represented by the American (USA) system of management, people are more seen “as a means to an end”, or “as an integral part of the organization, and as a direction of organizational objectives” (Jackson 2002). Even the scholars who “have adapted Foucault’s conception of biopolitics to explain the emergence of post-Fordist regimes of production, which they characterize in terms of ‘immaterial Labor’”, also partly hold this opinion (Munro 2012). Because anyway people are regarded as a resource in organizations to reach the organizational objective, the measurement, or control, on the people, obviously is necessary, although some scholars in western countries “could argue that performance measurement is evolving from rational control towards cultural control” (Bititci *et al.* 2012).

But, in the “Eastern Culture”, represented by the Japanese system of management, it is quite different: people are sometimes seen as “an end in themselves”, and the organization sometimes serves “the ends of its people” and focuses on people development (Jackson 2002).

If we regard the difference mentioned above between “instrumentalism” and “humanism” as all of the “cultural differences”, we can only say we are so naive. Indeed, every country, even every region, has its own culture, so the “cultural differences” can be found everywhere. For example, “although commonly regarded as a Nordic country”, the Swedish culture “has even in four instances been identified as separate from the Nordic luster of countries regarding cultural and attitudinal dimensions” (Selmer and de Leon 1996). Indeed, in the research of Hofstede (1976), most Europeans score high on Independence, except Swedes. Also, the Chinese culture is deeply influenced by the “Yin Yang Wu Xing Values” (Kommonen 2011), this makes the Chinese culture even different with other Confucianism cultures in other Eastern Asian countries. Hofstede (2007), as well as Bruton and Lau (2008) also described the unique nature of “Asia”.

Hofstede (1976) did a research on 372 middle-level managers from 40 nationalities concerning “nationality” and “espoused value of managers”, and confirmed the difference among managers from different nationalities.

Cultural difference doesn’t appear only between different national cultures. There may be cultural difference between different organizational cultures. Organizational culture, also called

as corporate culture, is widely studied after early 1980s (Hofstede 1985, Hofstede 1986). For example, some companies now realize: “Being happy is so important to most people, to work in a happy mode is not only the wish of employees, but also the wish of their employers (Fisher 2010).”

Hofstede (1985) discussed an important part of organizational culture: organizational value systems, and the interaction between national and organizational value systems. Hofstede (1986) further discussed the concept of “Organizational Culture and Control”, and stated that the “organizational culture” paradigm is a useful one.

Cultural difference plays an important role on post-acquisition conflict. Sarala (2010) proposed that post-acquisition conflict could be explained by cultural differences and acculturation factors. The study results of Sarala (2010) suggested: Organizational cultural differences increase post-acquisition conflict; Organizational cultural preservation both in the acquiring firm and in the acquired firm significantly increased the level of post-acquisition conflict; Partner attractiveness decreased conflict; While national cultural differences had no influence on the level of conflict.

2.1.3 Parent Cultural Control of MNCs

Cultural control mechanisms are theoretically used widely by different kinds of organizations, but, it seems that multinational corporations (MNCs) traditionally prefer to use cultural control to control their subsidiaries, especially their subsidiaries in foreign countries. Pucik and Katz (1986) found: “More than ever before, multinational corporations (MNCs) must monitor and coordinate their global research, production and marketing capabilities to gain a global competitive advantage.” “Cultural control mechanisms are less explicit and rely more on common values and meanings than on explicit auditing and regulation required by a bureaucratic control mechanisms. For example, in MNC’s, headquarters may place trustworthy expatriates in upper and middle management positions of subsidiaries, socialize new employees into the firm’s culture, deemphasize formalization, and promote frequent informational exchange between headquarters and subsidiaries.”

For example, Al-Husan and James (2003) studied how two French MNCs applied cultural control on their overseas subsidiaries: two privatized Jordanian companies. The methods used by these two French MNCs to introduce and support a process of cultural reform in companies that

they had acquired were: expatriates, training and development.

Selmer and de Leon (1996) firstly studied host country national middle managers employed in Swedish subsidiaries in Singapore to understand the parent cultural control from the Swedish MNCs. They found that “Singaporean middle managers of Chinese ethnic origin employed by Swedish firms in Singapore will hold work values more similar to Swedish work values than will comparable Singaporeans who are managers of non-Swedish firms.”

Afterwards, several years later, Selmer and de Leon (2002) did another research on Hong Kong ethnic Chinese managers employed by Swedish business operations in the territory. They had a similar result as six years ago in Singapore: it was found that organizational acculturation possibly occurred among Hong Kong managers working for Swedish subsidiaries in Hong Kong. But, cultural control is never a one direction action applied only by western (mainly European and USA / Canadian) MNCs to control their subsidiaries in Asia, Africa or Latin America. After the successful economy development in the countries in East Asia, some Asian companies now have enough strength and confidence to invest in western countries, so they will meet the same culture difference problems in their western subsidiaries and may apply cultural control mechanisms as well. For example, Kranias (2000) studied two Japanese multinational companies and their subsidiaries in the UK then agreed that cultural control was very common in the Japanese firms. Especially, “the Japanese expatriate managers are the means that communicate the corporate philosophy to the overseas subsidiaries.”

After the Taiwanese high-tech companies played a key role in worldwide high-tech industries, they started to expand their activities to western countries, Wang *et al.* (2008) studied the case of Taiwanese high-tech subsidiaries in the USA in strategic international human resource control, where culture played a key role.

More and more MNCs and researchers find today that it is more costly to “imply directly monitoring, reporting and evaluating the performance (‘first order controls’) of employees worldwide” than to “encourage employees to internalize a set of values (‘second order control mechanisms’)” (Selmer and de Leon 1996 cite Black *et al.* 1992 paper).

Selmer and de Leon (2002) cite Kilduff (1992) paper which proposed that MNCs use several strategies to apply cultural control mechanisms on its overseas subsidiaries to safeguard homogeneity:

- a. To use parent-country national (PCN) top management in the foreign operation;
- b. To duplicate the physical characteristics of the domestic organization;

- c. To intensively socialize host-country nationals (HCNs) to the parent repertoire of routine;
- d. To inpatriate HCNs to headquarters.

And according to Al-Husan and James (2003), in their case study, they found two French multinationals used expatriates and training and development to apply cultural control mechanisms on its overseas subsidiaries: two privatized Jordanian companies. The way to use expatriates obviously meets the strategy a of Kilduff, the way to use training meets the strategy c, d of Kilduff, the way to use development partly meets the strategy b of Kilduff.

The way of sending expatriates (PCNs) to overseas subsidiaries to imply cultural control is widely used by MNCs. To use PCNs to control their overseas subsidiaries meets the goals and interests of MNCs, because PCNs better understand, assimilate and internalize the values and beliefs of the MNCs, and PCNs are more committed to the MNCs' goals. PCNs are also important to do the knowledge transfer to overseas subsidiaries (Ando and Paik 2012).

Selmer and de Leon (2002) cite Swedish Trade Council (1995) paper which reported that in 1995, among the 125 Swedish companies established in Hong Kong, 88 had Swedish expatriates at the top management, weighted 70.4%. In the study of Al-Husan and James (2003), in AGWA, one of the two privatized Jordanian companies managed by a French MNC Water Co., "a total of fifty to sixty French expatriates were appointed", including "six directors were appointed for periods of between two and four years"; in another privatized Jordanian company Jordan Cement Factories (JCF) managed by another French MNC Cement Co., by the end of 1999, two French expatriates were appointed as assistant general managers (AGMs) for production / manufacturing and for information / budget control. Kranias (2000) also gave his findings in his study concerning two Japanese multinational companies and their subsidiaries in the UK: the Japanese subsidiary A in UK "employs eight Japanese expatriate managers who have assumed key positions in the organizational hierarchy"; the Japanese subsidiary B in UK had "three Japanese expatriate managers appointed by the H/Q and one Japanese engineer locally recruited".

Before and after the expatriates arrive in the host country, the training for them to understand the culture of the host country is very necessary. Indeed, the total cost of an expatriate is so high (ranging from three to five times base salary depending on host location and family size), the MNCs must take all steps to ensure the success of their expatriates. Cross-cultural training (CCT) is one of the critical steps in the process (Bennett *et al.* 2000). Bennett *et al.* (2000) cite Arthur Andersen and Bennett Associates (1997) report which indicated that "over 60

percent of U.S. companies are providing cross-cultural training for their international assignees”.

When the expatriates are ready in their overseas subsidiaries, MNCs can start to apply Strategy b: To duplicate the physical characteristics of the domestic organization. In the study of Al-Husan and James (2003), in AGWA, “Several steps have been taken to facilitate cultural change such as the organizational restructuring and the introduction of new policies, systems and structures... Water Co.’s plan is to change people’s attitudes and beliefs by observation, interaction, participation and persuasive communication. Thus, senior managers were to act as role models for the desired attitudes and people were expected to learn by observation”. The same in JCF, there was also a transforming period for intergration process (also be called as socialization or adjustment period).

Strategy c and d focus on HCNs. In the study of Al-Husan and James (2003), in AGWA, Water Co. even created a training department with appointing a new training manager and establishing a training centre that cost around 11,000 British Pound, the total budget for training in the first year was as high as 84,000 British Pound, At the same time, they sent the deputy executive director (AGWA’s former administrator) to UK and France for three months for training, and sent other five senior managers to attend a conference held by the parent company; the HR manager similarly had attended international conferences held by the parent company and was sent to UK and France for several weeks to see the operations there. In another case JCF, the parent company Cement Co. also increased focus on training, both in locally based technical and managerial training and in overseas training and development activities. It seems that both French MNCs (Water Co. and Cement Co.) believe: “Companies in developing countries can also benefit financially by strategically aligning and investing in their HR policies and practices.” (Human Resource Management International Digest 2004)

In the study of Kraniias (2000), it is also found that the two Japanese subsidiaries in UK “were very careful in the selection, training and monitoring of the new organizational members.”

Besides the four strategies popular accepted by the practices of MNCs, Paccioni *et al.* (2008) also suggest accreditation as an organizational cultural control strategy. This is a new trend of cultural control research.

When the MNCs spend so much effort to imply cultural control on their overseas subsidiaries, what are their results? Have they received what they want?

The answer from Selmer and de Leon (1996, 2002) is positive. In their study published in 1996, they confirmed that HCN employees in Singapore were “learning new work values in

foreign business subsidiaries”. In another study published in 2002, they found the same results in the HCNs in Hong Kong. (Organizational Value Systems are part of the organizational cultures (Hofstede 1985).)

Selmer and de Leon (1996) found that “Singaporean middle managers in Swedish subsidiaries had experienced organizational acculturation”, comparing to the control group who didn’t work in Swedish subsidiaries, their work values are more similar with native Swedish people, for example in these work values below:

“Little tension and stress on the job”;

“Good physical working conditions”

“Security of employment”

“Work with cooperative people”

“Serve your country” (this is a value for the Swedish people who work abroad, not for normal Swedish people)

“Opportunity for helping other people”

“Work in a well defined job situation”

“Less nervous or tense feelings at work”

“Less subordinates afraid to disagree”

“Intended duration of work for present company”

Selmer and de Leon (2002) did a similar research in Hong Kong and tested their three hypotheses:

“Hypothesis 1: Over the period of measurement (approximately three years, the first measurement was administered in 1995 and the second in 1998), there is no significant difference in the change of a specific work value between the Acculturation Panel (HCN managers employed in Swedish business operations in Hong Kong with Swedish top management) and the Benchmark Panel (Swedish managers employed by Swedish business organizations in Sweden). “

“Hypothesis 2: Over the period of measurement, there is a significant difference in the change of the same work value between the Acculturation Panel and the Control Panel (Hong Kong ethnic Chinese managers employed in HCN business organizations in Hong Kong).”

“Hypothesis 3: Over the period of measurement, organizational acculturation will occur for those work values that are different in importance between the Benchmark Panel and the Acculturation Panel.”

All above three hypotheses were proved to be supported or partly supported in Selmer and de Leon's (2002) research. This starts that cultural control really works, at least changes HCNs' work values.

Recently, Harris and Ogbonna (2011) did a research to try to find the antecedents and consequences of management-espoused organizational cultural control. This research can help the managers to improve the results of cultural control, but it also states a fact: cultural control will cause job-induced stress and decrease the level of employee self-esteem.

2.2 Employee Resistance

2.2.1 Employee Resistance to Change

Organizations sometimes need change to increase performance. "Organizational change is an inevitable challenge for organizations which exist in competitive and changing environments (Huang and Huang 2009)." For example Bell (2012) discussed culture change in organizations: "Effective culture change leadership requires focus, communication, passion, and sense of the whole." "The usual leadership requirements for performance accountability, morale management, and regulatory compliance have now been coupled with a host of cultural change initiatives: diversity, service, innovation, continuous improvement, and cost control." Resistance to change is a common appearance on the side of employees. Scholars explain that human resistance to change is a perfectly natural process, it is human nature to execute opposition to a change process which brings in uncertainties and anxieties that generate discomfort and doubts (Conner 1998). In the same article Bell (2012) also stated: "Leaders also know that change can create resistance. They sense resistance surfacing when they hear employees speaking of the culture change effort as another fad or as something that will pass with time. They sense resistance when they hear employees speak of a lack of resources or being overwhelmed. And they sense resistance that comes from fear of the unknown. Rumors, myths, and half-truths can fuel the flame of misunderstanding and confusion, thus heating up resistance solely out of fear." Huang and Huang (2009) "definitely confirmed" that "resistance to change is negatively related to change outcome".

Maria Macri *et al.* (2002) built a grounded theory for resistance to change in a small organization, "in terms of interdependencies between the characteristics of the economic

environment and of the industry, the dispositions of individuals, and the patterning of their actions within the social network”. Maria Macri *et al.* (2002) used a very simple figure to describe that grounded theory for resistance to change, in several circles:

- a. “Degree of economic development” negatively correlated with “fear of switching organization”, “fear of switching organization” positively correlated with “search for irreplaceability on the basis of technical skills”, “search for irreplaceability on the basis of technical skills” negatively correlated with “cooperation”, “cooperation” positively correlated with “shared learning”, “shared learning” negatively correlated with “fear of switching organization”;
- b. “search for irreplaceability on the basis of technical skills” negatively correlated with “propensity to delegate”, “propensity to delegate” positively correlated with “cooperation”, “cooperation” negatively correlated with “standardization of coordination”, “standardization of coordination” positively correlated with “search for irreplaceability on the basis of technical skills”;
- c. “industry dynamics” positively correlated with “performance”. The relationship between “performance” and “cooperation” was quite complex. “Yet, as soon as performance drops below the minimum level required by competition and by contracts with clients, actors feel forced to promote cooperation in order to improve performance.” “As soon as performance reaches a level sufficient to fulfill market requirements, though, consolidated behavioral patterns prevail over the need for cooperation. The system thus tends to stabilize in an oscillating pattern between two antithetical drives: on the one hand, a network of actors pursuing their own autonomy through an intense recourse to slack resources that thereby reduce the firm’s performance; on the other, the rebalancing force of the market.”

Vales (2007) found that employee involvement in change would improve the change process. Vales worked for the Allstate Insurance Company, the United States largest publicly held personal lines insurer, so her thesis was mainly from a practical point of view. Vales (2007) found: “Organizations clearly understand the need to put focused time and energy on navigating change and spend an inordinate amount of time trying to thoroughly analyze, design and plan for change.” And, involving employees in change was a key to the success. “To overcome resistance to change, employees must be involved early and often in the change. Involving employees in change is an Organization Development intervention the Allstate Technology & Operations organization has utilized to decrease employee resistance, increase engagement and to change

and implement sustainable changes.” The main way used in Allstate Technology & Operations organization to involve employees in change was to create an employee network, the Change Agent Network, “to directly involve individual contributors and leaders in understanding, experiencing and providing input into change.”

Huang and Huang (2009) confirmed the mediation of behavior intervention in the relationship between agents’ perception of employees’ resistance and change outcomes. It was indicated that the change agents’ perceptions of employees’ resistance had a negative effect on change outcomes. However, the effect was mediated by organizational intervention in changing employees’ behavior. And additionally, the negative effect of change agents’ perception of employees’ resistance on change outcomes would be serious when the firms were large or had existed for a longer time and would be less severe when the change agents were senior or had a longer tenure.

Van Dijk and Van Dick (2009) proposed that “resistance to change” is a self-enhancement strategy of employee to a threat to work-based identity, and, resistance can be perceived as a threat to change leaders’ work-based identity. Employees “do not resist change itself, but rather the anticipated consequences or expected effects that may be associated with change, such as loss of status, loss of pay, or loss of comfort”. This is called “Person-oriented resistance”. Sometimes, on another situation, employees believe that “the proposed or enacted change may be unbeneficial or even hazardous for the organization”, then they will have alternative motivation for resistance. Then, this is called “Principle-oriented resistance”, “which is task-focused and generated by a concern for the achievement of organizational goals and objectives”. Generally speaking, change impacts employee work identity, this causes employee resistance, which impacts change agent work identity, this conversely impacts change and change management.

Burchell (2011) discussed employee resistance in Information Technology (IT) change process, suggested that change leaders should accurately anticipate and diagnose employee resistance in advance. Information Technology is “so ingrained in all aspects of planning and achieving organizational strategic objectives”, it must also “be involved in all aspects of organizational change initiatives”. Employee resistance related to Information Technology organizational change, has very similar causes as the employee resistance related to organizational change in general. Employees usually don’t resist the technical change itself, actually employees resist its social change, “such as a loss or alteration in their relationships”. As a challenge of managing employee resistance, the change leader must have the ability to

determine in advance which outcomes are important to the stakeholders involved.

Du Plessis (2011) studied how to overcome employee resistance to re-implementing an individual performance management system as a change intervention at higher education institutions. The “employees” discussed here by the author were not normal blue collar employees, they were staff members in the University of the Free State, Bloemfontein, South Africa. This research indicated that “the implementation of Performance Management should be planned and managed as an ongoing change process”, and further proved that “the importance of managing the implementation of a Performance Management system as a change process lead by transformational leadership”.

Mishra and Kumar (2011) found that private sector employees would have more readiness to accept HR change than public sector employees. Further, dimensions like employee’s attitude, employee’s interest, employee’s resistance, employee training, employee counseling are found to be significantly correlated with Employee Readiness to New HR Policy Index.

Lundqvist (2011) reminded the management not to “ignore or pay less attention to the fact that a successful, well-managed pre-merger process does not necessarily guarantee that the post-merger integration will be successful”. Post-merger integrations (PMI) are known to fail more often than they succeed, which employee resistance is an important fact in this process. In a merger the management should prepare for “employee reactions of resistance that could be manifested as: lowered productivity, motivation and performance, adherence to (old) routines, compulsive repetitive actions (e.g. sabotage), absenteeism, voluntary turnover, health problems and power struggles – partly due to the fact that employee requirements are not always considered in a merger planning”.

Recently, Mariana *et al.* (2013) analyzed the forces that enhance or reduce employee resistance to change, including the internal forces (change, employee, manager, organization) and the external forces including:

The pace of the national economy development: small for small resistance, big for big resistance;

The purchasing power of citizens: small for small resistance, big for big resistance;

The economy is in crisis or recession: yes for small resistance, no for big resistance;

The unemployment level in the national economy: big for small resistance, small for big resistance;

Opportunities to change job: small for small resistance, big for big resistance;

Retraining opportunities: small for small resistance, big for big resistance;

Social instability: big for small resistance, small for big resistance;
National culture: pro change for small resistance, conservative for big resistance;
Dependence on a certain area: big for small resistance, small for big resistance;
The existence of some strategies and policies to promote the entrepreneurial phenomenon: no for small resistance, yes for big resistance;
Banking and insurance: weak for small resistance, strong for big resistance;
Wage dependence: high for small resistance, low for big resistance;
Standard of living: reduced for small resistance, acceptable for big resistance.

2.2.2 Routine Resistance and Other Resistance

Employees resist not only changes, but also other things, because “resisting the traditional interests of managers can provide workers with satisfying and meaningful identities (Learmonth and Humphreys 2011).” Learmonth and Humphreys (2011) stated that: “work is experienced by most people, in large measure, as degrading and exploitative”, this actually was one of the basic reasons for employee resistance. Learmonth and Humphreys (2011) also referred “the substantial literature concerned with organizational resistance, a literature that emphasizes dissensus and issues such as power, conflict, and struggle.” “Such an understanding of organizational resistance can, of course, be traced back to seminal thinkers, including Marx, Weber, and Foucault. In organizational studies this kind of literature underlines resistance as fundamental to any understanding of identity in organizations.”

Sometimes the resistance doesn't appear very clear to the managers, but it really exists. Hyde and Thomas (2003) described the reactions of followers after losing a leader, although this leader is highly respected by her followers, we still can find some (covered) resistance to her even after her death. This further proves that the employee resistance is almost inevitable in each organization, even it is sometimes hidden behind some normal actions.

Learmonth (2007) also gave us an example that he was resisted by the nurses when he was asked to introduce a computer system into clinical areas. In this case, Learmonth (2007) had assumed that this action would be only “minor changes in nurses' work in exchange for substantial gains in terms of the management systems”, but the nurses themselves regarded it very differently. The nurses argued that “looking after patients would be seriously compromised, to an extent that far outweighed what they thought were the cosmetic gains in having a slicker

administrative system.”

Routine workplace resistance also attracts the interests of researchers. Prasad and Prasad (1998) comprehensively reviewed the literature which indicated the multiple ways in which (routine) resistance could be expressed in contemporary workplaces:

- a. Open confrontations to supervisors and clients;
- b. Subtle subversions of control systems through the use of gossip;
- c. Employee withdrawal and disengagement;
- d. Even ambiguous accommodations to authority.

Interestingly, most of these expressions of resistance mentioned above by Prasad and Prasad (1998) review were not easily or immediately recognized as employee resistance by either outside observers or even local workplace actors. This proved that (routine) employee resistance could be cloaked in secrecy or disguised as more legitimate action.

Prasad and Prasad (2000) presented a detailed ethnographic account of routine resistance and its ability to limit managerial control in a health maintenance organization undergoing the computerization of its administrative functions. Prasad and Prasad (2000) confirmed again that “routine resistance is likely to be enacted in very different ways in different work contexts”. They also suggested that “routine resistance emerges out of a complex interplay between individual and collective action and interpretation at the workplace.” Prasad and Prasad (2000) divided routine resistance into three types in their ethnographic study:

- a. Owing Resistance: Direct Acknowledgements of Intentional Opposition;
- b. Naming Resistance: Attributions of Intentional Opposition;
- c. Indirect Resistance: Attributions of Nonintentional Opposition.

Roscigno and Hodson (2004) analyzed the organizational and social foundations of worker resistance, including routine resistance. Roscigno and Hodson (2004) described four theoretical models and empirical predictions pertaining to worker resistance:

- a. Workplace Organization Model: Workplaces characterized by formal organizational structures and procedures will exhibit less worker resistance. This may be due to several factors, including formal organizational capacity to deal with grievances, greater workplace bureaucratic control, and clear specification and constraints on job duties and responsibilities.
- b. Social Relations Model: Interpersonal relations in the workplace (e.g., abuse by managers and conflict between managers and workers) will provoke resistance by violating workers’ normative expectations and thus helping to legitimate or justify resistance-oriented action.

- c. Conditional Model: The impact of workplace organization on worker resistance will be conditional on worker-manager relations, and vice versa. Specifically, well-organized, bureaucratic environments may foster lower levels of worker resistance, although this will likely vary depending on levels of managerial abuse and worker-manager conflict. Workplaces characterized by poor and informal organization, in contrast, will experience heightened resistance at both collective and individual levels, although this may be buffered by good shop floor social relations.
- d. Union and Legacy Model: Workplaces characterized by historical class identity and union presence will be more amenable to labor organization and activity. Direct and more aggressive forms of individual resistance may be more notable. Such effects, however, may be conditional upon organizational and interpersonal dynamics within workplaces.

Van Den Broek and Dundon (2012) found six distinct forms of worker resistance (a. join a union; b. informal collective-type responses; c. covert challenge to management authority; d. change in work practice; e. covert disruption to do things differently; f. withdrawal behaviours.) in response to three overlapping decollectivizing employer strategies: “managerial anti-unionism”, “inconsistent managerial objectives,” and “strategies that reinforced the managerial prerogative.” Van Den Broek and Dundon (2012) further stated that “majority of workers in capitalist market economies now lack formal collective representation, reliance on traditional (and often formalized and collective) indicators of resistance have become limiting analytical tools in depicting and understanding workers’ acts of defiance and resistance.”

Greenbaum *et al.* (2013) found that employees could have unfavorable reactions to observed mistreatment, which could have dire consequences for the organization. Greenbaum *et al.* (2013) further argued that “not all employees respond to third-party injustices by experiencing an eye-for-an-eye retributive response; rather, some employees respond in ways that are higher in moral acceptance (e.g. increasing turnover intentions, engaging in constructive resistance).” It was also proved in their study that “the positive relationship between supervisor abuse of customers and organizational deviance is weaker when employees are high in moral identity.”

Fleming (2013) pointed out that workplace resistance “is now commonplace in Critical Management Studies”, although “earlier research was notorious for its omission”. Fleming (2013) contextualized the rise of “Corporate Culturalism” and argued that the related “Workplace Resistant Subject” was missing in the literature: “The recent decline of scholarly interest in

micro-emancipation, however, perhaps reflects the changing nature of corporate power generally. In light of the social-political events of the last 20 years, there is a danger that these once cutting-edge concerns with ‘normative control’ and ‘micro-resistance’ might seem trivial.”

In other sub-research area, employee resistance to teams, including self-managing work teams (Kirkman and Shapiro 1997, Kirkman *et al.* 2000, Kirkman and Shapiro 2001), employee resistance to empowerment (Maynard *et al.* 2007), as well as employee resistance to the commercialization of personal settings (Turco 2012) were also detailed analyzed.

Kirkman and Shapiro (1997) discussed the impact of cultural values on employee resistance to teams, especially to “self-managing work team”. Kirkman and Shapiro (1997) proposed that:

- a. On average, individuals from high power distance cultures will resist a high level of self-management more than individuals from low power distance cultures;
- b. On average, individuals from dominant being-oriented cultures will resist a high level of self-management more than individuals from dominant doing-oriented cultures;
- c. On average, individuals from deterministic cultures will resist a high level of self-management more than individuals from free will cultures;
- d. On average, individuals from individualistic cultures will resist teams more than individuals from collectivistic cultures;
- e. On average, individuals from collectivistic cultures will perceive team-based pay to be more fair than will individuals from individualistic cultures.

Kirkman *et al.* (2000) found that “conflict and resistance on the part of employees assigned to teams have accompanied the recent increase in the use of work teams in organizations”, so they examined the “Resistance Barrier” to work team effectiveness, and tried to answer the question “Why do employees resist teams”.

Kirkman and Shapiro (2001) further studied the impact of cultural values on employee job satisfaction and organizational commitment in self-managing work teams, especially focused on the mediating role of employee resistance.

Maynard *et al.* (2007) discussed the influences of employees’ resistance to empowerment and found that: “At the team level of analysis, resistance to empowerment climate related negatively to customer satisfaction as mediated by transition processes. In addition, resistance to empowerment climate evidenced an indirect relation with team performance via team action processes. At the individual level of analysis, employees’ resistance to empowerment related negatively to their job satisfaction. Moreover, a cross-level relation was evidenced whereby

team-level resistance to empowerment climate related negatively to job satisfaction, beyond that accounted for by the individual-level effects, as partially mediated by team interpersonal processes.”

Turco (2012) did an ethnographic study on Motherhood, Inc., an organization offering support and services for new mothers, to discuss the employee resistance to the commercialization of personal settings. Turco (2012) drew conclusion out of her ethnographic study on Motherhood, Inc.: Public acceptance is necessary but not sufficient for successful commercialization, successful commercialization requires employee acceptance.

2.2.3 Employee Resistance on Organizational Control

There is not a lot of literature found under the search “Employee Resistance on Organizational Control”. This is not because employee resistance on organizational control is rare. Actually, sometimes it is very hard to distinguish “Employee Resistance on Organizational Control” with “Employee Resistance to Change” or “Routine Employee Resistance”. For example, when an organization enacts a new set of organizational regulation, this means to enforce bureaucratic control, also means an organizational change. The related employee resistance thus can be regarded as “Employee Resistance on Organizational Control”, also can be regarded as “Employee Resistance to Change”, or even can be regarded as “Routine Employee Resistance”.

The author finds, quite a lot of literature concerning “Employee Resistance to Change” or “Routine Employee Resistance” referred in the above contents, actually also discussed the topic “Employee Resistance on Organizational Control”.

Bell (2012) discussed culture change in organizations and employee resistance to this culture change, which could also be regarded as “Employee Resistance on Organizational Culture Control”.

Burchell (2011) discussed employee resistance in Information Technology (IT) change process, which could also be regarded as “Employee Resistance on a New Organizational Bureaucratic Control”.

Du Plessis (2011) studied how to overcome employee resistance to re-implementing an individual performance management system as a change intervention at higher education institutions, the employee resistance concerned could also be regarded as “Employee Resistance

on a New Organizational Markets / Bureaucratic Control”.

Prasad and Prasad (2000) presented a detailed ethnographic account of routine resistance and its ability to limit managerial control in a health maintenance organization undergoing the computerization of its administrative functions. The related employee resistance could also be regarded as “Employee Resistance on a New Organizational Bureaucratic Control”.

Employee resistance to teams, including self-managing work teams (Kirkman and Shapiro 1997, Kirkman *et al.* 2000, Kirkman and Shapiro 2001), as well as employee resistance to empowerment (Maynard *et al.* 2007) could also be regarded as “Employee Resistance on a New Organizational Bureaucratic Control”.

The author also studied several literature focused on “Employee Resistance on Organizational Control” discussed below.

Adler and Borys (1996) discussed two types of bureaucracy: enabling and coercive. Adler and Borys (1996) saw the negative assessments: the coercive function of bureaucracy; as well as the positive assessments: the technical function of bureaucracy. Adler and Borys (1996) also found that the employees’ attitudes towards formalization depended on the attributes of the type of formalization with which they were confronted. People particularly resent the “bad” rules in their mind, but take for granted for “good” rules and even rarely notice them. “Good” rules can be “designed to make the work process foolproof”, “designed to enable employees to deal more effectively with its inevitable contingencies”. By contrast, “bad” rules, the coercive type of formalization, are “a substitute for, rather than a complement to commitment”. “Instead of providing committed employees with access to accumulated organization learning and best-practice templates, coercive procedures are designed to force reluctant compliance and to extract recalcitrant effort.” Obviously, if we can change the type of bureaucracy from coercive to enabling, then we can reduce employee resistance dramatically. Adler and Borys (1996) further developed a typology of organizations depending on type of formalization and degree of formalization:

- a. Organic organizations: type of formalization is enabling and degree of formalization is low;
- b. Autocratic organizations: type of formalization is coercive and degree of formalization is low;
- c. Enabling Bureaucratic organizations: type of formalization is enabling and degree of formalization is high;
- d. Mechanistic organizations: type of formalization is coercive and degree of formalization is

high.

Gabriel (1999) explored the nature of contemporary organizational controls, the extent to which they affected employee subjectivity / identity, and the types of employee resistance which they generated. Gabriel (1999) stated: “Discipline, control, in today’s corporations, does not reside in traditional bureaucratic regulations, let alone coercive domination of the employee. Instead, so the argument goes, corporate culture has emerged as an infinitely more subtle form of normative control, one that transforms each employee into a self-regulating, self-policing subject, one who is almost unable to achieve any political, critical, or moral detachment from his / her employer’s power practices.” “At a deeper level, of course, the controls of today’s corporation are seen as infinitely subtler and going far deeper than those figured by Elton Mayo and his co-workers in the 1920s, reaching to the very core of each employee’s sense of selfhood and identity, define his / her very being.” This statement is so important that the author will refer this statement through the whole thesis.

Van Den Broek (2002) questions whether increased monitoring and surveillance, characteristic of the call centre industry, can be conceptualised as a new form of totalising labour control.

Spitzmueller and Stanton (2006) examined employee compliance with organizational surveillance and monitoring. Spitzmueller and Stanton (2006) suggested:

- a. High affective commitment is inversely related to intentions to circumvent organizational monitoring and surveillance technologies;
- b. Normative commitment is negatively related to intentions to resist monitoring and surveillance technologies policies and practices;
- c. Attitudes pertaining to the appropriateness of monitoring and surveillance technologies are negatively related to employees’ intentions to resist monitoring and surveillance technologies policies and practices;
- d. Organizational identification is negatively related to employees’ intentions to resist monitoring and surveillance technologies policies and practices.

Kosmala and Herrbach (2006) explored “how identity is self-managed in professional services firms, illustrated by the Big Four audit firms.” Kosmala and Herrbach (2006) argued that “the ambivalence inherent in these attributes enables auditors to more or less cynically distance themselves from the regulatory structures of their environment, forming jouissance with rules and regulation.” Actually, the cynicism and jouissance in audit firms should be regarded as

employee resistance to organizational control, both in bureaucratic control and in culture control.

Recently, Walker (2020) states that there is a need for pluralist industrial relations to make use of the research on resistance in critical management studies which has found social media to be capable of bringing about workplace change.

Strike, as an extreme form of collective employee resistance, was discussed frequently by scholars in different social science areas. But there is quite little discussion concerning the strikes in contemporary mainland China. Chen (2010) finds, in addition to the government and employers, the labour unions and workers are separate players: labour strikes in China are always launched by unorganized workers rather than by labour unions, whose task is to defuse the situation. Such a quadripartite process is dominated by the government, with the labour union playing a mediating role, not only between workers and the government but also between workers and employers. Chang (2013) did a case study on the Nanhai Honda strike in mainland China, argued that dealing with strikes in the current legal framework should follow the principles of rational treatment and legal resolution. Zhang et al. (2011) analyzed the nature, causes and characteristics of contemporary strikes in China on the basis of theories of strikes and then analyzed the effects of striking on the improvement of workers' living conditions.

2.3 Labour Process Theory

Labour Process Theory came originally from the discussion concerning the “Labour Process” as well as “Organization of Work” under capitalism of Karl Marx (Marx 1867, Marx 1976). According to Karl Marx (Marx 1867, Marx 1976), labour process refers to the process whereby labour is materialized or objectified in use values, labour is here an interaction between the person who works and the nature world such that elements of the nature world are consciously changed in a purposive manner. So, the elements of labour process are in three levels: firstly the work itself, a purposive productive activity; secondly the objects on which that work is done; thirdly the instruments which facilitate the process of work (Bottomore 1991).

The Labour Process Theory looks at how people work, who controls their work, what skills they use in work and how they are paid for work (Braveman 1974). The Labour Process Theory critiques Scientific Management and uses some key concepts developed by Harry Braverman in the 1970s. Recent scholars have tried to use Labour Process Theory to research workers' bargaining power under contemporary global capitalism (for example the background of my

research is exactly the workers' challenging to company management under the situation of contemporary global capitalism), and have tried to develop The Labour Process Theory to a broader set of interventions and texts linked to criticize new forms of management strategy (Braveman 1974).

Harry Braverman spent most of his life in the United States along with the height of Fordist Labour Management as well as production techniques in manufacturing. Braveman (1974) researchs his own experiences by using a Marxist perspective, and pays attention to the very slight processes of work that were ignored by other Marxists in the past time.

Even I have engaged with literature on Labour Process Theory from very beginning, but in the first draft of my thesis I decided not to include it, because I was thinking that I was taking a manager's perspective on the cases and the problems it contained, and I had a wrong opinion at that time that Labour Process Theory would be a conflict with my perspective as a top manager. Professors pointed out my mistake and told me that Labour Process Theory also contained a view on management's position in relation to the "problem" of control, which my thesis claimed authority over. Given this claim to authority, the omission of a labour process perspective, as combining an anylysis of managerial control with a perspective that includes employee responses, including resistance, was arguably mistaken. After I extended my reading on literature on Labour Process Theory, I accept this critique from professors and include Labour Process Theory in the current edition of my thesis. Actually, yes, a key element of the Labour Process Theory is the analysis on the local management mechanisms and control, as well as a research on how they are used to limit the power of sections of the working class who has work skills that are not reproducible by unskilled labour or machines (Braveman 1974). This is exactly one side in my thesis to be discussed: how management of MEP China tried to control blue collar employees and limit the power of skilful blue collar employees.

Armstrong (1989) didn't agree to expand a labour process approach to managerial work itself in a simple way, didn't think management itself should be studied simply as a labour process in its own right. Armstrong (1989) argued that the key feature of management within capitalist social relations of production should be the agency relationship, and a true labour process approach to management should place the agency relationship at the centre of the analysis.

Hyman (1987) discussed management strategy under the relationship among capital, labour and control, he argued that contradictions in capitalist enterprises firstly created openings for

strategic choice but finally entailed that no strategy would prove successful. Hyman (1987) found, in the context of six distinct managerial functions, the extent to which the control of labour could be regarded as a dominant management strategy.

Ackroyd and Thompson (1999) researched an important part of labour process: organizational misbehaviour, and they found that organizational misbehaviour was very much more prevalent and varied in content than it was normally acknowledged, both management and social scientists overlooked a good deal of organizational misbehaviour. As a manager as well as a researcher with a pragmatic scope of the research, I agree with their opinion, even 20 years after they published their book. Ackroyd and Thompson (1999) discussed self-organization of employees, this point attracted my interest because self-organization of employees (for example self-organization made by employees came from the same region) in MEP China had shown its importance in the strikes; on the other side, managers often acted unknowingly on existing patterns of self-organization, and, when they did have some idea of what existed, this was normally far from being accurate and complete – this situation was exactly the situation I experienced in MEP China. Ackroyd and Thompson (1999) proposed managers to use humanistic alternatives to replace hard direct control, and to respond with a search for new means of regulation. Concerning this point, I suggested in my thesis after I analyzed my case on three strikes in MEP China: bureaucratic control will cause more resistance motivation than other control (market control or culture control). Especially, the coercive bureaucratic control will most likely be resisted by employees. Managers should try to use more enabling bureaucratic control, even cultural control to replace coercive bureaucratic control.

2.4 International Business Theories

The purpose of my study is to firstly explore and secondly explain the three strikes happened in 2009, 2010, and 2012 in MEP China. I find a key aspect of the labour dispute stemmed from the lack of local experience of the German board and management of MEP China. In this situation, in order to have the full picture of the case, to show the challenges these types of firms (foreign invested companies in mainland China) may face, I should involve International Business Theories into my discussion.

International Business Theories have developed for three stages. In the first stage, scholars focused on the analysis at country level, using national statistics on trade and foreign direct

investment (FDI); in the second stage, scholars focused on the multinational enterprises (MNE, also be called as multinational corporations (MNCs) in some other literatures) and the parent's firm specific advantages (FSAs); in the third stage, scholars analyzed multinational enterprises as a network and treated the subsidiary as a unit of analysis (Rugman *et al.* 2011). Gligor *et al.* (2016) provided guidance on how to build International Business specific theory using grounded theory. Cantwell (2014) stated that a general theory of the multinational enterprises should include the role of the continuous interaction between enterprise capabilities and host location level capabilities. Shenkar *et al.* (2015) believed that an enterprise's international expansion should involve placing some of its value-adding activities in a foreign country.

International Business is partly defined in terms of the attempt to understand the role of culture, especially in multinational corporations (Beugelsdijk and Maseland 2010).

More than forty years ago, Johanson and Vahlne (1977) developed a model of the internationalization process of the firm on the basis of empirical research, their model focused on the gradual acquisition, integration and use of knowledge about foreign markets and operations, as well as on the incrementally increasing commitments to foreign markets. Johanson and Vahlne (1977) hoped that this model would be useful in planning and decision making in the firm with regard to international operations when many firms found internationalization as a promising strategy.

Based on their own model (which was called as Uppsala Internationalization Model), Johanson and Vahlne (1990) announced that, in this model, the internationalization of the firm, was seen as a process in which the enterprise gradually increased its international involvement, and this process evolved in an interplay between the development of knowledge about foreign markets and operations on one hand and an increasing commitment of resources to foreign markets on the other. Johanson and Vahlne (1990) further stated that a distinction was made between state and change aspects of internationalisation. The state aspects of internationalisation were market commitment and market knowledge; the change aspects were current business activities and commitment decisions. Market knowledge and market commitment were assumed to affect decisions regarding commitment of resources to foreign markets and the way current activities were performed. Market knowledge and market commitment were, in turn, affected by current activities and commitment decisions. Johanson and Vahlne (1990) regarded that internationalisation processes were the result of a mixture of strategic thinking, strategic action, emergent developments, chance as well as necessity.

Twenty two years after Johanson and Vahlne (1977) developed this model, Johanson and Vahlne (2009) revised their own “Uppsala Internationalization Process Model” in the light of changes in business practices and theoretical advances that had been made since 1977. At that time (in the first decade in 21st century), the business environment was seen as a web of relationships, a network, rather than as a neoclassical market with many independent suppliers and customers. Johanson and Vahlne (2009) expanded liability of foreignness to liability of outsidership, which was the root of uncertainty more than psychic distance, in relation to the relevant network.

Schweizer *et al.* (2010) defined when firms crossed borders as internationalization. Schweizer *et al.* (2010) argued that often internationalization should be seen as either a by-product of a firm’s efforts to improve its position within its network or networks, or as the result of an entrepreneurial action. Schweizer *et al.* (2010) suggested adjustments to Johanson and Vahlne’s business network internationalization process model (Johanson and Vahlne 1977, Johanson and Vahlne 1990, Johanson and Vahlne 2009), an update of the Uppsala Internationalization Process Model, to emphasize the entrepreneurial aspects of the process.

On another side, Johanson and Vahlne (2011) outlined a business network view of the firm-market relationship based on empirical studies of firm exchange activities in business markets, this view differed fundamentally from the view assumed by neo-classical economic theory. Johanson and Vahlne (2011) defined business networks as sets of connected business relationships, thus business relationships and connections between relationships were the critical elements in the business network view. It was assumed, as suggested by the Uppsala Internationalization Process Model (Johanson and Vahlne 1977, Johanson and Vahlne 1990, Johanson and Vahlne 2009), that the interplay between knowledge and commitment development was the mechanism that drove the relationship and network development process. Against this background Johanson and Vahlne (2011) discussed how strategic change was analyzed in literature on alliances and networks. In conclusion Johanson and Vahlne (2011) presented a set of propositions about strategy-making in business network settings.

But, some other scholars had different opinions concerning Johanson and Vahlne (1977)’s thesis. Sullivan and Bauerschmidt (1990) tested Johanson and Vahlne (1977)’s thesis and found there were no significant differences in the appreciation of barriers and incentives to internationalization among the managers of firms at different stages of internationalization after a study of European forest products firms, this finding was against the conceptualization theorized

by Johanson and Vahlne (1977) which claimed that the internationalization of the firm was an incremental process owing to the progressive reduction of psychic distance through managers' gradual accumulation of experiential knowledge of foreign markets.

The purpose of my study is to firstly explore and secondly explain the three strikes happened in 2009, 2010, and 2012 in MEP China. MEP China is a subsidiary of "German Mittelstand Company" in China.

Mittelstand firms are small and medium-sized businesses in Germany, which are often family-owned firms employing up to 5,000 people and are characterized by their distinctive contribution to the German economy (Berghoff 2006). Parnell (1999) regarded Germany's "Mittelstand" (small- and medium-sized enterprises, or SMEs) representing not only the backbone of the economy, but also, indeed, of the Germany's post-war renaissance. Mittelstand firms are the bedrock of German manufacturing prowess, and they have particular characteristics owing to their evolution in the German industrial complex.

There is not very much literature concerning the internationalization processes of "German Mittelstand Companies", despite them being tremendously important in Europe. McDonald *et al.* (2003) investigated the international entrepreneurial behaviour of Mittelstand firms, and suggested that Mittelstand firms engaged in entrepreneurial behaviour that was proactive and innovative but which was cautious, sequential, and risk adverse. Habedank (2006), as well as Kranzusch and Holz (2015) discussed the internationalization (in German language: Internationalisierung) in German Mittelstand Companies in their works written in German language. Landau *et al.* (2016) discussed the emerging market strategies for German Mittelstand firms. Within the group of Mittelstand firms, Landau *et al.* (2016) identified a sub-set of firms, which they referred to as Mittelstand champions. These firms were also a sub-set of the so-called hidden champions and were characterized, differently from the remaining Mittelstand firms, by the fact that they internationalized intensively despite their limited size and resources. Audretsch *et al.* (2018) also analyzed their strategy of internationalization of "Hidden Champions" in Germany, and found that on both a micro and macro level, the strong and sustained performance of Hidden Champions was driven by product type and quality strategies; niche strategies for a knowledge intensive, technological product enabled the firm to lock-in customers; to safeguard the internalization of highly specific quasi-rents, Hidden Champions entered foreign markets through fully owned subsidiaries, retaining control and residual property rights. Audretsch *et al.* (2018) further argued that Germany had succeeded in deploying its high level of human capital

into the Mittelstand firmsthrough highly skilled workers.

2.5 Literature Gap

(Organizational) Control and (Employee) Resistance should be regarded as one of the most important organizational, even social phenomenon after the Industrial Revolution in 18th century, Employee Resistance used to be a distinct mark during “the Age of Machine”. Actually, Marx and Engels (1848), Max (1867), as well as other communist and socialist deeply studied “exploitation” and called on the proletariat to “struggle”, in this context, (Organizational) Control was the premise of “exploitation”, and (Employee) Resistance was almost the synonym of “struggle”. Postmodernist scholars, such as Foucault (1975), also investigated (Organizational) Control and (Employee) Resistance jointly. Organizational Control and Employee Resistance are always interacted, just like the two sides of a coin (Adler and Borys 1996, Gabriel 1999, Prasad and Prasad 2000). (Employee) Resistance on (Organizational) Control deeply affected the world history in 18th, 19th, as well as 20th century.

After the second world war, especially after “the New Technological Revolution” in last century, the mainstream scholars in western countries suddenly lost their interest on “(Employee) Resistance on (Organizational) Control”, they tended to “take attention away from issues such as poverty, disease, and unemployment while it reinforces and legitimates the dominant position of the powerful (Learmonth and Humphreys 2011 cite Ehrenreich 2009 paper)”, tended to “eliminating the negative”. This was maybe partly because of the mainstream scholars in western countries wanted to be “politically right” under the critical situation (Communism states, especially USSR, People’s Republic of China, as well as Cuba was pushing an ideology war against western countries, in which “(Employee) Resistance to Exploitation” was the most powerful weapon.), but the more important reason was the change of “Organizational Control” itself. In “the Age of Machine”, “Organizational Control” was dominated by “Behavior Control”, from the control mechanism point of view, was dominated by (coercive function of) “Bureaucratic Control” (plus some “Markets Control”), this caused inevitable Employee Resistance; but after “the New Technological Revolution” in last century, “Discipline, control, in today’s corporations, does not reside in traditional bureaucratic regulations, let alone coercive domination of the employee. Instead, so the argument goes, corporate culture has emerged as an infinitely more subtle form of normative control, one that transforms each employee into a self-

regulating, self-policing subject, one who is almost unable to achieve any political, critical, or moral detachment from his / her employer's power practices." "At a deeper level, of course, the controls of today's corporation are seen as infinitely subtler and going far deeper than those figured by Elton Mayo and his co-workers in the 1920s, reaching to the very core of each employee's sense of selfhood and identity, define his / her very being (Gabriel 1999)." Under this situation, the Employee Resistance seems to be covert, sometimes even to be ignored by the mainstream scholars in the research of "Organizational Control".

Then, in the contemporary organizational literature, we found that "Organizational Control" and "Employee Resistance" were no longer the two sides of a coin, they were studied separately. "Organizational Control", was no longer discussed as a method of "exploitation", the mainstream researchers tended to focus the "technical" aspect (rather than "power / authority" aspect) of "Organizational Control" (Tannenbaum 1962, 1968, McMahon and Perritt 1973, Ouchi and Dowling 1974, Ouchi and Maguire 1975, Ouchi 1977, 1978, 1979, 1980, 1981 A, 1981 B, 1982, Ouchi and Johnson 1978, Chen *et al.* 2008, McKee *et al.* 2008, Harris and Ogbonna 2011). And, the more up-to-dated literature we find, the more "culture" element was focused in that literature. "Cultural Control" and "Cultural Difference" dominated the "Organizational Control" literature after 1980s' (Hofstede 1976, 1985, 1986, 2007, Horvath *et al.* 1976, Jackson 2002, Fisher 2010, Sarala 2010, Kommonen 2011, Armstrong *et al.* 2012, Bititci *et al.* 2012, Munro 2012), at the same time, along with the globalization, multinational corporations (MNCs) became more and more important in "Organizational Control" literature, with the focus of "Parent Cultural Control" (Pucik and Katz 1986, Selmer and de Leon 1996, 2002, Bennett *et al.* 2000, Kranias 2000, Al-Husan and James 2003, Paccioni *et al.* 2008, Wang *et al.* 2008, Ando and Paik 2012). "Employee Resistance" fact was not extrusive in most of above literature.

Of course, "Employee Resistance" was not dismissed by the mainstream researchers, but it was seldom discussed directly together with "Organizational Control". Most contemporary organizational literature for "Employee Resistance" focused on "Employee Resistance to Change" (Conner 1998, Maria Macri *et al.* 2002, Vales 2007, Huang and Huang 2009, Van Dijk and Van Dick 2009, Burchell 2011, Du Plessis 2011, Lundqvist 2011, Mishra and Kumar 2011, Bell 2012, Mariana *et al.* 2013). The "Employee Resistance" analyzed in "Employee Resistance to Change" literature existed at one moment or one period together with the period of organizational change, this was part of, but not all the "Employee Resistance" power which opposed "Organizational Control" in the long term. The studies on "Routine Resistance" (Prasad

and Prasad 1998, Hyde and Thomas 2003, Roscigno and Hodson 2004, Learmonth 2007, Van Den Broek and Dundon 2012), “employee resistance to teams”, including self-managing work teams (Kirkman and Shapiro 1997, Kirkman *et al.* 2000, Kirkman and Shapiro 2001), “employee resistance to empowerment” (Maynard *et al.* 2007), as well as “employee resistance to the commercialization of personal settings” (Turco 2012) referred more points on “Organizational Control”, but didn’t discuss the interacting relationship between “Organizational Control” and “Employee Resistance”.

When the author searched key words “Organizational Control” and “Employee Resistance” jointly, the author found quite few contemporary organizational literatures directly focusing on both concepts and discussing the interactive relationship between “Organizational Control” and “Employee Resistance” (Adler and Borys 1996, Hodson 1999, Gabriel 1999, Prasad and Prasad 2000, Spitzmueller and Stanton 2006, Kosmala and Herrbach 2006, Learmonth and Humphreys 2011, Fleming 2013). The interactive model, which should be built upon “Contemporary Organizational Control Theories” and “Contemporary Employee Resistance Theories”, is still not complete. This is one literature / research gap found in this literature review.

The purpose of my study is to firstly explore and secondly explain the three strikes happened in 2009, 2010, and 2012 in MEP China. I find a key aspect of the labour dispute stemmed from the lack of local experience of the German board and management of MEP China. MEP China is a subsidiary of “German Mittelstand Company” in China. Mittelstand firms are the bedrock of German manufacturing prowess, and they have particular characteristics owing to their evolution in the German industrial complex.

There is not very much literature concerning the internationalization processes of “German Mittelstand Companies”, despite them being tremendously important in Europe. This is another literature / research gap found in this literature review.

2.6 Research Objective

As referred in the above literature gap description, after the second world war, especially after “the New Technological Revolution” in last century, the mainstream scholars in western countries suddenly lost their interest on “(Employee) Resistance on (Organizational) Control”, there was quite few contemporary organizational literatures directly focusing on both concepts and discussing the interactive relationship between “Organizational Control” and “Employee

Resistance”. The interactive model, which should be built upon “Contemporary Organizational Control Theories” and “Contemporary Employee Resistance Theories”, is still not complete.

Is it really necessary now to discuss the interactive relationship between “Organizational Control” and “Employee Resistance”, and to build an interactive model upon “Contemporary Organizational Control Theories” and “Contemporary Employee Resistance Theories”?

The answer from the author is “Yes”, based on these reasons mentioned below:

- a. The coercive function of “Bureaucratic Control”, which causes inevitable Employee Resistance, is really very rare now in the organizations in western developed countries; but, unfortunately, it still finds its place in the developing countries, such as China and Vietnam. When the author typed “Employee Resistance” (in Chinese) in a Chinese internet search engine, actually more than four million results were found. We should not “eliminating the negative”, especially in developing countries;
- b. Even in western developed countries, in which organizations try to (or at least pretend to try to) switch from coercive function of “Bureaucratic Control” to enabling function of “Bureaucratic Control”, or even to “Cultural Control”, Employee Resistance is still inevitable, though it may be covert. “Employee Resistance” to “Cultural Control” appears, and it must be studied to fill the research gap;
- c. The classic theories of Marx and Foucault concerning “Control” and “Resistance”, should be developed, or at least should be “echoed” under the contemporary context;
- d. The management practitioners need an interactive model upon “Contemporary Organizational Control Theories” and “Contemporary Employee Resistance Theories”, to improve organizational control, and to reduce the harmful “Employee Resistance” (sometimes Employee Resistance is constructive, not always a bad thing, we just need to reduce the harmful “Employee Resistance”).
- e. Multinational companies are very important economic powers in the current world. Together with the globalization, multinational companies perform more and more active in most countries worldwide. The subsidiaries of multinational companies, compare with its local competitors, normally face more difficulties in its operation as well as management. Whether multinational companies face more employee resistance (compare with local companies)? If yes, why multinational companies face more employee resistance (compare with local companies)? This is extraordinary important research questions in the world of globalization.
- f. The last but not the least, there is very little research concerning the employee resistance in

developing countries, for example China. What is the difference in China, for example in a multinational company in China? Why there is the difference? This topic is seldom discussed, since most research were done in western countries until now.

Try to fill the research gaps, especially the last gap mentioned above, I ask three research questions in my thesis:

- (1) On the company management side, what caused the strikes in MEP China?
- (2) On the employees side, why employees in MEP China struck?
- (3) On the company management side, how to avoid employee resistance when the management executes new organizational control practices?

Chapter Three: Research Methodology

The purpose of this study is to firstly explore and secondly explain the three strikes happened in 2009, 2010, and 2012 in MEP China. I do this study using my unique position (Associate General Manager & CFO, one of the three Top Managers in MEP China) as a researcher, and using my special experience of the setting. My unique position gives me opportunities to make pragmatic claims about the cases.

For this study, I do a qualitative research mainly based on the Case Study Research Method (Yin 2009, Stake 1995, Burawoy 1998), combined with Autoethnography Study Research Method (Chang 2008, Boyle and Parry 2007) as supplementary Research Method. Or I can say, I mainly undertake an autoethnographic type of case analysis (Boyle and Parry 2007), with a pragmatic scope of the research (Watson 2002).

3.1 Case Study Research Method

3.1.1 Why Case Study Research Method?

In 2009, 2010, and 2012, when I worked as Associate General Manager & CFO in MEP China, there were three strikes happened in MEP China. I realized that, these strikes were unique experiences, not only for me, but also for the managers in this period in China. I think that I should record those unique experiences, and share them with the people who were also interested with them.

Starting Sep 2012, I joined the Durham DBA program. During my DBA study, I have discussed these strikes with several professors who were teaching me. My professors also encouraged me to write down these “stories”, and analyze them. The professors informed me, the analysis on the strikes in a foreign invested company in mainland China would be “unique” enough to be a doctorate thesis. As early as in 2014, I have decided to choose this topic (strikes in MEP China) as the topic of my DBA thesis. I find, strike is the extreme form of employee resistance, and employee resistance (including strike) is the reaction against “inappropriate” organizational control practice. When I say “inappropriate” organizational control practice, this

is from employees' view, not from managers' view.

Then I should choose a main research method for my study. First of all, I should decide whether I should do a quantitative research or a qualitative research. Quantitative research mainly explains and controls simple causal relationships as observed, but qualitative research focuses on understanding of complex relationships; Quantitative research tries to nullify context to generalize and arrive at a "grand theory", here uniqueness of the case is treated as an error, but in qualitative research, uniqueness of case is respected, and particularization is an important aim; Quantitative research uses scales and measurements, but qualitative research uses direct interpretations and observations; Quantitative research questions seek relationships between small number of variables, but qualitative research questions seek patterns of unanticipated and expected relationships; Quantitative research relies on correlation or covariance, but qualitative research relies on pattern; Quantitative research seeks meaning from repetition of phenomenon, but qualitative research seeks meaning emerging from a single instance (Stake 1995). Finally I didn't do a quantitative research, partly because this study didn't relate to big amount of quantitative datas for analysis. The suitable research for my study is qualitative research.

Afterwards I spent more than four years (from 2014 to 2018) to find the best research method for my qualitative study.

In Sep 2013, Dr Nigel van Zwanenberg and Dr Sarah Xiao gave us a lecture on "Business Research Methods". During this lecture, Dr Nigel van Zwanenberg focused on four "Business Research Methods" for qualitative study: Observation, Textual Analysis, Interviews, as well as Audio and Vudio Recordings. Observation as well as Audio and Vudio Recordings were abandoned by me at the very beginning, because the three strikes had happened in past, I had no chance to do Observation or Audio and Vudio Recordings. Textual Analysis wasn't comprehensive to describe the whole pictures of the three strikes. So, in 2014, I had firstly chosen Interviews as my research method.

During the three strikes in 2009, 2010, and 2012, I had interviewed 27 employees or managers (10 in 2009, 9 in 2010, and 8 in 2012). At those times, these interviews were not for research proposes at all, because before 2012 I wouldn't know I would need these interview records for my DBA thesis started in 2014. I had interviewed these employees or managers as part of my job: As one of the top management and top HR responsible in MEP China, I should know why the employees strike? So, the only question for all these 27 employees or managers was: "Why you strike (to striking employees)?" or "Why they strike (to managers)?"

So, at the very beginning of my thesis project in 2014, I would like to use these 27 interview records to build the framework of my research.

But I confronted a problem soon: all these 27 interview records didn't meet the research standard: this means that I had no voice records but only interview records in my notebook in the paper form.

It's very easy to understand why I had no voice records in my hand: when I invited these employees to have the interview, no employee allowed me to record his voice. Actually, during the striking days, I had invited all employees I found in the factory to have an interview with me, but most employees refused me immediately and only very few employees or managers (10 in 2009, 9 in 2010, and 8 in 2012) agreed to communicate with me. All these employees or managers communicating with me rejected my request to make voice records, because they were afraid that the voice records would be the proof to punish them by the company in the future.

So, all these 27 interview records didn't meet the research standard. If I still want to use Interviews as my research method, I should do new interviews with voice records.

I tried so.

When I prepared to do a new round of interviews for research, in June 2014 I was suddenly fired by MEP China. This interrupted my research plan heavily. I even thought that I should change my research topic because I wouldn't have more research materials from MEP China. But, since the Board of MEP China had agreed in 2012 that I had the right to use informations from MEP China for my DBA study, and I had all the research materials copied in my private computer, I evaluated that and I found I still have the chance to finish my research within the existing research materials, so finally I decided to keep my research topic unchanged.

But, after leaving MEP China, my new job was based out of China (actually I worked in Switzerland after leaving MEP China, until Jan 2016), in this case I had no chance to process the new interviews.

In 2016, I came back China and I started to process the new interviews. My plan was: I came back the dormitory of MEP China (the dormitory of MEP China was public apartment and I had the right to visit the employees inside as a visitor) to meet the employees, and invited them to have a new round of interviews concerning the strikes years ago.

But, when I really came back the dormitory of MEP China, I found that, almost all the employees who had experienced the strikes years ago had already left MEP China after 2014. After my leaving, the new General Manager of MEP China (who joined MEP China in middle

2014) fired step by step almost all the blue collar employees and use outsourcing workers instead. These outsourcing workers signed working contracts with a Human Resources company and they were sent by that Human Resources company to MEP China to work, in this case MEP China could change employees freely and thus avoid the further strikes. When the manager wasn't satisfied with certain employee, MEP China just need to inform that Human Resources company to take back that employee and to send MEP China a new employee in the next day. This method avoided the further strikes but doubled the labor cost of MEP China.

So, I could no longer contact most of these employees who had experienced the strikes years ago. After leaving MEP China, most of these employees went to other provinces to work and changed their mobile number in order to avoid roaming charge (at that time, there was roaming charge for your mobile if you took your mobile to another province in China). The new General Manager of MEP China also fired almost all managers who had worked together with me.

When I tried to contact my former colleagues by telephone, I reached only four former colleagues. All of them had left MEP China. I invited them to have a new interview, face to face or through telephone, in June 2016 or July 2016. For these four interviews, I did according to research standard and I made voice records for three of them (the other one refused).

But only these four interview records weren't enough to build the the framework of my research. I tried to do more interviews in 2016 as well as in 2017, but I couldn't manage it.

In 2016, my main supervisor Prof. Hyde left Durham University and Prof. Learmonth became my main supervisor. After I reported my problem to Prof. Learmonth, Prof. Learmonth suggested me to change my idea: not to focus on the interviews, but to focus on the strikes themselves. Prof. Learmonth instructed me to analysis these strikes as case study.

After I visited Prof. Learmonth in Durham in 2018, I finally decided to use case study as my main research method. Since I myself deeply participated into the negotiation and settlement of these strikes, Autoethnography Study Research Method was also partly used in my research. Archival Analysis Research Method was also partly used in my research on historical documents and emails.

After I finally decided to use case study as my main research method, my main reference textbook concerning case study was Yin's "Case Study Research" (Yin 2009).

As Yin (2009) mentioned, using case studies for research purposes remained one of the most challenging of all social science endeavors. For a junior researcher as me, it was really very

difficult to rein this research method. I started to learn this research method in 2018, at the same time I tried to design my own research.

In brief, the case study method allows investigators to retain the holistic and meaningful characteristics of real-life events, in my cases these events are three strikes happened in 2009, 2010, and 2012 in MEP China (Yin 2009). Compare with other research methods in the social sciences, Case Study is really the most suitable for me to study these three strikes. Experiment requires the control of behavioural events but obviously I had no control on the striking employees; I lost the contacts with the striking employees thus I couldn't use Survey or Interview; History doesn't focus on contemporary events but these strikes were contemporary events; Archival Analysis will be too narrow as main research method for my study because I rely on not only archival materials (but Archival Analysis was also partly used in my research on historical documents and emails) (Yin 2009).

Case Study is more suitable for me to study these three strikes. Case Study answers "How" and "Why", these are exactly two of my three research questions ask. "How" and "Why" questions are more explanatory and likely to lead to the use of case studies, histories, and experiments as the preferred research methods. As I have mentioned before, History doesn't focus on contemporary events but these strikes were contemporary events; Experiment requires the control of behavioural events but obviously I had no control on the striking employees. Thus Case Study became a best choice for me in my situation. Case Study requires no control of behavioural events, this is exactly my situation during these strikes. Case Study focuses on contemporary events, the three strikes in MEP China are contemporary events in 2009, 2010 and 2012 (Yin 2009).

According to Stake (1995) mentioned in another classic textbook "The Art of Case Study", a case study is the study of the particularity and complexity of a single case, coming to understand its activity within important circumstances. This is exactly what I want to do on studying the three strikes in MEP China, to find their particularity and complexity, further to understand its activity within important circumstances: organizational control and employee resistance in a foreign invested manufacturing company in contemporary mainland China.

Stake (1995) also stated: "Each one (means case here) is similar to other persons and programs in many ways and unique in many ways. We are interested in them for both their uniqueness and commonality. We seek to understand them. We would like to hear their stories... But we enter the scene with a sincere interest in learning how they function in their ordinary

pursuits and milieus and with a willingness to put aside many presumptions while we learn.” This is exactly the objective of my study, I hope other managers in mainland China (especially in foreign invested companies) will hear my stories and learn something from the three strikes in MEP China, which were unique, but also meaningful for company management.

Before I actually started my research, I had hoped to use my cases to build a “contemporary interactive theory between organizational control and employee resistance (obviously this was the typical mistake made by junior researchers like me, to set up a too big objective)”, thus I had hoped that my cases should be “common” or “general” enough to explain all the interactive relations between organizational control and employee resistance, at least in foreign invested companies in mainland China.

After I read Yin’s “Case Study Research” (Yin 2009) as well as Stake’s “The Art of Case Study” (Stake 1995), I started to understand that, Case Study Research is not sampling research. We do not study a case primarily to understand other cases. Our first obligation is to understand this one case: this unique case. For me, the first obligation is to understand the three strikes in MEP China. Only three strikes in MEP China will be studied, but these will be studied at length, certain generalizations will be drawn.

But, the real business of case study, for example my study on the three strikes in MEP China, is particularization, not generalization. We take particular cases, in my study they’re the three strikes in MEP China, and come to know them well, not primarily as to how it is different from others but what they’re, what they do. There is emphasis on uniqueness, and that implies knowledge of others that the cases, the three strikes in MEP China, are different from, but the first emphasis is on understanding the three strikes in MEP China themselves (Stake 1995).

3.1.2 Designing Case Study

After choosing Case Study as my main research method, I started to design my case studies.

A research design is the logic that links the data to be collected (and the conclusions to be drawn) to the initial questions of study. Every empirical study has an implicit, if not explicit, research design. For case studies, five components of a research design are especially important: a study’s questions; its propositions, if any; its unit(s) of analysis; the logic linking the data to the propositions; and the criteria for interpreting the findings (Yin 2009).

Whether it is to be an intrinsic or instrumental study, we identify issue questions early

(Stake 1995). In my study, I have a study's questions, which are my three research questions:

(1) On the company management side, what caused the strikes in MEP China?

(2) On the employees side, why employees in MEP China struck?

(3) On the company management side, how to avoid employee resistance when the management executes new organizational control practices?

I also have my propositions in my research, focusing on the interactive relations between organizational control and employee resistance.

The units of analysis are the three strikes in MEP China.

The logic linking the data to the propositions is the organizational control theories, as well as employee resistance theories, which I had studied in my literature review.

The criteria for interpreting the findings seem to be difficult in my study, because my case study analysis will not rely on the use of statistics. Thus I have to pay attention to other ways of thinking about such criteria. Yin (2009) suggested a major and important alternative strategy in his textbook "Case Study Research": to identify and address rival explanations for the findings. I did this in the final conclusion chapter of my thesis. At the design stage of my work, the challenge is to anticipate and enumerate the important rivals, thus I could include information about them as part of my data collection. I had to admit, this was the most difficult part during my research design stage, I had spent more than three months on this topic. Finally, with the supporting of my supervisors, I overcame this most difficult part. Stake (1995) stated that a case study should emphasize on interpretation, progressive focusing by an observer, comprises of observation, renewed inquiry, and explanation (Stake 1995 cite Parlett and Hamilton 1976). Qualitative researches use more interpretation than quantitative researches (Stake 1995).

Covering these preceding five components of research designs had effectively forced me to begin constructing a preliminary theory related to my topic of study. For case studies, theory development as part of the design phase is essential, whether the ensuing case study's purpose is to develop or to test theory (Yin 2009). Before I actually started my research, I had hoped to use my cases to build a "contemporary interactive theory between organizational control and employee resistance", obviously this was the typical mistake made by junior researchers like me to set up a too big objective. During the research design phase, I admitted my mistake and adjusted my theory development objective from creating my own theory to test existing organizational control and employee resistance theories, especially focusing on the organizational control theories of Ouchi.

Case study research includes both single-case and multiple-case studies. Case studies can cover multiple cases and then draw a single set of “cross-case” conclusions. The same study may contain more than one single case. When this occurs, the study has used a multiple-case design. In some fields, multiple-case studies have been considered a different “methodology” from single-case studies. Multiple-case designs have distinct advantages and disadvantages in comparison to single-case designs (Yin 2009). The evidence from multiple cases is often considered more compelling, and the overall study is therefore regarded as being more robust (Yin 2009 cite Herriott and Firestone 1983). In my opinion, the three strikes in MEP China are not totally independent each other, they are progressive relationship, go forward one by one. So I choose the embedded case study design with multiple units of analysis (Yin 2009).

My case study research is not only an exploratory case study, but also an explanatory case study (Yin 2009). I firstly explored the three strikes happened in 2009, 2010, and 2012 in MEP China, afterwards I tried to explain the mechanism inside these three strikes.

3.1.3 Collecting and Analyzing Case Study Evidence

Case study evidence can come from many sources. Yin (2009) referred six of them: documentation, archival records, interviews, direct observation, participant-observation, as well as physical artifacts. Each source is associated with an array of data or evidence. During my case study on the three strikes happened in 2009, 2010, and 2012 in MEP China, I have used all these six sources of data or evidence.

Documentary information is almost relevant to all case study topics. This type of information can take many forms and should be the object of explicit data collection plans (Yin 2009). Yin (2009) specified following variety of documents:

a. Letters, memoranda, e-mail correspondence, and other personal documents, such as diaries, calendars, and notes. They’re widely cited in my case study, especially memoranda and e-mail correspondence.

b. Agendas, announcements and minutes of meetings, and other written reports of events. They’re widely cited in my case study, especially announcements and minutes of meetings.

c. Administrative documents – proposals, progress reports, and other internal records. My case study includes several important progress reports concerning my efforts to deal with the strikes and my efforts to coordinate with local government and Labour Unions.

d. Formal studies or evaluations of the same “case” that you are studying. I referred in my study the historic strikes in both Europe as well as in mainland China.

e. News clippings and other articles appearing in the mass media or in community newspapers. For this part of information, I used relatively seldom in my case study.

For many case studies, archival records also may be relevant (Yin 2009). Yin (2009) specified following variety of documents:

a. “Public use files” such as statistical data made available by governments. I used such information in my case study, for example the Chart Eight in Chapter Four, I cited the “Yearly Average Salary in All Provinces in Mainland China 2006-2012”.

b. Service records, such as those showing the number of clients served over a given period of time. I used this kind of information in my case study, for example the Chart One in Chapter Four, I cited the “Yearly Sales and Year End Employee Headcount of MEP China from 2004 to 2008”.

c. Organizational records, such as budget or personnel records. I used quite a lot this kind of information in my case study, for example the Chart Three in Chapter Four, I cited the “Organizational Chart of MEP China dated Aug 27th, 2008”; the Chart Four in Chapter Four, I cited the “Employee Headcount of MEP China by Functions dated Dec 31st, 2008”.

d. Maps and charts of the geographical characteristics of a place. I used this kind of information in my case study, for example the Chart Seven in Chapter Four, I cited the “Location of MEP China (from google map)”; the Chart Ten in Chapter Four, I cited “The Location of Gushi County, Jinzhai County and Huoqiu County (from google map)”.

e. Survey data, such as data previously collected about a site’s employees, residents, or participants. I used this kind of information in my case study, for example the Chart Six in Chapter Four, I cited the “Employee Details of MEP China Equipment Department dated Dec 31st, 2008”; the Chart Nine in Chapter Four, I cited the “Statistics on All the Blue Collar Employees in MEP China Production Department in May 2011”.

One of the most important sources of case study information is the interview. The interviews will be guided conversations rather than structured queries. Interviews are an essential source of case study evidence because most case studies, including my case study, are about human affairs or behavioral events, for example the strikes in my case study. Well-informed interviewees can provide important insights into such affairs or events. The interviewees also can provide shortcuts to the prior history of such situations, helping us to identify other relevant

sources of evidence (Yin 2009). Stake (1995) also stated that interview is the main road to multiple realities, discovering and portraying the multiple views of the case.

During the three strikes in 2009, 2010, and 2012, I had interviewed 27 employees or managers (10 in 2009, 9 in 2010, and 8 in 2012). At those times, these interviews were not for research purposes at all, because before 2012 I wouldn't know I would need these interview records for my DBA thesis started in 2014. I had interviewed these employees or managers as part of my job: As one of the top management and top HR responsible in MEP China, I should know why the employees strike? So, the only question for all these 27 employees or managers was: "Why you strike (to striking employees)?" or "Why they strike (to managers)?"

In 2016, I reached four former colleagues. All of them had left MEP China. I invited them to have a new interview, face to face or through telephone, in June 2016 or July 2016. For these four interviews, I did according to research standard and I made voice records for three of them.

All these above interview records (for totally 31 interviews) were analyzed in my case study.

Because a case study should take place in the natural setting of the "case", we are creating the opportunity for direct observations (Yin 2009). I observed the three strikes in 2009, 2010, and 2012 in MEP China and used the direct observation information in my case study.

Participant-observation is a special mode of observation in which you are not merely a passive observer. Instead, you may assume a variety of roles within a case study situation and may actually participate in the events being studied (Yin 2009). This was exactly my situation in my case study. I joined MEP China in 2004 as Financial Controller. In June 2006, I was promoted as Associate General Manager & CFO in this company, reporting to the Chairman of the Board of Directors who was based in Germany. And my responsibility was expanded from Finance and Controlling Department to also Admin, HR, IT and Logistics Department. From then on, HR affairs in this company were also managed by me and I spent almost 20% of my time and energy in dealing with it. Thus, as the top HR responsible person in China, I directly experienced the management attempt to enhance organizational control in MEP China, as well as directly experienced the employee resistance in both collective and individual ways. Afterwards, as the top responsible person in finance area, I could see how organizational control and employee resistance would affect MEP China in achieving its objectives, especially financial objectives. The purpose of this study is to firstly explore and secondly explain the three strikes happened in 2009, 2010, and 2012 in MEP China. I do this study using my unique position

(Associate General Manager & CFO, one of the three Top Managers in MEP China) as a researcher, and using my special experience of the setting. Participant-observation information was widely used in my case study and was my unique advantage in this case study. Extending the observer to the participant is also an important aspect of the extended case method (Burawoy 1998).

A final source of evidence is a physical or cultural artefact, such as a technological device, a tool or instrument, a work of art, or some other physical evidence. Such artifacts may be collected or observed as part of a case study (Yin 2009). I also used some physical or cultural artefacts in my case study. For example, in Chapter Five, I used the signatures of employees (they were also MEP China Labour Union Members) which called on to fire current Technical General Manager Frank Huang; in Chapter Six, I used a photo which recorded a billboard set up by employees to protest current General Manager Heinz Fraunhoffer.

The analysis of case study evidence is one of the least developed and most difficult aspects of doing case studies. Four general strategies of the analysis of case study evidence are: relying on theoretical propositions, developing a case description, using both qualitative and quantitative data, as well as examining rival explanations. Five analytic techniques of the analysis of case study evidence are: pattern matching, explanation building, time-series analysis, logic models, as well as cross-case synthesis (Yin 2009). In my case study, my main strategy of the analysis of case study evidence is developing a case description; my main techniques of the analysis of case study evidence are pattern matching, explanation building, as well as cross-case synthesis. Stake (1995) stated that search for meaning, analysis, was often a search for patterns or correspondence. This is the reason why pattern matching is the most important technique of the analysis of case study evidence in my research.

3.1.4 Reporting Case Study

Reporting a case study means bringing its results and findings to closure. Creating a case study report, in my situation is to write this thesis, is one of the challenging aspects of doing case studies (Yin 2009).

One important step of reporting a case study is defining the audience (Yin 2009), but interestingly, Stake (1995) states that it is impossible to know who will read the case study report, yet the author anticipates a reader and some reactions that readers will have. In my thesis

I clearly defined the audience of my case study research should be managers, especially managers in foreign invested companies in mainland China.

My case study report (my thesis) is a multiple-case report. Multiple-case studies often contain both the individual case studies and some cross-case chapters (Yin 2009), this is exactly the situation in my thesis. I have three individual case studies in Chapter Four, Chapter Five as well as Chapter Six, reporting three different strikes happened in 2009, 2010, and 2012 in MEP China, at the same time I have Chapter One, Chapter Two, Chapter Three, especially Chapter Seven (Further Discussion and Research Conclusion) as cross-case chapters.

Stake (1995) states that qualitative case study should be highly personal research, and states that case study reporting is not simply storytelling. Thus I choose a realist tales path for writing a case, try to provide a direct, matter-of-fact portrait in my research.

3.2 Autoethnography Study Research Method

Researchers have given increasing attention to “mixed methods research” – a “class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study” (Yin 2009 cite Johnson and Onwuegbuzie 2004). Yin (2009) also states that certain kinds of case studies already represent a form of mixed methods research. In my research, autoethnography study research method was embedded within my case study.

Chang (2008) defines autoethnography as a form or method of social research that explores the researcher’s personal experience and connects this autobiographical story to wider cultural, political, and social meanings and understandings. Chang (2008) regards autoethnography different from ethnography, which is a qualitative research method in which a researcher uses participant observation and interviews in order to gain a deeper understanding of a group’s culture. Autoethnography is focusing on the writer’s subjective experience rather than the beliefs and practices of others (Chang 2008) - this is exactly my focus in my research.

Boyle and Parry (2007) propose that autoethnography has a fruitful contribution to make to organizational research, the ethnographic process has always been an essential way of studying culture, including organizational culture. Boyle and Parry (2007) also point out that the introspective and retrospective nature of autoethnography can enhance understanding of the link between the individual and the organization very effectively, the intensely reflexive nature of

autoethnography allows the organizational researchers to make that link. I totally agree with them, in my research, the introspective and retrospective nature of autoethnography gives me the advantage to understand the “dark side” of the organization – my company.

Autoethnography study research method embedded within case study is my contribution to case study methodology. Scholars in the past used different ways to extend case study methodology, extending the observer to the participant, extending observations over space and time, extending out from process to force, as well as extending theory (Burawoy 1998). Extending the observer to the participant combined ethnography with case study, and I myself further combined autoethnography with case study.

From one side of view, my research on the three strikes happened in 2009, 2010, and 2012 in MEP China is a complete multiple units case study with all the features of case study research method; but, from another side of view, my research also could be regarded as an autoethnography study: I myself was the key person in management team to deal with the three strikes, including negotiating with striking employees, coordinating with Labour Unions as well as local government, reporting to German board and executing the instruction from German board, even signing agreement with striking employees to finish the strikes. I was not only doing the participant observation, but also partly creating the cases themselves. This is the reason why my research should not only be regarded as a case study, but also be regarded as an autoethnography study. They are combined so organic that couldn't be separated.

Chapter Four: The Strike in April 2009

4.1 The Introduction on the Management of MEP China

Mehler Engineered Products GmbH (also be called as MEP Group) is a German manufacturer of coated yarns and fabrics for technical rubber products, began to produce technical textiles in the 1930s in Fulda, Germany. MEP Group is part of Mehler AG, and Mehler AG is part of KAP AG, which is listed on Frankfurt Stock Exchange. After the merging of Mehler Engineered Products GmbH with OLBO Industrietextilien GmbH in 2006, the company changed its name to MEP-OLBO GmbH (or MEP-OLBO Group) . Until 2009, MEP-OLBO GmbH (MEP-OLBO Group) was one of the worldwide market leaders in coated yarns industry with factories in Germany, Czech Republic, USA, Portugal and China.

Mehler Engineered Products GmbH started its operation in China in 1993, firstly formed a joint venture in a town named Shengze (now belongs to Wujiang District, Suzhou City, Jiangsu Province) together with two Chinese partners. In the year 2000, this joint venture became a wholly owned subsidiary of Mehler Engineered Products GmbH with the name Mehler Engineered Products (Suzhou) Co., Ltd., which will be called as “MEP China” inside MEP Group or later MEP-OLBO Group (sometimes will also be called as “MEP Suzhou”, “MEP”, or “Mehler” in different documents).

The products of MEP China are finally used in the automobile industry. Because more and more Chinese people started to purchase their families’ first car in 21st century, automobile industry developed very quickly in China in the first decade in 21st century. MEP China benefitted from the booming of China automobile industry and developed quite well in these years.

I joined MEP China as Financial Controller in Dec 2004, and was promoted to be Associate General Manager and CFO in June 2006 to manage Accounting, Controlling, Administration, HR, IT, as well as Logistic Department, reporting to the Chairman of the Board of MEP China Dr. Jurgen Kern, who worked as one of the Managing Directors in MEP-OLBO Group in Germany.

According to my notes, the yearly sales and year end employee headcount of MEP China from 2004 to 2008 were:

| | Yearly Sales in KCNY | Year End Employee Headcount |
|------|----------------------|-----------------------------|
| 2004 | 77,718 | 74 |
| 2005 | 94,088 | 89 |
| 2006 | 122,714 | 108 |
| 2007 | 149,520 | 140 |
| 2008 | 147,151 | 132 |

Chart 1: Yearly Sales and Year End Employee Headcount of MEP China from 2004 to 2008

Before the merging of Mehler Engineered Products GmbH with OLBO Industrietextilien GmbH in 2006, Mehler Engineered Products GmbH in Germany had two Managing Directors: Karl Heinz Schwulera was responsible for Finance, HR, IT, Sales and Logistics, Richard Grobauer was responsible for Production, Research and Development (R&D), Quality Management (QM) and Quality Control (QC), as well as Engineering; OLBO Industrietextilien GmbH had one Managing Director Harry Keuler. After the merge, the new formed MEP-OLBO Group in 2006 had three Managing Directors: Karl Heinz Schwulera was responsible for Finance, HR and IT; Richard Grobauer was responsible for Production, R&D, QM and QC, as well as Engineering; Harry Keuler was responsible for Sales and Logistics. Karl Heinz Schwulera left MEP-OLBO Group shortly after the merge in 2006, Dr. Jurgen Kern was recruited to take his position as the Managing Director to be responsible for Finance, HR and IT. Dr. Jurgen Kern also took Karl Heinz Schwulera's position as the Chairman of the Board of MEP China. Richard Grobauer and Harry Keuler were the other two Board Directors of the Board of Directors in MEP China.

The organization change in the parent company in Germany also affected MEP China deeply. Before the organization change in the parent company in Germany, MEP China had one General Manager Thomas Zhou (male, Chinese nationality with study and work experience in Germany, was born in 1966), one Deputy General Manager Cindy Yu (female, Chinese nationality with study and work experience in Germany, Chinese name Zhimei Yu, was born in 1964) and one Financial Controller the author Qizhong Hu (male, Chinese nationality with study and work experience in Switzerland, was born in 1976). Cindy Yu was responsible for

Production, R&D, QM and QC, as well as Engineering but she should report to Thomas Zhou; I reported also to Thomas Zhou. Thomas Zhou took responsibility for the whole company but focus on Sales and Logistics.

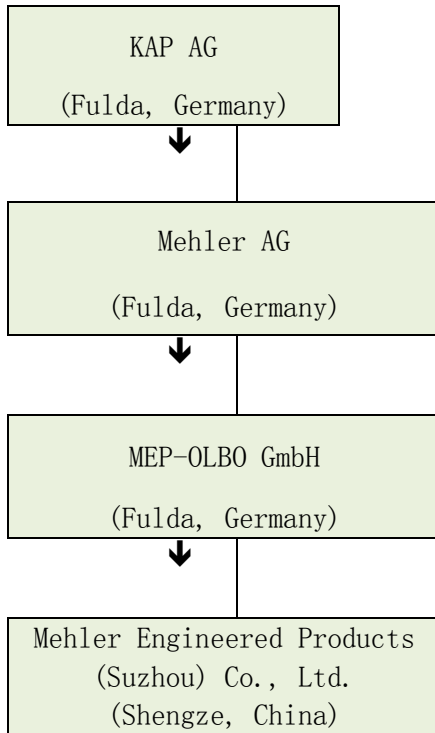


Chart 2: MEP China and its parent companies

As soon as the organization change in the parent company in Germany was finished, Thomas Zhou left MEP China in June 2006. He told me, it would be very difficult for him to work together with three different bosses in Germany, especially he had different work opinions with Harry Keuler on sales issues.

The MEP-OLBO Group appointed Qinming Zhou (male, ethnic Chinese with German nationality, was born in 1958), the former Asian Sales Director of OLBO Industrietextilien GmbH to take the work of Thomas Zhou. Qinming Zhou had worked for Harry Keuler in OLBO Industrietextilien GmbH for more than twenty years.

Because Qinming Zhou had only working experience on sales side and had no working experience as General Manager, the three bosses (Karl Heinz Schwulera, Richard Grobauer and Harry Keuler at that time) in MEP-OLBO Group designed a new top management structure in MEP China in this way: Qinming Zhou was appointed as Commercial General Manager reporting

to Harry Keuler, his responsibility was only to manage Sales Department (in June 2008 his responsibility was expanded also to manage Logistics Department); Cindy Yu was promoted to Technical General Manager reporting to Richard Grobauer directly, her responsibility was to manage Production, R&D, QM and QC, as well as Engineering Department; I was promoted to Associate General Manager and CFO reporting to Karl Heinz Schwulera directly (shortly afterwards reporting to Dr. Jurgen Kern directly after the leave of Karl Heinz Schwulera), my responsibility was to manage Accounting, Controlling, Administration, HR, IT, as well as Logistic Department (Logistic Department changed to report to Qinming Zhou after June 2008).

This new top management structure made some problems: Qinming Zhou was not satisfied to be responsible only for Sales Department, he always regarded himself as the only legal General Manager in MEP China (in China, each company can only register one General Manager on the legal documents kept in the government, so MEP China registered only Qinming Zhou as General Manager on the legal documents, because Qinming Zhou need this title “General Manager” to meet customers) and he always sent his instructions directly to the departments managed by Cindy Yu, such as Production Department and Engineering Department. Cindy Yu was very angry about these actions and there were several open conflicts between Qinming Zhou and Cindy Yu.

On MEP-OLBO Group level, Richard Grobauer also had different opinions, even conflicts with Harry Keuler. This made Qinming Zhou and Cindy Yu even harder to communicate smoothly. Starting in the beginning of 2007, almost all employees in MEP China knew the conflict between two General Managers. Some “smart” employees even planned to use this conflict between two General Managers to achieve personal benefits.

I tried my best to keep neutral and to support both General Managers on work. But, of course, I found myself sometimes in a very embarrassed situation to be in the middle. This situation went worse after June 2008, at that time the board decided that Logistic Department should report to Qinming Zhou directly.

According to the arrangement of the board in June 2008, Qinming Zhou was the boss of Logistic Department and he decided the purchasing affairs (purchasing used to be one of the functions of Logistic Department and Qinming Zhou built a new independent Purchasing Department after June 2008), but Cindy Yu was the boss of Equipment Department and she decided the equipment affairs. The problem came immediately: which General Manager, Qinming Zhou or Cindy Yu, should make the final decision for equipment purchasing?

Especially when they had totally different opinions on equipment purchasing issues. Qinming Zhou and Cindy Yu had different opinions even public conflicts several times, the board knew this quite well but couldn't solve this problem, actually, in Germany, Richard Grobauer and Harry Keuler had different opinions even public conflicts as well. The dispute between two General Managers hurts MEP China, especially later in the strike in April 2009.

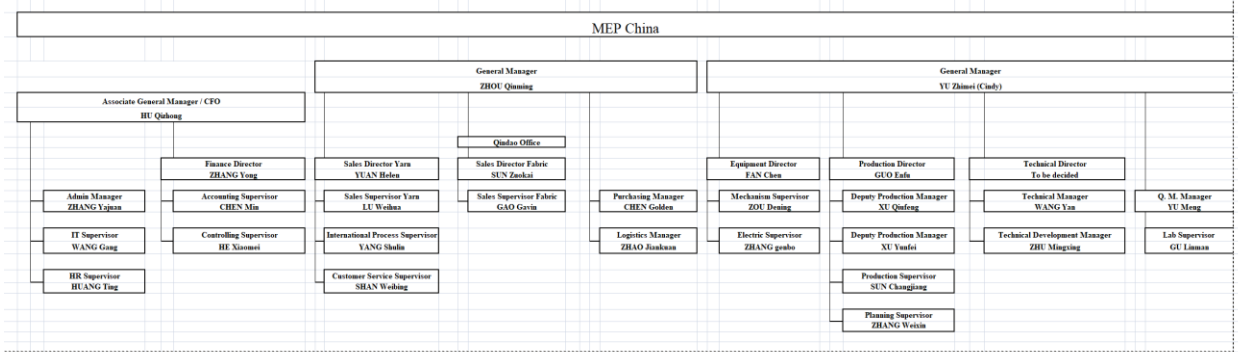


Chart 3: Organizational Chart of MEP China dated Aug 27th, 2008

4.2 The Introduction on the Employees of MEP China

After the introduction on the Management of MEP China, now we come to the other side: employees of MEP China.

By the end of 2008, MEP China had totally 132 employees, including two General Managers as well as one “Associate General Manager and CFO”. The details were listed below:

| | |
|------------|----|
| Management | 3 |
| Admin/HR | 6 |
| Finance | 3 |
| Sales | 6 |
| Purchasing | 5 |
| Logistics | 7 |
| QM | 10 |
| Technical | 1 |
| Equipment | 11 |
| Production | 73 |
| Security | 6 |

| | |
|----------|-----|
| Cleaning | 1 |
| Total | 132 |

Chart 4: Employee Headcount of MEP China by Functions dated Dec 31st, 2008

As mainly a production factory, most employees in MEP China were blue collar employees, mainly worked in Production Department as well as Equipment Department.

Production Department had totally 73 employees by the end of 2008, including 6 white collar employees (4 males and 2 females, working in the office of production management) plus 67 blue collar employees (all males, working in different workshops). The details were listed below:

| | Male | Name of White-collar Male | Female | Name of White-collar Female | Total |
|--|-----------|---|----------|-------------------------------|-----------|
| Production Management: (White-collar) | 4 | GUO Enfu XU Qiufen SUN changjiang ZHANG Weixin | 2 | XU Yunfei CHEN Yan | 6 |
| Twisting: (Blue-collar) | 36 | | | | 36 |
| Treating: (Blue-collar) | 19 | | | | 19 |
| Winding + Assembling (Blue-collar) | 3 | | | | 3 |
| Mixing: (Blue-collar) | 3 | | | | 3 |
| Packing: (Blue-collar) | 6 | | | | 6 |
| Total Production Blue Collar | | | | | 67 |

Chart 5: Employee Details of MEP China Production Department dated Dec 31st, 2008

Equipment Department had totally 11 employees by the end of 2008, including 3 white collar employees (all males, mainly working in the office of equipment management) plus 8 blue collar employees (all males, mainly working in different workshops). The details were listed below:

| | Male | Name of White-collar Male | Female | Name of White-collar Female | Total |
|--|----------|---|--------|-----------------------------|----------|
| Equipment Engineering: (White-collar) | 3 | FAN Chen ZUO Denin ZHANG Genbo | | | 3 |
| Equipment Engineering: (Blue-collar) | 8 | | | | 8 |

Chart 6: Employee Details of MEP China Equipment Department dated Dec 31st, 2008

Most employees of MEP China, especially blue collar employees, were not local people, this means they had no family living together with them. This is a typical situation in China: most companies and factories are established in the coastal areas in eastern provinces of China, but most employees, especially blue collar employees of these companies and factories come from middle-provinces or western provinces of China. These employees live alone in the area near their workplace, leaving their family in the hometown. They come back their hometowns once or twice per year to meet their families.

MEP China is located in Shengze Town, Wujiang District, Suzhou City, Jiangsu Province. Jiangsu Province is one of the most developed provinces in China, and Suzhou is the most developed city in Jiangsu Province. MEP China has a quite convenient location for operation as well as for the the living of employees: it takes only 1 hour 40 miniters to drive from MEP China to Shanghai Pudong International Airport (one of the most important airports in China) through highway (132 kms); 1 hour 10 miniters to drive from MEP China to Shanghai Hongqiao International Airport through highway (90 kms); 1 hour 30 miniters to drive from MEP China to Shanghai city center through highway (101 kms); 1 hour to drive from MEP China to Suzhou city center through highway (54 kms); 40 miniters to drive from MEP China to Jiaxing (one

important city in Zhejiang Province) city center (23 kms); 5 minutes to drive (or 20 minutes to walk) from MEP China to Shengze town center (1.6 kms). Shengze is a prosperous town with 198,271 population (in 2017), very convenient for living.

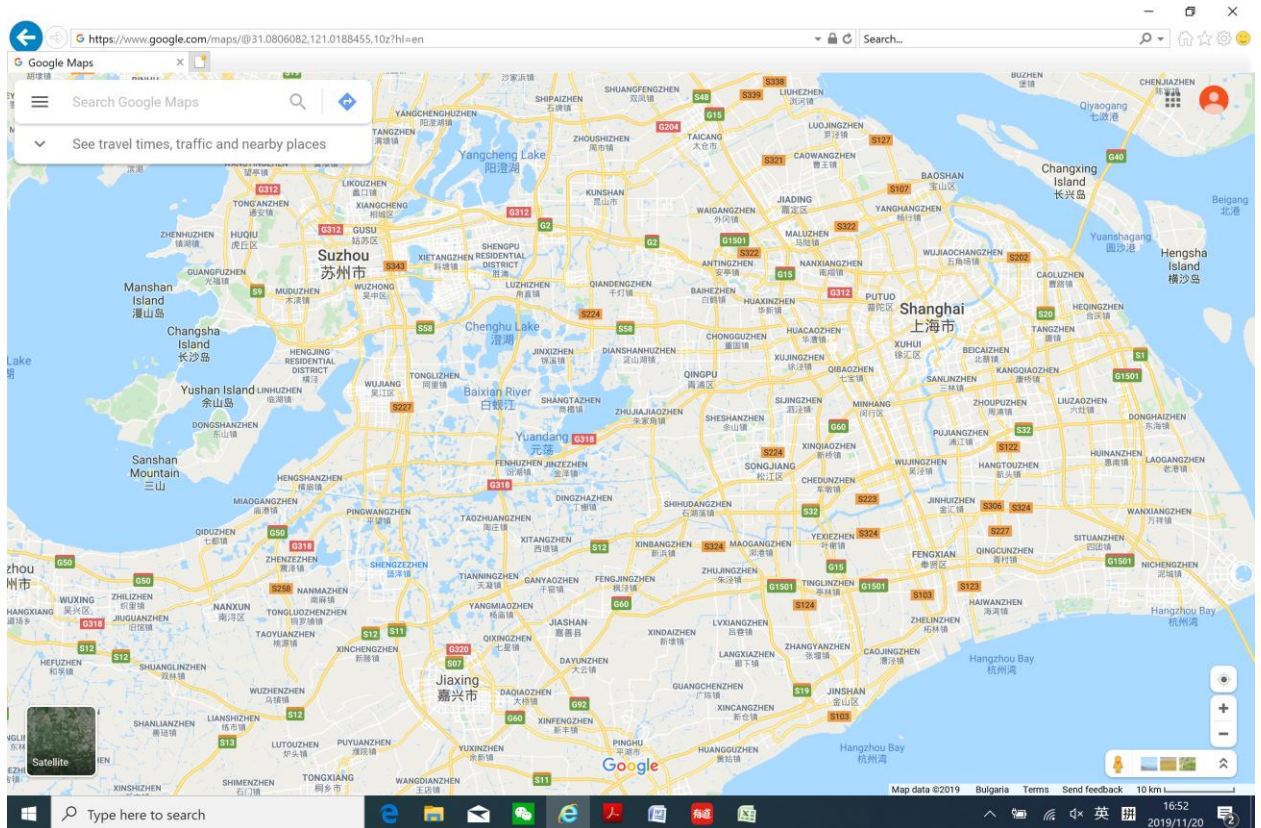


Chart 7: Location of MEP China (from google map)

People of different provinces come to Eastern China Area (for example Shengze) to work, because the average salary here is much higher than the average salary in their hometown. In 2008, the yearly average salary in Suzhou City (where Shengze belongs to) was 35,827 CNY (<http://suzhou.bendibao.com/news/2011712/26778.shtm>), or 5,159 US\$. For the same year, the yearly average salary in China was 29,229 CNY, or 4,209 US\$; the yearly average salary in Henan Province was 24,816 CNY, or 3,574 US\$; the yearly average salary in Anhui Province was 26,363 CNY, or 3,797 US\$. I referred Henan Province and Anhui Province, this is because most workers working in Shengze (as well as most blue collar employees working in MEP China) came from these two provinces.

| | Yearly Average Salary in CNY | | | | | | |
|-------------------------|------------------------------|-------|-------|-------|-------|-------|-------|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| China (mainland) | 47593 | 42452 | 37147 | 32736 | 29229 | 24932 | 21001 |
| Beijing | 85307 | 75834 | 65683 | 58140 | 56328 | 46507 | 40117 |
| Tianjin | 62225 | 56477 | 52963 | 44992 | 41748 | 34938 | 28682 |
| Hebei | 39542 | 35973 | 32306 | 28383 | 24756 | 19911 | 16590 |
| Shanxi | 44943 | 39903 | 33544 | 28469 | 25828 | 21525 | 18300 |
| Neimenggu | 47053 | 41481 | 35507 | 30699 | 26114 | 21884 | 18469 |
| Liaonin | 42503 | 38713 | 35057 | 31104 | 27729 | 23202 | 19624 |
| Jilin | 39092 | 34197 | 29399 | 26230 | 23486 | 20513 | 16583 |
| Heilongjiang | 38598 | 33503 | 29603 | 26535 | 23046 | 19386 | 16505 |
| Shanghai | 80191 | 77031 | 71874 | 63549 | 56565 | 49310 | 41188 |
| Jiangsu | 51279 | 45987 | 40505 | 35890 | 31667 | 27374 | 23782 |
| Zhejiang | 50813 | 45780 | 41505 | 37395 | 34146 | 31086 | 27820 |
| Anhui | 46091 | 40640 | 34341 | 29658 | 26363 | 22180 | 17949 |
| Fujian | 44979 | 38989 | 32647 | 28666 | 25702 | 22283 | 19318 |
| Jiangxi | 39651 | 34102 | 29092 | 24696 | 21000 | 18400 | 15590 |
| Shandong | 42572 | 37992 | 33729 | 29688 | 26404 | 22844 | 19228 |
| Henan | 37958 | 34203 | 30303 | 27357 | 24816 | 20935 | 16981 |
| Hubei | 40884 | 37134 | 32588 | 27127 | 22739 | 19818 | 16048 |
| Hunan | 40028 | 35520 | 30483 | 27284 | 24870 | 21534 | 17850 |
| Guangdong | 50577 | 45152 | 40358 | 36355 | 33110 | 29443 | 26186 |
| Guangxi | 37614 | 34064 | 31842 | 28302 | 25660 | 21898 | 18064 |
| Hainan | 40051 | 36716 | 31025 | 24934 | 21864 | 19357 | 15890 |
| Chongqing | 45392 | 40042 | 35326 | 30965 | 26985 | 23098 | 19215 |
| Sichuan | 43110 | 37924 | 33112 | 28563 | 25038 | 21312 | 17852 |
| Guizhou | 42733 | 37331 | 31458 | 28245 | 24602 | 20668 | 16815 |
| Yunnan | 38908 | 35031 | 30177 | 26992 | 24030 | 20481 | 18711 |
| Xizhang | 58347 | 55845 | 54397 | 48750 | 47280 | 46098 | 31518 |
| Shanxi | 44330 | 39043 | 34299 | 30185 | 25942 | 21296 | 16918 |
| Gansu | 38440 | 32724 | 29588 | 27177 | 24017 | 20987 | 17246 |
| Qinghai | 46827 | 42493 | 37182 | 33561 | 30983 | 26166 | 22679 |
| Ningxia | 48961 | 44574 | 39144 | 34082 | 30719 | 26210 | 21239 |
| Xingjiang | 45243 | 38820 | 32361 | 27753 | 24687 | 21434 | 17819 |

Chart 8: Yearly Average Salary in All Provinces in Mainland China 2006-2012

(<https://wenku.baidu.com/view/fdb413a4f90f76c661371abd.html>)

Traditionally, most workers working in Shengze came from Henan Province and Anhui Province, in MEP China we have the same situation: most blue collar employees in MEP China came from these two provinces.

I did a statistics on all the blue collar employees in Production Department in MEP Suzhou in May 2011. Here were my findings for Production Department (the situation before 2011 was similar):

Untill May 2011, there were 102 blue collar employees in the Production Department in MEP Suzhou. All of them are male.

Inside these 102 blue collar employees, only one employee had received University Education (before this employee joined MEP China in July 2010, he had studied 4 years in University), 48 employees graduated from High Schools (including professional high schools), 53 employees (this means more than half of all blue collar employees in Production Department) graduated only from middle Schools (they just finished the 9 years compulsory education). In China, everyone should receive at least 9 years compulsory education, this means 6 years primary school education plus 3 years middle school education.

Inside these 102 blue collar employees, 2 employees were born in 1960s (one in 1965, another in 1967), 20 employees were born in 1970s, 69 employees were born in 1980s, 11 employees were born in 1990s.

Inside these 102 blue collar employees, only 3 employees joined MEP China in 1990s, 99 employees joined MEP China after Jan 1st, 2000.

| No. | Name | Sex | Birthday | The Day to join MEP China | Education | Hometown (According to ID Card Address) |
|-----|-------------|-----|------------|---------------------------|---------------|---|
| 1 | Blue Collar | M | 1971/10/30 | 1994/1/1 | High School | Wujiang, Jiangsu Province |
| 2 | Blue Collar | M | 1971/9/12 | 1994/1/1 | High School | Wujiang, Jiangsu Province |
| 3 | Blue Collar | M | 1965/5/5 | 1994/7/1 | High School | Gushi County, Henan Province |
| 4 | Blue Collar | M | 1976/7/21 | 2000/12/18 | Middle School | Lixin County, Anhui Province |
| 5 | Blue Collar | M | 1976/12/14 | 2001/6/1 | Middle School | Huoqiu County, Anhui Province |
| 6 | Blue Collar | M | 1982/6/28 | 2002/2/26 | Middle School | Huoqiu County, Anhui Province |
| 7 | Blue Collar | M | 1975/6/7 | 2002/3/1 | Middle School | Dangtu County, Anhui Province |
| 8 | Blue Collar | M | 1981/3/1 | 2002/3/1 | Middle School | Jiangsu Province |
| 9 | Blue Collar | M | 1974/4/22 | 2002/5/28 | High School | Huoqiu County, Anhui Province |
| 10 | Blue Collar | M | 1984/3/9 | 2002/5/28 | High School | Jiangsu Province |
| 11 | Blue Collar | M | 1984/2/6 | 2002/5/28 | High School | Jiangsu Province |

| | | | | | | |
|----|-------------|---|------------|------------|---------------|---------------------------------|
| 12 | Blue Collar | M | 1978/2/2 | 2002/10/16 | High School | Jiangsu Province |
| 13 | Blue Collar | M | 1973/11/10 | 2002/11/11 | High School | Jinzhai County, Anhui Province |
| 14 | Blue Collar | M | 1986/5/20 | 2003/2/25 | Middle School | Dangtu County, Anhui Province |
| 15 | Blue Collar | M | 1982/1/20 | 2003/2/25 | High School | Luoshan County, Henan Province |
| 16 | Blue Collar | M | 1977/7/20 | 2003/7/10 | Middle School | Jinzhai County, Anhui Province |
| 17 | Blue Collar | M | 1985/10/30 | 2004/3/5 | Middle School | Gushi County, Henan Province |
| 18 | Blue Collar | M | 1970/3/25 | 2004/3/17 | Middle School | Huoqiu County, Anhui Province |
| 19 | Blue Collar | M | 1976/3/28 | 2004/8/25 | Middle School | Jinzhai County, Anhui Province |
| 20 | Blue Collar | M | 1985/2/5 | 2004/8/25 | Middle School | Jiangsu Province |
| 21 | Blue Collar | M | 1967/8/4 | 2004/12/1 | Middle School | Jinzhai County, Anhui Province |
| 22 | Blue Collar | M | 1984/11/17 | 2005/4/4 | High School | Dangtu County, Anhui Province |
| 23 | Blue Collar | M | 1980/10/8 | 2005/4/4 | High School | Gushi County, Henan Province |
| 24 | Blue Collar | M | 1982/2/8 | 2005/4/4 | Middle School | Hunan Provinces |
| 25 | Blue Collar | M | 1974/11/23 | 2005/4/4 | High School | Jiangsu Province |
| 26 | Blue Collar | M | 1984/12/20 | 2005/6/21 | Middle School | Jinzhai County, Anhui Province |
| 27 | Blue Collar | M | 1983/2/24 | 2005/6/21 | High School | Jinzhai County, Anhui Province |
| 28 | Blue Collar | M | 1977/5/8 | 2005/10/18 | Middle School | Sichuan Province |
| 29 | Blue Collar | M | 1975/7/2 | 2006/3/22 | High School | Jinzhai County, Anhui Province |
| 30 | Blue Collar | M | 1974/8/20 | 2006/4/13 | High School | Gushi County, Henan Province |
| 31 | Blue Collar | M | 1988/12/20 | 2006/6/23 | Middle School | Gushi County, Henan Province |
| 32 | Blue Collar | M | 1985/2/28 | 2006/6/23 | Middle School | Gushi County, Henan Province |
| 33 | Blue Collar | M | 1980/12/25 | 2006/6/23 | Middle School | Jiangsu Province |
| 34 | Blue Collar | M | 1986/2/28 | 2007/3/8 | Middle School | Huoqiu County, Anhui Province |
| 35 | Blue Collar | M | 1984/6/10 | 2007/3/8 | High School | Jinzhai County, Anhui Province |
| 36 | Blue Collar | M | 1983/4/16 | 2007/3/8 | High School | Gushi County, Henan Province |
| 37 | Blue Collar | M | 1987/7/26 | 2007/3/8 | High School | Gushi County, Henan Province |
| 38 | Blue Collar | M | 1981/12/5 | 2007/3/8 | Middle School | Gushi County, Henan Province |
| 39 | Blue Collar | M | 1973/10/13 | 2007/3/8 | Middle School | Jiangsu Province |
| 40 | Blue Collar | M | 1984/10/27 | 2007/3/8 | High School | Jiangsu Province |
| 41 | Blue Collar | M | 1986/11/10 | 2007/5/27 | Middle School | Jinzhai County, Anhui Province |
| 42 | Blue Collar | M | 1985/11/25 | 2007/5/27 | High School | Gushi County, Henan Province |
| 43 | Blue Collar | M | 1988/10/27 | 2007/8/27 | High School | Gushi County, Henan Province |
| 44 | Blue Collar | M | 1983/7/28 | 2007/8/27 | Middle School | Tuocheng County, Henan Province |
| 45 | Blue Collar | M | 1979/1/2 | 2007/11/6 | High School | Taihe County, Anhui Province |
| 46 | Blue Collar | M | 1982/1/22 | 2007/11/6 | High School | Jiangsu Province |
| 47 | Blue Collar | M | 1987/9/20 | 2008/3/3 | Middle School | Jinzhai County, Anhui Province |

| | | | | | | |
|----|-------------|---|------------|------------|---------------|----------------------------------|
| 48 | Blue Collar | M | 1986/11/1 | 2008/3/3 | High School | Jinzhai County, Anhui Province |
| 49 | Blue Collar | M | 1988/8/16 | 2008/3/3 | High School | Gushi County, Henan Province |
| 50 | Blue Collar | M | 1989/9/25 | 2008/3/3 | Middle School | Gushi County, Henan Province |
| 51 | Blue Collar | M | 1990/7/18 | 2008/3/3 | Middle School | Gushi County, Henan Province |
| 52 | Blue Collar | M | 1980/12/11 | 2008/3/12 | Middle School | Jiangsu Province |
| 53 | Blue Collar | M | 1985/6/24 | 2008/4/27 | High School | Dangtu County, Anhui Province |
| 54 | Blue Collar | M | 1983/11/15 | 2008/4/27 | High School | Jinzhai County, Anhui Province |
| 55 | Blue Collar | M | 1980/8/2 | 2008/4/28 | High School | Taihe County, Anhui Province |
| 56 | Blue Collar | M | 1984/4/28 | 2009/5/12 | Middle School | Huoqiu County, Anhui Province |
| 57 | Blue Collar | M | 1987/1/15 | 2009/5/12 | High School | Jinzhai County, Anhui Province |
| 58 | Blue Collar | M | 1989/7/16 | 2009/5/12 | Middle School | Changfeng County, Anhui Province |
| 59 | Blue Collar | M | 1990/3/12 | 2009/5/12 | Middle School | Gushi County, Henan Province |
| 60 | Blue Collar | M | 1986/7/17 | 2009/5/12 | Middle School | Jiangsu Province |
| 61 | Blue Collar | M | 1984/3/11 | 2009/5/12 | High School | Jiangsu Province |
| 62 | Blue Collar | M | 1987/1/16 | 2009/5/12 | Middle School | Jiangsu Province |
| 63 | Blue Collar | M | 1986/7/4 | 2009/6/2 | High School | Gushi County, Henan Province |
| 64 | Blue Collar | M | 1989/2/1 | 2009/6/2 | Middle School | Gushi County, Henan Province |
| 65 | Blue Collar | M | 1990/1/16 | 2009/6/2 | Middle School | Yuzhou City, Henan Province |
| 66 | Blue Collar | M | 1985/10/21 | 2009/11/26 | High School | Huoqiu County, Anhui Province |
| 67 | Blue Collar | M | 1980/4/20 | 2010/3/3 | Middle School | Jiangsu Province |
| 68 | Blue Collar | M | 1976/6/13 | 2010/3/3 | Middle School | Jiangsu Province |
| 69 | Blue Collar | M | 1990/8/18 | 2010/3/30 | High School | Feixi County, Anhui Province |
| 70 | Blue Collar | M | 1987/7/19 | 2010/4/13 | High School | Jinzhai County, Anhui Province |
| 71 | Blue Collar | M | 1985/10/15 | 2010/4/13 | High School | Gushi County, Henan Province |
| 72 | Blue Collar | M | 1990/7/15 | 2010/4/13 | Middle School | Gushi County, Henan Province |
| 73 | Blue Collar | M | 1989/10/22 | 2010/4/13 | Middle School | Gushi County, Henan Province |
| 74 | Blue Collar | M | 1991/6/20 | 2010/4/13 | High School | Jiangsu Province |
| 75 | Blue Collar | M | 1987/7/29 | 2010/4/13 | Middle School | Jiangsu Province |
| 76 | Blue Collar | M | 1986/9/3 | 2010/7/1 | High School | Jinzhai County, Anhui Province |
| 77 | Blue Collar | M | 1988/8/5 | 2010/7/1 | High School | Gushi County, Henan Province |
| 78 | Blue Collar | M | 1986/2/18 | 2010/7/22 | Middle School | Jinzhai County, Anhui Province |
| 79 | Blue Collar | M | 1986/12/18 | 2010/7/22 | Middle School | Gushi County, Henan Province |
| 80 | Blue Collar | M | 1990/9/29 | 2010/7/22 | University | Gushi County, Henan Province |
| 81 | Blue Collar | M | 1985/1/25 | 2010/7/22 | High School | Jiangsu Province |
| 82 | Blue Collar | M | 1986/6/19 | 2010/7/22 | High School | Jiangsu Province |
| 83 | Blue Collar | M | 1981/1/25 | 2010/7/26 | High School | Hunan Provinces |

| | | | | | | |
|-----|-------------|---|------------|-----------|---------------|--------------------------------|
| 84 | Blue Collar | M | 1983/7/16 | 2011/3/2 | Middle School | Huoqiu County, Anhui Province |
| 85 | Blue Collar | M | 1986/1/24 | 2011/3/2 | Middle School | Taihe County, Anhui Province |
| 86 | Blue Collar | M | 1988/12/1 | 2011/3/2 | Middle School | Gushi County, Henan Province |
| 87 | Blue Collar | M | 1973/10/13 | 2011/3/2 | Middle School | Gushi County, Henan Province |
| 88 | Blue Collar | M | 1984/8/19 | 2011/3/2 | Middle School | Luoshan County, Henan Province |
| 89 | Blue Collar | M | 1981/12/5 | 2011/3/2 | Middle School | Jiangsu Province |
| 90 | Blue Collar | M | 1989/2/2 | 2011/3/2 | High School | Jiangsu Province |
| 91 | Blue Collar | M | 1977/2/20 | 2011/3/2 | High School | Jiangsu Province |
| 92 | Blue Collar | M | 1991/6/13 | 2011/3/2 | Middle School | Jiangsu Province |
| 93 | Blue Collar | M | 1991/8/24 | 2011/3/2 | Middle School | Wujiang, Jiangsu Province |
| 94 | Blue Collar | M | 1988/10/15 | 2011/3/2 | Middle School | Jiangsu Province |
| 95 | Blue Collar | M | 1989/7/21 | 2011/4/25 | High School | Jinzhai County, Anhui Province |
| 96 | Blue Collar | M | 1987/10/4 | 2011/4/25 | High School | Gushi County, Henan Province |
| 97 | Blue Collar | M | 1984/10/19 | 2011/4/25 | Middle School | Jiangsu Province |
| 98 | Blue Collar | M | 1990/8/6 | 2011/4/25 | High School | Shandong Province |
| 99 | Blue Collar | M | 1991/4/3 | 2011/5/17 | Middle School | Gushi County, Henan Province |
| 100 | Blue Collar | M | 1986/9/14 | 2011/5/17 | Middle School | Jiangsu Province |
| 101 | Blue Collar | M | 1985/11/30 | 2011/5/17 | High School | Jiangsu Province |
| 102 | Blue Collar | M | 1981/1/9 | 2011/8/26 | High School | Gushi County, Henan Province |

Chart 9: Statistics on All the Blue Collar Employees in MEP China Production Department in May 2011

There is one point very important in this statistics:

35 blue collar employees came from Anhui Province, 32 blue collar employees came from Henan Province, 2 blue collar employees came from Hunan Province, 31 blue collar employees came from Jiangsu Province, 1 blue collar employee came from Shandong Province, 1 blue collar employee came from Sichuan Province.

Inside the 31 blue collar employees came from Jiangsu Province, only 3 blue collar employees came from Wujiang locally.

Inside the 35 blue collar employees came from Anhui Province, 8 came from Huoqiu County, 17 came from Jinzhai County.

Inside the 32 blue collar employees came from Henan Province, 28 came from Gushi County.

This means 53 blue collar employees, which were more than half of all the blue collar employees inside Production Department in MEP Suzhou, came from 3 counties: Gushi, Jinzhai, and Huoqiu.

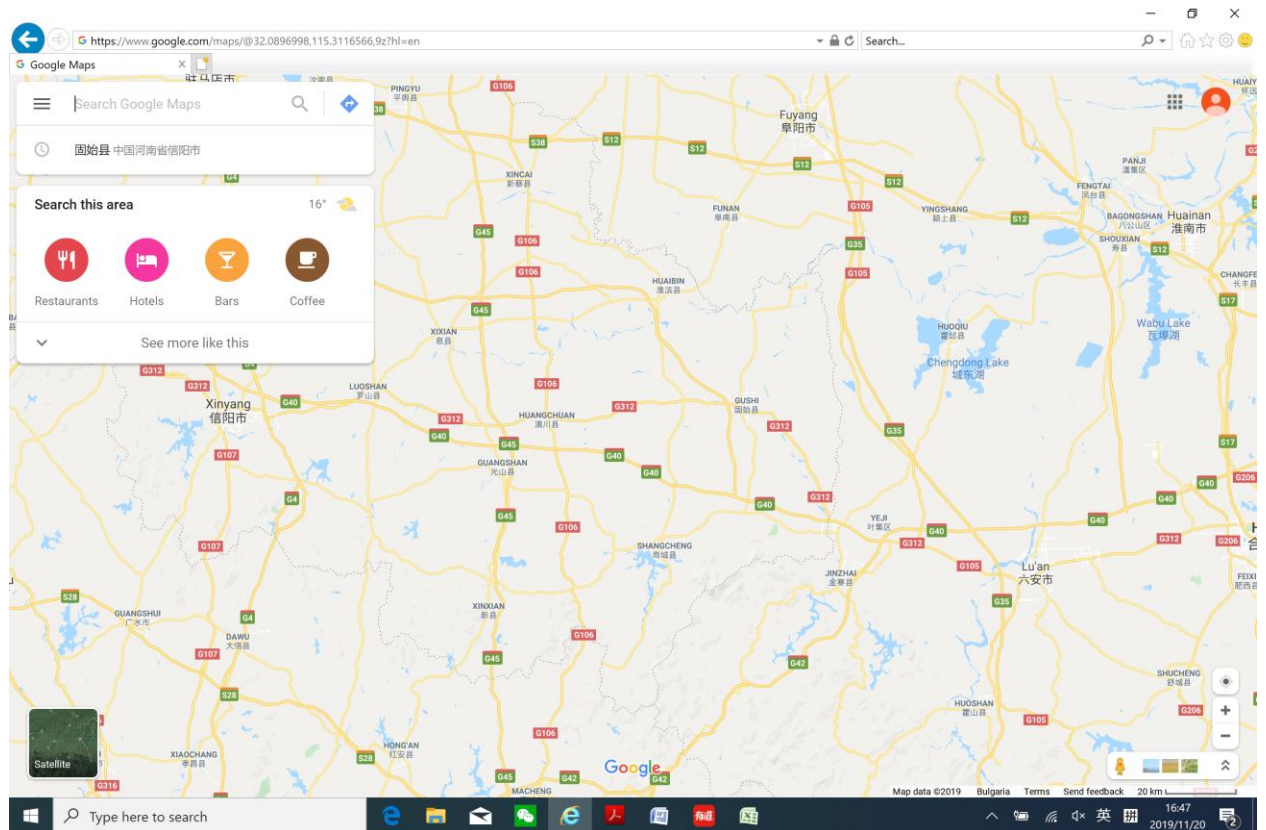


Chart 10: The Location of Gushi County, Jinzhai County and Huoqiu County (from google map)

If we check the map of China, we will find: Even Huoqiu County as well as Jinzhai County belong to Anhui Province, they are actually neighboring counties of Gushi County in Henan Province. I also found some blue collar employees, even came from different counties (of these 3 counties), but actually they were relatives.

This means more than half of all the blue collar employees inside Production Department in MEP Suzhou in 2011 (the situation before 2011 was similar) were in a same townsmen group, and some employees in this townsmen group were even relatives.

I was astonished to know this situation when I took over HR Department after June 2006. I looked into this issue, and found: why we had so many blue collar employees came from the

same area, this was due to the recruiting policy made by our Production Director Enfu Guo from the very beginning.

Mr. Enfu Guo was born in 1955, and he joined MEP China in 1993 as soon as MEP China started its operation in Shengze. Enfu Guo was responsible for Production Department starting 1993 and he was very experienced on both technical side and production management side. In 2008, Enfu Guo was the oldest as well as most senior person in MEP China, and was respected by both top management and the employees.

Because of this reason, Enfu Guo had decisive power on the blue collar employee recruitment in the Production Department in MEP China. Theoretically, employee recruitment decision should be suggested by department leader (for example Enfu Guo in Production Department), afterwards reviewed by HR Department, and finally approved by one of the Top Management (for Production Department Technical General Manager Cindy Yu should make final approval). But, Practically, Enfu Guo always recruited blue collar employees for production department by himself. When he need more blue collar employees in production department and his recruitment requirement was agreed by Technical General Manager Cindy Yu, he would interview candidates by himself, without the participation of HR Department at all. He would selected the new blue collar employees from the candidates, afterwards he would send a namelist to HR Department for the employees he selected, HR Department always agreed his decision and would pass this namelist to Technical General Manager Cindy Yu, which would always sign to approve this namelist. So, as a candidate, if you passed the interview of Enfu Guo, you for sure would join Production Department in MEP China.

Enfu Guo never used recruitment website or recruitment advertisement on newspaper to search candidate. Everytime when he need to recruit blue collar employees for Production Department, he simply informed his current employees in Production Department and asked them to recommend candidates. Enfu Guo did so because he trusted his current employees, and he hoped that the relationship between the current employees and the new employees joined MEP China through their recommendation would help him (yes, just him, means Enfu Guo himself, not the company) to control the new recruited employees: if a new employee did anything wrong, the old employee who had recommended him would feel pressure and would help Enfu Guo to instruct that new employee. Actually, this recruitment method used by Enfu Guo came from the apprentice bondsman system, which was used very popular in China before.

Since MEP China paid blue collar employees 20% higher than average wage in Shengze

Town (To keep the average wage in MEP China 10% to 20% higher than local average was an HR policy firstly made by former General Manager Thomas Zhou, and also accepted by two new General Managers after Mr. Thomas Zhou left MEP China; in 2006, I did a practical statistics and confirmed that MEP China paid blue collar employees 20.07% higher than average wage in Shengze Town.), and because employees in MEP China (as a foreign invested company) enjoyed more welfares than employees in other local plants, it was very attractive in these years (in the first decade of 21st century) for an employee to work for MEP China. Everytime after Enfu Guo announced his new recruitment plan in Production Department, the current employees would inform and recommend their relatives and friends (always came from the same region) immediately, and these recommended candidates would rush into MEP China for an interview with Enfu Guo. If they passed the interview, they would immediately quit their current jobs in other plants and join MEP China.

This is the reason, why MEP China had so many blue collar employees in Production Department came from Gushi-Jinzhai-Huoqiu Region: most of them joined MEP Suzhou through recommendation of their relatives and friends of the same region.

In June 2006 I was promoted as associate General Manager and CFO, after that I started to manage HR Department. I was astonished when I found that MEP China had more than half of its production blue collar employees coming from the same region (Gushi-Jinzhai-Huoqiu Region) and they formed an informal group (they were relatives and friends even before they joined MEP China). I discussed this point with Enfu Guo and suggested him to change his way of recruitment: I told him that HR Department would help him to recruit blue collar employees for Production Department through normal way, for example through recruitment website or recruitment advertisement on newspaper. Enfu Guo refused my suggestion firmly, he insisted to use his own way to recruit blue collar employees for Production Department. Since Enfu Guo was so senior in MEP China and he was supported by Technical General Manager Cindy Yu, I had no way to change this situation, even I feel this situation was abnormal and dangerous for MEP China.

Before we discuss more on blue collar employees, we need to draw a whole picture on Mr. Enfu Guo. In 2008, Mr. Enfu Guo was 53 years old and worked for MEP Suzhou for 15 years as the leader of Production Department. He was a traditional Chinese leader: on one side, he was very rude and arbitrary to manage his employees (especially blue collar employees), he would even (physically) beat his employee when this employee refused to accept his instruction; on

another side, he always protected his employees like a father (actually Enfu Guo has almost the same age as his employees' fathers): when HR Department decided to punish some employees in Production Department who break the company regulation, Enfu Guo always argued with HR Department and refused to punish his employees. For example, HR Department once found some blue collar employees of Production Department sleeping during night shift working time through a regular night factory inspection and planned to punish these employees, Enfu Guo was very angry and he argued with me: "Can you make sure that all the white collar employees in the office building work 100% during their working hours? Can you make sure that no white collar employees surfing on Internet to do something out of their works? Unless you find and punish these white collar employees surfing on Internet to do something out of their works first, otherwise don't push my employees!" With the protection of Enfu Guo, Production Department became a somehow "independent kingdom" in MEP China.

After I took over HR Department in 2006, I was worried about this situation in Production Department and discussed this situation several times with Technical General Manager Cindy Yu. Cindy Yu told me that she was currently still satisfied with the work of Production Department, but she understood my concern that Production Department would become an "independent kingdom" of Enfu Guo. As a feedback, in 2007, Cindy Yu recruited two new Deputy Production Managers: Mrs. Yunfei Xu and Mr. Qiufen XU as the assistants of Enfu Guo. Yunfei Xu was born in 1977. She just received her Master's Degree in Germany and joined MEP China in 2007; Qiufen XU was born in 1966. He held a two years college degree in Textile Production and had enough experience in Textile Production. He joined MEP China also in 2007. Enfu Guo was not happy about the appointment of these two new Deputy Production Managers and didn't give these two Deputy Production Managers actual authority or management power inside Production Department.

After the introduction on Production Department, now we will study another important department containing also many blue collar employees: Equipment Department (sometimes also be called as Engineering Department in MEP China).

I did a statistics on all employees in Equipment Department in MEP Suzhou in July 2011. Here were my findings for Equipment Department (the situation before 2011 was similar):

Until July 2011, there were 14 employees in the Equipment Department in MEP Suzhou. All of them are male. Equipment Director Chen Fan, Supervisor Dening Zhou and Supervisor Liyun Shen were regarded as white collar employees, the other 11 employees were regarded as

blue collar employees.

Inside these 11 blue collar employees, 3 employees graduated from College (they had studied two or three years in College), 5 employees graduated from High Schools (including professional high schools), 3 employees graduated only from middle Schools. Averagely, the blue collar employees in Equipment Department received more education than the blue collar employees in Production Department.

Inside these 11 blue collar employees, 3 employees were born in 1970s, 7 employees were born in 1980s, 1 employee was born in 1990s.

Inside these 11 blue collar employees, all of them joined MEP China after Jan 1st, 2000.

3 blue collar employees came from Anhui Province (2 from Jinzhai County, 1 from Lu'an City), 1 blue collar employee came from Henan Province (Luoyang City), 6 blue collar employees came from Jiangsu Province, 1 blue collar employee came from Shanxi Province. Only 2 out of these 11 blue collar employees came from Gushi - Jinzhai - Huoqiu Area. This wasn't the same situation as blue collar employees in Production Department.

| No. | Name | Birthday | Position | The Day to join MEP China | Education | Hometown (According to ID Card Address) |
|-----|----------------|------------|-------------|---------------------------|---------------|---|
| 1 | FAN Chen | 3/19/1977 | Director | 3/1/2007 | Master | Shanghai City |
| 2 | ZHOU Dening | 5/12/1963 | Supervisor | 6/2/2011 | High School | Jiangsu Province |
| 3 | SHEN Liyun | 3/9/1972 | Supervisor | 4/1/1994 | High School | Wujiang, Jiangsu Province |
| 4 | ZHAO Yuli | 9/7/1974 | Blue Collar | 9/5/2002 | High School | Jiangsu Province |
| 5 | YE Zhengzhu | 10/26/1981 | Blue Collar | 3/1/2005 | Middle School | Jinzhai County, Anhui Province |
| 6 | ZHANG Genbo | 12/22/1982 | Blue Collar | 11/16/2006 | College | Luoyang City, Henan Province |
| 7 | LUO Yunde | 10/12/1970 | Blue Collar | 3/1/2007 | Middle School | Luan City, Anhui Province |
| 8 | LIU Jianping | 9/28/1980 | Blue Collar | 8/1/2007 | Middle School | Jiangsu Province |
| 9 | HE Yujun | 4/8/1989 | Blue Collar | 10/6/2008 | High School | Shanxi Province |
| 10 | ZHAO Jiajun | 12/1/1981 | Blue Collar | 3/13/2006 | High School | Jiangsu Province |
| 11 | SUN Yaojiong | 1/2/1974 | Blue Collar | 10/6/2008 | High School | Jinzhai County, Anhui Province |
| 12 | DING Yan | 4/14/1991 | Blue Collar | 5/25/2010 | High School | Jiangsu Province |
| 13 | ZHAO Yao | 12/8/1987 | Blue Collar | 5/31/2010 | College | Jiangsu Province |
| 14 | ZHANG Yongpeng | 4/28/1986 | Blue Collar | 7/15/2011 | College | Jiangsu Province |

Chart 11: Statistics on All Employees in MEP China Equipment Department in July 2011

4.3 The Development of the Strike in April 2009

After the rapid sales grew up in 2005, 2006 and 2007, in the 4th Quarter of 2008 MEP China found that the demand/orders from the customers suddenly decreased. The Top Management (Qinming Zhou, Cindy Yu and I) planned to reduce the working hours of employees in Production Department to slow down the production in order not to keep too much inventory. Actually, in Nov and Dec 2008, MEP China had already laid off 16 employees (13 in Nov, 3 in Dec) from Production Department.

Based on this background, Cindy Yu instructed the HR department to publish a new “Overtime Wage Calculation Method” (with the signature of Cindy Yu on it) for all blue collar employees on Dec 29th, 2008. The main idea of this new “Overtime Wage Calculation Method” was: Starting Jan 2009, the overtime wage for all blue collar employees would be paid in a quarterly bases (the overtime wage for all blue collar employees had been paid in a monthly bases before); within one quarter, the overtime and “days off arranged by the company” could be counteracted each other. This “Overtime Wage Calculation Method” was in line with the local Labor laws and regulations.

The “days off arranged by the company” in this “Overtime Wage Calculation Method” referred this kind of situation: MEP China sometimes will stop production and give most blue collar employees days off due to production plan, this kind of days off was called as “days off arranged by the company”. Before this “Overtime Wage Calculation Method” was published, the overtime wage for all blue collar employees had been paid monthly and will be counteracted by the “days off arranged by the company” only in the same month. For example, if MEP China arranges Jan 10th as a “day off arranged by the company”, and in the same month one blue collar worker worked on Jan 20th (if Jan 20th was a weekend day) as overtime, when the HR Department calculate Jan overtime salary, Jan 10th as a “day off arranged by the company” and Jan 20th as a day of overtime will be counteracted each other. This means this blue collar worker will get no overtime salary in Jan. But, according to the Labor Law a company must pay an employee at least basic salary if this employees doesn’t take personal leaves. This means, if MEP China arranges Jan 10th as a “day off arranged by the company”, and in the same month one blue collar worker has no overtime to be counteracted, when the HR Department calculate Jan salary, HR Department still has to give this employee basic salary (means overtime is 0, not -

1), because this 1 “day off arranged by the company” is NOT a personal leave demanded by this employee himself, the company has no right to deduct his basic salary.

After the new “Overtime Wage Calculation Method” was published, Starting Jan 2009, the overtime wage for all blue collar employees would be paid in a quarterly bases, the overtime and “days off arranged by the company” could be counteracted each other within the same quarter. For example, if MEP China arranges Jan 10th as a “day off arranged by the company”, and in the same quarter one blue collar worker worked on Feb 20th (if Feb 20th was a weekend day) as overtime, when the HR Department calculate Feb overtime salary, Jan 10th as a “day off arranged by the company” and Feb 20th as a day of overtime will be counteracted each other. This means this blue collar worker will get no overtime salary in Feb. This “Overtime Wage Calculation Method” was in line with the local Labor laws and regulations.

Based on this new “Overtime Wage Calculation Method”, MEP China arranged 5-7 days overtime work for different production employees in March 2009, but because MEP China had arranged 7 days “days off arranged by the company” in Feb 2009 (this is the tradition of MEP China to give production employees more holidays than national holidays to celebrate Chinese New Year; when production lines were stopped, Engineering Department were using these days to maintain the machines. In Feb 2009, MEP China had 73 employees in Production Department, 10 employees in Engineering Department, totally 131 employees for the whole company), so MEP China counteracted the “company holidays” in Feb 2009 with the overtime work in March 2009, didn’t pay for this 5-7 days overtime work for different production employees in March 2009.

This means, even employees in Production Department worked 5-7 days more (during weekends) in March 2009, they received no overtime salary for March 2009 (On the contrary, In Feb 2009 production employees enjoyed 7 days “company holidays” more than national holidays, and their salary in Feb 2009 were not reduced. Production employees took it for granted because they thought it was the decision of the company, not the employees themselves, to stop the machines in Production Department). Production employees refused to accept this result for their March salary. In the evening of April 7th, 2009, production employees stopped most machines in the factory and started a strike. This was the first strike in MEP China during its history.

The strike started on April 7th, 2009, because of two specific reasons:

A. April 5th, 2009 was the pay day (in MEP China, the pay day is the 5th day of the next month) for the employees in MEP China to receive March salary. Most employees, including production employees received their salary in their bank accounts on April 6th, 2009 Monday. When production employees realized that they received less salary than they expected, most employees went to HR Department to check. HR Department explained the reason to them and showed them the new “Overtime Wage Calculation Method” (with the signature of Cindy Yu). Production employees started to feel angry on April 6th, 2009 Monday. After the discussion with each other on April 7th, 2009 day time, in the evening of April 7th, 2009, production employees stopped most machines in the factory and started a strike.

B. Only the reason mentioned above wouldn't cause a strike. Actually, until then in April 2009, employees in MEP China, including production employees, kept a not-bad relationship with the management. As a foreign invested company, MEP China paid its employees 20% higher salary than the neighboring companies (most of them are local private companies) to their employees. And MEP China gave its employees some additional welfare, for example low cost company dormitory.

According to the proposal of Cindy Yu, MEP China rented two apartment buildings in 2006 as the company dormitory, all the employees with no home in the town of Shengze had the right to apply an apartment with reduced rent cost after the company subsidy (the company subsidy is 100 RMB per month). MEP China even installed air condition for each dormitory apartment. The reason for Cindy Yu to propose to set up company dormitory is: in the summer of 2006, there was a working injury happened in MEP China Production Department, one blue collar employee was injured by a twisting machine. When Cindy Yu visited this employee in the hospital, she heard from this employee that this employee was injured because he was sleepy at that time, he was sleepy because it was too hot in his apartment last night and he didn't sleep well (he had no air condition in his rented apartment and it was sometimes 40 degree in Shengze in summer). After visiting this employee, Cindy Yu proposed to the Board to set up company dormitory and install air condition for each dormitory apartment. Cindy Yu's proposal was supported by me and finally approved by the Board. Qinming Zhou

privately didn't support this proposal (when I discussed this proposal with him), but he didn't speak out his objection to the Board. Most employees appreciated this decision from the Management and appreciated Cindy Yu in this case.

Normally, even employees in MEP China had disputes with the Management, they wouldn't go so extremely to strike.

But, one coincidence happened and led production employees to strike. In the morning of April 7th, 2009, two brand new Audi A4 cars (one black for Qinming Zhou, one white for Cindy Yu) appeared on the parking lot of MEP China. Actually, these two brand new Audi A4 cars were the rewards to two General Managers (Qinming Zhou and Cindy Yu) from our bosses in MEP-OLBO Group in Germany. Even in 2008, the sales slow down, but MEP China still made 4.6 million CNY profit. The bosses in MEP-OLBO Group in Germany (Dr. Jurgen Kern, Richard Grobauer and Harry Keuler) had promised in 2008 to buy two new Audi A4 cars as company cars for Qinming Zhou and Cindy Yu if MEP China could make more than 4 million CNY profit. In March 2009, after receiving the audit report for MEP China and confirming the profit figure, the bosses in MEP-OLBO Group approved to purchase these two new Audi A4 cars as company cars for Qinming Zhou and Cindy Yu. According to the opinion of the bosses, this was a reward to Qinming Zhou and Cindy Yu for their good performance not only in 2008, but also in the last three years (2006, 2007 and 2008).

These two brand new Audi A4 cars were sent by the car dealer to MEP China by happen on April 7th, 2009. These two cars ignited production employees and made my effort useless. As the responsible person for HR affairs, when I found the anger of the production employees, I spent the whole day of April 7th, 2009 in Production Department to calm down the employees. I informed the production employees that the company was facing difficulties because of the 2008 worldwide financial crisis, and appealed to production employees to support the company (to accept the new "Overtime Wage Calculation Method"). Most production employees were almost convinced by me, until they saw that two brand new Audi A4 cars.

The production employees were shocked. From their view: the top managers used a new method to cancel their March overtime salary in the name of company difficulties, but the top managers at the same time bought two brand new Audi A4 cars as their new company cars (Qinming Zhou had a Passat company car before this Audi, Cindy Yu

also had a Passat company car before this Audi, I had a Santana company car). The production employees erupted.

In the evening of April 7th, 2009, production employees stopped most machines in the factory and started the strike. Production employees informed the Top Management on April 7th, 2009, the requirement for them to stop the strike was to pay them that 5-7 days overtime wages (for some employees 5 days, some 6 days, some 7 days, depended on the actual overtime they worked in March 2009). And they added some new requirements on April 8th, 2009.

On April 8th, 2009, the Top Management couldn't reach an agreement. Qinming Zhou would like to accept the requirement from production employees to pay them that 5-7 days overtime wages, in order to quite down the strike as soon as possible. Qinming Zhou argued that the strike would cause our delay to deliver products to our important customers. During this strike, I heard some rumor to state that Qinming Zhou was stealthily supporting (even organizing) this strike in order to weaken the authority of Cindy Yu in Production Department even in MEP China. This rumor could never be verified, of course.

Cindy Yu and I didn't agree to yield to the production employees because this means the Top Management (especially Cindy Yu herself) would loss control on employees in the future. Cindy Yu and I went to the Production Department, even went to the company dormitory to speak with employees one by one, tried to convince them to come back factory to resume work.

On April 9th, 2009, Harry Keuler arrived at MEP China urgently from Germany to handle this strike. Harry Keuler was one of the Managing Directors in MEP-OLBO Group responsible for sales and logistics issues, and he was the direct boss of Commercial General Manager Qinming Zhou. Harry Keuler had exactly the same opinion as Qinming Zhou this time. After a short meeting with the Top Management Team in MEP China, Harry Keuler decided to support Commercial General Manager Qinming Zhou, who suggested to accept the requests of the striking production employees. Even Cindy Yu and I strongly opposed to these requests from the production employees, Harry Keuler instructed to accept all these requests.

On April 10th, 2009 8:00 AM, under the instruction of Harry Keuler, Cindy Yu and I (together with some other managers) had a negotiation with the representatives of production employees. This time the representatives of production employees raised totally 3 requests:

1. To pay them that 5-7 days overtime wages for the overtime work in March 2009 and to abolish the new "Overtime Wage Calculation Method";

2. To pay them the normal wages during the strike period from April 7th, 2009 to April 10th, 2009, this means, MEP China should not deduct their wages during their strike;
3. To give the right to all employees to vote for a new Labor's Union Chairman. At that time, the Chairman of Labor's Union Mr. Guo was also the Production Director of MEP China, and Mr. Guo had the same opinion as Technical General Manager Cindy Yu during the strike, so the production employees didn't accept him to be further Chairman of Labor's Union.

Under the direct instruction from Harry Keuler, Cindy Yu and I had to accept all these requests. The production employees resumed the production in the lunch time of April 10th, 2009, shortly after the negotiation.

Because of this strike, Cindy Yu lost her control to the blue collar employees. She resigned to the Board exactly in the evening of April 10th, 2009 and left MEP China several months later.

On June 5th, 2009, the employees of MEP China (production department had more than 50% out of all employees) voted Mr. Yuli Zhao (blue collar worker from Equipment Department) as the new Chairman of Labor's Union in MEP China.

And, thus, blue collar employees in MEP China found a successful collective way for employee resistance: strike.

4.4 Case Analysis on the Strike in April 2009

According to my observation, the inducement of the first strike in MEP China in April 2009 was relatively simple: blue collar employees in Production Department struck for their personal interests, their request was to abolish the new "Overtime Wage Calculation Method", thus they could have more overtime wage for March 2009. Averagely, each employee could receive around 1,000 CNY (almost 150 US\$) more payment. Simply to say: employees were fighting for 150 US\$.

As I have mentioned, MEP China paid blue collar employees 20% (20.07% in 2006) higher than average wage in Shengze Town, and the average wage in Shengze Town was much higher than the average wage in the hometowns of most blue collar employees. For most blue collar employees, they never got so high wage before they joined MEP China. And, MEP China gave all employees independent dormitories with reduced rent price, which was very generous welfare for all employees – only very few other companies in the same town could offer the same

welfare. The Technical General Manager Cindy Yu knew these points, so she thought that the blue collar employees would “think fairly” and would accept the new “Overtime Wage Calculation Method”. Cindy Yu never expected a strike before she published this new “Overtime Wage Calculation Method”, so did I.

The result was: the blue collar employees didn’t “think fairly” as we expected. They were angry facing the new “Overtime Wage Calculation Method” and they struck, for 150 US\$.

Why?

I started to seek the answers during this strike.

During this strike, I interviewed some employees who took part in these strikes, tried to know the real reasons to drive the employees to strike. These reasons were acknowledged by me:

To Seek Fairness

Even the blue collar employees in MEP China had a quite good salary in that region (as a foreign invested company, MEP China paid its employees 20.07% higher than the average salary in its region), but they still feel unfair because the Commercial General Manager and the Technical General Manager took too high salary from the company. Actually, the salary of the Commercial General Manager and the Technical General Manager was almost 15 times higher than the average salary for blue collar employees. Even the salary information was confidential, but the blue collar employees got some information concerning the salary of the Commercial General Manager and the Technical General Manager. What’s more, on March 31st, 2009, the Board gave each one an Audi Car (Company Car) to the Commercial General Manager and the Technical General Manager as part of the bonus for the year 2008. All the employees saw the new Audi Cars for the Commercial General Manager and the Technical General Manager. At the same time, the blue collar employees found that the top management changed the method to calculate overtime salary to reduce their income in March 2009. All the blue collar employees feel unfair.

In April 2009, during the first strike, I interviewed totally ten colleagues, including nine employees from Production Department and our Technical General Manager. All the nine employees from Production Department referred the unfair situation between Management and Production Employees as one reason (even the most important reason) for the strike:

“The company is unfair. Management team get so high income, even new company car, but they reduce our overtime salary.” (Employee Mr. Yan, Production Department, April 8th, 2009)

“The company tells us that our company is in a hard time, we don't believe. If now we are in hard situation, why two General Managers get their new company car, Audi, just now? ” (Employee Mr. Yang, Production Department, April 8th, 2009)

“They (Management) get so high salary and nice Audi car, what do we have?” (Employee Mr. Shen, Production Department, April 9th, 2009)

“You, Management, have so high salary. You never know how hard we are to make a living.” (Employee Mr. Xue, Production Department, April 9th, 2009)

“I work for this company for quite a long time. This company develops from a small company to a very profitable company today. Management changes their car from Santana to Passart, from Passart to Audi. How about us, production employees?” (Employee Mr. Ding, Production Department, April 9th, 2009)

“700 RMB (almost 100 US\$, this is the argued overtime salary for him) for you is nothing, for me, it is living expenses for one week. You (Management) just get a new company Audi car, costs more than 300,000 RMB each, and you want to take 700 RMB from me?” (Employee Mr. Zhang, Production Department, April 10th, 2009)

“Do you think we (production employees) are so stupid or blind? We just saw two new company Audi cars, everyone saw them. Now you tell us that the company has difficulty and has to reduce our overtime salary? You regard me as a three years old child? ” (Employee Mr. Ge, Production Department, April 10th, 2009)

“Management received everything they want, high salary, cars... What do we have? Is it fair?” (Employee Mr. Luo, Production Department, April 10th, 2009)

“The company should be fair. We are very disappointed.” (Employee Mr. Xu, Production Department, April 10th, 2009)

The Ideology in China

a. The political education in China (which is ruled by China Communist Party) is: Worker Class is the leading Class in China, and workers are the “owners” of the factories in China. Most workers in MEP China really think that they are the “owners” of MEP China, not German investors or the Top Management.

Actually, before 1949, during the fighting against the ruling government, China Communist Party used strike as its important weapon in cities. Until today, in the history textbook even Chinese text book, the leaders of strike are regarded as heroes to save the poor workers even heroes for the nation. Most workers in MEP China (even in whole China) regard strike as a proper, even great activity.

In April 2009, during the first strike, I interviewed nine employees from Production Department. During the interview, seven out of these nine employees expressed the opinions with “Class Struggle” ideology, which they learned from Politics lessons and History lessons in school:

“Where there is press, there is rebel.” (Employee Mr. Yan, Production Department, April 8th, 2009)

“Rebel is reasonable; Revolutionary is not guilty (Words of Chairman Mao).” “We, blue collar employees, are the "owner" of the company.” (Employee Mr. Yang, Production Department, April 8th, 2009)

“Listen, production employees are also human beings!” (Employee Mr. Xue, Production Department, April 9th, 2009)

“We are in a socialism country, the interest of our employees should be protected.”

(Employee Mr. Ding, Production Department, April 9th, 2009)

“Don't push us employees too hard! Where there is press, there is rebel.” (Employee Mr. Zhang, Production Department, April 10th, 2009)

“We are not always ready to be taken advantage of! Harder press causes more rebel!” (Employee Mr. Ge, Production Department, April 10th, 2009)

“Chinese workers should not be taken advantage of! Rebel is reasonable; Revolutionary is not guilty (Words of Chairman Mao).” (Employee Mr. Luo, Production Department, April 10th, 2009)

b. Another important ideology affects blue collar employees in MEP China is traditional Chinese culture, especially Confucianism. Confucianism requests people should be faithful to their ruler, and the ruler should also be kind to its people. If the ruler is not kind to its people, the people have the right to rebel. Obviously, blue collar employees in MEP China regard German investors and the Top Management as “ruler” and regard themselves as “people”.

In April 2009, during the first strike, I interviewed nine employees from Production Department. During the interview, eight out of these nine employees expressed the opinions containing this ideology:

“Foreign bosses and management bully us (take advantage of us).” (Employee Mr. Yan, Production Department, April 8th, 2009)

“Our employees can't bear any more. The management never care about our interest.” (Employee Mr. Yang, Production Department, April 8th, 2009)

“If the company doesn't care our interest, why we should care the interest of the company?”
“Have you ever discussed with us the issues which will affect our interests? You are so arrogant!” (Employee Mr. Shen, Production Department, April 9th, 2009)

“Our employees are always good, kind, and tolerant. If you didn't push us so hard, we will never even think about strike.” (Employee Mr. Xue, Production Department, April 9th, 2009)

“Who (no one) want to act so extreme, if he is not pushed so hard by the company?” (Employee Mr. Ding, Production Department, April 9th, 2009)

“It is you, the company, push us to strike.” (Employee Mr. Ge, Production Department, April 10th, 2009)

“If we have to use this kind of extreme way (strike), this means we don't have other peaceful ways. Will you listen to us, if there is no strike?” (Employee Mr. Luo, Production Department, April 10th, 2009)

“We contribute so much for this company but get so little interest. We should get our right back.” (Employee Mr. Xu, Production Department, April 10th, 2009)

c. We should not ignore one special ideology in China: the hate to foreigners. Even before 1949, there was a popular ideology in China to hate foreigners, especially the foreigners from the “imperialist” countries. After 1949, the China Communist Party took the power in China and regarded “anti-imperialism” theory as one of its basic ideologies. Under the Communist Education, to fight again “imperialist” is an honor for Worker Class. Obviously, blue collar employees in MEP China regard German investors and the Top Management as “imperialist” – Germany was one of the eight countries who invade China in 1900 and Germany was the alliance of Japan, the enemy of China in Second World War.

“Foreign bosses and management bully us (take advantage of us).” (Employee Mr. Yan, Production Department, April 8th, 2009)

“Chinese workers should not be taken advantage of! Rebel is reasonable; Revolutionary is not guilty (Words of Chairman Mao).” (Employee Mr. Luo, Production Department, April 10th, 2009)

Friendship among Employees

Most blue collar employees in MEP China came from the same region in China (as I mentioned before in this chapter) and they had good friendship. When some employees decided to strike, most blue collar employees supported them just because of friendship. I learned this after I studied the registered forms of all employees which containing the information of their hometown. Blue Collar Employees in MEP China were friends, even relatives.

Lack of Communication between Management and Employees

In April 2009, during the first strike, I interviewed totally ten colleagues, including nine employees from Production Department and our Technical General Manager. Two employees from Production Department referred the lack of communication between Management and Production Employees as one reason. Technical General Manager also referred this point.

“Have you ever discussed with us the issues which will affect our interests? You are so arrogant!” (Employee Mr. Shen, Production Department, April 9th, 2009)

“If we have to use this kind of extreme way (strike), this means we don't have other peaceful ways. Will you listen to us, if there is no strike?” (Employee Mr. Luo, Production Department, April 10th, 2009)

“These employees are so naive, they are used by someone (she referred Commercial General Manager Qinming Zhou here). We should admit we have communication problem. We didn't communicate with employees in a good form. The current Labour Union doesn't help us to communicate with employees. Employees don't trust the Labour Union Chairman Mr. Enfu Guo (also worked as Production Director), regarding him as Management, not the Labour Union Chairman.” (Mrs. Cindy Yu, Technical General Manager, April 10th, 2009)

4.5 What Can We Learn from this Strike in April 2009?

Cindy Yu instructed the HR department to publish a new “Overtime Wage Calculation Method” (with the signature of Cindy Yu on it) for all blue collar employees on Dec 29th, 2008. This action could be regarded as a “change” in MEP China, and this “change” directly affected the interest of the blue collar employees in Production Department (in reducing their March 2008 overtime salary payment). And, Cindy Yu didn’t involve blue collar employees to discuss this new “Overtime Wage Calculation Method” before she instructed the HR department to publish it.

Resistance to change is a common appearance on the side of employees. Scholars explain that human resistance to change is a perfectly natural process, it is human nature to execute opposition to a change process which brings in uncertainties and anxieties that generate discomfort and doubts (Conner 1998). Bell (2012) also stated “Leaders also know that change can create resistance.” Huang and Huang (2009) “definitely confirmed” that “resistance to change is negatively related to change outcome”. If Cindy Yu wanted to execute this change smoothly, she should involve blue collar employees to discuss this new “Overtime Wage Calculation Method” before she instructed the HR department to publish it, and should analyze the feedback of the blue collar employees. Vales (2007) found that employee involvement in change would improve the change process. Burchell (2011) suggested that change leaders should accurately anticipate and diagnose employee resistance in advance. Unfortunately, Cindy Yu didn’t involve blue collar employees to discuss this new “Overtime Wage Calculation Method” before she instructed the HR department to publish it. She took it for granted that blue collar employees would think “fairly” and would accept her new “Overtime Wage Calculation Method”, but this wasn’t the case at all. If Cindy Yu had involved blue collar employees to discuss this new “Overtime Wage Calculation Method” before it was published, then maybe she might gain the understanding and support of the blue collar employees on this change; even blue collar employees didn’t support this change, Cindy Yu would have the chance to know the opinion of the blue collar employees before this new “Overtime Wage Calculation Method” was published, and she might cancel or postpone publishing it to avoid the strike.

On another side, the action of publishing this new “Overtime Wage Calculation Method” was a form of bureaucratic control. Adler and Borys (1996) discussed two types of bureaucracy: enabling and coercive. Adler and Borys (1996) saw the negative assessments: the coercive function of bureaucracy; as well as the positive assessments: the technical function of bureaucracy. Adler and Borys (1996) also found that the employees’ attitudes towards

formalization depended on the attributes of the type of formalization with which they were confronted. People particularly resent the “bad” rules in their mind, but take for granted for “good” rules and even rarely notice them. “Good” rules can be “designed to make the work process foolproof”, “designed to enable employees to deal more effectively with its inevitable contingencies”. By contrast, “bad” rules, the coercive type of formalization, are “a substitute for, rather than a complement to commitment”. “Instead of providing committed employees with access to accumulated organization learning and best-practice templates, coercive procedures are designed to force reluctant compliance and to extract recalcitrant effort.” Obviously, if we can change the type of bureaucracy from coercive to enabling, then we can reduce employee resistance dramatically. Unfortunately, the action of publishing this new “Overtime Wage Calculation Method” by Cindy Yu was totally coercive, not enabling. The result of this coercive bureaucratic control was causing extreme resistance, strike, from blue collar employees. As a typical Chinese leader, Cindy Yu relied on coercive bureaucratic control too much. She should learn more on enabling bureaucratic control, even cultural control.

Now, let me answer my research questions based on this strike in April 2009:

(1) On the company management side, what caused the April 2009 strike in MEP China?

Cindy Yu instructed the HR department to publish a new “Overtime Wage Calculation Method” (with the signature of Cindy Yu on it) for all blue collar employees on Dec 29th, 2008. This action could be regarded as a “change” in MEP China, and this “change” directly affected the interest of the blue collar employees in Production Department (in reducing their March 2008 overtime salary payment). And, Cindy Yu didn’t involve blue collar employees to discuss this new “Overtime Wage Calculation Method” before she instructed the HR department to publish it. Cindy Yu relied on coercive bureaucratic control too much.

The impertinent change (the publishing of the new “Overtime Wage Calculation Method”) without involving blue collar employees before affected the interest of the blue collar employees in Production Department. This impertinent change (also could be regarded as coercive bureaucratic control) caused the April 2009 strike in MEP China.

(2) On the employees side, why employees in MEP China struck in April 2009?

The blue collar employees in Production Department struck in April 2009 in order to fight the new “Overtime Wage Calculation Method” to protect their personal interest and to seek fairness. The ideology in China and the friendship among employees supported them to strike. Lack of communication between management and employees was another reason for employees

to strike.

(3) On the company management side, how to avoid employee resistance when the management executes new organizational control practices?

In order to avoid employee resistance, when the management executes new organizational control practices, management should pay attention to have more communication between management and employees; should try to involve employees to the discussion in advance; should try to use more enabling bureaucratic control, even cultural control to replace coercive bureaucratic control.

Chapter Five: The Strike in April 2010

5.1 The Consequence of the Strike in April 2009 in MEP China

The strike in April 2009 in MEP China lasted no more than 72 hours (In the evening of April 7th, 2009, production employees stopped most machines in the factory and started a strike, until after the negotiation with the Top Management in the morning of April 10th, 2009, production employees resumed the production in the lunch time of April 10th, 2009.), but the consequence of this strike was very far-reaching significant.

Technical General Manager Cindy Yu sent an email to the Board to resign exactly in the evening of April 10th, 2009 and left MEP China several months later. She told me she resigned because of three reasons: first, she knew she would lose control on the Production Department blue collar employees after this strike; second, she was angry about the rude instruction from Harry Keuler to push her to accept all the requests from Production Department blue collar employees; third, she feel sad that her direct boss Richard Grobauer didn't give her any support when she faced the pressure from Harry Keuler. Cindy Yu was the core of the Management Team to control and instruct blue collar employees, after she left MEP China, Management Team at least reduced (if it was not lost) its control over blue collar employees.

When the blue collar employees of Production Department negotiated with Top Management of MEP China on April 10th, 2009, one of their requests was: To give the right to all employees to vote for a new Labour Union Chairman. Under the pressure of Harry Keuler, Cindy Yu and I accepted all the requests from employees, including this one. This concession from the Management (to give the right to all employees to vote for a new Labour Union Chairman) totally changed MEP China.

To understand this point, we need to know the Labour Union System in China.

In China, "Labour Union System" means "All China Federation of Trade Unions" and its embranchments in different levels.

"All China Federation of Trade Unions" (including its embranchments in different levels) is

the only legal Labour Union System in China. According to the “P.R.China Labour Union Law” (<http://www.acftu.org/template/10041/file.jsp?cid=69&aid=691>), “All China Federation of Trade Unions” and its embranchments in different levels represent employees’ interest (item 2); Upper level Labour Union Organization leads Lower Level Labour Union Organization (item 9). For example, The Labour Union of MEP Suzhou should report to the “Shangze Town Federation of Trade Unions”; “Shangze Town Federation of Trade Unions” should report to the “Wujiang District Federation of Trade Unions”; “Wujiang District Federation of Trade Unions” should report to the “Suzhou City Federation of Trade Unions”; “Suzhou City Federation of Trade Unions” should report to the “Jiangsu (Province) Federation of Trade Unions”; “Jiangsu (Province) Federation of Trade Unions” should report to “All China Federation of Trade Unions”. “All China Federation of Trade Unions” should report to “the Secretariat of the Central Committee of the Communist Party of China” (<http://www.acftu.org/template/10041/file.jsp?cid=61&aid=42616>).

Actually, before 1980s’, these were only government owned enterprises and “enterprises under collective ownership” in China. All enterprises reported to the different levels of government in China. Managers in enterprises were also cadres, had the same (actually same, even not similar) social status as government officials. In these enterprises, Labour Unions were part of the administration system, Labour Union Chairmans were also regarded as government officials, normally they had the same administration level as Deputy/Vice General Managers, and actually they were part of the core Management Team. Of course, in this case, Labour Unions (and its Chairmans) in government owned enterprises and “enterprises under collective ownership” in China would never fight the enterprises management team, because Labour Union Chairmans they themselves were also part of the management team. Labour Unions in government owned enterprises and “enterprises under collective ownership” in China never organized strike or protest, their main jobs were to arrange employees’ welfare and to organize employees’ afterwork activities, such as enterprise sports games and enterprise singing competition. Labour Union Chairmans in government owned enterprises and “enterprises under collective ownership” in China normally were nominated by the parent organizations, just like General Managers of these enterprises were also nominated by the parent organizations.

When the foreign invested enterprises entered China after 1980s’, Labour Union in these foreign invested enterprises became a sensitive issue. Most foreign invested enterprises had no

Labour Union at all when they were created, because the foreign investor totally had no idea how to cooperate with Labour Union in China. This situation was also tolerated by the China Government in 1980s as well as in early 1990s, because at that time attracting foreign investment was much more important than building Labour Unions.

But, according to the “P.R.China Labour Union Law” (which was published on April 3rd, 1992), employees in any enterprises have the right to join or organize Labour Unions (item 3). This means the employees in foreign invested enterprises (as well as in private enterprises which also appeared from 1980s) also have the right to join or organize Labour Union for their enterprise. Starting from middle 1990s, “All China Federation of Trade Unions” (including its embranchments in different levels) encouraged and supported foreign invested enterprises as well as private enterprises to build Labour Unions.

Fortunately, my mother was a government official in China and her last position before her retirement was the Deputy Chairman of “Federation of Trade Unions” in a local area. My mother gave me a lot of information concerning the operation of Labour Union System in China. When she worked as the Deputy Chairman of “Federation of Trade Unions” in a local area, to encourage and support foreign invested enterprises as well as private enterprises to build Labour Unions was one of her daily job. Her other daily jobs included: to relief the employees with financial difficulties in this local area, especially retired employees; to organize local employees’ afterwork activities, such as sports games and singing competitions in this local area; etc.

The officials of “Federation of Trade Unions” in different levels would visit foreign invested enterprises as well as private enterprises to encourage and support them to build Labour Unions in their enterprises, but they wouldn’t compel enterprises to do so. They were patient enough to communicate with the management of these enterprises, would spend several months even years to propagandize the advantage of Labour Union in China. According to the description of “All China Federation of Trade Unions” and its embranchments in different levels, Labour Union in an enterprise is never an opposite power which fights against its enterprise or management, on the contrary, Labour Union in an enterprise is a power to support the enterprise and management to achieve its objective by improving the communication between employees and management. Actually, they didn’t lie, what they described was the real situation in government owned enterprises in China: Labour Union work together with the management to enhance the performance of its enterprise by improving the communication between employees and

management.

After the communication with the officials of the Labour Union System, most management in foreign invested enterprises as well as private enterprises would agree to build Labour Union in their enterprises. If they refused to build Labour Union in their enterprises, the employees in the enterprises would have no chance to get some welfare from “All China Federation of Trade Unions” and its embranchments in different levels, this would irritate employees. What’s more, if the management agreed to cooperate with local “Federation of Trade Unions” to build Labour Union in its enterprise, local “Federation of Trade Unions” would even help the management to control the Labour Union.

In MEP China, before April 2009, we (Top Management) controlled Labour Union in this way (with the support from “Shangze Town Federation of Trade Unions”): MEP China accepted the suggestion from “Shangze Town Federation of Trade Unions” to build Labour Union in 2005. According to the “P.R.China Labour Union Law”, all the employees (including General Managers and I) had the right to join Labour Union of MEP China, but the organ of power for Labour Union was “MEP China Labour Union Committee”, General Managers should not be elected into “MEP China Labour Union Committee”. According to the “P.R.China Labour Union Law”, Labour Union Committee in one enterprise is the organ of power for Labour Union; Labour Union Committee should be elected by all Labour Union members or by Labour Union members’ representatives meeting (item 9). But, there is no detail to specify, how to decide Labour Union members’ representatives. Practically in China, Labour Union members’ representatives could be nominated / invited by Admin/HR Department of the company.

After the communication with “Shangze Town Federation of Trade Unions”, MEP China held “MEP China 1st Labour Union Members’ Representatives Meeting” in May 2005. 25 representatives were invited by Admin/HR Department to attend this meeting. This step was totally legal according to “P.R.China Labour Union Law”, and was approved by “Shangze Town Federation of Trade Unions” in advance. Of course, these 25 representatives were all pro management employees, some of them were middle managers. These 25 representatives elected a five people “MEP China Labour Union Committee” as the organ of power for Labour Union. Of course, all these five committee members were nominated by top management, they were: Admin/HR Manager Mr. Weimin Li, Production Manager Mr. Enfu Guo (he was promoted to Production Director in June 2006), Sales Manager Mrs. Helen Yuan (she was promoted to Sales Director in June 2006), Accounting Manager Mr. Yong Zhang (he was promoted to Finance

Director in June 2006), Equipment Department Employee Mr. Yuli Zhao. Mrs. Helen Yuan stood for all women employees. Mr. Yuli Zhao stood for all blue collar employees. Mr. Weimin Li was elected as the Chairman of 1st “MEP China Labour Union Committee”. This committee as well as the Chairman were approved by “Shangze Town Federation of Trade” and they could work legally.

Except Mr. Yuli Zhao, all other four members in this “MEP China Labour Union Committee” were actually core managers under the Top Management, of course they would listen to the Top Management. Mr. Yuli Zhao was the only blue collar employee in “MEP China Labour Union Committee”, he was nominated by Mrs. Cindy Yu (as Deputy General Manager in 2005, she was promoted to Technical General Manager in June 2006). Mrs. Cindy Yu nominate him because: We need a person in “MEP China Labour Union Committee” to stand for and communicate with blue collar employees, Mr. Yuli Zhao had very good contact with most blue collar employees; Equipment Department was the second biggest department in the factory reporting to Mrs. Cindy Yu, Equipment Department should have one committee member (the biggest department Production Department also had one committee member Mr. Eufu Guo); Mr. Yuli Zhao had quite good relationship with Mrs. Cindy Yu.

By this “MEP China Labour Union Committee”, Top Management could easily control all the activities of Labour Union. By the end of 2005, Admin/HR Manager Mr. Weimin Li retired and left MEP China, so he also quit the position of MEP China Labour Union Chairman. Mr. Eufu Guo was “elected” as the new MEP China Labour Union Chairman, New Admin Manager Mrs. Yajuan Zhang was “elected” as committee member. This “MEP China Labour Union Committee” was still fully controlled by the Top Management, until April 2009.

From Dec 2005 to April 2009, Mr. Eufu Guo had two identities in MEP China: He was Production Department Leader as well as Labour Union Chairman. But, he didn’t spend enough time to work as Labour Union Chairman. Indeed, he himself didn’t have any interest to be Labour Union Chairman, this was the decision from Top Management to nominate him to be Labour Union Chairman. For him, Mr. Eufu Guo regarded this as another task given to him by Top Management. He just held “MEP China Labour Union Committee Meeting” once a year to meet the minimum requirement, during the meeting he just did regular jobs required by “Shangze Town Federation of Trade Unions”. He never organized employees’ afterwork activities like outing or sports games, even never spoke to employees in the name of Labour Union Chairman. Of course employees were not satisfied with Mr. Eufu Guo’s work as Labour

Union Chairman, they talked in whispers that MEP China had no Labour Union at all. Of course, what they could do was only “talk in whispers”, just like employees in other enterprises in China.

During the strike in April 2009, Mr. Eufu Guo stood on the side of Cindy Yu and he didn't support his blue collar employees in Production Department. Blue collar employees in Production Department were discontented to the position of Mr. Eufu Guo. Blue collar employees in Production Department said: “Mr. Eufu Guo is only Production Director, he is not Labour Union Chairman at all, no one speaks for us in Labour Union.” This is the reason, when blue collar employees in Production Department negotiated with Top Management on April 10th, 2009, the 3rd request they raised was: “To give the right to all employees to vote for a new Labour Union Chairman.”

Cindy Yu and I didn't agree this request. We knew, in China, almost no enterprise would allow employees to elect Labor's Union Chairman directly, no management in China had the experience to deal with a Labour Union controlled by employees. But Harry Keuler pushed us to accept all requests from employees, including this one. Harry Keuler was authorised by the Board and he stood for the Board, Cindy Yu and I had to accept his instructions.

After this negotiation, employees, even not only blue collar employees in Production Department, but also employees in other departments, pushed Management to fulfill our promise, “To give the right to all employees to vote for a new Labour Union Chairman.” Technical General Manager Cindy Yu had resigned and she refused to deal with this work, Commercial General Manager Qinming Zhou instructed me to arrange this.

Firstly, I discussed this issue with Mr. Eufu Guo, the current Labour Union Chairman. If we give the right to all employees to vote for a new Labour Union Chairman, Mr. Eufu Guo should leave this position as Labour Union Chairman. Beyond my expectations, Mr. Eufu Guo agreed with no hesitate to resign as Labour Union Chairman. He told me he himself didn't want to be Labour Union Chairman at all, it was the instruction from Thomas Zhou (former General Manager) and Cindy Yu for him to take this job. He was very sad to see so many employees (especially his own employees in Production Department) were against him as Labour Union Chairman. Mr. Eufu Guo insisted not only to resign as Labour Union Chairman, but also to quit “MEP China Labour Union Committee”.

After the discussion with Mr. Eufu Guo, I visited Chairman Zhou in “Shangze Town Federation of Trade Unions” and reported to him the current situation. I knew Chairman Zhou well because he was the person to support MEP China to build Labour Union in 2005. He was

astonished that the Top Management in MEP China agreed “To give the right to all employees to vote for a new Labour Union Chairman.” He told me, these was no precedent in Shangze Town, that a Labour Union Chairman was elected by all employees, this was also very seldom in whole China. I reported to him, this was the request from the striking blue collar Production Department employees and we had agreed. Chairman Zhou was even more astonished to know we had an employee strike several days ago. He never experienced any strike during his career as official in Labour Union System. Actually, strike in China is really very seldom until even today.

After the long time discussion with Chairman Zhou, according to his experience, he gave me a plan. The current “MEP China Labour Union Committee” was elected in May 2005 and it was still within the tenure (the tenure for “MEP China Labour Union Committee” should be 5 years), so it was not necessary to reelect all committee members. Since Mr. Enfu Guo insisted not only to resign as Labour Union Chairman, but also to quit “MEP China Labour Union Committee”, so we should arrange a by-election, to elect a new Labour Union Chairman from the four persons currently in “MEP China Labour Union Committee”, and to elect a new “MEP China Labour Union Committee” member.

I accepted this plan from Chairman Zhou and reported his plan to our Board. Our Board agreed this plan. Afterwards I negotiated with employees based on this plan. Finally, employees agreed this plan also.

On June 5th, 2009, Admin Department of MEP China invited all employees to have the “MEP China All Employees’ Meeting”. Actually, all employees in MEP China joined “MEP China Labour Union”, so this was also the “MEP China Labour Union All Members’ Meeting”. During the meeting, without any suspense, Mr. Yuli Zhao, the only blue collar employee in current “MEP China Labour Union Committee”, was elected as new Labour Union Chairman. Employees elected Mr. Xiaowei Lao, a blue collar employee of Production Department, to enter “MEP China Labour Union Committee”.

Mr. Yong Zhang (Finance Director), Mrs. Helen Yuan (Sales Director), Mrs. Yajuan Zhang (Admin Manager) kept their positions in “MEP China Labour Union Committee”, but they couldn’t control “MEP China Labour Union Committee” any more because they were not elected by all employees, compare with Mr. Yuli Zhao and Mr. Xiaowei Lao, they were not legitimated enough, so they dare not fight Mr. Yuli Zhao and Mr. Xiaowei Lao in “MEP China Labour Union Committee”. This means, starting June 5th, 2009, MEP China Management lost the control over MEP China Labour Union.

5.2 The Assumption of Duty of New Technical General Manager Frank Huang

After Cindy Yu left MEP China, for several months, Qinming Zhou was the only General Manager in MEP China. He took over the departments used to be managed by Technical General Manager Cindy Yu, and tried to influence Labour Union.

Qinming Zhou had little contacts with Yuli Zhao before June 2009. But, as soon as Yuli Zhao was elected to be Labour Union Chairman on June 5th, 2009, Qinming Zhou sent an open letter to him to congratulate him. Qinming Zhou signed this letter in his own name, not in the name of MEP China Management. After that, Qinming Zhou invited Yuli Zhao to his office very often for private discussion.

After Cindy Yu left MEP China, someone should take her place to manage technical / production side in MEP China, because the Board knew that Qinming Zhou didn't have experiences on technical / production issues. Qinming Zhou accepted this opinion, but he insisted to the Board that the new person who would manage technical / production side in MEP China must report to him, and the title of the new person should be Deputy General Manager, not Technical General Manager. Qinming Zhou's argument was: to set up two General Managers (one Commercial General Manager plus one Technical General Manager) reduced the efficiency of decision making in MEP China and this arrangement (to set up two General Managers) didn't meet the management tradition/culture in China. Qinming Zhou hoped that he would be accepted as the only General Manager in MEP China and he should have the final decision power in MEP China.

Richard Grobauer didn't accept Qinming Zhou's opinion. As the Technical General Manager in MEP-OLBO Group, as well as one of the Board Directors in MEP China, he insisted that MEP China should still have a Technical General Manager reporting to him directly.

Without the support from Qinming Zhou, Richard Grobauer contacted several Headhunter Companies in China directly to search a "General Manager – Technical & Operation" for MEP China. He got the support from Dr. Jurgen Kern (Financial General Manager in MEP-OLBO Group, as well as Chairman of the Board of Directors in MEP China) and Thomas Winkels (HR Director in Mehler AG, who was responsible for HR Affairs of MEP-OLBO Group). After several months' recruitment process (both Mr. Zhou and I didn't participate even didn't know this recruitment process), Richard Grobauer decided to hire Mr. Frank Huang (Chinese Name:

Zhendong Huang) as the “General Manager – Technical & Operation” of MEP China. Mr. Frank Huang was recommended by Deininger Management Consulting (Shanghai) Co., Ltd.

On October 28th, 2009, Thomas Winkels sent me an Email:

“Dear Mr. Hu,

enclosed you find the Employment Contract for the candidate for the General Manager position of MEP China. Could you please be so kind and check the contract? If it is o.k. from your point of view please prepare the contract so that it can be sent to Mr. Zhendong.

If you have any questions please do not hesitate to contact me.

Thank you very much.

Best regards

Thomas Winkels”

Thomas Winkels didn’t copy this email to Qinming Zhou. Officially, I was the Associate General Manager and CFO in MEP China reporting to Dr. Jurgen Kern directly for all Financial, Admin, HR, IT issues. Qinming Zhou was not my boss and he was not responsible for HR issues.

After receiving this email from Thomas Winkels, I started to know and to be involved to this issue to recruit Mr. Frank Huang. Under the instruction of Dr. Jurgen Kern and Thomas Winkels, I prepared the final employment contract with Frank Huang and got it signed by both parties on Nov 5th, 2009. It was agreed by both parties that Frank Huang would start to work as the “General Manager – Technical & Operation” of MEP China on Nov 24th, 2009. Qinming Zhou was informed by someone in MEP-OLBO Group for this information and he was infuriated by this information.

On Nov 24th, 2009, Richard Grobauer came to MEP China together with Frank Huang. Richard Grobauer announced the position of Frank Huang and introduced Frank Huang to all the colleagues. In order to appeal to Qinming Zhou to accept this arrangement, Richard Grobauer also announced that the Board of Directors decided to add Qinming Zhou as a new Board Director of MEP China (thus the Board of Directors of MEP China would be made of four persons: Chairman Dr. Jurgen Kern, Richard Grobauer, Harry Keuler and Qinming Zhou). But, Richard Grobauer specially informed me when he spoke with me privately: to give Qinming Zhou the title as Board Director was only the symbolic arrangement to appeal to Qinming Zhou

to accept this arrangement that Frank Huang would be also General Manager, actually Frank Huang should have the same authority as Qinming Zhou in MEP China. Richard Grobauer instructed me to support two General Managers equally.

On Nov 25th, 2009, Richard Grobauer sent email to all MEP-OLBO Group employees to announce the assumption of duty of Frank Huang. Richard Grobauer attached the "Information to the employees of the MEP-OLBO Group" (which was signed by Dr. Jurgen Kern, Richard Grobauer and Harry Keuler jointly), "Management Organization of MEP-OLBO Group" as well as "Organization Chart MEP China" in his email.



Information to the employees of the MEP-OLBO Group

**„Technical Managing Director of
MEP (Suzhou) Co. Ltd., Wujiang“**

Dear Sir or Madam

We would like to inform you that from 24 November 2009

Mr. Zhendong Huang

took over the function of the Technical Managing Director of MEP Suzhou.

Mr. Huang will report directly to the Technical Managing Director of the MEP-OLBO group. We wish him all success in his new job at MEP-OLBO and would like to ask you to support him in his scope of duties.

Yours faithfully

Richard Grobauer

Dr. Jürgen Kern

Harry Keuler

Fulda, November 2009

Wanke: 36043 Fulda, Kälberstraße 44 - 97235 Hainichen Lohmann, Leipziger Straße 106-103 - Sitz, Amtsgericht: Fulda, HRB 917 - Rechtsform: GmbH
Geschäftsführung: Richard Grobauer, Harald Knecht, Dr. Jürgen Kern - Tel. +49 661 183-0 - Fax +49 661 183-345
Internet: www.mep-olbo.de - UST-ID-Nr./VAT-Nr: DE811147463
Commerzbank Oldenburg B.L.Z. 280 400 46 Kto.: 4000360 SWIFT: COBADE333333 IBAN: DE91 2504 0046 0400 0360 00
Deutsche Bank AG, Fulda B.L.Z. 550 800 70 Kto.: 700090100 SWIFT: DBSDDE333333 IBAN: DE82 5508 0030 0700 0060 00

Chart 1: Information to the employees of the MEP-OLBO Group on Nov 24th, 2009

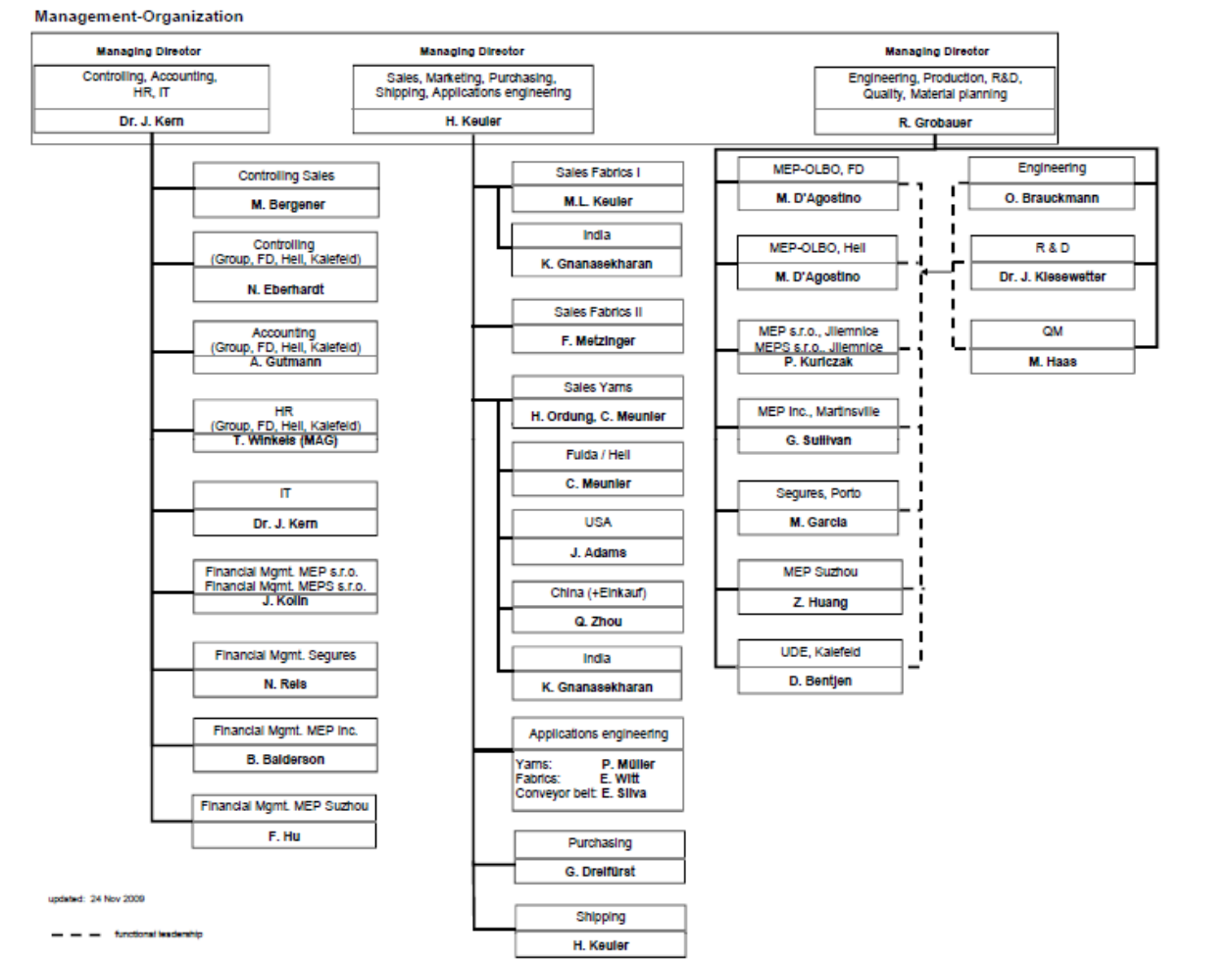


Chart 2: Management Organization of MEP-OLBO Group on Nov 24th, 2009

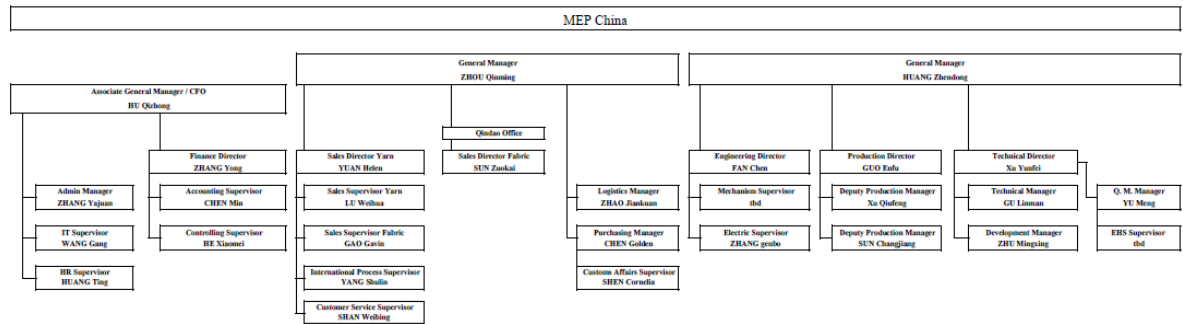


Chart 3: Organization Chart MEP China on Nov 24th, 2009

Frank Huang used to be the Production Manager of GATES UNITTA POWER TRANSMISSION SUZHOU LTD., which was one of the most important customers of MEP China, but Frank Huang didn't join MEP China directly from GATES UNITTA, actually he worked in another company shortly after he left GATES UNITTA and before he joined MEP China. He is a specialist in production in rubber belt industry.

As Technical General Manager, Frank Huang had the same level as Qinming Zhou, but he didn't get the support from Qinming Zhou and Qinming Zhou's team (Sales and Purchasing Team). But he got the support from my side (Financial and Admin/HR Team), because my job was to support both General Managers.

5.3 The Reform of New Technical General Manager Frank Huang

As soon as Frank Huang joined MEP China, he executed some regulations to production department and equipment department to enhance organizational control, for example he announced that he would introduce Lean Production in Production Department. He also used some control method, such as performance evaluation, to control his managers.

Frank Huang didn't communicate with Labour Union (and its Chairman or committee members) before he took place his new regulations. In his mind, Labour Union in China was never important (according to his working experiences before). I had informed him that there was a strike in MEP China in April 2009, but he didn't pay attention at all.

Compare with the management practices of Cindy Yu, the management practices of Frank Huang was obviously stricter, for both managers and employees. And, he had criticized some managers as well as employees openly. He also announced publicly (during the visit to production site or during the meeting) that he wasn't satisfied with both Production Department and Equipment Department, as well as he wasn't satisfied with some directors and managers in his team.

In Jan 2010, Frank Huang reported to Richard Grobauer that he would do a complete reform in Production Department as well as Equipment Department. He would like to recruit five new employees:

A new Equipment Director to replace current Equipment Director, reporting to Technical General Manager;

A new Lean Production System Coordinator (new position), reporting to Technical General Manager;

A new Production Planner to replace current Production Planner, reporting to Production Director;

A new Mechanical Supervisor to replace current Mechanical Supervisor, reporting to Equipment Director;

A new EHS Manager (new position), reporting to Equipment Director;

The recruitment plan of Frank Huang was approved by Richard Grobauer. Richard Grobauer instructed me to support Frank Huang to recruit these employees. On Feb 3rd, 2010, I sent these job descriptions to Deininger Management Consulting (Shanghai) Co., Ltd. to start the recruitment process.

In Feb 2010 there was Chinese New Year (Spring Festival) Holidays. Feb 14th, 2010 was the Chinese New Year. Traditionally before 2010, during each Chinese New Year period, MEP China would close the plant for two weeks, production department employees as well as equipment department employees would have a rest for 14 days (white collar employees would have a rest for 7 days). Most blue collar employees of MEP China came from other provinces, they would use this Chinese New Year Holidays to visit their families once a year. But in 2010, Frank Huang instructed employees in equipment department to stay in the company during the Chinese New Year period to do equipments maintenance when all the machines were closed. Employees in equipment department refused to accept his plan.

On Feb 2nd, 2010, there was a meeting in Equipment Department to discuss this issue.

Below was the meeting minutes at that time:

“Topics: The payment discussion concerning Engineering Department employees’ overtime work during Spring Festival 2010

Date of Meeting: 2 Feb 2010

Location: Engineering Department Office

Participants: Technical GM Mr. Huang, Associate GM Mr. Hu, Equipment Director Mr. Fan, Admin Manager Mrs. Zhang, 9 employees of Engineering Department:

Liyun Shen, Yuli Zhao, Genbo Zhang, Zhengzhu Ye, Yunde Luo, Jianping Liu, Jiajun zhao, Yujun He, Junfen Cao.

12:45 PM of Feb 2nd, 2010 , Mr. Huang, Mr.Hu and Ms. Zhang go to Engineering Department to discuss the issue concerning the Engineering Department employees’ overtime work payment during Spring Festival 2010.

Mr. Fan (Equipment Director) informs all of the engineering department staffs to speak out the thoughts, suggestions and questions.

Mr. Huang explains that the market demand is very good, and the production task is very tight. He hopes the engineering department to do the good maintenance work to cooperate with production. Mr. Huang thinks that maybe in someone’s opinion, the overtime payment in previous years was not very fair between different departments, but this was the situation before. He thinks that from now on all the different departments should have the fair and equal overtime payment according to the law and regulations.

Ms. Zhang (Administration Manager) introduces the primary plan about overtime payment during spring festival 2010 for all the departments in our company:

1. The Spring festival holiday is from Feb. 13th to Feb. 19th .
2. The calculation of overtime pay is: according to the law, 300% salary from 13th to 15th (official holidays), 200% salary from 16th to 19th (weekend holidays). Out of this overtime payment requested by the law, additionally our company will pay every employee 100 RMB per day during these 7 days. This is already beyond the request of the law.

3. The company will increase the meal subsidization during these 7 days.
4. The company will offer 200 RMB purchasing card of supermarket to every employee, and in 2010 the company will not arrange annual dinner. But the company agrees to pay one dinner for all employees in Engineering Department during these 7 days holidays.

All the engineering department staffs think that the Spring Festival is very important for them, it has some special significance. They can not accept the overtime payment plan from the company. Overtime work should be on a voluntary basis, they will not work overtime if the company only offers the above mentioned payment plan to them. All of them require that: the company should give them each one additional 3000 RMB (for the 7 days holiday) besides the overtime payment requested by the law. Mr. Huang asks the 9 employees one by one, every one (including the Chairman of Labour Union Mr. Yuli Zhao, he speaks the same opinion as other employees) gives Mr. Huang the same answer.

Lastly, Mr. Huang hopes everyone can contrast the company's offer with laws and regulations, as well as other company's regulations. Our company's offer is quite good. He hopes everyone should care the Company's interests. But, all the engineering department staffs still insist on their requirement: 3,000 RMB additional payment for everyone besides the overtime payment requested by the law. ”

The negotiation between Frank Huang and the Equipment Department employees was broken, no one in Equipment Department agreed to stay in company to do equipments maintenance during Chinese New Year Holidays. Frank Huang had to cancel his maintenance plan. He was very angry against Equipment Department employees, especially Equipment Director Chen Fan. He thought that Equipment Director Chen Fan didn't manage Equipment Department well and didn't support him.

Actually, Frank Huang had already decided to recruit a new Equipment Director to replace Chen Fan by the end of Jan 2010, but at that time he didn't want to fire Chen Fan, he wanted to give Chen Fan another position “Project Director” focused on new projects, also reporting to Technical General Manager directly. He had informed me his plan by the end of Jan 2010. But, after the negotiation between Frank Huang and the Equipment Department employees on Feb 2nd, 2010, Frank Huang maybe started to change his idea.

After the Chinese New Year Holidays, all the employees came back to the plant to resume the production. Equipment Department was responsible to restart all the machines. During this period, Equipment Department made several mistakes and failed to restart one important dipping machine on time, this caused the consequence that production plan for this dipping machine (which weighted 30% of the total production capacity in MEP China) had to be postponed for two additional working days. Production Director Enfu Guo reported this to Frank Huang. Of course Frank Huang was very angry to Equipment Department, especially to Equipment Director Chen Fan in person.

On March 10th, 2010, Frank Huang informed me that he decided to hire Mr. Jian Jin as the new Equipment Director to replace Chen Fan. Together with Mr. Olaf Brauckmann (who was the Engineering Director in MEP-OLBO Group, he was in MEP China to support Frank Huang those days), Frank Huang had interviewed Mr. Jian Jin several days before. I reported this issue to Richard Grobauer as well as Dr. Jurgen Kern (who was responsible for the decision of important HR affairs in MEP-OLBO Group), and received written approval from them. It was arranged that Mr. Jian Jin would start to work for MEP China on April 19th, 2010.

On March 15th, 2010, Frank Huang decided to hire Mr. Fagu Yang as Lean Production System Coordinator for MEP China, who would also start to work for MEP China in middle April 2010.

In the early morning of March 24th, 2010 (about 8:30 AM; normally we started to work in MEP Suzhou from 8:15 AM everyday), Frank Huang came into my office and informed me that he would fire Chen Fan immediately. I was a little bit astonished at that time because the original plan was to change Chen Fan's position to "Project Director". Frank Huang explained to me that this was the joint decision from both Olaf Brauckmann and him, and it was already approved by Richard Grobauer. Frank Huang asked me to go to Equipment Department together with him to announce this decision. I agreed with him and instructed the HR Department to prepare the related documents for firing Chen Fan ("Form of Dismission Notice" as well as "Compensation Agreement"). These documents were ready before 10:00 AM.

About 10:00 AM on March 24th, 2010, Frank Huang, HR Manager Ting Huang and I went to Equipment Department to inform Chen Fan that he was fired. Frank Huang and I had informed Chen Fan in the written form (on "Form of Dismission Notice" as well as "Compensation Agreement") that we would pay him 4.5 months salary as compensation, inside this 4.5 months salary, 3.5 months salary was according to Chen Fan's service time (Chen Fan

joined MEP China on March 1st, 2007, served more than 3 years but no more than 3.5 years for MEP China, so in this case we offered him 3.5 months salary as service time compensation according to P.R.China Labor Contract Law), the additional one month salary compensation was to replace informing him one month in advance. Totally we offered Chen Fan 74,000 RMB as compensation, plus 5,000 RMB as the Bonus for year 2009.

Frank Huang gave Chen Fan half day time to clear up his personal belongings in his office and asked him to leave his office in the afternoon of that day. Frank Huang asked two managers to stay with Chen Fan together for the whole day, to check whether Chen Fan would take any company document out of his office.

5.4 The Strike against Technical General Manager Frank Huang in April 2010

Chen Fan left MEP China in the afternoon of March 24th, 2010, but he didn't sign on the "Form of Dismission Notice" as well as "Compensation Agreement". And on March 31st, 2010 Wednesday morning, he came back MEP China to work in the morning. Frank Huang instructed the security guarders to stop his car in front of the company gate and to forbid Chen Fan to enter MEP China. The security guarders of MEP china belong to Admin Department and report to Admin Manager.

Chen Fan called Yuli Zhao, the Labour Union Chairman of MEP China using his mobile phone. Yuli Zhao came to the company gate, argued to the security guarders that Chen Fan was still the employee of MEP China (because he didn't sign on the "Form of Dismission Notice" as well as "Compensation Agreement" yet) thus he had the right to come into the company to work. The security guarders accepted the opinion of Yuli Zhao and let Chen Fan coming into the company.

Chen Fan entered the office of Equipment Department and had a discussion with Yuli Zhao. Frank Huang was angry to know this. He telephoned Yuli Zhao, told him that he had no right to speak with Chen Fan during working time, because this was not part of his work. Yuli Zhao argued that he had right to speak with any employee during working time to support him because he was the Labour Union Chairman of MEP China. There was a furious conflict during the telephone discussion between them.

On March 31st, 2010 Wednesday morning (I was travelling on business from March 31st, 2010 to April 2nd, 2010), Yuli Zhao sent an Email to four Board Directors of MEP China:

Richard Grobauer, Harry Keuler, Dr. Jurgen Kern, and Qinming Zhou, as well as copied this Email to Frank Huang, me, Yong Zhang (Finance Director, Labour Union Committee Member), Yajuan Zhang (Admin Manager, Labour Union Committee Member) and Helen Yuan (Sales Director, Labour Union Committee Member). Labour Union Committee Member Xiaowei Lao (blue collar employee in Production Department) had no email address.

原邮件发件人名字：赵余利
原邮件发件人地址：yuli.zhao@m-e-p.cn
原邮件收件人名字：richard.grobauer@mep-olbo.de; harry.keuler@mep-olbo.de; juergen.kerr@mep-olbe.de; qinming.zhou@mep-olbe.de
原邮件收件人地址：richard.grobauer@mep-olbo.de; harry.keuler@mep-olbo.de; juergen.kerr@mep-olbe.de; qinming.zhou@mep-olbe.de
原邮件抄送人名字：zhendong.huang@m-e-p.cn; fischer.hu@m-e-p.cn; yong.zhang@m-e-p.cn; 章亚娟; 袁海英
原邮件抄送人地址：zhendong.huang@m-e-p.cn; fischer.hu@m-e-p.cn; yong.zhang@m-e-p.cn; yajuan.zhang@m-e-p.cn; helen.yuan@m-e-p.cn

公司董事会：
请认真看一下我们工会致你们的信，需要公司管理层认真考虑并答复！
谢谢！
工会主席
赵余利

Chart 4: Email sent by Yuli Zhao to the Board of Directors of MEP China on March 31st, 2010

The Email of Yuli Zhao was short, but he attached a PDF file with the name “LETTER SZ”. The translation of his email was below:

“Company Board:

Please read carefully the letter sent to you by our Labour Union. Need Company Management think carefully and answer!

Thanks!

Labour Union Chairman

Yuli Zhao”

Below was the attached PDF file.

至公司董事会的一份信

尊敬的 MEP-OLBO 各位董事：

你们好！

本工会收到公司员工樊臣先生提出的申诉请求，工会经过调查，发现公司对樊臣先生的解雇行为不合法。今天工会主席赵余利先生和樊臣本人与黄振东先生进行了交涉，并没有得到一个合理的答复。黄先生说解雇樊臣是德国人的决定，与他毫无关系。为此工会紧急召开会议，讨论并达成以下一致意见，郑重要求公司对下列问题进行纠正。

An official letter to board

Dear members of board of MEP-OLBO:

The union have received a request of apply from Fan Chen. The Union investgate the total accident and found the action of fire is not lawful.

Today Chairman of Union Mr. Zhao Yuli and Fan Chen talk to Mr. Huang Zhengdong and ask him to correct his fault. But there is no explanation. Mr. Huang said the decision of fire Fan Chen is made by German, there is nothing with him. For this case the Union held an emergency meeting and we made out an conclusion and require our management to correct this problem seriously.

- 1、 《中华人民共和国劳动合同法》中对用人单位与劳动者解除或终止劳动合同有着明确的规定，而且公司《员工手册》中对辞退员工也有明确的规定。但经过工会委员会的调查了解，公司对樊臣的解雇并不符合劳动合同法和公司员工手册的相关规定，既没有提前三十天书面通知其本人，没有说明解除合同的理由或者原因，更没有将解除合同的理由事先通知工会。公司的行为已经违反劳动合同法，侵犯了员工的正当权益，工会要求公司立即纠正。

Chart 5: PDF sent by Yuli Zhao to the Board of Directors of MEP China on March 31st, 2010, A

"Labor law of People's republic of China" specify detaild procedure to fire staff of the company, and "staff handbook" of our company also has such stipulations.

But the union investgated that the real procedure of fire Fan Chen is not in accordance with this stipulation: 30 days notifying the staff documently before fire,no indicating reason why the company fire him, no notice to the Union for the reason. The action seriously destroyed staff basic rights. So the Union ask the company to correct above action.

- 2、 公司解雇樊臣这件事不但解雇行为本身违法，而且在樊臣还没有办理任何离职手续，即在樊臣还是公司员工的情况下，不允许其进公司工作，这已经严重侵犯他的人权。公司以这样的方式对待公司的员工的行为，已经在员工中造成非常坏的影响。员工人人自危，大家都担心自己会不会是下一个“樊臣”，明天公司会不会也突然不允许自己进公司工作。这种心人不稳的情况已经在员工中蔓延开来，最终必将影响到公司的稳定。

This fire procedure is illegal: Fan Chen has not signed on fire documents, which means Fan Chen is still our company staff ,but now he is not allowed to get into our company. This action seriously destried human rights of our staff.This badly influence to other workers and staffs. They are worrying about when they will be the next Fan Chen and will be suddenly stopped to go into the company. The bad terrible atmosphere is unstable and is now suffusing the whole company.

Chart 6: PDF sent by Yuli Zhao to the Board of Directors of MEP China on March 31st, 2010, B

- 3、 另外，员工的安全问题也没有得到足够的重视，发生工伤事故既没有上报公司，也没有知会工会，更没有采取任何纠正预防措施。3月16日一线员工沈念华胳膊受伤，缝了七针。事情发生到现在已经半个月了，既没上报工伤事故，也没有采取任何纠正预防措施，不管不问。工会对员工的安全感到担忧。

Furthermore, safety of staff is not so taken care in our company. Wounded accident hadn't be reported to our management , but also not informing to the Union, even no corrective action. One worker named Shen Nianhua, his arm was hurted while working, and was sewed 7 acuses. This accident was happened two weeks ago, and until now there is no report for this accident. The company did nothing on it. The staffs are very dispoited. The union now worry about security of our staffs.

- 4、 对于公司解雇樊臣的不合法行为，我们已经上报到吴江市总工会，请求他们的支持。

The union has already reportted the wujiang general Union for this unlllegal aciton of firing Fan Chen.

上述问题经工会委员会讨论并达成一致意见。工会委员会代表全体员工就上述问题向董事会，公司领导提出严正抗议，要求董事会，公司领导立即纠正，并将处理结果书面通知工会。如果上述问题得不到合法、合理的处理，工会将保留进一步向上级工会、法律部门寻求帮助的权利。

Chart 7: PDF sent by Yuli Zhao to the Board of Directors of MEP China on March 31st, 2010, C

Above is the opinions of the Union. All representative of Union apply to our board, to ask the board to give us a response, to correct such illegal action. If we can not get a satisfied answer from the board, we will keep right to apply super Union and law department.

工会主席： 赵余利

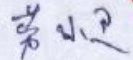


委员：

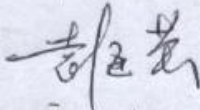
张勇



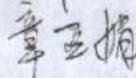
劳小卫



袁海英



章亚娟



抄送：吴江市总工会

Copy to : General Union of Wujiang City



2010-3-31

Chart 8: PDF sent by Yuli Zhao to the Board of Directors of MEP China on March 31st, 2010, D

This PDF file was addressed in the name of “MEP China Labour Union Committee” and was dated on March 31st, 2010.

In this file, MEP China Labour Union Committee stated that:

- A. Frank Huang fired Chen Fan illegally;
- B. Frank Huang illegally forbade Chen Fan to enter company when Chen Fan was still an employee of MEP China;
- C. Frank Huang didn't pay attention to employees' safety protection;
- D. MEP China Labour Union Committee had reported this issue concerning Chen Fan to “Wujiang District Federation of Trade Unions”.

Concerning these four points, my opinion was:

- A. The procedure to fire Chen Fan was the normal procedure in MEP China, but, it was not

a perfect processure according to the P.R.China Labor Contract Law which was valid starting Jan 1st, 2008. I will discuss this law in detail in next chapter.

Labour Union Committee stated that Frank Huang didn't inform Chen Fan 30 days before firing him, actually this was not a problem. According to the P.R.China Labor Contract Law, a company can fire an employee immediately without informing him one month in advance, as long as the company agrees to pay this employee additional one month salary to replace informing him one month in advance. Frank Huang and I had informed Chen Fan in the written form (on "Form of Dismission Notice" as well as "Compensation Agreement") that we would pay him 4.5 months salary as compensation, inside this 4.5 months salary, 3.5 months salary was according to Chen Fan's service time (Chen Fan joined MEP China on March 1st, 2007, served more than 3 years but no more than 3.5 years for MEP China, so in this case we offered him 3.5 months salary as service time compensation according to P.R.China Labor Contract Law), the additional one month salary compensation was to replace informing him one month in advance. In this case it was legal to fire him immediately.

Labour Union Committee stated that Frank Huang didn't indicate reason to Chen Fan why the company fired him, this is not true. Frank Huang informed Chen Fan in detail why he fired Chen Fan: he pointed out the mistakes made by Chen Fan in work one by one during the discussion with Chen Fan in the morning of March 24th, 2010. Also, on the "Form of Dismission Notice", we informed Chen Fan in the written form that we fired him because he was no longer suitable to do his job. But, in this case, Frank Huang was not perfect because he didn't collect and show enough written proofs to prove Chen Fan "is no longer suitable to do his job", in this case Chen Fan had the right to argue that "I'm still suitable to do his job" and submit this case to Labor Arbitration Committee in Wujiang, this is a government agency. If Labor Arbitration Committee supports the company to agree that Chen Fan "is no longer suitable to do his job", then 4.5 months salary compensation (which was so called N+1) is enough; If Labor Arbitration Committee supports the employee to agree that Chen Fan "is still suitable to do his job", thus the company will be regarded as "firing employee without enough justification", in this case the company should pay 7 months salary compensation (which was so called 2N, means 3.5 months salary times 2. Because the company was already regarded as "firing employee without enough justification", the additional one month salary compensation to replace informing him one month in advance is no longer necessary. This is because informing employee one month in advance is part of "justification").

Labour Union Committee stated that Frank Huang didn't inform Labour Union in advance the reason to fire Chen Fan, this was a real problem. According to P.R.China Labor Contract Law Article 43:

“An employer which unilaterally rescinds a Labor contract shall notify the Labour Union of the reason beforehand. Where the employer violates the provisions of laws and regulations or the Labor contract, the Labour Union shall have the right to require the employer to make correction. The employer shall study the opinion of the Labour Union and notify the Labour Union in writing of the outcome.”

So, yes, the company didn't inform Labour Union in advance the reason to fire Chen Fan, this was a real problem. But this was understandable. Almost no company in China informs Labour Union before firing an employee, in order not to disclose the information (firing certain employee) in advance. As we have discussed before, almost all the Labour Unions in china are controlled by the Management of the companies, the Labour Unions will never challenge the Management of the companies. As other companies in China, practically, MEP China Admin Department always informed Labour Union after we fired certain employee(s).

But, when we fired Chen Fan, both Frank Huang and I forgot: we had lost our control on MEP China Labour Union. I will not say MEP China Management really had lost the control on MEP China Labour Union, because there was always the rumour to state that actually MEP China Labour Union and the Chairman Yuli Zhao was stealthily controlled by Qinming Zhou, although I could never prove it. Anyway, at least, Frank Huang and I had lost our control on MEP China Labour Union. It was really a big mistake for us, not to inform MEP China Labour Union in advance before firing Chen Fan.

B. MEP China Labour Union Committee stated that Frank Huang illegally forbade Chen Fan to enter company when Chen Fan was still an employee of MEP China, this was a controversial topic.

Did Frank Huang, as the Technical General Manager, have the right to forbid Chen Fan to enter company even when Chen Fan didn't sign on “Form of Dismission Notice” as well as “Compensation Agreement”? Different Lawyers have different opinions. In my opinion, yes, there was no law to forbid Chen Fan to enter company (this was the opinion of Labour Union Committee); but, also, there was no law to forbid Frank Huang as the Technical General Manager to forbid Chen Fan to enter company. Practically, it is very normal in China (as well as

in other countries) that a company will forbid certain employee to enter company due to confidentiality reason, especially to an employee who is in the dismissal process.

C. MEP China Labour Union Committee stated that Frank Huang didn't pay attention to employees' safety protection, this was a riddle.

MEP China Labour Union Committee stated that one Employee Nianhua Shen was injured two weeks ago but this injury was not reported to the government. Normally, when the work injury happened, Production Department should report it to Admin Department immediately and Admin Department should report it to the government (on the monthly basis, but maybe not immediately). When I read this point, I asked Admin Manager Yajuan Zhang and she told me there was no report from Production Department for this issue. Afterwards I asked Production Director Enfu Guo, Enfu Guo informed me that he didn't report this issue to Admin Department because he was still discussing this issue with Frank Huang and he was waiting the final decision from Frank Huang (whether to report it to Admin Department or not). But when I asked Frank Huang, Frank Huang told me that he never receive any report from Production Department concerning this issue. So it became a riddle for me until today. It was very possible that Production Director Enfu Guo hid this issue (According to the regulation of MEP China, the whole Production Department might lose its "safety bonus" for that month if there was an work injury, so Production Director Enfu Guo might hide this issue in order to protect the "safety bonus" for whole Production Department.) , but it was also possible that Production Director Enfu Guo reported this issue to Frank Huang but Frank Huang forgot to give him instruction how to handle it.

D. MEP China Labour Union Committee had reported this issue concerning Chen Fan to "Wujiang District Federation of Trade Unions". This was a big issue.

MEP China Labour Union Committee had the right to report issue concerning employees to its superior, but, actually its direct superior should be "Shangze Town Federation of Trade Unions". This time, MEP China Labour Union Committee had reported this issue directly to "Wujiang District Federation of Trade Unions", which was the superior of "Shangze Town Federation of Trade Unions". Yuli Zhao knew very well that Chairman Zhou of "Shangze Town Federation of Trade Unions" had very good relationship with me and "Shangze Town Federation of Trade Unions" would not support MEP China Labour Union Committee to fight the company

Management, so he reported this issue to “Wujiang District Federation of Trade Unions” directly.

This PDF file was signed by all MEP China Labour Union Committee Members: Chairman Yuli Zhao (blue collar employee in Equipment Department), Yong Zhang (Finance Director), Xiaowei Lao (blue collar employee in Production Department), Helen Yuan (Sales Director) and Yajuan Zhang (Admin Manager), also chopped with the stamp of “MEP China Labour Union Committee”. I was very astonished that Yong Zhang, Helen Yuan and Yajuan Zhang also signed this file to challenge MEP China Top Management. Helen Yuan reported to Qinming Zhou and she would never do anything without the instruction of Qinming Zhou; Yong Zhang and Yajuan Zhang namely reported to me but they were actually pro Qinming Zhou, because they always regarded Qinming Zhou as the real boss in MEP China (Qinming Zhou increased the salary of all directors and managers as well as gave Yong Zhang and Helen Yuan each one a company car in 2009, when he was the only General Manager in MEP China after the leaving of Cindy Yu). I understood that Qinming Zhou was behind this issue.

In the afternoon of March 31st, 2010 (in Germany it was in the morning), our bosses in Germany received this PDF file by email and Richard Grobauer called Frank Huang and me immediately. I reported my opinion (as above mentioned) to him. After the telephone discussion, Richard Grobauer sent an email instruction to me 18:49 PM China time, and copied this email to Frank Huang, Qinming Zhou, Dr. Jurgen Kern and Harry Keuler:

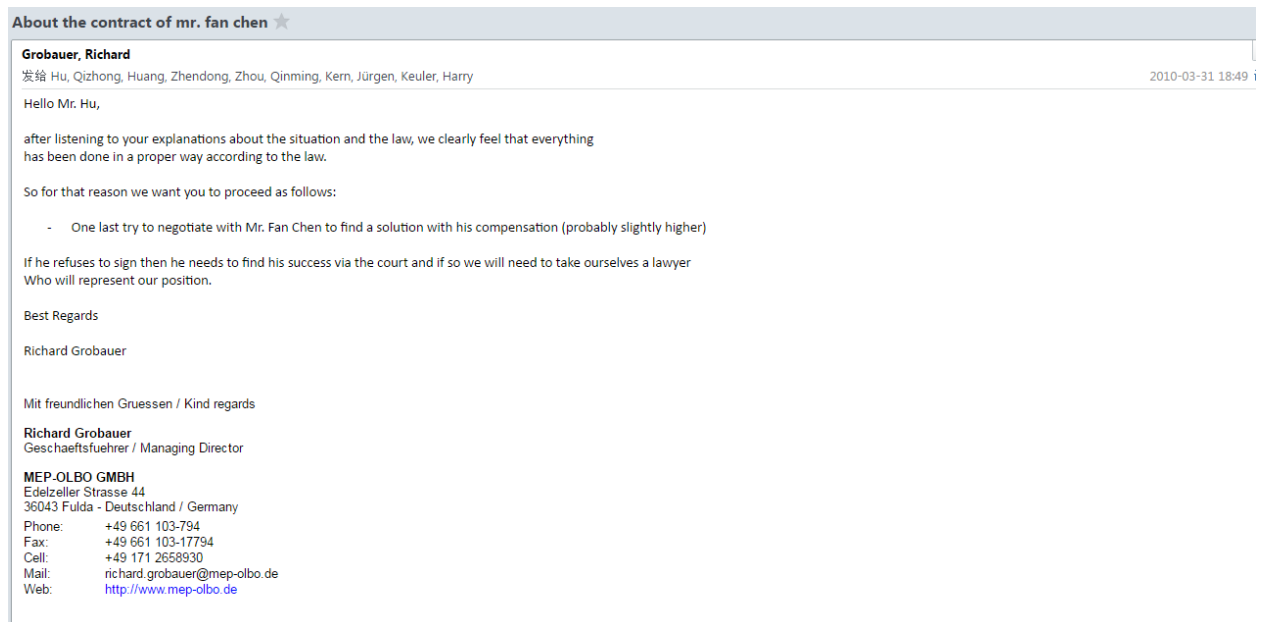


Chart 9: Email Instruction from Richard Grobauer on March 31st, 2010, 18:49 PM

Richard Grobauer wrote in his email:

“Hello Mr. Hu,

after listening to your explanations about the situation and the law, we clearly feel that everything has been done in a proper way according to the law.

So for that reason we want you to proceed as follows:

- One last try to negotiate with Mr. Fan Chen to find a solution with his compensation (probably slightly higher)

If he refuses to sign then he needs to find his success via the court and if so we will need to take ourselves a lawyer Who will represent our position.

Best Regards

Richard Grobauer”

After receiving this email, I immediately telephoned Chen Fan, tried to have a new negotiation concerning his compensation. Chen Fan just informed me: “I have entrusted this issue to Labour Union and please contact Labour Union.” Afterwards he hung up my telephone. I thus tried to call Labour Union Chairman Yuli Zhao, but he insisted that MEP China should take back the decision to fire Chen Fan, which I definitely had no right to agree. I reported the communication results to Richard Grobauer, but he gave me no further instruction.

The next day, I was still travelling on business on April 1st, 2010. Around lunch time, I received an SMS from Yuli Zhao, he informed me that MEP China Labour Union Committee would call on a meeting for all employees at 13:00 PM that day. I immediately replied him an SMS to state that: “I, in the name of MEP China Admin Department, don’t agree.” But I knew Yuli Zhao wouldn’t listen to me. According to the regulation of Labour Union, MEP China Labour Union Committee should inform MEP China Admin Department before it called on a meeting for all employees (or a representatives’ meeting), but MEP China Admin Department had no right to veto. As expected, Yuli Zhao sent back an SMS to me: “MEP China Labour Union Committee has the right to call on this meeting. We just inform you according to process.” This was the first employees’ meeting in MEP China which was called on by Labour Union Committee, not by Admin Department.

At 16:14 PM that day, I received an Email from Richard Grobauer:

Union Statement ★

Grobauer, Richard
 发给 Huang, Zhendong, Zhou, Qinming, Kern, Jürgen, Keuler, Harry, Hu, Qizhong 2010-04-01 16:14

Dear Sirs,

I have been informed by Mr. Zhou by phone according the following situation in Shengze:

Today the union held a meeting with the following context:

1. They're declaring that firing Fan Chen is incorrect – especially that we do forbid him to enter the company
2. They're also complaining that yesterday, when Fan Chen was in the company he was supervised by two people
3. People are anxious about the behavior of Mr. Huang, that more people will get fired
4. After sending a letter to the board still no response
5. All people from the union have voted (besides two) to go on strike up from tomorrow morning and will strike as long as required and will only will stop striking after Mr. Huang leaves the company.

I clearly hereby state that Mr. Huang has the full support from my side to do his job as General Manager in our company and that I'm not willed to follow the request of the union even if they go on strike.

I please ask Mr. Huang and Mr. Zhou (both responsible as General Manager to the company) to go in talks with the union to find a way to avoid this strike and also ask the union to formalize in written form their requirements.

Please keep me and my colleagues updated about the situation in china on short notice.

Best regards

Richard Grobauer

Mit freundlichen Gruessen / Kind regards

Richard Grobauer
 Geschäftsfuehrer / Managing Director

MEP-OLBO GMBH
 Edeltzeller Strasse 44
 36043 Fulda - Deutschland / Germany

Chart 10: Email from Richard Grobauer on April 1st, 2010, 16:14 PM

Richard Grobauer sent this Email to Frank Huang, Qinming Zhou, Dr. Jurgen Kern, Harry Keuler and me. He stated:

“Dear Sirs,

I have been informed by Mr. Zhou by phone according the following situation in Shengze:

Today the union held a meeting with the following context:

1. They're declaring that firing Fan Chen is incorrect – especially that we do forbid him to enter the company
2. They're also complaining that yesterday, when Fan Chen was in the company he was supervised by two people
3. People are anxious about the behavior of Mr. Huang, that more people will get fired
4. After sending a letter to the board still no response
5. All people from the union have voted (besides two) to go on strike up from tomorrow morning and will strike as long as required and will only will stop striking after Mr. Huang leaves the company.

I clearly hereby state that Mr. Huang has the full support from my side to do his job as General Manager in our company and that I'm not willed to follow the request of the union even if they go on strike.

I please ask Mr. Huang and Mr. Zhou (both responsible as General Manager to the company) to go in talks with the union to find a way to avoid this strike and also ask the union to formalize in written form their requirements.

Please keep me and my colleagues updated about the situation in china on short notice.

Best regards

Richard Grobauer”

One and half hours later, Richard Grobauer sent me a simple Email: “can you please get a written statement to the request/statements of the union from our lawyer.” He attached two PDF files, one file was the resolution with the stamp of MEP China Labour Union Committee (in the name of “Resolution of the fifth conference on representative staff of company”, Another PDF file was the signatures for the above resolution.

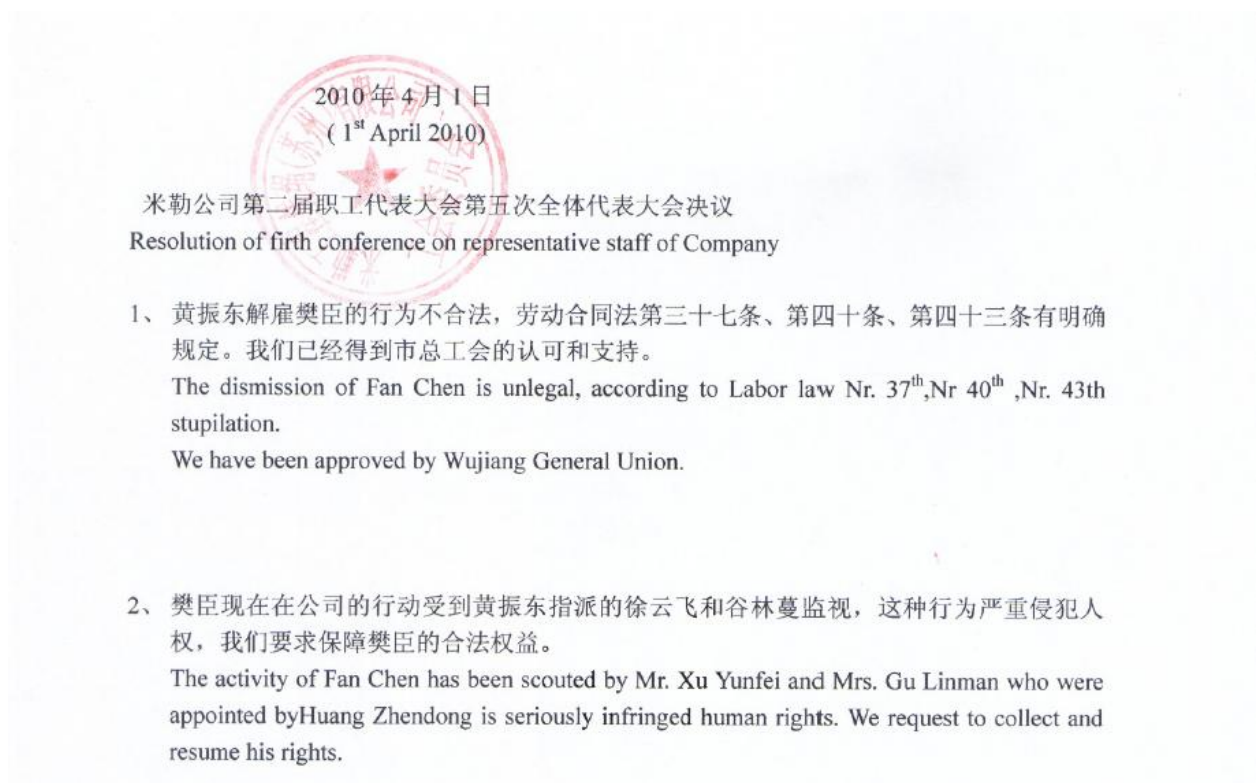


Chart 11: “Resolution of the fifth conference on representative staff of company” A

- 3、黄多次扬言，他将从外面拉大批人员来替代我们公司的员工，员工都已无心工作，人人自危。公司也将变成他个人的天下了。

Huang Zhendong said many times, he will appoint lots people to replace current staffs. We seriously worry about this. We can not work as usual. Everybody afraids when will be forced to leave.

- 4、我们已经多次向董事会提出强烈反映，至今没有收到董事会的正面答复，这造成员工更加恐慌，也必将对公司造成严重影响。

The Union has reported the borad many times, but we have not received any positive response until now. This would make the company in worse situation.

- 5、黄的种种行为已引起员工的共愤，现已严重影响公司的正常生产秩序，也影响到公司的前途和命运。公司职代会通过：职工代表总共 26 名，25 名代表同意，1 名弃权， 52 名员工同意，1 名反对。从 4 月 2 日 8 时开始采取罢工行动直至黄振东离开我们公司。在此期间我们等待董事会的答复，以期尽快恢复正常生产，减少公司进一步的损失。

All activities of Huang Zhendong has seriously destroyed our common feeling,and will made bad bad influence to our company future.

Staff representitives total 26, 25 agrees,1 nonusers

Chart 12: “Resolution of the fifth conference on representative staff of company” B

Plus 52 members agrees

Plus 1 aggainsts

After discussion and decision by the conference:

The Union decide to strike at 8:00am 2nd April until Huang leave our company.

We will waiting for reply from board during this strike.

We are willing to recover normal production and reduce loss of the company.



Chart 13: “Resolution of the fifth conference on representative staff of company” C

MEP China Labour Union Committee stated that:

- a. Frank Huang fired Chen Fan illegally;
- b. Frank Huang infringed Human Rights of Chen Fan;
- c. Frank Huang had said that he would hire new employees to replace current employees;
- d. There was no feedback from Board of Directors;
- e. 25 staff representatives (out of 26) plus 52 employees (out of 53 employees who attend this meeting) agreed to strike from April 2nd, 2010 8:00 AM, until Frank Huang would leave MEP China.

On April 1st, 2010, MEP China totally had 139 employees, including 3 in top management. 77 employees (25 plus 52) supported this resolution, which weighted more than half of total employees.

I read another PDF file containing the signatures carefully. Besides the blue collar employees from Production Department and Equipment Department, some white collar employees, including some department managers also signed on it. Chen Fan of course signed it; the Quality Management Department Manager Meng Yu, who reported to Frank Huang, also signed it. Sales Director Helen Yuan and all her team signed it; Purchasing Manager Guodong Chen and all his team signed it, Sales Department and Purchasing Department were managed by Qinming Zhou. Finance Director Yong Zhang and all his team signed it; Admin Manager Yajuan Zhang and all her team signed it; IT Manager Gang Wang signed it, these three departments namely reported to me but actually they were pro Qinming Zhou because Qinming Zhou had increased their salaries in 2009 when Qinming Zhou was the only General Manager in MEP China.

I contacted our lawyer Mr. Qiao urgently and forwarded him these two PDF files. 20:34 PM, he replied an Email to Richard Grobauer directly:

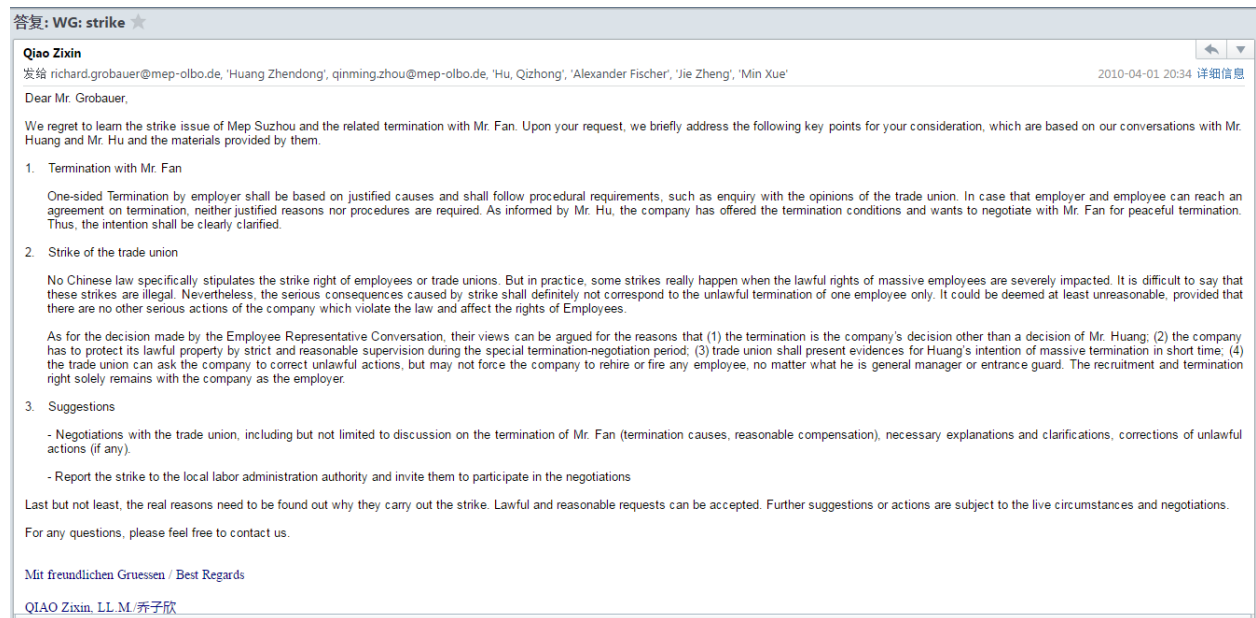


Chart 14: Email from Lawyer Mr. Qiao dated April 1st, 2010, 20:34 PM

Mr. Qiao stated in his Email:

“Dear Mr. Grobauer,

We regret to learn the strike issue of Mep Suzhou and the related termination with Mr. Fan. Upon your request, we briefly address the following key points for your consideration, which are based on our conversations with Mr. Huang and Mr. Hu and the materials provided by them.

1. Termination with Mr. Fan

One-sided Termination by employer shall be based on justified causes and shall follow procedural requirements, such as enquiry with the opinions of the trade union. In case that employer and employee can reach an agreement on termination, neither justified reasons nor procedures are required. As informed by Mr. Hu, the company has offered the termination conditions and wants to negotiate with Mr. Fan for peaceful termination. Thus, the intention shall be clearly clarified.

2. Strike of the trade union

No Chinese law specifically stipulates the strike right of employees or trade unions. But in practice, some strikes really happen when the lawful rights of massive employees are severely impacted. It is difficult to say that these strikes are illegal. Nevertheless, the serious consequences caused by strike shall definitely not correspond to the unlawful termination of one employee only. It could be deemed at least unreasonable, provided that there are no other serious actions of the company which violate the law and affect the rights of Employees.

As for the decision made by the Employee Representative Conversation, their views can be argued for the reasons that (1) the termination is the company's decision other than a decision of Mr. Huang; (2) the company has to protect its lawful property by strict and reasonable supervision during the special termination-negotiation period; (3) trade union shall present evidences for Huang's intention of massive termination in short time; (4) the trade union can ask the company to correct unlawful actions, but may not force the company to rehire or fire any employee, no matter what he is general manager or entrance guard. The recruitment and termination right solely remains with the company as the employer.

3. Suggestions

- Negotiations with the trade union, including but not limited to discussion on the termination of Mr. Fan (termination causes, reasonable compensation), necessary explanations and clarifications, corrections of unlawful actions (if any).

- Report the strike to the local labor administration authority and invite them to participate in the negotiations

Last but not least, the real reasons need to be found out why they carry out the strike. Lawful and reasonable requests can be accepted. Further suggestions or actions are subject to the live circumstances and negotiations.

For any questions, please feel free to contact us.”

On April 2nd, 2010, Friday, starting from the morning, all the machines were stopped in MEP China, blue collar employees gathered in the dining room of the factory; but actually the white collar employees were still working in their offices. Frank Huang was stopped by employees in front of the company door, but he went into the company later with the officers from Wujiang Labor Bureau and “Wujiang District Federation of Trade Unions”.

7:50 AM, Frank Huang called me to inform me that He was blocked to enter our company by a lot of employees in front of the company gate and the strike started;

8:56 AM, as soon as Wujiang Labor Bureau started to work, I called Mr. Ding in Wujiang Labor Bureau Shengze Branch (0086 512 6355 1302) and asked Wujiang Labor Bureau to send their officials to MEP China to stop the illegal actions of our employees;

9:47 AM, I called Mr. Zhang in “Wujiang District Federation of Trade Unions” (0086 512 63422260) and asked “Wujiang District Federation of Trade Unions” to send their officials to MEP China to stop the illegal actions of our employees;

9:55 AM, I called Mrs. Yin in “Wujiang District Federation of Trade Unions” (0086 512 63420585) and further asked “Wujiang District Federation of Trade Unions” to send their officials to MEP Suzhou to stop the illegal actions of our employees;

10:02 AM, I received phone call from “Wujiang District Federation of Trade Unions”. They had sent some officials to our company together with some officials from Wujiang Labor Bureau.

There were intensive telephone discussions among bosses in Germany, management in China (Qining Zhou, Frank Huang and me) as well as our lawyers. I was still travelling on business that day so I was still out of MEP China. As I knew, some officers from Wujiang Labor Bureau and “Wujiang District Federation of Trade Unions” visited MEP China and had discussions with Qinming Zhou and Frank Huang that day.

On April 2nd, 2010, 14:59 PM, Richard Grobauer sent an Email to Qining Zhou and Frank Huang:

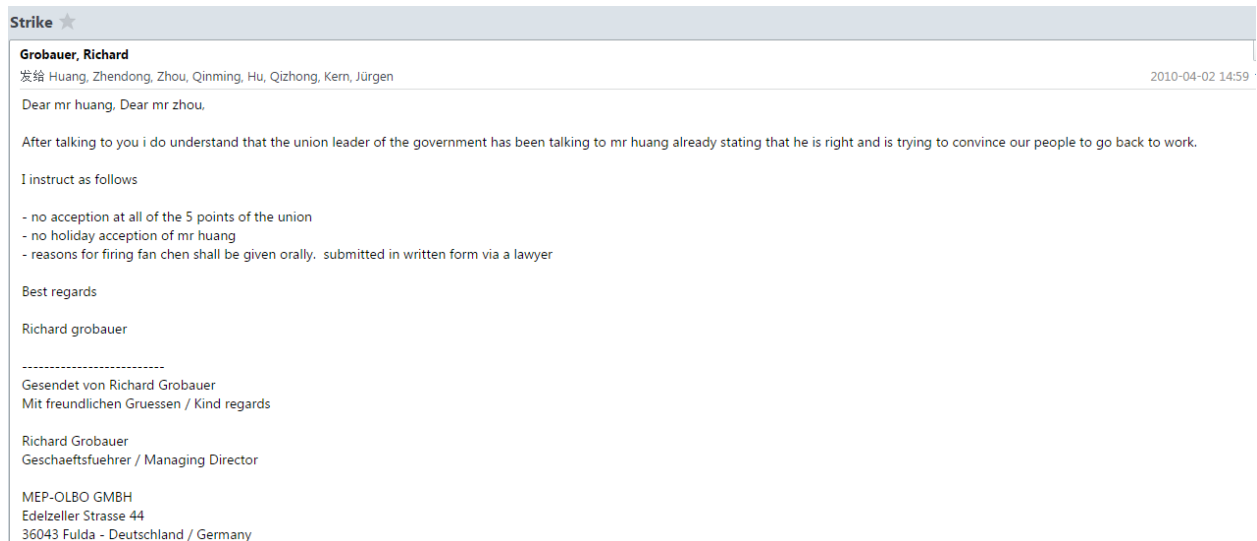


Chart 15: Email from Richard Grobauer dated April 2nd, 2010, 14:59 PM

Richard Grobauer wrote:

“Dear mr huang, Dear mr zhou,

After talking to you i do understand that the union leader of the government has been talking to mr huang already stating that he is right and is trying to convince our people to go back to work.

I instruct as follows

- no acception at all of the 5 points of the union
- no holiday acception of mr huang
- reasons for firing fan chen shall be given orally. submitted in written form via a lawyer

Best regards

Richard grobauer”

I telephoned Frank Huang, he told me: The officers from “Wujiang District Federation of Trade Unions” (I didn’t know them before) were speaking with the employees try to convince them to come back to work; Qining Zhou suggested that Frank Huang should take holidays in home (to meet the request of employees), but both Richard Grobauer and Frank Huang refused to accept this; Richard Grobauer fully supported Frank Huang.

On April 2nd, 2010, 18:57 PM, Richard Grobauer sent an Email to his colleagues in board in Germa and management in China. Specially, he copied his email to Fried Moeller, the boss of Mehler AG, who was the direct boss for Dr. Juegen Kern, Richard Grobauer and Harry Keuler.

AW: Report on April 2nd, 2010 ★

Grobauer, Richard
发给 Kern, Jürgen, Keuler, Harry, Möller, Fried, Zhou, Qinming, Huang, Zhendong, Gutmann, Axel, Brauckmann, Olaf, Hu, Qizhong 2010-04-02 18:57

Dear sirs,

Thanks for your report. In addition after phone talk to mr. Huang and mr. Zhou my understanding:

- all points from the union have been refused
- only on point 1- (compromise): firing fan chen - this process will be restarted on tuesday. It was agreed that a detailed argue list will be done from techn. Gm (with support from mr brauckmann, hartmann, grobauer) . E going in talks again with fan chen all points will be checked by our lawyer.

M2 and m7 will restart today. All other machines latest by tomorrow.

It's my understanding that esp. The strong and correct position of mr. Huang was mainly supported and stated correct by wujiang labour and union office who best tried to convince people to go back to work.

So special thanks to mr. Huang for staying strong and those who have supported him in this difficult situation.

Still it's unclear why internal union has reacted that aggressive. This will be subject for further investigation after coming back to normal.

Thank you
Happy easter

Richard grobauer
Gesendet von Richard Grobauer

Chart 16: Email from Richard Grobauer dated April 2nd, 2010, 18:57 PM

Richard Grobauer wrote:

“Dear sirs,

Thanks for your report. In addition after phone talk to mr. Huang and mr. Zhou my understanding:

- all points from the union have been refused

- only on point 1- (compromise): firing fan chen - this process will be restarted on tuesday. It was agreed that a detailed argue list will be done from techn. Gm (with support from mr brauckmann, hartmann, grobauer) . Before going in talks again with fan chen all points will be checked by our lawyer.

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Still it's unclear why internal union has reacted that aggressive. This will be subject for further investigation after coming back to normal.

Thank you
Happy easter



Richard grobauer

Gesendet von Richard Grobauer ”

It seemed that, the strike would finish soon.

But, Qinming Zhou wrote an Email in German to the colleagues in Germay and in China, he had different opinions.

Streik ★

Zhou, Qinming  

发送给 Grobauer, Richard, Kern, Jürgen, Keuler, Harry, Huang Zhendong, Hu, Qizhong, Gutmann, Axel, Brauckmann, Olaf 2010-04-02 21:27 [详细信息](#)

Sehr geehrte Herren,

Heute morgen um 8 Uhr hat der angekündigte Streik stattgefunden und mehrere Leute haben Herrn Huang den Eingang zur Firma blockiert, die Leute waren sehr gereizt und die Situation war angespannt. Ich habe mehrmals versucht die Leute zu beruhigen und zu überreden, dass Herr Huang eingelassen wird, jedoch vergeblich. Mitglieder der Gewerkschaft von Shenzhe, 8 Leute darunter eine Vorsitzende, und 2 Beamte vom Arbeitsamt und 2 Polizisten waren anwesend. Ich habe als Arbeitgeber mit dem Herrn Zhao, Vorsitzender unserer Gewerkschaft, und mit allen oben erwähnten Personen ein Meeting gehalten, um das Problem zu diskutieren. Das Meeting dauerte ca. 3 Stunden, und es wurde festgestellt, dass:

1. der Kündigungsprozess von Herrn Fan rechtlich falsch war.
2. und das Verhalten der vielen Mitarbeiter, die Herrn Huang nicht reingelassen haben, ebenfalls falsch war, genauso wie Herr Huang damals Herrn Fan überwachen ließ und ihn ebenfalls nicht reingelassen hat.

Für das Beenden des Streiks der Gewerkschaft, stellen sie die Forderung, dass Herr Huang die Firma verlassen muss, jedoch wurde dies nicht von den Abgeordneten der Gewerkschaft Shenzhe unterstützt.

Die Gewerkschaft Shenzhe ist der Meinung, die Produktion so schnell wie möglich wieder aufzunehmen und die oben genannten Problematiken danach zu diskutieren. Der Vorsitzende der Gewerkschaft, Mr Zhao akzeptierte diesen Vorschlag.

Ich habe meinen Wunsch geäußert, Herrn Huang mit 2 Beamten begleitet reinzulassen.

Nachmittags ist der Vorstandsvorsitzende von Wujiang City Gewerkschaft gekommen, um sich nach diesem Problem zu erkundigen. Ich habe mit ihm eine sehr lange Diskussion gehalten und versucht ihn zur Unterstützung unserer Seite zu stimmen.

Und dieser war schließlich derselben Meinung, die Produktion sofort wieder aufzunehmen und er hat unsere Gewerkschaft überzeugt, sodass die Produktion tatsächlich wieder gestartet ist.

Nachdem dann alle Beamten und Abgeordnete gegangen sind, habe ich ein Meeting mit den Mitgliedern der Gewerkschaft und ein paar Vorarbeiter ausgerufen. Diese wollten nicht, dass Herr Huang an diesem Meeting teilnimmt, jedoch habe ich sehr stark klargemacht, dass man dieses Meeting ohne Herr Huang nicht führen kann.

In dem Meeting hat Herr Huang dann seine Erklärung für die Aktionen dieser Woche und sein unhöfliches Verhalten gegenüber den Mitarbeitern ausgeführt, jedoch wurde diese Erklärung nicht akzeptiert. Schließlich haben wir uns alle darauf geeinigt, dass die Produktion sofort wieder aufgenommen wird, jedoch ist es schwer zu sagen, wie lange das anhalten wird, da alle Mitarbeiter immer noch den Rauswurf von Herrn Huang von verlangen.

Mit freundlichen Grüßen

Qinming Zhou

Chart 17: Email from Qinming Zhou dated April 2nd, 2010, 21:27 PM

Richard Grobauer replied his Email soon at 22:06 PM.

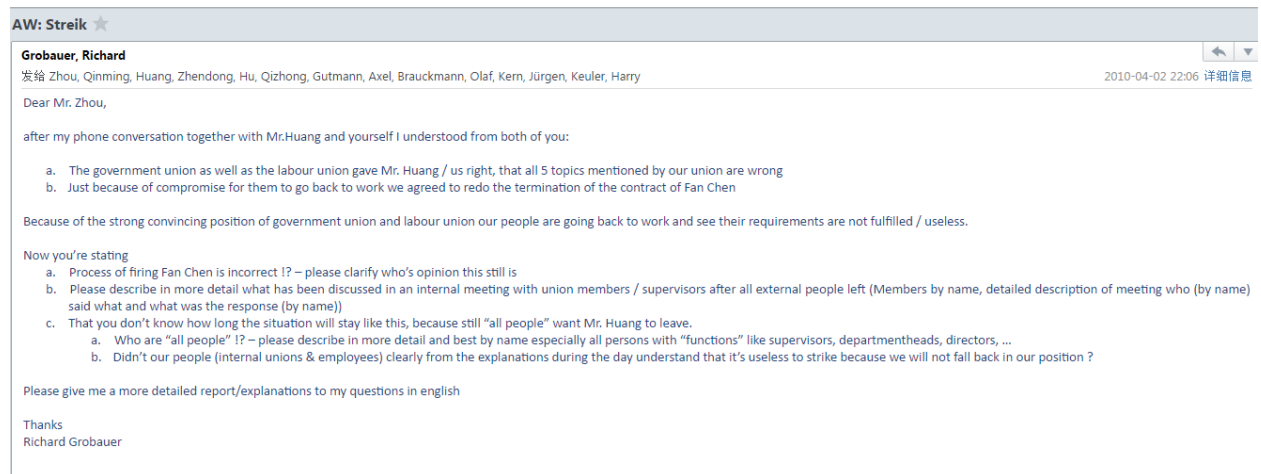


Chart 18: Email from Richard Grobauer dated April 2nd, 2010, 22:06 PM

Richard Grobauer wrote:

“Dear Mr. Zhou,

after my phone conversation together with Mr.Huang and yourself I understood from both of you:

- The government union as well as the Labour Union gave Mr. Huang / us right, that all 5 topics mentioned by our union are wrong
- Just because of compromise for them to go back to work we agreed to redo the termination of the contract of Fan Chen

Because of the strong convincing position of government union and Labour Union our people are going back to work and see their requirements are not fulfilled / useless.

Now you're stating

- Process of firing Fan Chen is incorrect !? – please clarify who's opinion this still is
- Please describe in more detail what has been discussed in an internal meeting with union members / supervisors after all external people left (Members by name, detailed description of meeting who (by name) said what and what was the response (by name))
- That you don't know how long the situation will stay like this, because still “all people” want Mr. Huang to leave.
 - Who are “all people” !? – please describe in more detail and best by name especially all persons with “functions” like supervisors, departmentheads, directors, ...
 - Didn't our people (internal unions & employees) clearly from the explanations during the day understand that it's useless to strike because we will not fall back in our position ?

Please give me a more detailed report/explanations to my questions in english

Thanks

Richard Grobauer”

Qinming Zhou replied his Email soon on April 3rd, 2010, 00:15 AM.

答复: Streik ★

Zhou, Qinming 2010-04-03 00:15 详细信息

发翰 Grobauer, Richard, Huang, Zhendong, Hu, Qizhong, Gutmann, Axel, Brauckmann, Olaf, Kern, Jürgen, Keuler, Harry

Dear Mr. Grobauer,
I'm antonished and regret when I received your email as follows.
I will answer your questions one by one.

a. The government union as well as the labour union gave Mr. Huang / us right, that all 5 topics mentioned by our union are wrong
**Please do recheck: I have not said this word when Mr. Huang and I called you together this afternoon.

b. Just because of compromise for them to go back to work we agreed to redo the termination of the contract of Fan Chen
** You have already agreed that we need to re do dismissing Fan Chen by documents. This is not the only reason for the workers to come back to work. I tried my best together with Wujiang General Union to explain them the terrible loss the company will get in this strike and union understand. I told them strike is not the right way to solve this problem. Union and company shall sit and negotiate together to find out a solution.

My stating:

a. Process of firing Fan Chen is incorrect !? – please clarify who's opinion this still is
** The chairman of Union Mrs. Yi Xiaohong of Shengze Union, Mr. Bian of Wujiang General Union and Labor Bureau man said (I don't know their name). You can ask them by yourself.

b. Please describe in more detail what has been discussed in an internal meeting with union members / supervisors after all external people left (Members by name, detailed description of meeting who (by name) said what and what was the response (by name))
** 6 persons participated this meeting with Mr. Huang and I
Zhao yu li –Chairman of Union
Lao Xiaowei –commissioner, monitor of dipping
Helen Yuan –commissioner, sales director
Li Kaiqiang –union member, maintainer
Sun xiaojiong—union member, vice monitor of twisting
Zhangli –union member, monitor of twisting
(Zhang Yong—commissioner, not presented, because of trip outside; Zhang Yajuan—Commissioner, not presented, outside because of ill)
At beginning, they did not agree Mr. Huang to take part in this meeting. I strongly insisted on and told them Mr. Huang is one of representative, he must be present with me. Then the Union agreed.
During this meeting, Mr. Huang explained the activity of scouting and forbidding to Mr. Fanchen. The Union didn't accept his explanation.
You can check with Mr. Huang for approval.

c. That you don't know how long the situation will stay like this, because still "all people" want Mr. Huang to leave.
a. Who are "all people" !? – please describe in more detail and best by name especially all persons with "functions" like supervisors, departmentheads, directors, ...
**During this meeting, Chairman of Union asked Mr.Huang to leave the company. I against strongly. He said this is because all people asked Mr. Huang to leave. You can get the list of all people from Chairman.
b. Didn't our people (internal unions & employees) clearly from the explanations during the day understand that it's useless to strike because we will not fall back in our position ?
** I don't know if our people clearly from the explanations during the day understand that it is not useless to strike because we will not fall back in our position.

If you think I can not represent the company to negotiate with the Union, please let me know.
Best regards!

Chart 19: Email from Qinming Zhou dated April 3rd, 2010, 00:15 AM

Qinming Zhou wrote:

“Dear Mr. Grobauer,

I'm antonished and regret when I received your email as follows.

I will answer your questions one by one:

a. The government union as well as the Labour Union gave Mr. Huang / us right, that all 5 topics mentioned by our union are wrong
**Please do recheck: I have not said this word when Mr. Huang and I called you together this afternoon.

b. Just because of compromise for them to go back to work we agreed to redo the termination of the contract of Fan Chen
** You have already agreed that we need to re do dismissing Fan Chen by documents. This is not the only reason for the workers to come back to work. I tried my best together with

Wujiang General Union to explain them the terrible loss the company will get in this strike and union understand. I told them strike is not the right way to solve this problem. Union and company shall sit and negotiate together to find out a solution.

My stating:

a. Process of firing Fan Chen is incorrect !? – please clarify who’s opinion this still is

** The chairman of Union Mrs. Yi Xiaohong of Shengze Union, Mr. Bian of Wujiang General Union and Labor Bureau man said (I don’t know their name). You can ask them by yourself.

b. Please describe in more detail what has been discussed in an internal meeting with union members / supervisors after all external people left (Members by name, detailed description of meeting who (by name) said what and what was the response (by name))

** 6 persons participated this meeting with Mr. Huang and I

Zhao yu li –Chairman of Union

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Helen Yuan –commissioner, sales director

Li Kaiqiang --union member, maintainer

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Zhangli –union member, monitor of twisting

(Zhang Yong—commissioner, not presented, because of trip outside; Zhang Yajuan—Commissioner, not presented, outside because of ill)

At beginning, they did not agree Mr. Huang to take part in this meeting. I strongly insisted on and told them Mr. Huang is one of representative, he must be present with me. Then the Union agreed.

During this meeting, Mr. Huang explained the activity of scouting and forbidding to Mr. Fanchen. The Union didn’t accept his explanation.

You can check with Mr. Huang for approval.

c. That you don’t know how long the situation will stay like this, because still “all people” want Mr. Huang to leave.

- a. Who are “all people” !? – please describe in more detail and best by name especially all persons with “functions” like supervisors, departmentheads, directors, ...

**During this meeting, Chairman of Union asked Mr.Huang to leave the company. I against strongly. He said this is because all people asked Mr. Huang to leave. You can get the list of all people from Chairman.

- b. Didn't our people (internal unions & employees) clearly from the explanations during the day understand that it's useless to strike because we will not fall back in our position ?

** I don't know if our people clearly from the explanations during the day understand that it is not useless to strike because we will not fall back in our position.

If you think I can not represent the company to negotiate with the Union, please let me know.

Best regards!

Qinming Zhou ”

Actually, employees for night shift started to work at 22:00 PM on April 2nd, 2010, the first wave of this strike lasted around 14 hours, from 7:50 AM to 10:00 PM on April 2nd, 2010.

On April 2nd, 2010, I heard some rumor against Frank Huang:

- “A. Frank Huang decides to decrease the salary of Production Department;
- B. Frank Huang decides to fire all employees in Engineering Department;
- C. Frank Huang decides to fire all employees in the guarding team and hire a security company;
- D. Frank Huang decides to give everyone a low bonus for the year 2009.”

After talking with Frank Huang, he told me all the rumors were not the truth. I reported these rumors to our bosses in German as well as Qinming Zhou.

From April 3rd, 2010 to April 5th, 2010 was the Tomb Sweeping Festival in China, all the write collar employees (including the management team) didn't work, but the production continued.

On April 5th, 2010, Frank Huang sent an Email to Qinming Zhou, me, as well as our bosses in Germany, to describe the things happened recently in his view. He wrote:

“Hello Gentlemen

During the two days I think a lot. My suggestion is that Let's review whole process from negotiate with FanChen to stop contract ----> strike stop. It is better for us to think why strike happen.

March 24th Mr. Hu , Ms. Huang from HR and me to negotiate with Fanchen to stop contract. From March 24th to March 31th during FanChen left company, every thing running well and engineering people work well. During this time Hr.Hu keep contacted with FanChen for compensate.

March 31th, FanChen came back company and I let Ms. Gu to follow with him in case of company information be copyed. 10:40--11:00am FanChen talked with union leader Mr.Zhao and me. There are different opinion. 1:00pm , union sent first letter to board. During the short 2 hours they got conclusion : "... They are worrying about when they will be the next FanChen...." and complete the Chinese and English version letter. I want to ask how many people worry about it? We know that we have total three shifts and during 11:00am --- 1:00pm, just run one shift. Union meeting should not be hold during working time. What emergency problem cause union to have the meeting during working time? The 5 union people are Ms.Yuan--sales director; Mr. Zhang--finance director; Ms. zhang--HR manager; onion chirman Mr.Zhao--engineering; Mr. Lao---team leader. Ms. Yuan , Mr.Zhang and Ms. Zhang are not belong to technical team, I do not think they worry about me to nigotiate with them to stop contract.

April 1st, we asked engineering to work but some engineers stay in office do not work. As I know union had meeting again during working time and sent second letter to board : listed 5 topics to me "...union decide to strike at 8:00am April 2nd. until me leave company...."

I want to ask. Even if I make mistake , there should be some one talked with me. But no any people talked with me , directly force me to leave company by strike. Also what emergency problem cause union to have the meeting during working time again? Who approval them to have the meeting during working time? As I know Mr. Hu also inform them it is illegal if not

approval by GM. I asked lawyer all 5 topics to me are correct or wrong, the answer is what I did are not wrong. Can see the lawyer statment from e-mail.

Mr. Zhou and me have a short meeting at April 1st night and also do not think I am wrong. We want to have meeting with union but Mr. Zhou told me they had gone home. And we made appointment to meet union at 7:50 am April 2nd before strike. I arrived to company at 7:45am but many employee block me to enter company. I called Mr. Zhou , Mr. Zhou told me that there is traffic jam can not arrive on time. I called Mr. Hu and he started contact with govenment union and labor bureau. 8:20 am Mr. Zhou arrived. We enter company together but I still be blocked . Mr. Zhou negotiated with employee in company.

Some officers from labors bureau and Labour Union came. Around 11:00am I enter company with one officer. Had meeting with officers and Mr. Zhou. They all think I am not wrong. Let me think a way to ask employee to start work even if in the way: I leave company for vocation. I told them we need their help to pursude operators to work and I can not accept leave for vocation. Officers left during lunch time.

Afternoon officers came again to continue meeting in company. When I joined the meeting, officer told me employee should start work and we need quickly negotiate with FanChen.

After officer left we had a meeting with union chairman --Mr. Zhao, Ms.Yuan and four operator leaders. I heard some rumor like 1. I want to change entrance guard ; 2. I cancel Chinese new year dinner; 3. I do not agree to pay Chinese new year fee to operators etc. I told them I never do that ! Operator leaders said they do not oppose me by personally. But operators let them as representative to let me leave. I told them team leader should know me more than operators due to we have more touch . If team leader do not oppose me. No reason for operators to oppose me. If they know those are rumor . They should stop the rumor and tell operators truth. Final union chairman said they have not responsibilty if some one attack to me when I come to company next week. Also maybe stop work again.

I am not wrong and union had two meetings illegally. But let me leave company. Is it correct? There is such conflict between union and company due to negotiat to stop one employee is abnormal.We had better to think how to deal with the illegal action. It is abnormal for foreign company in China.

Best regards!

Huang Zhendong

Technical General Manager

MEP (Suzhou)Co.,Ltd

Mob: +86 137 0621 7710

Tel: +86 512 6351 1481

Fax: +86 512 6355 0631

E-mail:zhendong.huang@m-e-p.cn”

On April 6th, 2010, we came back MEP China to work, including Frank Huang. Frank Huang’s office were on the 2nd floor of the office building, Qinming Zhou’s offices and my office were on the 1st floor. Qinming Zhou didn’t come to the company that morning.

8:12 AM, I arrived at our company and said "hello" to Frank Huang in the parking area. I checked the production site and found the production was going on. Then I went to my office;

8:25 AM, I called Qinming Zhou and told him everything was O.K.;

8:30 AM, Frank Huang called me urgently and I went to his office. More than 20 employees gathered in (and near) Frank Huang's office and pushed him out of his office. I asked these employees to stop, and asked these employees to speak with me. These employees said to me: "we have nothing to discuss with you as long as Frank Huang is still in the company".

8:40 AM, I protected Frank Huang to go back to his office. Frank Huang and I called the police.

8:42 AM, More than 20 employees came into Frank Huang's office and pushed me away. Then they pushed Frank Huang out of the company main gate. I got out of the company main gate together with Frank Huang. The employees closed the door and left Frank Huang as well as me out of the company.

8:47 AM, the police came and protected us back to the main meeting room. I reported all the things to police and asked the police to protect Frank Huang.

9:18 AM, I called Mrs. Yin in “Wujiang District Federation of Trade Unions” and asked them to send officials to our company.

9:20 AM, the police decided to leave 4 policemen in our company to protect Frank Huang. 2 policemen were guarding the main meeting room and the other 2 were guarding Frank Huang's office.

9:25 AM, Helen Yuan, in the name of Sales Department, asked me to negotiate with the employees to resume the production, in order not to delay the delivery to the customers.

9:30 AM, I went to the production site to discuss with Production Director Enfu Guo. Several dipping lines were stopped by the employees.

9:40 AM, most blue collar employees gathered in the guarding room and refused to work. I spoke with Yuli Zhao, the Chairman of the MEP China Labour Union Committee and asked him to resume the production. Yuli Zhao told me: “it is the opinion of the employees to go on strike”. I asked him to try the best to calm down the employees.

9:43 AM, I called Mrs. Yin in “Wujiang District Federation of Trade Unions” again and asked them to send officials to our company.

9:49 AM, I called Qinming Zhou to report all the things happened in the company.

10:50 AM, I wrote Email to Dr. Jurgen Kern and Richard Grobauer to report all these things. I also copied this Email to Harry Keuler, Qinming Zhou and Frank Huang.

10:59 AM, more than 40 employees pushed Frank Huang again out of the company main gate. 8 policemen dare not fight these employees.

11:07 AM, Qinming Zhou called me and asked me to push Labour Union to have an urgent meeting to stop this illegal action.

11:07 AM, I wrote second Email to Dr. Jurgen Kern and Richard Grobauer to report. I also copied this Email to Harry Keuler, Qinming Zhou and Frank Huang.

11:24 AM, I wrote an Email to MEP China Labour Union Committee:

“Under the telephone instruction of Mr. Zhou, I, in the name of the company, ask The Labor's Union to have an urgent meeting right now to discuss the issue happened today. I will attend the meeting in the name of the company.”

Dear Dr. Kern, Dear Mr. Grobauer:

Hello! How are you these days?

Here is my report today:

8:12 AM, I arrived at our company and said "hello" to Mr. Huang in the parking area. I checked the production site and found the production was going on. Then I went to my office;

8:25 AM, I called Mr. Zhou and told him everything was O.K.;

8:30 AM, Mr. Huang called me urgently and I went to his office. More than 20 employees were gathered in (and near) Mr. Huang's office and pushed him out of his office. I asked these employees to stop, and asked these employees to speak with me. These employees said to me: "we have nothing to discuss with you as long as Mr. Huang is still in the company".

8:40 AM, I protected Mr. Huang to go back to his office. Mr. Huang and I called the police.

8:42 AM, More than 20 employees came into Mr. Huang's office and pushed me away. Then they pushed Mr. Huang out of the company main gate. I got out of the company main gate together with Mr. Huang. The employees closed the door and left Mr. Huang and me out of the company.

8:47 AM, the police came and protected us back to the main meeting room. I reported all the things to police and asked the police to protect Mr. Huang.

9:18 AM, I called Mrs. Yin in Wujiang General Labor's Union and asked them to send officials to our company.

9:20 AM, the police decided to leave 4 policemen in our company to protect Mr. Huang. 2 policemen are guarding the main meeting room and the other 2 are guarding Mr. Huang's office.

9:25 AM, Mrs. Helen Yuan asked me to negotiate with the employees to resume the production.

9:30 AM, I went to the production site to discuss with Mr. Guo. Several dipping lines were stopped by the employees.

9:40 AM, Almost all the employees were gathered in the guarding room and refused to work. I spoke with Mr. Zhao Yuli, the Chairman of the Labor's Union and asked him to resume the production. Mr. Zhao told me that: it is the opinion of the employees to go on strike. I asked him to try the best to calm the employees.

9:43 AM, I called Mrs. Yin in Wujiang General Labor's Union again and asked them to send officials to our company.

9:49 AM, I called Mr. Zhou to report all the things happened in the company.

I will send you further report today. Please call my mobile (0086 135 8561 4879) when you have time.

Chart 20: Email from me dated April 6th, 2010, 10:50 AM

10:59 AM, more than 40 employees pushed Mr. Huang again out of the company main gate ★

HU Qizhong
发件 Kern, Jürgen, Grobauer, Richard, Keuler, Harry, Zhou Qiming, Huang Zhendong, Gutmann, Axel, olaf.brauckmann 2010-04-06 11:13 i

Dear Dr. Kern, Dear Mr. Grobauer:

Hello! How are you these days?

10:59 AM, more than 40 employees pushed Mr. Huang again out of the company main gate. 8 policemen dare not fight these employees.

11:07 AM, Mr. Zhou called me and asked me to push Labor's Union to have a urgent meeting to stop this illegal action. I will contact Labor's Union again right now.

This is the report.

I will send you further report today. Please call my mobile (0086 135 8561 4879) when you have time.

Thank you very much for your help and wish you all the best!

Yours: Qizhong HU
April 6th, 2010

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Qizhong HU
Mehler Engineered Products (Suzhou) Co., Ltd.
Associate General Manager / CFO

Tel: 0086 512 6351 1482
Fax: 0086 512 6355 0631
E-mail: fischer.hu@m-e-p.cn
Web: www.m-e-p.cn

Chart 21: Email from me dated April 6th, 2010, 11:13 AM



Chart 22: Email from me to MEP China Labour Union Committee dated April 6th, 2010, 11:24 AM

In the afternoon of April 6th, 2010, starting 13:00 PM, I had a meeting with MEP China Labour Union Committee. Yuli Zhao insisted that Frank Huang should leave MEP China, and he told me that this was the request from employees.

Frank Huang couldn't reenter the company that day. He went home by taxi at 18:00 PM. He even couldn't drive his company car, which was parked in the parking lot inside the company.

I reported all the things to our bosses in Germany in the evening of that day.

On April 7th, 2010, 00:18 AM, Richard Grobauer sent me an Email named "Letter from the board of directors", with an attachment (PDF file) in the name "Letter to the union and the employees of MEP Suzhou". MEP Suzhou means also MEP China. Richard Grobauer wrote in his email:

"Hello Mr. Hu,

attached please find letter from the board of directors as already discussed on the phone.

Please proceed as follows:

1. Please you and Mr. Huang agree on the letter as answers from our side are mainly depending on your information to us.

2. Sent Letter to Rödl & Partner for legal checking
3. Contact Mr. Zhou by phone to arrange a meeting tomorrow morning with the internal union committee in which you should be present personally and Mr. Zhou by phone
4. Inform the union members about the letter of board of directors and give them a translated Chinese copy
5. Best together with Mr. Zhou convince people to go back to work as soon as possible in order to avoid further damage to our company
6. Inform board of directors in written form about the output of that meeting

Mr. Huang has been asked to come to Germany for detailed report as soon as possible and will not come to the company the next days.

Dr. Kern and myself are currently arranging flights for next week to negotiate in detail with the union.

Wish you good luck in convincing people to go back to work as soon as possible.

Best Regards

Richard Grobauer”

In the PDF file, it was written:

“Letter to the union and the employees of MEP Suzhou

Dear Sirs,

You have confronted the management of MEP Suzhou as well as the Board of the Directors of MEP Suzhou with the following statements and as a consequence requested that Mr. Huang leaves the company.

We will not accept your request and state as follows referring to all of your items as follows:

Strike 1 – Letter 1:

Point a:

Your statement: The dismissal of Fan Chen is illegal

Our answer:

Based on our information about Chinese law there are two possible ways to dismiss an employee. One is to offer a compensation based on the regulations and find a compromise with the employee. This is what we tried. As we did not find a solution yet with Mr. Fan Chen we will restart this process with the second option of Chinese law. Forward detailed rationale why we want to dismiss Fan Chen and at the end of this process retrench him.

Point b:

Your statement: Scouting Mr. Fan Chen by Mr. Xu and Mrs. Gu does seriously infringe human rights.

Our answer:

As we're afraid Fan Chen might copy internal know how after giving him notice it's our legal right to ban Mr. Fan Chen to come to our company and if he comes to make sure with the help of scouting that no internal know how is getting copied.

Point c:

Your statement: Quoting Mr. Huang that there will be more people to be dismissed

Our answer:

Based on our knowledge there have been made no decisions and there have been no talks with the board that more people will get dismissed. This is a total misunderstanding. We're in the process of hiring more people for the technical department in order to prepare ourselves for the future growth of the company together with a new production plant in FOHO industrial zone.

Point d:

Your statement: No answer from the board

Our answer:

We do have a general management in place that is clearly entitled to negotiate with you and we have been instructing them accordingly. Hopefully with this letter from the board of directors we can clear up all misunderstandings.

Point e:

Your statement: Common feelings destroyed by Mr. Huang

Our answer:

We're very sorry that rumors created bad common feelings against Mr. Huang. We clearly state that all badmouthing and rumors you're hearing are wrong. As initially stated we will not remove Mr. Huang from office.

Strike 2 – oral information to Mr. Hu

Today morning you went back on strike and threatened Mr. Huang to leave the company. After Mr. Hu in the name of the management held an official meeting with you we got oral information as follows:

Point a:

Your statement: Mr. Huang pointed out that the guarding team shall be replaced by an external security team

Our answer:

The guarding team reports to Mr. Hu who doesn't even know about this rumor and even we as the board of directors don't know about such a decision. Also Mr. Huang is stating that this is a wrong assumption.

Point b:

Your statement: Mr. Huang will decide to decrease salary of total production department

Our answer:

There is no information to the board of directors and no intention to reduce salary and wages of production department.

Also Mr. Huang never discussed with Mr. Hu that he has the intention to do so.

Point c:

Your statement: Mr. Huang intends to fire all employees in engineering department.

Our answer:

This is totally wrong and is definitely not our intention. There are lots of projects envisaged at Shengze location as well as for the new location in Foho. In order to prepare for that we're intending to hire more people which are currently sought in order to fulfill the jobs requested.

Point d:

Your statement: Mr. Huang decided abt. low bonus for 2009.

Our answer:

The bonus for 2009 based on our information in general was higher than in 2008. This was based on improved result of our company. As Mr. Huang only started his assignment at the end of 2009 he followed the proposal of Mr. Zhou. The bonus for 2009 was approved by the board of directors and considered reasonable.

In order to clarify the position of the board of directors this written information to you has been prepared. We herewith declare all information we answered is the full truth based on today's

knowledge.

In order to clarify in more detail we have been asking Mr. Huang to come to Germany headquarter for detailed report.

After we get the full picture about the confrontial issues you have with Mr. Huang I will come to China personally in order to resolve the matter with you.

In the meantime we kindly ask you to stop threatening any employee of MEP Suzhou and go back to work immediately.

Best Regards

Richard Grobauer

(Letter also approved from my colleagues in the board: Dr. Jürgen Kern and Harald Keuler)”

On April 7th, 2010, 8:30 AM, I arranged a meeting with MEP China Labour Union Committee as well as all the employees I could find inside the company, about 50 employees. Harry Keuler and Qinming Zhou were in Harbin (a city in northeast China) for business trip, they attended this meeting by telephone. Employees agreed to come back to work if Frank Huang wouldn't return to MEP China. Harry Keuler informed employees that Frank Huang was ordered to Germany for report and he hinted that Frank Huang wouldn't return to MEP China. Thus, employees agreed to resume work at 14:00 PM that day. MEP China Labour Union Committee wrote a resolution and asked me to translate it into English and to report it to the board, which I did it at 11:07 AM by Email. I wrote:

“Dear Sirs:

Hello! How are you these days?

Under the instruction of Mr. Keuler, I translated the resolution from the Labor's Union: (the attachment is the original Chinese one)

1. Mr. Huang should not appear in the company in this period;
2. Agree to resume the production before the Board comes;
3. Will stop the production again when the Board comes, until the Board makes the decision;

4. Whatever decision will be made by the Board, the employees insist that Mr. Huang should no longer in the company;
5. The above 4 items are passed by 30 representatives on site.

Thank you very much for your help and wish you all the best!

Yours: Qizhong HU

April 7th, 2010”

- ① 若在过段时间不能达成协议
- ② 同意在董事会之前后
- ③ 在董事会确定哪天会后，可停
- 直至得到董事会做出决定
- ④ 不管公司做出任何决定，员工坚持
- 并不得在劳动词： / 解
- ⑤ 以上所有内容的员工代表
- 2/9/2010

Harry Keuler also wrote an Email at 10:40 AM that day to his colleagues in Germany as well as Qinming Zhou and me, but he didn't copy this Email to Frank Huang. He wrote:

“All,

as planned we had a telecon this morning between the workers committee, Mr. Zhou/Mr. Keuler from Harbin, Mr. Hu in Shengzhe (translating) and approx. 50 workers listening from the outside of the meeting room.

We have tried to convince workers that to continue the strike would really make no sense any more as Mr. Huang is now ordered to Germany for report and next week the Board Members, Dr. Kern and Mr. Grobauer, will be in Shengzhe. In addition a statement of the Board of Directors will be published today after translation into Chinese.

We have pointed out that continuing the strike will mean to damage the company substantially, but workers opinion is that on a long term basis the damage will be bigger if Mr. Huang would return to the company. Workers asked for guarantee that Mr. Huang will not return, this guarantee was rejected based on the fact that Mr. Huang has to report in Germany first of all and afterwards Board Members will arrive to Shengzhe to discuss with Workers Committee.

Finally, workers committee decided to return to work from 02:00 pm today onwards. The workers committee resolution issued today after the telecon consisting of 4 paragraphs will be translated by Mr. Hu and send by e-mail. Mainly the workers agreed to continue working until the Board Members will come to Shengzhe next week but then stop production again and wait for final decision of Board regarding Mr. Huang.

Another issue might happen if the letter of the Board will be published today. Mr. Zhou decided to fly back from Harbin to Shanghai immediately to arrive at the plant this afternoon at approx. 05:00 pm. It is better to be at the company if the minds of workers committee might change again tonight.

Best Regards

Harry Keuler”

Employees resumed work actually at 14:30 PM on April 7th, 2010. This second wave of strike lasted almost 30 hours (from April 6th, 8:40 AM to April 7th, 14:30 PM).

After the lawyers and I did some correction on the “Letter to the union and the employees of MEP Suzhou” (corrections were approved by the board), our lawyers translated this file into Chinese. 17:34 PM, I sent this Chinese file to MEP China Labour Union Committee.

After receiving this file “Letter to the union and the employees of MEP Suzhou”, at 18:00 PM on April 7th, 2010, employees stopped all the machines again. The third wave of strike began.

20:43 PM, I wrote an email to board for an urgent report:

“Dear Sirs:

Hello! How are you?

17:34 PM, I sent out the “letter from Board” to the Labor’s Union;

18:15 PM, Labor’s Union Chairman Mr. Zhao and 6 or 7 employees came to my office. They are very angry to me. They totally can not accept this “letter from Board”. They used a lot of dirty words to against me.

18:30 PM, under the strong demand of the employees, I called Mr. Grobauer and Mr. Grobauer called me back. Mr. Grobauer asks me to request the employees come back to work, and he will come to China to discuss this issue with our employees next week. The employees didn’t accept this. Mr. Grobauer instructed me to contact Mr. Zhou.

18:40 PM, I called Mr. Zhou and Mr. Zhou was on his way back to the company.

19:00 PM, Mr. Zhou came back to the company and the employees (including Mr. Zhao) are very angry to him. They threaten Mr. Zhou to through him out of the company together with Mr. Huang.

19:05 PM, Mr. Zhou and I had a meeting in his office.

19:07 PM, Mr. Grobauer called me and instructed me to settle this issue together with Mr. Zhou.

19:15 PM, Mr. Zhou called Mr. Keuler to report this issue.

19:30 PM, Mr. Zhou and I had a meeting in meeting room with about 20 employees. The employees are still very angry. They used a lot of dirty words to against Mr. Zhou and me. All the production is stopped again.

We will keep you informed on this issue.

Thank you very much for your help and wish you all the best!

Yours: Qizhong HU

April 7th, 2010”

The Board Directors of MEP China and I kept discussing for the whole day on April 8th, 2010. Richard Grobauer and Harry Keuler (as well as Qinming Zhou) had different opinion. Richard Grobauer insisted his firm standpoint against striking employees. Harry Keuler suggested us to accept some requests from employees, in order to convince them to resume production as soon as possible. Dr. Jurgen Kern kept silent.

Harry Keuler arrived at MEP China on April 9th, 2010 and invited MEP China Labour Union Committee to have a mereting at 13:00 PM. The munites of the meeting (which was made by Harry Keuler) is below:

“**Minutes of Meeting**

between

The Workers Committee and Workers of MEP Suzhou
(hereafter called „Union“)

and

Mr. Qinming Zhou, General Manager MEP Suzhou

Mr. Fischer Hu, Associated General Manager MEP Suzhou

Mr. Harry Keuler, Board of Directors MEP Suzhou
(hereafter called “Management Team”)

on

April 9, 2010, 01:00 pm – 04:00 pm

at

MEP Suzhou Meeting Room

In advance to this meeting the Workers Union of Wujiang City visited MEP Suzhou on April 9, 2010 to discuss with the Management Team and Union of MEP Suzhou. This meeting was a great help to both the Management Team and the Union to agree regarding the following basic conclusions:

- a) Management Team declared that the Employment Contract of Mr. Fan Chen is further valid.
- b) The workers of MEP Suzhou has to restart the production as soon as possible.
- c) The Union of MEP Suzhou has no right to ask for dismissal of General Managers and corresponding strikes are illegal.

After discussions the representatives of Worker Union Wujiang City left the company again.

After that the meeting between the Union and Management Team started.

Reason for Meeting

For several reasons described below in detail the employees of MEP Suzhou interrupted the total production by strike during the periods

- a) April 2nd, 08:00 am to 10: 00 pm

Reason for the strike: decision was made during staff meeting, workers stopped machines by themselves against the illegal dismissal of Mr. Fan Chen and also claim of Mr. Huang.

Reason for resume: under lot of persuade by management and union.

- b) April 6th, 08:40 am to April 7th, 02:30 pm

Reasons for stopping machines: workers saw Mr. Huang entering the company. Reason for resume: telephone discussion with Mr. Keuler management and union tried hardly asked workers to go back to work.

c) April 7th, 06:00 pm to April 9th, 04:00 pm

Reason for stopping machines: saw letter by board of directors stating Mr. Huang has done no faults and workers were lying, workers felt fooled.

Reason for resume: Mr. Keuler, Mr. Zhou, Mr. Hu, General Union and Union discussed with workers and did hard work and asked workers to restart production.

The Management Team explained to the Union the serious disadvantages for the company MEP Suzhou and for its customers. Therefore, the main reason for this meeting was to find a common basis to restart the production soonest possible to avoid further damage for the business and profitability of MEP Suzhou.

Questions by the Union and comments by the Management Team

1) Termination of employment contract Mr. Fan Chen

a) The termination was not handled according to Chinese laws

b) The rejection of entrance to the company was not legal

c) The rejection of meeting between Union and Mr. Fan Chen inside the company was not legal

d) Supervision of Mr. Fan Chen while being in the plant was not in accordance to the Secrecy Agreement signed by Mr. Fan Chen when starting his employment
Comments by Mr. Harry Keuler

a) The responsible Managing Director of MEP Suzhou has decided to take back the termination, the employment contract of Mr. Fan Chen is therefore valid.

b) Solved together with a)

c) In general Mr. Keuler is sure that the Union has the right according to law to have meetings with workers at any time within the company premises to discuss problems related to the company and / or their employment contracts.

d) Mr. Keuler was not aware of the fact that a Secrecy Agreement was existing. Based on the valid Secrecy Agreement the supervision was not necessary

e) Board of Directors and Management of MEP Suzhou regrets the problems caused by taking a

wrong and illegal decision regarding the termination of contract of Mr. Fan Chen.

2) Management seems to have no trustful relation to the workers of MEP Suzhou Comments by Mr. Harry Keuler:

The workers of MEP Suzhou are most important for the success of the company.

Without trustful basis between the Management and Union / Workers a fruitful cooperation will be difficult. Therefore Mr. Keuler asked to not generalize this question based on the single case happened which has been solved.

Mr. Keuler pointed out that it is important to understand that also the Union and Workers of MEP Suzhou has to trust into the company Management which is appointed and dismissed by the Board of Directors of MEP Suzhou only.

As the Board of Directors and General Management of MEP Suzhou wants to cooperate with the Union Leader Mr. Zhao, the other members of the Union and with all workers of MEP Suzhou we do not believe that any employee is lying or stating wrong information as such behavior would be drastically against the intention of trustful cooperation within MEP Suzhou.

3) Union and Workers are afraid that the Board of Director might receive information from one side only and based on this might take wrong decisions.

Comments by Harry Keuler:

a) After receiving first information regarding the problems in MEP Suzhou the Board of Directors got first information from the General Managers of MEP Suzhou by phone and based on this information issued a first letter to the Union and Workers. This letter represented the information as per Thursday, April 1, 2010. After this there has been some delay because of legal holidays in Germany (Eastern Festival) lasting from Friday, April 2 to incl. Monday, April 5, 2010. The letter has been transferred to China and translated and was published within MEP Suzhou on Wednesday, April 7, 2010 during the late afternoon.

b) Based on the information and rumors existing within MEP Suzhou causing a lot trouble and problems the Technical General Manager, Mr. Huang has been asked to report to the Board of Directors personally.

c) The Board of Directors decided in order to have the complete information to be in the company MEP Suzhou on Wednesday, April 14, and Thursday, April 15. During this period the Board of Directors will discuss with all parties, the Union and Workers and the General Managers to hear their facts and arguments regarding reasons of the dissatisfaction of the employees of MEP Suzhou.

- d) After analyzing all information the Board of Directors will take necessary decisions and will inform the Union and Workers through the General Management of MEP Suzhou.
- e) It should be clear that by doing this the Board of Directors will listen to all sides, not only to one side.
- 4) Questions regarding statements of the Technical General Manager, Mr. Huang
- a) Mr. Huang intends to terminate further employees contracts, especially but not limited to the Engineering Department
- b) Mr. Huang refused to pay the Energy Bonus for 2009 to the workers
- c) Mr. Huang stated that the wages paid by MEP Suzhou to the workers would be too high in general and would have to be reduced
- d) Mr. Huang intends to terminate the contract for the Guards and replace by external Guards.
- e) Union Leader Mr. Zhao presented a document with 122 signatures by the workers of MEP Suzhou. He explained verbally that these 122 workers have signed to underline that they feel not to be satisfied with the Technical General Manager Mr. Huang.

Comments Harry Keuler:

The Board of Directors had no information regarding the items a to d before. The Board of Directors is expecting Mr. Huang to comment each item.

For all items a to d and in general for the future it will be better to issue a written information including facts like when and where things have been discussed and who was present, sign this information and present this by the Leader of the Workers Union, Mr. Zhao, to General Management for clarification. The General Management of MEP Suzhou will be obliged to comment in writing as well.

Regarding item a)

There is no intension to reduce the numbers of workers or to replace any workers. MEP – OLBO is investing into the future growth of MEP Suzhou with spending a lot of money for new land, buildings, machines and additional workers.

As long as the Union and workers are acting according to the existing laws of the Peoples Republic of China there will be no termination of contracts. The General Managers reserve the legal right to terminate contracts with any worker immediately who is acting against the Chinese laws.

Regarding item b)

All existing agreements between the General Managers and the Union and workers of MEP

Suzhou, like for example to pay Electricity Bonus, will be strictly kept.

Regarding item c)

Board of Director is not aware of intentions to reduce the wages. Considering the fact that MEP Suzhou is working with profit, 2009 was even better than 2008 and increased Bonus payments to all workers have been approved there are no plans to reduce the general wage level.

Regarding item d)

Even Mr. Fisher Hu (Remark from thesis author: this means me), responsible for the Guards, stated that he had no such information before. As stated before as there are no plans or intentions to terminate contracts this is valid for the Guards of MEP Suzhou, too.

Regarding item e)

Mr. Keuler criticized that this just a list of signatures but no written statement.

5) Final Conclusion and Agreement

After this discussion the Union and workers of MEP Suzhou have internal discussion. Mr. Qinming Zhou, General Manager, asked everybody to start working again as quickly as possible to avoid further damage to the company and thus to all of us and our customers.

The Union and Workers of MEP Suzhou decided to start working again immediately and from 04:00 pm today the machines have been in operation.

These Minutes of the meeting has been commonly approved by the Leader of the Union, Mr. Zhao, the General Manager Mr. Zhou, the Associated General Manager, Mr. Hu and the representative of Board of Directors, Mr. Keuler, all of MEP Suzhou.

This document has both English and Chinese version.

Shengzhe/Wujiang, April 12, 2010

Signed by:

Union Leader, Mr. Zhao _____

General Manager, Mr. Zhou _____

Associated General Manager, Mr. Hu _____

Member of Board of Directors,

Mr. Keuler _____”

Actually, after reading this meeting minutes, I refused to sign. I told Harry Keuler, I personally didn't agree this sentence: “Board of Directors and Management of MEP Suzhou regrets the problems caused by taking a wrong and illegal decision regarding the termination of

contract of Mr. Fan Chen.” I didn’t accept that the termination of contract of Chen Fan was wrong and illegal. I told Harry Keuler, I would sign this only after Dr. Jurgen Kern (my direct boss) approved me to sign this meeting minutes. Harry Keuler, Qinming Zhou as well as Yuli Zhao signed this meeting minutes, and Harry Keuler wrote after my name: “Mr. Hu’s signature waiting for approval of Dr. Kern”. Afterwards they published this meeting minutes to all employees.

After that meeting, employees resumed production at 16:00 PM on April 9th, 2010. But, Yuli Zhao and some employees told Qinming Zhou and me, they would strike again if Frank Huang came back to MEP China. Qinming Zhou and I reported this information to the board. This third wave of strike lasted almost 46 hours (from April 7th, 18:00 AM to April 9th, 16:00 PM).

On April 13th, 2010, Dr. Jurgen Kern and Richard Grobauer flew to Shanghai and firstly had a meeting with Frank Huang, me, as well as our lawyers in Ramada Pudong Airport Shanghai Hotel. Frank Huang and I reported all the things in detail. After that meeting, Dr. Jurgen Kern and Richard Grobauer went to MEP China to have another meeting with Harry Keuler and Qinming Zhou on the same day. Frank Huang and I didn’t attend the second meeting.

Dr. Jurgen Kern and Harry Keuler left China on April 14th, 2010.

Richard Grobauer met MEP China Labour Union Committee on April 14th, 2010, afterwards he met all the directors / managers one by one (including Chen Fan) on April 15th and April 16th, 2010. Only Technical Development Manager Mingxing Zhu supported Frank Huang, Production Director Enfu Guo kept neutral, all the other directors / managers were against Frank Huang. Yuli Zhao told Richard Grobauer, employees would strike again if Frank Huang came back to MEP China. Richard Grobauer left China on April 17th, 2010.

After all the bosses left China, Qinming Zhou gave me a signed Board Resolution (which was signed on April 14th, 2010) and asked me to publish it to all employees.



The Board of Directors

Mehler Engineered Products (Suzhou) Ltd.

米勒工程线绳（苏州）有限公司

董事会

Dr. Jürgen Kern

Richard Grobauer

Qinming Zhou

Harry Keuler

Information and Resolution

通知及解决方案

Today, April 13, 2010 The Board of Directors have issued the following Information and Resolution to be published in both Chinese and English to all employees of Mehler Engineered Products (Suzhou) Ltd.

董事会于今天 2010 年 4 月 13 日向米勒工程线绳（苏州）有限公司全体员工发布如下通知和解决方案：

Chart 24: Board Resolution signed on April 14th, 2010 A

1) The highly motivated Management and employees are very important for the long term success of the company Mehler Engineered Products (Suzhou) Ltd.

管理层和员工对米勒工程线绳(苏州)有限公司的长足发展具有非常重要的意义。

2) Mehler has invested and will further invest considerable amounts of money and efforts to train and educate its employees the best as possible. The

Board of Directors and General Management in return expects that based on a superior technical Know-How the productivity, efficiency and quality of products reaches highest possible standards.

米勒已经投入了且将继续投入巨大的资金和努力让自己的员工得到最好的培训。作为回报，董事会和管理层希望员工具备良好的技术技能，来确保产能，效率和产品质量达到最高水平。

Chart 25: Board Resolution signed on April 14th, 2010 B

- 3) We expect and urge all employees to cooperate closely with the common target to serve our customers in China and worldwide with the Highest Quality Products, produce orders as quickly as possible and deliver to our customers as agreed and without delay.

我们期盼和要求所有员工目标一致，密切配合，以高质量的产品尽快满足国内外客户的订单需求，不能有所延误。

- 4) Achieving these targets together will mean that Mehler Suzhou will be growing both considering turnover and profit. This is the basis on which we shall let the employees participate by paying yearly Bonus amounts, as we have done this in the past as well.

若能一起实现这些目标将意味着米勒(苏州)在销售额和利润上得到了增加。正如我们在过去几年中做到的那样，这个恰是我们能让员工分享年度奖金的基础。

- 5) In general Mehler Suzhou does not intend to terminate employment contracts but clearly states that both Mehler Suzhou and also all employees have strictly to consider and follow the existing laws of The Peoples Republic of China.

总的来说,米勒(苏州)无意终止员工的劳动合同，但需要声明的是米勒(苏州)以及所有员工必须严格尊重和遵守中华人民共和国现有的相关法律。

- 6) The Board of Directors and Management Board of Mehler Suzhou are the only legal authorities to decide regarding employment of the Management of Mehler Suzhou.

董事会和米勒(苏州)董事会是唯一有权决定米勒(苏州)管理层聘用的合法机构。

Chart 26: Board Resolution signed on April 14th, 2010 C

7) In the case that employees have problems or questions regarding certain issues within the Mehler Suzhou and/or their employment contract they are free to contact any member of the elected Workers Union of Mehler Suzhou. The Management Board together with the Workers Union will discuss and try to find a reasonable solution regarding each single claim.

如果员工对米勒（苏州）内部事宜或者对其劳动合同存在疑问，可以与任何通过选举的米勒(苏州)工会委员联系。

董事会将和工会一起寻找一个有针对性的合理的解决方案。

The Management Board, being supported by the Board of Directors of Mehler Suzhou hereby states that from today on and for the future unlawful behavior of any employees will not be tolerated but strictly prosecuted.

在米勒(苏州)董事会的支持下，董事会在此声明：从今天起，今后任何员工的非法行为将不会被容忍，且会遭到严正起诉。

This resolution is published today, April 14, 2010 and has immediate effect.

此方案于 2010 年 4 月 14 日发布，即日起生效。

Suzhou, Wujian, China, April 14, 2010

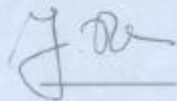
于中国苏州吴江，2010 年 4 月 14 日

Signed by:

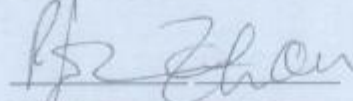
Board Members Mehler Engineered Products (Suzhou) Ltd.

米勒工程线绳（苏州）有限公司董事

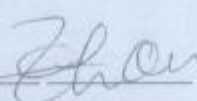
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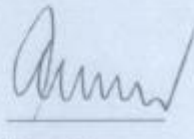
Dr. Kirgen Kern



Richard Grobauer



Qinming Zhou



Harry Keuler

Chart 27: Board Resolution signed on April 14th, 2010 D

After April 6th, 2010, Frank Huang couldn't enter MEP China and he worked in home on our new plan to build a new factory in FOHO Industry Park. His planned visit to Germany was cancelled by Richard Grobauer.

On April 22nd, 2010, Yuli Zhao sent an email to the board (and copied to me) in the name: "Workers are not stable". He wrote:

"Dear Mr. Grobauer and managing directors,

How are you !

You told me you hope to report you situation development in Suzhou while you were in China to deal with the strike last week.

According to your instruction, I now report you the newest status now.

The workers now became worriment, they asked me what is the decision of board to Mr. Huang. The workers agreed to restart production under following union and management's request because you need a period of time to investigate, to understand dismissing Mr. Huang is leagle, and reasonable and will be benefit to our company.

You have finished investigation of this strike, and went back to Germany. But there is not any further information on how to deal with Mr. Huang until now.

The Workers are not patient anymore, and they doubt if board will make a correct decision and also doubt the union.

The workers would be again in broken emotion if they would not get a response from board.

The situation can not be controlled anymore.

Hope you and the management can take enough seriously attention to this situation.

Yours,

Best regards

Zhao Yuli

2010-4-22”

Harry Keuler replied his Email on the same day:

“Dear Mr. Zhao,

received your message clearly, no need for further copies.

We shall come back with comments as soon as possible.

Thank you.

Best Regards

Harry Keuler”

On May 5th, 2010, Richard Grobauer came to MEP China again. He gave Yuli Zhao and employees a “letter to employees” which was signed by Frank Huang, and asked Yuli Zhao and employees to further accept Frank Huang to return MEP China as Technical General Manager. Below is the letter signed by Frank Huang:

“Dear all

I joined MEP China in Nov 2009 upon the time when business growth is incredible fast. Due to the hectic schedule (managing the purchase of FOHO site, increasing customer volumes to be managed), I failed to maintain a smooth communication with you, and finally led to and deepen the misunderstanding between you and me. I would like to express my sincere apology for that.

In previous years, I always believe the development of any enterprises rely on the efforts of all employees. Only when one never has worry about job security, fully understand the linkage between individual income and company growth, he or she can concentrate on the work itself. That is why I have 2 principles in my management:

1. Link bonus with performance to ensure bonus grows when performance develops
2. Good trained and educated people are the key to success. So my focus is to manage peoples work improvements.

Trace back what happened before, I realize that I have made the following mistakes:

1. The bonus distributed is not satisfying to you, because the management decision was only based in comparison to 2009 payments. I do have to admit that comparing payments to those in 2008 done to you is too low.
2. When we handle the negotiation for termination of Mr. Fan, I focus more on protection of company secrete, rather than arranging dedicated person to accompany Fan to enter into the company when he was still company employee.
3. Lack of communication with union

In addition to that, in our company, we have the specific procedure to terminate contract with employee. Selecting or terminating anyone, needs decision by the whole management group. Please understand I never have the authority to make any employee related decision including service outsourcing on my own. As we will grow very fast in the near future we are currently investigating to hire more people to be added soon. This will be done in line with existing HR procedures in place and always be a decision of the management team and board of directors together.

As a manager with many years exposure in manufacturing, I am firmly behind the idea if we understand each other, learn from each other, we can make the company grow better and I will make all necessary efforts to ensure you get decent compensation from the company and we will offer more career opportunity for you.

Based on communication with HQ, they reconsider the motivation plan. We will correct bonus for your contribution in 2009.

- Energy bonus has been calculated for the whole year 2009. As the goal for the full year has been reached we will pay the amount for the full year 2009 and 1st quarter 2010 in May.
- Spring Festival Bonus 2010 will be paid due to the good performance of the company in the amount of 1500 RMB/employee netto.
- May Bonus has already been paid based on the good performance of our company in the amount of 500 RMB/employee netto.

Thanks for all those who supporting me all the way here, thanks for all the one raising suggestion to me - (even some of suggestions may out of misunderstanding), you let me understand the mistakes and errors I made before. Looking forward in you hopefully getting confidence in my abilities back again. Let us work close together to manage the existing and potential growth for our company.

Best Regards

Zhendong Huang”

But, Yuli Zhao and employees didn't accept this letter from Frank Huang. Yuli Zhao insisted that employees would strike again if Frank Huang came back to MEP China. Actually, on May 5th, 2010, workers stopped all the machines again during the meeting between Richard Grobauer and Yuli Zhao.

Finally, Richard Grobauer gave in. After a meeting with Qinming Zhou and after the telephone discussion with Dr. Jurgen Kern as well as Harry Keuler on May 6th, 2010, Richard Grobauer gave me a board resolution (signed by Richard Grobauer and Qinming Zhou) and asked me to publish it to all employees:

“Decision from the board of directors

- Mr. Huang will not come back to the company again
- Mr. Zhou will be responsible for all departments and people of MEP Suzhou from now on until further decisions will be made by the board of directors
- People are asked to come back to work as soon as possible
- Good relationship and best work is expected from every employee for the future success of the company

Signed by

Richard Grobauer

Qinming Zhou”

After this board resolution was published on May 6th, 2010, employees came back to work.

Frank Huang was fired by the Board of MEP China afterwards, but he received compensation according to PRC Labor Contract Law.

5.5 Case Analysis on the Strike in April 2010

The strike in April 2009 was somehow endogenous and spontaneous, blue collar

employees in Production Department struck for their interest and called for fairness. But, the strike in April 2010 wasn't so simple.

The strike in April 2009 shocked both blue collar employees and management in MEP China.

Blue collar employees found a new way to fight management to protect their interest: strike. And they succeeded in April 2009. The management (including the board directors in Germany) gave up so quickly in April 2009, this fact gave employees confidence to further choose strike as an effective way to resist the control of management. Blue collar employees learnt these key points during their first strike in April 2009:

- a. MEP China as a company was flimsy facing a strike, because of its unique characters in production and delivery. The twisting lines and the dipping lines in MEP China worked non-stop during the whole year, only would be powered off during Chinese New Year holidays. Especially, to restart the dipping lines consumed enormous time and energy. A strike would heavily hit the production of MEP China. Further on, the products of MEP China were mostly customized products, MEP China operated according to the real time customer orders and had very few finished goods stock. If production stopped, the delivery to customers would be also stopped afterwards. This would affect not only the delivery to customers inside mainland China, but also to customers worldwide: as the biggest factory in MEP Group, MEP China actually served most customers of MEP Group worldwide, and some products of MEP Group could be only produced in MEP China. If production in MEP China stopped, the whole MEP Group would be in trouble. MEP China, as a company; or MEP Group, as a MNC, couldn't bear the cost of production interruption. Blue collar employees found that this point was their biggest advantage.
- b. The disunity among the management of MEP China, even among the Board of Directors of MEP China. MEP China had two General Managers after June 2008, and it was NOT a secret for employees to know that there was dispute between two General Managers. During the strike in April 2009, blue collar employees saw clearly that Commercial General Manager Qinming Zhou didn't support Technical General Manager Cindy Yu. Cindy Yu refused to give in to blue collar employees at the beginning, but Qinming Zhou pushed her to accept the request from blue collar employees in order to resume the production as soon as possible. During the telephone meeting between board and

management, Cindy Yu explained to the board, the management shouldn't give in otherwise employees would use strike as a weapon in the future (what she said came true after 2009), she hoped that Qinming Zhou could coordinate with our customers to give us one week time to postpone the delivery. Cindy Yu promised to the board that she could quiet down this strike within one week. But Qinming Zhou didn't want to support her at all, he reported to the board that customers wouldn't accept one week postpone to receive our products. Actually, some customers informed me later, during this period, our Sales Director Helen Yuan (who reported to Qinming Zhou directly) even telephoned some customers, asked our customers to push our board to deliver on time. Even there was also dispute among our board: Harry Keuler supported Qinming Zhou and Richard Grobauer supported Cindy Yu. With the pressure from customers side, the board finally accepted the opinion of Harry Keuler and he instructed Cindy Yu to give in to blue collar employees. After this strike, blue collar employees knew that they could use this disunity among the management of MEP China, even among the Board of Directors of MEP China in the future.

- c. The final decision makers in Germany were far away from MEP China and they didn't know the whole picture in China. Management in China was not the final decision maker of MEP China for big issues like strike, the Management must report to board in Germany, and sometime the board of MEP China (the board directors were also the management of MEP Group) even should report to the management of Mehler AG for final decision. The board directors of MEP China in Germany as well as the management of Mehler AG didn't know the whole picture in MEP China, they made final decision only based on mainly the written reports sent to them in German or in English. And, the German bosses didn't know the culture as well as laws in China. For example, during the negotiation in April 2009, the blue collar employees requested to choose a new Labour Union Chairman by themselves. No Chinese bosses in any Chinese private companies will accept such a requirement, because according to the Labour Union Law in China, the management of a company has the right to nominate the Labour Union Chairman. The board of MEP China, three Germans, accepted this requirement from the blue collar employees, because they thought that it was very normal in western countries to give employees the right to choose their own Labour Union Chairman. After that, blue collar employees understood they could take advantage from the bosses in

Germany using information asymmetry.

On the management side, Cindy Yu knew clearly this strike in April 2009 opened the Pandora's Box. She resigned exactly the same day after the negotiation with blue collar employees. I was also worried about the future of this company. Qinming Zhou was satisfied that he became the only General Manager in MEP China after the leaving of Cindy Yu. Qinming Zhou saw the power of blue collar employees and he knew he could use this power in the future for his private interest, not for the company.

The German bosses treated the strike in April 2009 as an accident and learnt nothing from this strike, until they faced the second strike in April 2010.

The strike in 2009 was somehow endogenous and spontaneous, but the second strike in 2010 was totally different. The second strike in April 2010 was well prepared and organized by the MEP China Labour Union, and semi-overt supported by Commercial General Manager Qinming Zhou.

Qinming Zhou worked as the only General Manager for MEP China for more than half year after the leaving of Cindy Yu, obviously he enjoyed this status to control all the powers. Using this period, he bought the support of employees (both blue collar employees and white collar employees, even department leaders) by increasing the salary for all employees, and he seldom punished any employee who broke the regulation (Admin/HR Department need his signature to punish employees who broke the regulation but Qinming Zhou seldom signed.). All employees were satisfied with Qinming Zhou, especially the blue collar employees.

Qinming Zhou was humane, but his humanity was costly: the personnel expenses in MEP China increased dramatically and the employees (especially blue collar employees) didn't obey the discipline openly. During the night shift, more than half blue collar employees were sleeping. The defective index for the products kept increasing.

When Frank Huang came to MEP China to work as Technical General Manager, he didn't know that he was hated, by Qinming Zhou and employees, even before Frank Huang saw them.

Qinming Zhou wasn't happy that his power was reduced after Frank Huang came. Employees under the leadership of Frank Huang were also not happy: Frank Huang was very strict to them, much much stricter than Qinming Zhou.

Both Qinming Zhou and employees waited for a chance to get rid of Frank Huang. They had the experience from the strike in April 2009, so they know they could use another strike as their weapon.

As soon as Frank Huang joined MEP China, he executed some regulations to production department and equipment department to enhance organizational control, for example he announced that he would introduce Lean Production in Production Department. He also used some control method, such as performance evaluation, to control his managers.

Frank Huang didn't communicate with Labour Union (and its Chairman or committee members) before he took place his new regulations. In his mind, Labour Union in China was never important (according to his working experiences before). I had informed him that there was a strike in MEP China in April 2009, but he didn't pay attention at all.

Compare with the management practices of Cindy Yu, the management practices of Frank Huang was obviously stricter, for both managers and employees. And, he had criticized some managers as well as employees openly. He also announced publicly (during the visit to production site or during the meeting) that he was not satisfied with both Production Department and Equipment Department, as well as he was not satisfied with some directors and managers in his team.

In Jan 2010, Frank Huang reported to Richard Grobauer that he would do a complete reform in Production Department as well as Equipment Department.

At that moment, along with his attempt to enhance organizational control (mainly bureaucratic control) in the departments under his management, Frank Huang infuriated most of his employees, even including most of his middle level managers (Department Directors or Department Managers). Working intensity was increased for every employee, and Frank Huang set up higher standard for his employees to get bonus, this reduced the income of certain employees.

When Frank Huang attempted to fire Chen Fan, his Equipment Director, employees as well as the Labour Union finally resisted openly. Employees started to believe, Frank Huang would fire all the employees he didn't like.

The strike in April 2009 was somehow endogenous and spontaneous, but the strike in April 2010 was well organized by the MEP China Labour Union.

After the strike in April 2009, the board of MEP China accepted the requirement from the blue collar employees to choose a new Labour Union Chairman by themselves, this gave the employees a perfect platform (Labour Union of MEP China) to resist. This was a very peculiar case in China. Normally in China, Company management controls the Company Labour Union, employees have no possibility to use Company Labour Union to fight management.

But, even blue collar employees chose a new Labour Union Chairman Yuli Zhao by themselves, theoretically blue collar employees still couldn't totally control Labour Union of MEP China, especially to use Labour Union of MEP China to announce a strike. Three Labour Union committee members out of total five committee members were middle level managers (Finance Director Yong Zhang, Sales Director Helen Yuan and Admin Manager Yajuan Zhang). Without the support of these three Labour Union committee members, Labour Union Chairman Yuli Zhao had no possibility to announce a strike. Beyond expectation, all these three Labour Union committee members (together with the other two blue collar Labour Union committee members Yuli Zhao and Xiaowei Lao) signed the announcement to call on a strike in April 2010. Finance Director Yong Zhang, Sales Director Helen Yuan and Admin Manager Yajuan Zhang didn't report to Frank Huang and they had no conflicts with Frank Huang. When they three also signed the announcement to call on a strike, I was astonished. Until some other managers reported to me in person that Commercial General Manager Qinming Zhou had instructed these three Labour Union committee members to support this strike, I started to understand.

The strike in April 2010 was not only well organized by the Labour Union, but also covertly supported by Commercial General Manager Qinming Zhou. This was an atypical strike.

In April 2010, when I interviewed some striking employees to ask them "Why you strike", they mentioned their hate to Frank Huang and their support to Labour Union of MEP China:

"Zhendong Huang (the Chinese name of Technical General Manager Frank Huang) is our enemy. Zhendong Huang doesn't respect us. Zhendong Huang fired employee illegally. We support Labour Union." (Employee Mr. Xu, Production Department, April 2nd, 2010)

"Zhendong Huang is a bad man. If he stays, we will suffer. Today you can fire one employee illegally, tomorrow you may fire more, the day after tomorrow you may fire me. We are the "owner" of this company, we want the company good. Zhendong Huang doesn't want the company good. We support Labour Union." (Employee Mr. Sun, Engineering Department, April 2nd, 2010)

(Don't feel strange when you hear "We are the 'owner' of this company" from an employee in China. Please be noted that China is ruled by China Communist Party, everyone learns in school that "Workers are the owner of the factories". Also, everyone in China knows this sentence of Chairman Mao: "Rebel is reasonable; Revolutionary is not guilty." This sentence

was spoken out by employees several times during strikes. This ideology base for the strike was discussed in Chapter 4.)

“We hear that Zhendong Huang want to fire all of us in Engineering Department. Zhendong Huang will lead this company to death. He must leave. We support Labour Union.” (Employee Mr. He, Engineering Department, April 2nd, 2010)

“Zhendong Huang doesn’t respect us, he is always so rude. Rebel is reasonable; Revolutionary is not guilty (Words of Chairman Mao). Now we have a trustable Labour Union. Management should respect our Labour Union.” (Employee Mr. Li, Security Team under Admin Department, April 3rd, 2010)

“This is the decision of the Labour Union to strike. I support Labour Union. Rebel is reasonable; Revolutionary is not guilty (Words of Chairman Mao).” (Employee Mr. Liu, Production Department, April 3rd, 2010)

“We want to tell you, without our (blue collar) employees, you are nothing. We are fighting for justice.” (Employee Mr. Shen, Production Department, April 3rd, 2010)

“Foreign bosses and Zhendong Huang bully us, punish us, and insult us. Now we have Labour Union to support us. If Zhendong Huang stays, this company is hopeless. We must fight.” (Employee Mr. Peng, Production Department, April 3rd, 2010)

“Zhendong Huang doesn’t respect us, both blue collar employees and white collar employees. The policy of Zhendong Huang is totally wrong. We will have no future if he stays.” (Mr. Yu, Quality Management Manager, April 4th, 2010)

During my interviews, six out of all these eight interviewees (including five blue collar employees and one Quality Management Manager) referred the name of “Zhendong Huang” and showed their hate to him. And six blue collar employees showed their support to Labour Union of MEP China. They spoke almost the same language. This was not strange because all these

persons had attended the “All employees’ meeting” to call on this strike, and they repeated certain opinion they heard from this “All employees’ meeting”.

Frank Huang had different opinion concerning this question. When I asked him on April 4th, 2010, he replied:

“I’m really astonished to see so many employees which are against me. I’m sure they are used by him, the other guy in Top Management. My plan to fire certain employees is disclosed to all the employees. Who disclose this information to employees? Only three persons in Top Management know my plan. Oh, I should do more things to communicate with employees, yes. I didn’t communicate with them enough. Somehow they misunderstand me. The employees here are so extreme. I have never met such employees. In China, normally Labour Union should support the company. The Labour Union here is so extreme.” (Mr. Frank Huang, Technical General Manager, April 4th, 2010)

Frank Huang referred: “I’m sure they are used by him, the other guy in Top Management. My plan to fire certain employees is disclosed to all the employees. Who disclose this information to employees? Only three persons in Top Management know my plan.”

Commercial General Manager Qinming Zhou, Technical General Manager Frank Huang and I were the three persons in Top Management of MEP China. When Frank Huang referred “the other guy in Top Management” or “him” to me, obviously he referred Commercial General Manager Qinming Zhou. He also knew that this strike in April 2010 was covertly supported by Commercial General Manager Qinming Zhou.

And, Frank Huang also admitted: “Oh, I should do more things to communicate with employees, yes. I didn’t communicate with them enough. Somehow they misunderstand me.”

5.6 What Can We Learn from this Strike in April 2010?

In April 2009, blue collar employees in Production Department struck against a visible change: a new “Overtime Wage Calculation Method” which directly affected their interest. In April 2010, employees (mainly blue collar employees) struck against an invisible change: the reform of Technical General Manager Frank Huang.

As soon as Frank Huang joined MEP China, he executed some regulations to production

department and equipment department to enhance organizational control, for example he announced that he would introduce Lean Production in Production Department. He also used some control method, such as performance evaluation, to control his managers.

Compare with the management practices of Cindy Yu, the management practices of Frank Huang was obviously stricter, for both managers and employees. And, he had criticized some managers as well as employees openly. He also announced publicly (during the visit to production site or during the meeting) that he wasn't satisfied with both Production Department and Equipment Department, as well as he wasn't satisfied with some directors and managers in his team.

In Jan 2010, Frank Huang reported to Richard Grobauer that he would do a complete reform in Production Department as well as Equipment Department. He would like to recruit five new employees:

A new Equipment Director to replace current Equipment Director, reporting to Technical General Manager;

A new Lean Production System Coordinator (new position), reporting to Technical General Manager;

A new Production Planner to replace current Production Planner, reporting to Production Director;

A new Mechanical Supervisor to replace current Mechanical Supervisor, reporting to Equipment Director;

A new EHS Manager (new position), reporting to new Equipment Director.

Unfortunately, the recruitment plan of Frank Huang was disclosed to related employees and managers (including department directors and department managers) by Commercial General Manager Qinming Zhou. Employees and managers under Frank Huang realized: Frank Huang wasn't satisfied with them and might replace them.

After the leaving of former Technical General Manager Cindy Yu in 2009, Qinming Zhou (as the only General Manager before Frank Huang joined MEP China) got the support of almost all employees and managers. Qinming Zhou increased salary for all employees and loosened discipline for employees (especially blue collar employees). For example, when Admin/HR Department did routine night discipline check and found blue collar employees sleeping during working time, according to the company regulation Admin/HR Department would punish these employees. But Qinming Zhou always refused to sign on the "Notice of Punishment", thus the

punishment wouldn't take effect. Qinming Zhou won the reputation of "humanity" and the support of almost all employees.

When Frank Huang joined MEP China and afterwards started his reform to tighten the organizational control over his employees, he was facing strong enemies: employees spoilt by Qinming Zhou who just won a strike in April 2009 (so they had the experience of a successful strike); a well organized Labour Union controlled by employees; Commercial General Manager Qinming Zhou, who wanted to drive Frank Huang away to become the only General Manager in MEP China.

Frank Huang, as a technician, didn't know the complex situation in MEP China. After he joined MEP China, he wasn't satisfied with the work of his employees. He tightened the organizational control over his employees and he planned to use a simple and crude way to change the situation: to replace the unsatisfactory employees/managers with new recruited persons. His reform was strongly resisted by employees (even middle level managers) and he finally totally lost after a strike in April 2010.

Now, let me answer my research questions based on this strike in April 2010:

(1) On the company management side, what caused the April 2010 strike in MEP China?

Technical General Manager Frank Huang tightened the coercive bureaucratic control over his employees and he planned to use a simple and crude way to change the situation: to replace the unsatisfactory employees/managers with new recruited persons. These actions of Technical General Manager Frank Huang directly caused the April 2010 strike in MEP China. Lack of communication between Frank Huang and his employees (as well as Labour Union in MEP China) indirectly caused the April 2010 strike in MEP China.

The disunity in the top management of MEP China (the disunity between Commercial General Manager Qinming Zhou and Technical General Manager Frank Huang), and a well organized Labour Union controlled by the employees (from management side, top management losing the control over Labour Union), supported the April 2010 strike in MEP China.

(2) On the employees side, why employees in MEP China struck in April 2010?

Employees struck in April 2010 in order to resist the reform of Technical General Manager Frank Huang, that reform plan tightened the coercive bureaucratic control over them and threatened their jobs. In this case, employees struck mainly for their own interest: the loose control and their jobs should be regarded as kinds of interest of employees.

And, employees struck in April 2010 to support the MEP China Labour Union Committee,

which was be regarded as their own Labour Union.

(3) On the company management side, how to avoid employee resistance when the management executes new organizational control practices?

In order to avoid employee resistance, when the management executes new organizational control practices, management should pay attention to have more communication between management and employees; should try to involve employees to the discussion in advance; should try to use more enabling bureaucratic control, even cultural control to replace coercive bureaucratic control. And, the unity in the management is very important before the management executing new organizational control practices. Last but not least, if there was a Labour Union out of the control of company management, the cooperation between company management and Labour Union is necessary and important.

Chapter Six: The Strike in Sep 2012

6.1 The Consequence of the Strike in April 2010 in MEP China

MEP China started to implement a dual General Managers management system from June 2006, until May 2010 MEP China had two General Managers, a Commercial General Manager (Qinming Zhou) and a Technical General Manager (firstly Cindy Yu and later Frank Huang). This management system was abolished on May 6th, 2010, the Board admitted Qinming Zhou as the only General Manager in MEP China. The dual General Managers management system is never stage a come-back after that.

The key supporter for this dual General Managers management system in MEP China was Richard Grobauer. As the Technical General Manager in MEP-OLBO Group, Richard Grobauer insisted to implement a Technical General Manager in MEP China, who should have the same level as Commercial General Manager Qinming Zhou and report to Richard Grobauer directly. But both Technical General Managers Cindy Yu and Frank Huang left MEP China after different strikes, Richard Grobauer finally realized that both Technical General Managers didn't get the support from Qinming Zhou, and Qinming Zhou would never support any Technical General Manager who had the same level as him. On May 6th, 2010, Richard Grobauer gave in to the striking employees, as well as gave in to Qinming Zhou. He agreed on that day that "Mr. Zhou will be responsible for all departments and people of MEP Suzhou from now on until further decisions will be made by the board of directors".

But, Qinming Zhou and his team (his team means almost all the managers / directors in MEP China who supported Qinming Zhou and supported the strike in April 2010, including Sales Director Helen Yuan, Purchasing Manager Guodong Chen, Finance Director Yong Zhang, Admin Manager Yajuan Zhang, Technical Director Yunfei Xu, QM Manager Meng Yu, Equipment Director Chen Fan. Only Technical Development Manager Mingxing Zhu and I supported Frank Huang during the strike. Production Director Enfu Guo, Logistics Manager Jiankuan Zhao and HR Manager Ting Huang kept neutral during the strike) lost the trust from Richard Grobauer as well as Dr. Juegen Kern, because Qinming Zhou and his team didn't support Frank Huang as well as Richard Grobauer during the strike in April 2010.

After the strike in April 2010, Qinming Zhou, with the support from Harry Keuler, fought

with Richard Grobauer as well as Dr. Juegen Kern publicly. He refused to accept certain instructions from Richard Grobauer and Dr. Juegen Kern, and even argued with Richard Grobauer and Dr. Juegen Kern by sending Emails (of course, he always copied these Emails to Harry Keuler). Richard Grobauer and Dr. Juegen Kern were very angry with Qinming Zhou. After a big conflict between Qinming Zhou and Dr. Juegen Kern in March and April 2012, Qinming Zhou suddenly sent a resignation letter to Dr. Juegen Kern on April 2nd, 2012 and left MEP China immediately. Together with him, Finance Director Yong Zhang, Purchasing Manager Guodong Cheng, Administration Manager Yajuan Zhang, Accounting Supervisor Min Chen also left MEP China at the same time. Sales Director Helen Yuan left MEP China several weeks later.

Starting April 2nd, 2012, MEP China was actually managed by me (before the new General Manager came), with the support from Dr. Juegen Kern and Richard Grobauer in Board. I rebuilt the financial team and admin team.

By the end of April 2012, Richard Grobauer hired Mr. Liang Guo, an ethnic Chinese with German nationality, as Vice General Manager – Technical. Mr. Liang Guo reported to Richard Grobauer directly, he cooperated with me well.

Finance Director Yong Zhang and Administration Manager Yajuan Zhang left MEP China on April 2nd, 2012 (together with Qinming Zhou), Sales Director Helen Yuan left MEP China left MEP China several weeks later. Yong Zhang, Yajuan Zhang and Helen Yuan were three committee members of “MEP China Labour Union Committee”, which were made up of five committee members. After their leaving, MEP China Labour Union Committee was no longer valid.

On May 16th, 2012, Labour Union Chairman Yuli Zhao sent email to all department leaders to announce that he would call on MEP China Employee Representatives’ Meeting to elect new “MEP China Labour Union Committee”. I reported this issue to the board (Dr. Jurgen Kern, Richard Grobauer and Harry Keuler). Richard Grobauer stated that Yuli Zhao shouldn’t stay at the position as Labour Union Chairman. Obviously Richard Grobauer didn’t forget the strike in April 2010 which was organized by Yuli Zhao. Dr. Jurgen Kern and Harry Keuler didn’t object to Richard Grobauer’s opinion. I reported to Richard Grobauer: we had no right to forbid Yuli Zhao to run for another term of Labour Union Chairman, but it was possible to negotiate with Yuli Zhao to postpone this “MEP China Employee Representatives’ Meeting” until our new General Manager would come. In May, it was already announced that Mr. Heinz Fraunhoffer

would be the General Manager of MEP China, but he didn't start his work officially. The board accepted my suggestion and appointed me to negotiate with Yuli Zhao.

I met Yuli Zhao and suggested him to postpone this "MEP China Employee Representatives' Meeting" until our new General Manager Mr. Heinz Fraunhoffer would come. Yuli Zhao informed me, employees in MEP China wouldn't agree to postpone this "MEP China Employee Representatives' Meeting" because they wanted to use this meeting to negotiate yearly salary increase with the Management. After reporting to the board and getting the approval from the board, I came back to Yuli Zhao to suggest that the board would increase salary for all employees (13% for blue collar employees and 8% for white collar employees) if employees agreed to postpone this "MEP China Employee Representatives' Meeting" until new General Manager would come. Yuli Zhao finally agreed my proposal.

On May 31st, 2012, the board passed the Board Resolution to increase salary for all employees (13% for blue collar employees and 8% for white collar employees), effected on May 1st, 2012. On June 4th, 2012, I sent email to all employees to announce this Board Resolution.



Your contact: Dr. J. Kern / R. Grobauer / H. Keuler
Telephone: 0049 661 103- 760 /-794 /-505
Telefax: 0049 661 103-346
E-Mail: Juergen.kern@mep-olbo.de
Richard.grobauer@mep-olbo.de
Harry.keuler@mep-olbo.de
Our ref.: JK/IS
Date: 31st May 2012

Board Resolution

We, the undersigned, being all of the current directors of Mehler Engineered Products (Suzhou) Co., Ltd., a wholly foreign-owned enterprise invested by MEP-OLBO GMBH, organized and existing under the laws of the People's Republic of China, hereby unanimously resolve that:

1. Increase wages for blue collar workers: 13 %
2. Increase wages for white collar workers: 8 %

The above resolution shall take effect as from 1st May 2012.

In witness whereof, each of the following directors of the Company has signed his respective name hereunder as of 31st May, 2012:

BY: 
Dr. Jürgen Kern
Chairman

BY: 
Richard Grobauer
Director


BY: 
Harald Keuler
Director

Chart 1: MEP China Board Resolution on May 31st, 2012

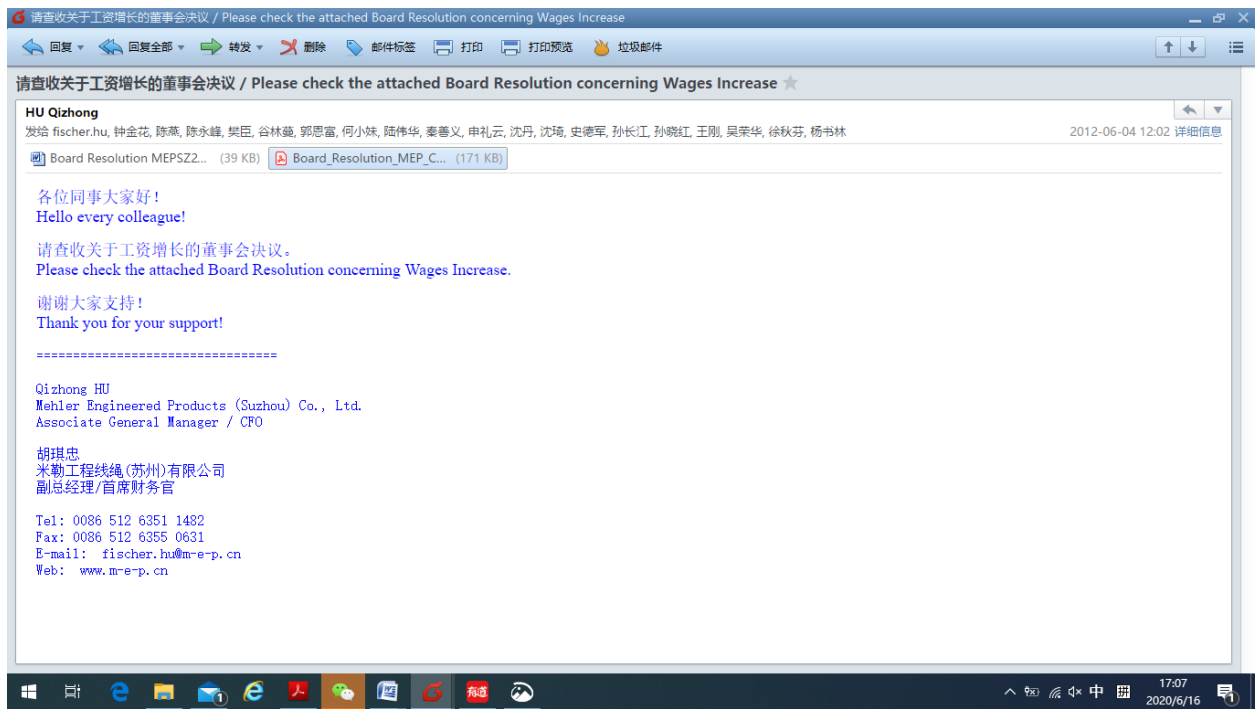


Chart 2: My Email to All Employees on June 4th, 2012

6.2 General Manager Heinz Fraunhofer and his Reform in MEP China

In the beginning of May, 2012, Richard Grobauer informed me that, Dr. Jurgen Kern and he had decided to recruit Heinz Fraunhofer as the new General Manager of MEP China. He informed me clearly, it was “Dr. Jurgen Kern and he”, not including Harry Keuler, had decided to recruit Heinz Fraunhofer. Richard Grobauer informed me that Mr. Liang Guo and I should report to Mr. Heinz Fraunhofer after he would arrive at MEP China.

During the May, Heinz Fraunhofer kept contacts with me through telephone and emails, but he didn't come to MEP China in person in May. I started to send all reports to him. On May 15th, 2012, Heinz Fraunhofer's assistant Ms. Sonia Ding sent email to all directors and managers in MEP China, to build direct links between Heinz Fraunhofer and all department directors and managers.

Heinz Fraunhofer came to MEP China in the beginning of June, 2012. He is a German citizen, with experience as management consultant in both German and China. Before joining MEP China, he had worked in several companies in China as General Manager or consultant and

he also had his own management consulting firm in Germany and in Hong Kong.

Heinz Fraunhoffer is a serious and strict manager. As soon as he arrived at MEP China, he amended some company regulations and announced them to all employees. On June 5th, 2012, he instructed Financial Department to amend our reimbursement regulation and published it to all employees; On June 19th, 2012, he instructed Admin Department to amend our on duty /business travel regulation as well as company chop management regulation, afterwards published it to all employees; On June 26th, 2012, he instructed Admin Department to amend our office stationery management regulation, afterwards published it to all employees. All the regulations were stricter to employees after amendment.

And, Heinz Fraunhoffer managed this company in a very detailed and direct way. Former General Managers spent most time to communicate with directors and managers, normally wouldn't manage departments directly, but Heinz Fraunhoffer always gave his instruction directly to employees, especially in Sales Department and Purching Department. Mr. Bill Yang, the new Sales Director (after the leaving of Helen Yuan) was not satisfied with this.

I found there was some antipathy among employees and I reported my finding to Heinz Fraunhoffer. Heinz Fraunhoffer told me, MEP China wasn't managed well before, and he decided to strengthen discipline, in order to "bring the order back to the company". He told me, he would pay no attention to the antipathy among employees, "if the employees are not satisfied, they can leave the company", and he decided to further strengthen discipline for blue collar employees. When I reported to him there were two strikes in 2009 and 2010 in MEP China, Heinz Fraunhoffer told me, Richard Grobauer discussed a lot with him concerning the two strikes. In his opinion, the both strikes attributed to bad and weak management, this is the reason that he would introduce strict and firm management in MEP China. I told him that I would support his reform to "bring the order back to the company", but I suggested him not to move too fast. It seemed that he didn't satisfy with my feedback. Obviously, in his mind, I was part of the "bad and weak management" in the before time in MEP China.

In June and July 2012, Heinz Fraunhoffer focused his reform on white collar employees, and it seemed that his reform was successful. The offices looked orderly, instead of undisciplined in the before. For example, in the before, when one white collar employee went out of the company for a business trip, as long as this business trip was within one day (for example he went out in the morning and came back office in the afternoon), he just need to report to his direct leader and get an oral approval from his direct leader; after June 19th, 2012, he should

firstly get an written approval from his direct leader and afterwards go to Admin / HR department to register. Another example was: for the business trip more than one day (including one day), the employee should get the written approval from both his direct leader and General Manager in the written form, and afterwards go to Admin / HR department to register.

Heinz Fraunhoffer also introduced a lot of new reports for all the departments to finish. For example, Sales Department used to make sales report on the weekly basis, and Heinz Fraunhoffer asked to have a daily sales report. All the white collar employees then had more work to do. Heinz Fraunhoffer was strict to everyone he met in office building, including the clean lady.

On June 11th, 2012, Dr. Jurgen Kern was suddenly fired as one of the General Managers of MEP-OLBO Group in Germany, his position as the Chairman of the Board of Directors of MEP China was also removed. The Chairman of Mehler AG Mr. Fried Moeller took the position as the Chairman of the Board of Directors of MEP China. Fried Moeller supported Heinz Fraunhoffer on his way to manage MEP China.

Heinz Fraunhoffer also started to introduce strict regulations to blue collar employees.

There was an accident happened on June 7th, 2012. On that day, Heinz Fraunhoffer was meeting several customers from Gates Unitta (a US invested automobile belt manufacturer, one of the most important customers for MEP China) in the main meeting room, which is located on the ground floor of the office building. There is a toilet on the ground floor, near this main meeting room. When several customers went to the toilet, two blue collar employees (working in packaging group of production department) also rushed into the office building to go to toilet. That day was quite hot and these two blue collar employees were wearing waistcoat and shorts only. The customers, especially one lady, were quite embarrassed facing these two blue collar employees in front of the toilet.

Heinz Fraunhoffer noted this and he was quite angry. He called Admin/HR Manager Jing Li immediately, and asked Jing Li to publish a notification to forbid all blue collar employees to use the toilets inside office building.

Jing Li prepared this notification and reported to me (as her direct leader) this issue. I was astonished and stopped Jing Li to publish this notification. I went to meeting room to explain to Heinz Fraunhoffer: in our company, office building was located on northeast side and factory was located on west side. There was a toilet in factory, but it was located in the southwest area of the factory. Packaging room was located on the northeast end of the factory, near the office

building. It took employees in the packaging room 5-6 minutes (one way) to go to the toilet inside factory, but it took them only 1-2 minutes to go to the toilet on the grand floor inside office building. So, historically, employees in the packaging room always used the toilet on the grand floor inside office building. And, since there was no aircondition in the factory, when it was very hot in the summer, wearing waistcoat and shorts was allowed for the employees working inside factory. I told Heinz Fraunhoffer, the two blue collar employees (who rushed into the toilet inside office building) didn't break any rules or regulations of MEP China. In my opinion, if we published this written notification to forbid all blue collar employees to use the toilets inside office building, blue collar employees would regard this as an insult.

After my explanation, to avoid the insult, Heinz Fraunhoffer decided not to use the word to forbid all blue collar employees to use the toilets inside office building, but he insisted to publish a notification to forbid production employees (including employees in packaging group) to enter office building without permission.

In the afternoon of June 7th, 2012, Jing Li published this notification in the name "Production Staff feedback channel statement" on the company bulletin board (near our company main door):

"Production staff feedback channel statement

In order to ensure smooth communication, standardize the management mechanism, especially statement the production staff of feedback channel as follows:

1. If a staff of production department encounter a problem about work, please communicate with the monitor first.
2. If it is necessary, people can also communicate with the vice production manager or even with the production director.
3. If a staff of production department encounter a problem about work , is not allowed to go to the administration office or contact the administration officer ; If its necessary , please assist in the communication by the vice production manager or the production director.

Hereby declare.

生产员工问题反馈渠道声明

Production staff feedback channel statement

为确保沟通顺畅，规范管理机制，特针对生产员工问题反馈渠道声明如下：

In order to ensure smooth communication, standardize the management mechanism , especially statement the production staff of feedback channel as follows:

1、生产部门员工如有工作相关问题，请先与生产班长反馈沟通；

If a staff of production department encounter a problem about work , please communicate with the monitor first.

2、如有需要，可向生产副经理甚至生产总监反馈情况并沟通解决。

If its necessary , people can also communicate with the vice production manager or even with the production director.

3、生产部门员工遇到工作相关问题，不得擅自至行政办公楼或直接联系行政人员；确有需要的，请由生产副经理或生产总监协助沟通。

If a staff of production department encounter a problem about work , is not allowed to go to the administration office or contact the administration officer ; If its necessary , please assist in the communication by the vice production manager or the production director.

4、以上特别说明。

Hereby declare.

米勒工程线绳（苏州）有限公司

Mehler Engineered Products (SUZHOU) Co., Ltd

2012年6月7日

June 7th, 2012 was the pay day of MEP China and all employees received their May salary as well as salary statements on that day. In the morning of June 8th, some production employees came to Admin/HR Department (on the first floor of office building) to ask some questions concerning their salary statements. This kind of thing happened each month in MEP China. Some production employees didn't know the salary calculation method (especially for overtime payment calculation) well and didn't understand their salary statements well, so they always came to Admin/HR Department to ask for an explanation after they received their salary statements.

Heinz Fraunhoffer saw these production employees entering Admin/HR Department. He was very angry and asked Jing Li to evict these production employees out of office building. Afterwards he sent an email to me (Fischer was my German name used in MEP China):

“Fischer,

I noted this morning that a group of workers had come to our office to discuss salary problems. What happened to the note of yesterday?

I want this signed back by Guo enfu, each supervisor and publically placed in their work shop. Where is it?

Best regards,

Heinz.Fraunhoffer
General Manager”

Heinz Fraunhoffer

发给 fischer.hu@m-e-p.cn

2012-06-08 12:55

Fischer,

I noted this morning that a group of workers had come to our office to discuss salary problems.

What happened to the note of yesterday?

I want this signed back by Guo enfu, each supervisor and publically placed in their work shop.

Where is it?

Best regards,

Heinz.Fraunhoffer
General Manager

Mehler Engineered Products
(Suzhou)Co.,Ltd
2-5 lixin Rd.,3rd. South Area of Shengze Wujiang, Suzhou, China
Tel: +86-512-6351-1495
Mailto: Heinz.Fraunhoffer@m-e-p.cn
Website: www.m-e-p.cn

Chart 4: Email from Heinz Fraunhoffer to me on June 8th, 2012

Under the instruction of Heinz Fraunhoffer, I went to Production Department to meet Production Director Enfu Guo and other leaders. I asked them to sign on this “Production Staff feedback channel statement” and afterwards to publish it on the Production Department bulletin board inside factory. Both Enfu Guo and I were worried about the feedback of the production employees but we couldn’t change the mind of Heinz Fraunhoffer.

Shortly in the evening of June 8th, 2012, I heard the rumor from production employees: “The new German General Manager looks down upon Chinese workers”. I reported this to Heinz Fraunhoffer but he didn’t pay attention to it.

In August 2012, Heinz Fraunhoffer focused his control on blue collar employees. He asked Production Department publishing stricter regulations on work discipline, and he instructed IT Department to install 26 CCTV cameras inside factory. Before that, we had very few CCTV cameras in MEP China focusing only on security side.

Two CCTV cameras was installed in the lounge in factory. The lounge was used by production employees to have lunch and to have a rest (we had aircondition in this lounge). After all the CCTV cameras were installed in August 2012, Heinz Fraunhoffer instructed Liang Guo to publish a new regulation for lounge on August 23rd, 2012, the main contents were: No more than five employees could stay in lounge at the same time to have a rest; production employees were forbidden to enter electric room and monitoring room (both electric room and monitoring room had air condition) to have a rest.

I was deeply worried when I saw these new regulations and new CCTVs in factory. I knew blue collar employees were accumulating anger, but I couldn’t convince Heinz Fraunhoffer to pay attention to it.

Actually, Heinz Fraunhoffer treated me well, for example he convinced Mr. Fried Moeller (our new Chairman of Board) to pay my tuition for DBA Study in Durham. So I think that I should support him to avoid mistakes. I decided to refer to him again the strikes in MEP China.

When I reported to him again there were two strikes in 2009 and 2010 in MEP China, Heinz Fraunhoffer told me: the both strikes attributed to bad and weak management. He said to me: “If the management is strong enough, there will never be a strike in the future in our company.”

6.3 The Strike against General Manager Heinz Fraunhoffer in Sep 2012

Blue collar employees, especially blue collar employees in Production Department were indignant at the new regulations published by MEP China. Especially, they hated the new installed 26 CCTV cameras which were surrounding them.

On Sep 10th, 2012, during the lunch time, five blue collar employees of Production Department (Zhaochun Zhang, Mingyong Zheng, Qiguo Yin, Xing'an Qi and Jinli Wang) were having a rest in factory lounge. They were discussing the new installed 26 CCTV cameras in the factory and became more and more angry. Suddenly, Zhaochun Zhang started to attack one of the two CCTV cameras installed in factory lounge. After a while, Mingyong Zheng, Qiguo Yin and Xing'an Qi stood up to help Zhaochun Zhang to destroy both two CCTV cameras installed in factory lounge. Jinli Wang didn't join them to destroy CCTV cameras, but he also didn't stop his colleagues' action. All these images were recoded by the two CCTV cameras installed in factory lounge before they were totally destroyed.

This act of sabotage was reported step by step to Heinz Fraunhoffer. After checking the video by himself, Heinz Fraunhoffer instructed Admin/HR Department in the afternoon of Sep 10th, 2012 to fire all these five employees immediately (Jingli Wang wasn't fired later because Admin/HR Department found that he didn't join others to destroy CCTV cameras, he got a written "big punishment"), without giving them any compensation (for firing them).

After receiving the message that these five employees were fired without any compensation, some blue collar employees in Production Department gathered in front of the office building in the evening of that day to protest, in order to support these five fired employees. Heinz Fraunhoffer had left the company before so he didn't saw this protest. I reported him the situation by telephone. He just instructed through the telephone: all the employees who took part in the strike would be fired, without any compensation.

Production was partly stopped starting that evening. On Sep 11th, 2012, Blue collar employees in Production Department stopped all the machines in the factory and strike officially.

Actually, on Sep 11th, 2012, both Richard Grobauer and Heinz Fraunhoffer were in a hotel near MEP China (Richard Grobauer was visiting China those days). When I drove to that hotel to report the strike to them face to face, Richard Grobauer was serious but Heinz Fraunhoffer was very calm. He told Richard Grobauer and me, he was waiting for this strike, and he was prepared to this strike. He said he would use this strike to change MEP China totally.

According to the suggestion of Heinz Fraunhoffer, Richard Grobauer cancelled his meeting in MEP China on that day. Richard Grobauer, Heinz Fraunhoffer and I went to Shengze Town

Government that afternoon to visit Town Mayer Mr. Wang.

I drove Richard Grobauer and Heinz Fraunhoffer to Shengze Town Government. On the way, Heinz Fraunhoffer told Richard Grobauer, he would persuade the local government to support us to overcome this strike. “If they decide to help us, they will overcome this strike easily... The government will even use army to suppress the striking employees, if they think it is necessary...” said Heinz Fraunhoffer. Richard Grobauer was obviously encouraged by him.

I didn't agree with the opinion of Heinz Fraunhoffer concerning the position of the local government, I thought that he was too optimistic. But I couldn't argue with him. He was my boss at that time, and he was deeply trusted by Richard Grobauer. If Dr. Jurgen Kern was still in the company, I would report my private opinion to Dr. Jurgen Kern, because I know he trusted me and would support me. But at that time, Dr. Jurgen Kern was just fired and no one would support me in the Board.

Heinz Fraunhoffer was wrong, because it was already in 2012, not in 1992, not even in 2002. China started to open to the world in 1980s. At the beginning, China urgently needed the technology and funds from western countries, so the central government and local governments tried their best to protect and support foreign investment. Foreign invested companies actually enjoyed super-national treatment in China in 1980s, in 1990s and in early 2000s. For example, the enterprise income tax rate for most foreign invested companies (for example the foreign invested companies registered in economy and technology development zones) was 15% before Jan 1st, 2008, comparing to 33% for other companies in China. If it was in 1992 or 2002, it was really possible that the government would suppress a strike in a foreign invested company, in order to “protect investment environment”. But, it was in 2012, China government had already adjusted its strategy on foreign investment, foreign invested companies had lost their super-national treatment. Especially after the “Labour Contract Law” took effect on Jan 1st, 2008, when there was dispute between employees and foreign invested companies, the government would normally stay on a neutral position (or even stand on the position of employees). Heinz Fraunhoffer came to China to manage foreign invested companies very early, he had enjoyed the times that foreign invested companies was protected and supported by the government, but he didn't realize that the time had changed.

Shengze Town Mayer Mr. Wang met us in his office. We were astonished to be informed by him: he knew this strike on internet before we visited him. I reported to him the background and details of this strike, afterwards Heinz Fraunhoffer requested him to suppress this strike. Mr.

Wang told us he had no right to do so (to suppress this strike), and he suggested us to negotiate with the employees.

Heinz Fraunhoffer was obviously dispirited after the meeting with Mr. Wang. When I drove Richard Grobauer and Heinz Fraunhoffer back to the hotel, Heinz Fraunhoffer suggested Richard Grobauer to move our factory out of Shengze Town. He suggested Richard Grobauer to rebuild a new MEP China in the city of Taicang, a city in the northeast direction, and 100 kilometers away from Shengze Town. “The local government of Taicang is kind to foreign investors, especially they welcome German investors. This kind of strike will never happen in Taicang.” Heinz Fraunhoffer said, and he insisted that he wouldn’t yield to the striking employees. This time, Richard Grobauer kept serious and silent, didn’t make any comments on the suggestion of Heinz Fraunhoffer.

I felt very bad. Firstly, I found, Heinz Fraunhoffer started to aim at local government, not the strike itself; secondly, I thought that it was totally crazy to move our factory out of Shengze Town, because as CFO I knew the cost to move the whole factory was incredible.

After the dinner together with Richard Grobauer and Heinz Fraunhoffer in the hotel, I drove back to MEP China to see the situation. I arrived at MEP China at 21:00 PM, and striking employees had already gone home. But I found a big placard in front of the company main door, with slogans on it: “Fraunhoffer get out!” “Give back our rights!” “Foreigners look down upon Chinese!”

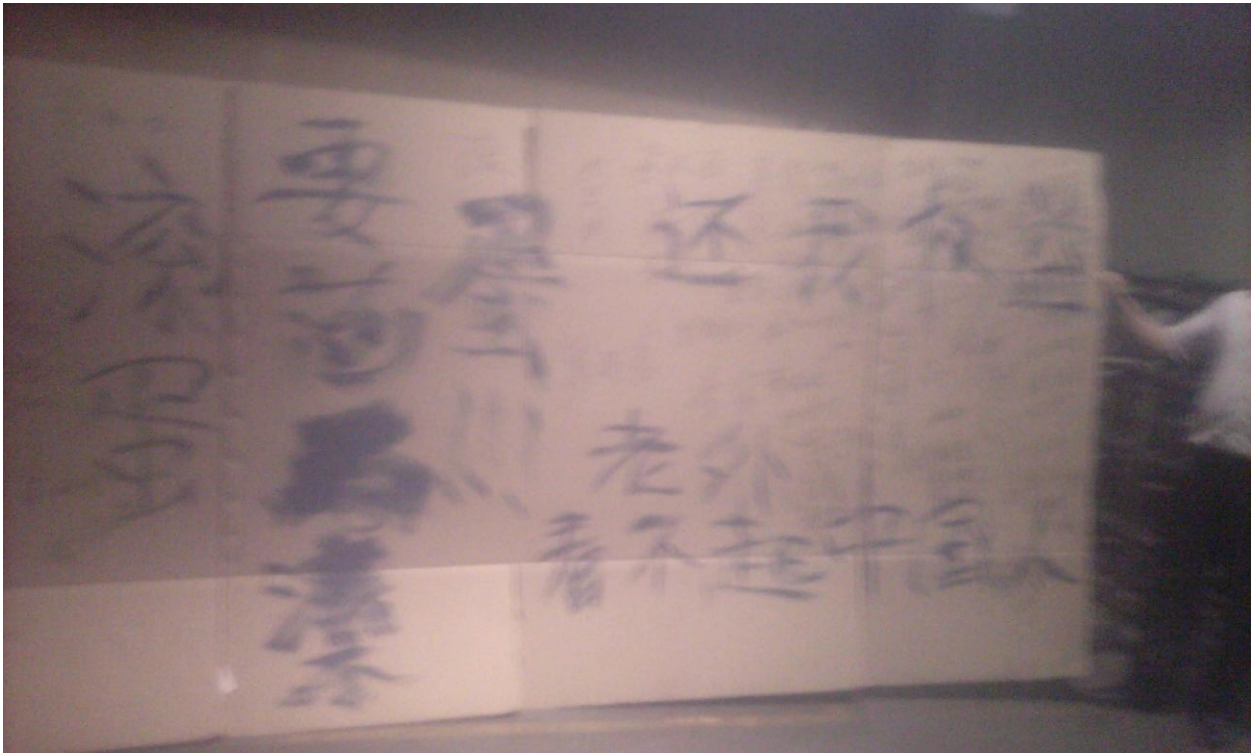


Chart 4: Placard made by the striking employees on Sep 11th, 2012

I made photos by my handy and sent them to Richard Grobauer and Heinz Fraunhoffer, and reported them by telephone the situation I saw.

In the morning of Sep 12th, 2012, Richard Grobauer and Heinz Fraunhoffer didn't come to MEP China. Heinz Fraunhoffer sent me three letters by email: "To Employees", "To Mr. Wang", "To Wujiang Union". He asked me to send these letters out.

The words in these three letters were quite extreme, especially in the letter to Shengze Town Mayer Mr. Wang. I hesitated to send them out. So I firstly send these three letters to our lawyers in Roedl & Partner Law Firm (a German Law Firm), asking them to give me some feedback. I hoped that our lawyers would veto these letters, but the lawyers kept silent, without giving me any feedback. On 18:10 PM, I sent these letters to Richard Grobauer, asking his written approval to publish / send out these letters. Richard Grobauer replied to me: "Ok to me. Please proceed as per instruction of Mr. Fraunhoffer." Thus I had no excuse to delay. I had to publish the first letter to employee, send out the second letter to Shengze Town Mayer Mr. Wang, and send out the third letter to "Wujiang District Federation of Trade Unions" around 20:30 PM using the official company email address of MEP China.

The letter to all employees stated that:

“To All Employees

You have started a strike on Sept. 11, with unreasonable demands and anti foreign slogans and personal insult.

This is illegal according to Chinese law and against our company rules, that very clearly that whoever strikes will be fired.

Your action has lost us our largest customer, and our order and production will only be half as much as before. With your action you force us to reduce our workers by half.

Additionally, your union leader is not legally appointed. We will charge him in court for inciting a riot.

As for all of you, we give you 24 hours to return to work. There will be no salary for each day you are on strike.

As a warning, the following people are fired with immediate effect:

Zhao Yuli

Xu Huayun

Yang Chengjun

Ye Naigang

Ding Liang

This is the instruction!

H. Fraunhoffer

GM MEP Suzhou

Sep 12th, 2012 Wednesday”

The letter to Shengze Town Mayer Mr. Wang stated that:

“Dear Mayor Wang,

Thank you for your time and consideration of our Mehler Co. situation.

Yesterday our workers have posted in our company their demands, and have used some anti foreign slogans, like “Foreigners leave our country” and “Foreigners disregard Chinese”.

Their leader, Mr. Zhao Yuli, is not the rightful representative of the Labour Union, and is acting in his own interest and inciting a riot and strike.

This is highly illegal and we will take action against him personally, other than firing him.

We have posted our opinion in our company and have started to fire the first strikers.

We will continue with this action until workers resume their work or we need to shut down the factory.

On Thursday afternoon, we will hold a press conference with foreign journalists and will invite them to our factory to see the situation for themselves as well as the anti foreign language, to which we strongly object.

Yours sincerely,

H. Fraunhoffer
GM Mehler Suzhou”

The letter to “Wujiang District Federation of Trade Unions” stated that:

“Dear Union Leader Wujiang,

Thank you for visiting us last time.

Yesterday our workers started to strike and have posted in our company their demands, and have used some anti foreign slogans, like “Foreigners leave our country” and “Foreigners disregard Chinese”. One of their demands is to replace the present GM.

There are no issues or reasons for strike, our company has even offered a 5 day working week instead of 7 days and have offered full compensation (same pay per month).

This has been ignored by the Union, instead they unreasonable demands and personal insults.

Their leader, Mr. Zhao Yuli, is not the rightful representative of the Labour Union and is acting in his own interest and inciting a riot and strike.

This is highly illegal and we will take action against him personally.

We have posted our opinion in our company and have started to fire the first strikers.

We will continue with this action until workers resume their work or we need to shut down the factory.

The behavior and the strike has caused our company great losses, we have lost our main customer with half our production and consider closing the company, which will lead to 160 employees losing their job.

On Thursday afternoon, we will hold a press conference with foreign journalists and will invite them to our factory to see the situation for themselves as well as the anti foreign language, to which we strongly object.

We hope that it is also in your interest to keep to social peace in Shengze and have no negative internet and newspaper articles.

Yours sincerely,

H. Fraunhoffer

GM Mehler Suzhou”

Blue collar employees in Production Department kept striking on Sep 13th, 2012, both Richard Grobauer and Heinz Fraunhoffer didn't come to MEP China yet. In the afternoon, Heinz Fraunhoffer instructed Admin/HR Department to send a notification to all employees:

“Dear all:

The strike is onle involved in the production department staff (except XU Qiufen, SUN Changjiang, QIN Shanyi, CHEN Yan) and ZHAO Yuli;

Other employees (except the security people) should work at home, but need to keep communication open all the time.

Because the security need to guard at the workplace, the company admitted all their working hours and overtime hours.

During other employees without production department working at home, the company admit all their working hours and will pay the normal attendance accounting.

All those involved in the strike of the employees of the production department must return to work within 24 hours, or the company have right to terminate their labor contracts and labor relations at any time.

Hereby Declare.

MEP ”

In the morning of Sep 13th, 2012, after reading our letter, Shengze Town Mayer Mr. Wang

telephoned me to express his position: MEP China should send its authorized representative to work together with the local government and negotiate with striking employees face to face ASAP. The local government had sent its team to MEP China several times to discuss with striking employees and supports the employees' opinion to discuss the dismissal and compensation issue according to "Labour Contract Law".

Mr. Wang told me, he was unhappy after reading the letter written by Heinz Fraunhoffer and he thought that Heinz Fraunhoffer "knows nothing about Chinese employees". He told me that he wouldn't contact Heinz Fraunhoffer and he would contact Richard Grobauer directly.

On Sep 14th, 2012 9:47 AM, Mr. Wang sent an email only to Richard Grobauer (not copying anyone else) in the name of "Shengze People's Government". Richard Grobauer replied his email at 17:59 PM, copying Heinz Fraunhoffer and me. In the replying email of Richard Grobauer, I knew the contents of the email of Mr. Wang.

Mr. Wang wrote:

"Dear Mr. Grobauer and MEP Board of Directors:

Mehler Engineered Products is a wholly Germany-funded company of MEP which is located in Shengze Town, Suzhou City, Jiangsu Province, China. Thanks very much for the good cooperation of so many years between us, and also you are appreciated for the great contribution you made to our town.

On the morning of Sep.11, some employees from Mehler went on a strike due to some disagreement caused by the dismiss of some employees. This strike has lasted up to now 4 days. Shengze People's Government paid much attention on it and organized a team included Labor Union, labor security office, judicial branch and industrial department to coordinate with this matter. We came to Mehler many times, and now we have a general understanding of the demands of the employees.

1. The management team of Mehler must dismiss employees according to the Labor Law of China and make necessary compensation.

2. The employees hope that the management team must negotiate this matter with the employees directly, so the production can be returned to normal and the loss will be minimized. But now the management team of Mehler has withdrawn from the factory out of safety reason. They didn't negotiate with the employees and didn't attend the meeting organized by the government. Moreover, on Sep.12, the general manager has sent "To All Employees" which

exaggerated the matter. Currently, the factory hasn't stopped the strike, and the matter may go to extreme.

We sincerely hope that after you received this E-mail, you can send someone to deal this matter with the government. We believe that through our hardwork, the matter can be solved successfully and both our interests can be maintained.

Contact Mobil: 18662116155 Meredith Hu

Sincerely

Shengze People's Government

Sep.14, 2012”

Richard Grobauer replied:

“Hello Mr. Wang Yibing and Shengze Peoples government,

thanks for your information letter and the meeting we had earlier this week together with Mr. Fraunhoffer and Hr. Hu in your office at Shengze.

Mr. Fraunhoffer is our GM in charge and I follow his decisions 100%.

Moreover I think you missed some statements in your letter because to me situation is as follows:

- Someone has been fired because he damaged our equipment, was lazy and refused to work
- Hooligans under the leadership of Zhao Yuli were imprisoning our Chinese Management and 7 Germans by blocking the exits, your police did nothing to assist us.
- Hooligans have destroyed equipment and threatened our office staff and management and blackmailing us into paying compensation

What do you think

- Shall we as foreign investors accept that employees are damaging our equipment and we should thank this guy and give him compensation????? We are not crazy and will not do !!!!

You as a government official should be most concerned about

- Chinese employees are illegally on strike and causing us huge damage to our business
- Chinese employees have printed anti foreign slogans such as “kick foreigners out” on the wall,
- Formerly union leader from our company is acting illegal and forcing others to strike, this is a call to civil unrest, which I believe the Chinese government does not tolerate, unless you are of different opinion
- Chinese employees have threatened German and Chinese management
- I had to protect my German and Chinese employees and sent them home
- Chinese workers have meanwhile destroyed more equipment in our factory, has your police even checked or charged anyone with this crime
- Chinese employees meanwhile are threatening our Chinese management and those employees who would be willing to work and do not let them come back to work

I would expect that you support us quickly and do immediate action in

- Protecting the company and our investments with your police at once
- Explaining Mehler striking workers that it is illegal to destroy equipment and not follow the rules of the company, and think they get compensation for aggressive and threatening behavior
- Arrest employees who are not following the laws of China and destroying company equipment
- That you support us to tell people strike is illegal and we are obliged to fire people because of that, not just be a messenger of Chinese Labour Union
- That you protect with your police Chinese management and employees and german management as long as required, when workers want to return to work

For more details you can call Mr. Fraunhoffer – GM in charge, to explain in more detail what we are expecting to save our investments and lives. He has our full support and acts in total coordination and according to the wished of our board of directors and owners.

I am currently talking to german government people who are very interested and most concerned about this situation.

Until now we have stopped our efforts with the German press and government contacts in Suzhou in the hope that you would actively support us and clearly be on the side of the law. Should you not be able to gain control of local hooligans and a rioting mob with anti foreign slogans, than we need to resort to other authorities to help us.

Regardless of this, we have already lost business and will have to decrease our work force by more than 20 people.

Best Regards

Richard Grobauer”

After reading both emails, I felt even worse than the days before. I was not sure who indeed wrote that email to reply Mr. Wang - I guessed that the real writer was Heinz Fraunhoffer. But, anyway, that email was sent out in the name of Richard Grobauer and stood for the Board. That letter criticized local government directly and threatened that “I am currently talking to german government people who are very interested and most concerned about this situation”, this wasn’t helpful for us to get the support of local government.

Richard Grobauer didn’t come to the factory and I didn’t know from whom he got the information below:

“Hooligans under the leadership of Zhao Yuli were imprisoning our Chinese Management and 7 Germans by blocking the exits, your police did nothing to assist us.”

This was not true. Striking employees gathered in front of the company main door, but didn’t block the door. Write collar employees still could enter or leave the company, including me. “Imprisoning our Chinese Management” didn’t exist at all.

“Chinese workers have meanwhile destroyed more equipment in our factory, has your police even checked or charged anyone with this crime”

Actually, except the two CCTV camaras destroyed on Sep 10th, 2012, after the strike, we found that only a refrigerator was damaged (not totally destroyed) in the factory lounge, there was no damage on the manufacturing equipments.

In that night, Mr. Wang telephoned me after he read the email replied by Richard Grobauer. He was astonished to read that email and complain to me: “It’s not possible to communicate with your German bosses.”

Anyway, Mr. Wang still informed me that:

1. Starting Sep 14th, 2012, the local government would send policemen each day to MEP China (2-4 policemen would on duty) to protect the property of MEP China;

2. The 4 employees who destroyed our property (two CCTV Camaras) in factory lounge were being investigated by local police;

3. The local government would protect the security of the management team of MEP China;

4. The local government had built a team "Coordination Team for MEP China" and requested MEP China to send its authorized representative to work together with this team.

I reported those infomations to Richard Grobauer and Heinz Fraunhoffer. Afterwards, I asked them, should I work together with the government team as authorized representative of MEP China? Richard Grobauer and Heinz Fraunhoffer told me “No”, they insisted that Heinz Fraunhoffer was the only person standing for MEP China. But, Heinz Fraunhoffer refused to work together with the government team by himself.

Since Richard Grobauer and Heinz Fraunhoffer still refused to negotiate with the striking employees, I also couldn’t negotiate with the striking employees officially. But I kept talking with them to know their opinions.

Also on Sep 14th, 2012, Heinz Fraunhoffer instructed Admin/HR Manager Jing Li to hire 30-40 new blue collar employees as soon as possible to replace all the striking employees. But it was impossible to find so many employees in short time.

On Sep 15th, 2012 11:39 AM, Shengze People’s Government addressed another email to Heinz Fraunhoffer, without copying anyone else. Heinz Fraunhoffer forwarded that email to me and instructed me to contact Mr. Wang again.

Shengze People’s Government wrote (Fan was the Chinese name of Heinz Fraunhoffer):

“Dear Mr. Grobauer, Mr. Fan and the MEP Board of Directors:

Thanks for the information letter yesterday. As for some detailed information in your letter, because formerly the management team hasn't provided detailed information for us, we may not get a whole picture of the matter. According to the requests of your company, we are asked some departments to have a serious investigation of the whole matter. We believe that with your active cooperation, an objective, fair and detailed fact can be gained. As for several measures you hope we to take in your letter, we have already organized judicial branch, Labour Union, industrial department, police station and the legal counsel to investigate seriously and applied as follow:

1. As for the safety of the company property, the police have already assisting the security guards of Mehler to protect the property 24 hours no stop from 14th, Sep. We also hope that the management team of your company will cooperate with the police to target the property so that the police will take more effective measures to protect.

2. As for the German and Chinese management team you cared about, we are certain to take measures to protect them to assure their safety.

3. As for the firing and following firing of the employees, as government, we request you to deal with it according to Labor Law of China. We will give you our possible support and coordination.

4. As for your request to “arrest employees who are not following the laws of China and destroying company equipment”, the local police will deal with it according to the relevant laws and regulations of China after a detailed investigation.

5. As regard to the fact that the factory is still not function, we hope that the management team and Mr. Fan can contact us soon. On the condition that the safety of relevant people are assured, we will organize the factory and the employees to recover rational dialogue to realize mutual hope that the factory can be function normally as soon as possible.

Last but not least, we hope that after you received our letter, you can together with Shengze People's Government to deal with the matter. We believe that through our active communication and hardwork, we can minimize this crisis and your company will certain have an even brighter future in Shengze.

People to contact:

Hui Zhang

Deputy Director of Economic and Development Bureau of Shengze

E-mail:wjzhangh@126.com

Mobile: 13952416687

E-mail: 108398687@qq.com

Meredith Hu (English) Mobile: 18662116155

Coordination Team of Mehler Engineered Products

Shenzge People's Government

Sep.15th, 2012”

Heinz Fraunhoffer instructed me:

“Pls call mayor and tell him thanks.

We know that the majority of workers want to come back, and they feel threatened by guys from Jiangsu.

Ask him if he can protect them.

Also, we have fired people by Chinese law, it is illegal to strike and cause damage and riots, and firing them is the first step. Police need to take second step.

Also, I want all workers out of company, the strikers should not be allowed in. Can Mayor and Police handle this?”

Under the instruction of Heinz Fraunhoffer, I called Mr. Wang in Shenzge People's Government. Mr. Wang promised to me that the police would protect all employees who want to come back to work. I reported this information to Richard Grobauer and Heinz Fraunhoffer.

After receiving my message, Heinz Fraunhoffer sent email to Liang Guo, Jing Li, Richard

Grobauer and me:

“Dear all,

I heard that workers want to come back to work.

Pls make sure of the following steps:

1. Mayor promised he will protect those workers in our factory and at their homes if they have trouble
2. We will let only those workers in who work, anyone not working call the police immediately and remove them.
3. By Monday morning, the second warning should be sent out to those workers that have not come to work.
4. Handbook should be ready, I want to discuss with Shirley (Jing Li) before we let each employee sign it.
5. By Monday, we will officially fire all workers that have not come to work or those I will chose and send you a list.
6. You may come to work and get the whole office staff to work when workers start to work and everything seems normal and safe. That does not necessarily need to be on Monday, wait for our instructions on that.

Best regards,

Heinz Fraunhoffer

General Manager

Mehler Engineered Products”

Afterwards, Jing Li sent email to all employees in the name of the company at 19:02 PM:

“Dear all:

The strike event handling progress notification follows.

We reach a consensus after consultation with town leaders and relevant government units.
It will formally resume production at 9:00 on next Monday (Sep 17th).
Mr GUO Liang responsible for the detail arrangement.

We will fire all the employees who refuse resume production next Monday.

Mayor promised they will protect those workers in our factory and at their homes if they have trouble.

There will be another notice about when the white-collar employees resume normal work.

Hereby Declare~!

MEP”

On Sep 16th, 2012 Sunday, under the instruction of Heinz Fraunhoffer, I telephoned Mr. Wang to inform the government that MEP China planned to resume the production on Sep 17th, 2012 Monday morning.

Mr. Wang promised me again that the police would protect all employees who want to come back to work. The government would support MEP Suzhou to resume the production.

On Sep 17th, 2012 Monday, at 9:30 AM, Liang Guo, Production Managers and more than 10 employees prepared the production and started to run 4 twisting machines afterwards at 10:30 AM. No more blue collar employees came back to work.

Under the approval of Heinz Fraunhoffer, at 11:00 AM, Mr. Guo, Ms. Lu (Sales Manager) and I visited Mr. Hui Zhang (Vice Chief of Shengze Economic Development and Reform Bureau, the Representative of Mayor Mr. Wang), Mr. Zhou (Chairman of Shangze Town Federation of Trade Unions) and some other government officials.

Mr. Zhang told us: MEP China should send its authorized representative (who has right to make decision) to work together with the local government and negotiate with striking employees face to face ASAP.

When we came back to MEP China at 12:30 PM, the 4 twisting machines (which were swiched on in this morning) were stopped. No one worked in factory.

In the afternoon, under the instruction of Heinz Fraunhoffer, Jing Li sent email to all

employees at 15:53 PM to announce:

“Dear all:

All the employees to resume production on Sep 17th (Monday), will not be investigated for their involvement in the strike, will not be dismissed.

But once identified who incited the strike, or hit or damaged to company property regardless of the value, will be expelled immediately.

Hereby Declare!

MEP”

At 16:34 PM, Heinz Fraunhoffer forwarded me one email. The original email was in German language, addressing to the Board, inscribed in the name “MEPSUZHOU LABOUR UNION”.

In this German email, Heinz Fraunhoffer was described as a “rogue” (“Schurkenstaat” in original German), breaking Chinese laws and disrespecting Chinese employees. The writer appealed the Board to replace Heinz Fraunhoffer to a new General Manager, and to pay compensation to fired employees. Heinz Fraunhoffer regarded this email “100% bullshit”.

On Sep 18th, 2012 Tuesday, MEP China still had difficulties to resume the production. Under the instruction of Heinz Fraunhoffer, I telephoned Mr. Wang (the Mayor) to arrange an interview for Mr. Philipp Mattheis from Wirtschafts Woche (a German magazine) on Sep 19th, 2012.

Mr. Wang told me that he wouldn't be in Shengze on Sep 19th, 2012. Mr. Zhang and other officials will meet Mr. Philipp Mattheis on Sep 19th, 2012.

On Sep 19th, 2012 Wednesday Morning: Mr. Philipp Mattheis (together with his Chinese assistant) and I visited Shengze People's Government to meet Mr. Zhang and other officials.

During the interview, Mr. Zhang insisted that MEP China should send its authorized representative (who has right to make decision) to work together with the local government to resume the production ASAP.

I telephoned Heinz Fraunhoffer to report the situation of this meeting / interview in Shengze People's Government. Heinz Fraunhoffer sent his authorization E-mail to Mr. Guo and me with

limited authorization:

“Hereby we authorize Mr. Hu, Finance Director and Mr. Guo Liang, Director of Operations to represent the company in this afternoon meeting.

They can reconfirm that the company will not fire any workers that have struck as long as they return to work.

The company does not authorize them to discuss any compensation or give any further guarantees.

Best regards,
Heinz Fraunhoffer
General Manager
Mehler Engineered Products”

After receiving the authorization E-mail from Heinz Fraunhoffer, I discussed with Mr. Zhang (Vice Chief of Shengze Economic Development and Reform Bureau, the Representative of Mayor Mr. Wang) and Mr. Zhou (Chairman of Shangze Town Federation of Trade Unions) to reach the agreement with the government:

"1. The employees must resume the production RIGHT NOW;

2. All the issues concerning dismissions in MEP China will be settled according to Chinese Laws (especially Labor Contact Law) and the local government will involve directly;

3. The 3 parties meeting will be arranged on Sep 19th, 2012 14:30 PM in MEP China. The government, the company (Mr. Hu and Mr. Guo) and the employees will attend the meeting to negotiate face to face."

We had the 3 parties meeting on time, but because the employees raised some unreasonable requests on the meeting (for example the employees request Heinz Fraunhoffer to apologize officially), there was no agreement with the employees.

During the meeting, I invited Mr. Zhou (Chairman of Shangze Town Federation of Trade

Unions) to speak privately out of the meeting room and reached an agreement with Mr. Zhou:

"1. Mr. Zhou, as the Chairman of Shangze Town Federation of Trade Unions, admits that he finds some extreme employees (including Mr. Yuli Zhao) have no wish to resume the production.

2. Mr. Zhou and other officials will telephone these extreme employees (including Mr. Yuli Zhao) privately to warn them after the meeting.

3. These extreme employees (including Mr. Yuli Zhao) will be warned: if they don't agree to resume the production ASAP, they will be investigated by police."

After the meeting, Mr. Zhou really did his job to warn these extreme employees. 18:15 PM, Mr. Yuli Zhao sent SMS to me to agree to resume production on Sep 20th, 2012.

On Sep 20th, 2012 Thursday, Mr. Zhang (Vice Chief of Shengze Economic Development and Reform Bureau, the Representative of Mayor Mr. Wang) telephoned me in the morning to tell me that, some employees found an Chinese article on Internet concerning Heinz Fraunhoffer's former tasks in China (including to close some German factories in China) and believed that Heinz Fraunhoffer would close MEP China soon, so all the employees changed their mind and refused to work again.

I read that Chinese article on internet quickly and informed Mr. Zhang: this article was published in 2009 and had nothing to do with Mr. Fruanhoffer's current job in MEP China. I, as one of the top management in MEP China, never received any information from our Board to plan to close MEP China. MEP China would operate in Shengze in the coming years.

After my reply, Mr. Zhang promised me that the government would explain the misunderstanding to the employees and the government would use all kinds of methods to force our employees to resume the production ASAP.

15:50 PM, we received the E-mail of Mr. Guo. Mr. Guo informed us: "After the Shengze Government's hard work the operators started the production."

The strike finished. Both blue collar employees and white collar employees started to work normally. But Heinz Fraunhoffer didn't come back MEP China. We kept contacts with him by Email.

The compensation problem concerning the fired employees wasn't solved yet.

On Sep 25th, 2012, Jing Li sent an email to Heinz Fraunhoffer to report:

“Dear Mr Fraunhoffer:

Today all the people we fired between 9/10~9/19 ask for the processing results, they also came to express their demands and opinions.

ZHAO Yuli said he agree to leave but he think we expelled him is unreasonable, according to the labor contract law we must pay the compensation.

XU Huayun and YANG Chengjun's situation is the same as ZHAO Yuli.

DING Liang gave us the doctor's certificate and we also revoked his punish so I suggest to agree he continue to sick leave, while the strike also dispose as sick leave.

ZHENG Mingyong and ZHANG Zhaochun were fired because of destroyed the company property so that they accept the punishment.

If there's no problem I will separate their exit procedure tomorrow.

YIN Qiguo and QI Xing'an want to resume work and they insist they didn't participated in destroyed the company property.

WANG Jinli doesn't accept the punishment record a serious demerit.

In my opinion, we can give some of them another chance to work in our company if they are always work hard before but need to sign a guarantee.

Best Wishes~~!

Mehler Engineered Products (Suzhou) Co., Ltd.

Admin and HR Manager

LI Jing ”

The reply from Heinz Fraunhoffer kept firm:

“Pls tell anyone in writing that the people that are fired stay fired, no compensation.

Anyone who goes on strike cancels their contract with us, therefore we fire them.

Tell them they will not get paid in future, and we will ask the police to remove them from our factory.

Best regards,
Heinz Fraunhoffer
General Manager
Mehler Engineered Products”

Heinz Fraunhoffer also copied this email to Richard Grobauer. Unexpectedly, Richard Grobauer (who had flighted to Germany and was in Germany then) replied this email to Liang Guo, Jing Li, Fried Moeller, Harry Keuler and me, but not to Heinz Fraunhoffer:

“Dear all,
please do not communicate attached message to the operators and wait for further instructions from the Board of Directors Mr. Möller, Mr. Keuler, Mr. Grobauer.

Best Regards
Richard Grobauer”

On Sep 26th, 2012, Richard Grobauer sent another email to Liang Guo, Fried Moeller, Harry Keuler and me in the name of “Empowerment for negotiations with government about the cases of fired employees”, also without copying Heinz Fraunhoffer:

“Dear mr. Hu and mr. Guo,

Hereby, we as the board of directors after a joint meeting yesterday empower both of you to negotiate together with the government all the cases of fired employees in the name of the company.

Best regards

Message sent by mobile

Best Regards

Richard Grobauer”

With the empowerment from the Board, on Sep 27th, 2012 morning 10:30 AM we (Liang Guo, Jing Li and I) had a meeting with Mr. Wang (Shengze Town Mayor), Mr. Zhang (Vice Direct of Economic Development and Reform Bureau) in Shengze Government. The former head of Shengze Police also joined the meeting later.

We expressed our opinion to the government and got the understanding of the government.

After the three different meetings on Sep 27th, 2012 with government and ten fired employees, we had reached settlements with 9 employees.

The settlements were based on the opinions of the government. The only one we couldn't reach a settlement is Mr. Yuli Zhao, the MEP China Labour Union Chairman.

The settlements were:

“1. SHEN Damin, fired on Sep 10th, 2012 in the name "Bad Performance"

Settlement: We fire him with n+1 months' salary compensation (n means the years he has worked in MEP China) .

2. XU Huayun, fired on Sep 12th, 2012 in the name "Strike"

Settlement: He agrees to leave after we pay him 81 K CNY compensation for his finger injured in work.

3. YANG Chengjun, fired on Sep 12th, 2012 in the name "Strike"

Settlement: He is one of the few employees who can operate M8 Dipping Machine. Production Department needs him. He agrees to come back to work after we give him an unlimited period contract and pay him salary for last week and this week.

4. YE Naigang, fired on Sep 12th, 2012 in the name "Strike"

Settlement: We apologized to him because he didn't strike at all. He was on leave when the strike happened. He comes back to work now.

5. DING Liang, fired on Sep 12th, 2012 in the name "Strike"

Settlement: We apologized to him because he didn't strike at all. He was on sick leave when the strike happened. He is still in sick leave and will come back to work later.

6. ZHANG Zhaochun, fired on Sep 10th, 2012 in the name "Damage the CCTV Camares"

Settlement: We fire him with the support of government. He must pay the damage to the company. To avoid that he becomes a trouble maker, the government asks us to pay him 3 months salary to save his family.

7. ZHENG Mingyong, fired on Sep 10th, 2012 in the name "Damage the CCTV Camares"

Settlement: We fire him with the support of government. He must pay the damage to the company. To avoid that he becomes a trouble maker, the government asks us to pay him 2 months salary to save his family.

8. YIN Qiguo, fired on Sep 10th, 2012 in the name "Damage the CCTV Camares"

Settlement: He insists that he was in factory lounge but he didn't damage the CCTV Camares. We check with police and there is not enough proof to punish him. He will come back to work.

9. QI Xing'an, fired on Sep 10th, 2012 in the name "Damage the Dining-room"

Settlement: He insists that he was in factory lounge but he didn't damage the CCTV Camares. We check with police and there is not enough proof to punish him. He will come back to work.”

The only problem was Yuli Zhao (MEP China Labour Union Chairman), he was fired on Sep 12th, 2012 in the name "Strike".

Yuli Zhao insisted that he was not the organizer of the strike, so we fired him illegally. He asked for a 45 months salary compensation (about 0.54 Million CNY) otherwise he would sue MEP China the next day.

No one in MEP China would accept his request, and no one in government would support him. Both the government and MEP China only wanted to pay him 11 months salary to get rid of him. Yuli Zhao refused and we stopped the discussion with him.

After the meeting, Mr. Zhang from government informed me: If Yuli Zhao would sue us the next day, maybe he would win because MEP China had no proof to convince the judge that Yuli Zhao was the organizer of the strike. To avoid this situation, MEP China should cancel our decision (to fire him) within the day, thus he would have no base to sue us.

I reported all these to Richard Grobauer, he agreed our settlement with the 9 employees, and agreed to cancel our decision to fire Yuli Zhao.

After Sep 25th, 2012, I received no more email and telephone from Heinz Fraunhoffer. Mr. Axel Gutmann (Finance Director of MEP OLBO Group as well as Supervisor of MEP China) informed later that Heinz Fraunhoffer left MEP China because the Board denied his plan to close MEP China in Shengze and rebuild a new factory in Taicang.

6.4 Case Analysis on the Strike in Sep 2012

The strike in Sep 2012 in MEP China was an intransigence. Experienced employees showed their ability to organize a new strike to fight the sole General Manager Heinz Fraunhoffer, even without the support from anyone in Management and without a legal Labour Union Committee. Former Commercial General Manager Qinming Zhou, who had supported the strike in 2009 and the strike in 2010, left MEP China in April 2012; and in Sep 2012 there were only two Labour Union Committee Members left in MEP China, so there was no legal Labour Union Committee which could call on another strike. But employees still managed a strike in Sep 2012 to fight the sole General Manager Heinz Fraunhoffer.

Employees struck in Sep 2012 for their interest: their jobs and compensation after fired by the company. General Manager Heinz Fraunhoffer really had a plan to close current plant in Shengze and rebuild MEP China in another location. Heinz Fraunhoffer really had a plan to fire most employees. This time, employees “had to” strike.

Even I myself had to say, Heinz Fraunhoffer was too extreme. It was mainly his responsibility to cause the strike in Sep 2012.

Heinz Fraunhoffer announced that he would “bring rules and regulations back to this company.” Employees resisted his plan and struck (again after 2009 and 2010).

When I interviewed striking employees in Sep 2012, they spoke out frankly their motivation for strike.

“That foreigner (he means General Manager Heinz Fraunhoffer here) wants to fire all of us in Security Team and use one Security Company instead. He wants to push us to death. Let’s see who will go to death earlier! Fraunhoffer is so rude, so extreme! ” (Employee Mr. Yao, Security Team under Admin Department, Sep 12th, 2012)

(Unfortunately, “That foreigner (he means General Manager Heinz Fraunhoffer here) wants to fire all of us in Security Team and use one Security Company instead”, this was true. Heinz Fraunhoffer invited the boss of that Security Company to visit his office in MEP China to have a discussion. In order to keep secret, Heinz Fraunhoffer didn’t inform this to anyone else in MEP China including me. Only his private secretary knew this and arranged this meeting. But, when the boss of that Security Company came to MEP China, he drove his company car with marked company logo on his car. That Security Company was so famous in this area that almost all employees in MEP China knew its logo and its business: to supply outsourcing security service for local companies. Employees in Security Team realized immediately the plan of Heinz Fraunhoffer when they saw this car.)

“Fraunhoffer want to replace us (Security Team) with Security Company. What else can we do? We must fight! Fraunhoffer insults us Chinese employees. Foreigner must respect us Chinese employees. Here is China in 2012, not 100 years ago!” (Employee Mr. Dong, Security Team under Admin Department, Sep 12th, 2012)

(Unfortunately, Heinz Fraunhoffer really forbidded blue collar employees to enter the office building (to use the toilets inside office building) without permission, this was very easy for employees to regard it as an insult. 100 years ago means in 1900, in that year eight nations invaded China and occupied the capital Beijing, Germany was one of these eight nations. This history was emphasised in history textbook in China as a national humiliation.)

“Fraunhoffer is our enemy. This is a fighting for our living. Fraunhoffer fired some production employees without paying compensation, if we don’t fight, next time he will fire us without paying compensation too. I don’t want to work under CCTV cameras. ” (Employee Mr. Jianming Rong, Production Department, Sep 13th, 2012)

(“Compensation” was a key point in this strike. According to China Labour Contract Law, a company has the right to fire certain employees by negotiation to pay compensation. The standard for paying compensation is: paying employee one month average income for each year

he has worked in this company. Most blue collar employees had worked in MEP China for several years, if they were fired by negotiation process, they had the right to get quite high compensation. But, Heinz Fraunhoffer fired some employees in the name “breaking the company regulation”, in this case MEP China didn’t need to pay any compensation to the fired employees. Employees were afraid that more and more employees would be fired in the name “breaking the company regulation”. It would be easy for the company to find proofs for “breaking the company regulation” with new installed CCTV cameras. Actually, later in 2014, the new General Manager of MEP China fired almost all blue collar employees step by step and replaced them with outsourcing workers from a Human Resources Company, blue collar employees didn’t resist this time because they received very generous compensation for leaving MEP China, even higher than the standard required by Labour Contact Law in China.)

“We are human with human rights. We refuse to work under CCTV cameras. Fraunhoffer never treats us Chinese employees as human beings. Fraunhoffer want to destroy this company. We will not let him do it.” (Employee Mr. Wei Rong, Production Department, Sep 13th, 2012)

(Before Heinz Fraunhoffer came to MEP China, there were only several CCTV cameras in MEP China mainly for security need. Heinz Fraunhoffer instructed to install 26 new CCTV cameras (mainly in factory), covering all areas in factory, thus blue collar employees had the feeling “to be monitored”.)

“We want to protect our rights. We have human rights.” (Employee Mr. Fan, Production Department, Sep 14th, 2012)

“We are no longer weak Chinese as 100 years ago. We should protect us. Fraunhoffer has no right to fire employees without compensation.” (Employee Mr. Fan, Production Department, Sep 14th, 2012)

This time, some white collar employees supported Heinz Fraunhoffer publicly.

“Blue collar employees are crazy! They are spoiled! These blue collar employees just want to use strikes to achieve more and more personal interest. They want easy job and high salary.

Our company has a wrong culture. Such a good company is destroyed.” (Area Sales Manager Mrs. Lu, Sales Department, Sep 15th, 2012)

(It was interesting that during this strike, quite a lot white collar employees spoke out to support Heinz Fraunhoffer. White collar employees mainly kept silent during the strikes in 2009 and in 2010, but this time in the strike in Sep 2012 white collar employees had different opinions with blue collar employees. Most white collar employees were afraid that the endless strikes would hurt MEP China and hurt their jobs.)

The opinion of Heinz Fraunhoffer himself was:

“I want to bring rules and regulations back to this company, they don’t like it. They want that they can do whatever they want without anyone can punish them. Yes, I want to fire all the bad employees and rebuild this company. They know my plan from somewhere. This is not a secret. I announced this plan (to fire all the bad employees) to several department managers. I want to use this chance (strike) to close this plant and rebuild a new plant in a good location. This plant is dead, we have no chance. If the Board agrees with me, I will fire all the striking employees and close this plant now. We really have very very bad company culture here.”

(General Manager Heinz Fraunhoffer (by telephone discussion with me), Sep 15th, 2012)

(Unfortunately, Heinz Fraunhoffer didn’t convince the Board of MEP China to support his huge plan to fire all the striking employees and close this plant. Heinz Fraunhoffer left MEP China afterwards because the Board denied his plan to close MEP China in Shengze and rebuild a new factory in Taicang.)

6.5 What Can We Learn from this Strike in Sep 2012?

The strike in April 2009 against the new “Overtime Wage Calculation Method” was an “accident”, or we can say this is a “contact battle” between Technical General Manager Cindy Yu and blue collar employees in Production Department. The strike in April 2010 against Technical General Manager Frank Huang was somehow a well organized battle organized and prepared by employees (including some department managers) with pro-employees MEP China Labour Union Committee, as well as by Commercial General Manager Qinming Zhou.

The strike in Sep 2012 against General Manager Heinz Fraunhoffer, according to my

observation, wasn't organized or prepared by the employees or MEP China Labour Union Committee. General Manager Heinz Fraunhoffer initiatively provoked this "battle" with employees.

The impertinent actions from General Manager Heinz Fraunhoffer directly caused the Sep 2012 strike in MEP China. As a General Manager, he was too impatient and crude.

Yes, I agreed with him, after several years management under General Manager Qinming Zhou, the discipline in MEP China was very loose, especially the discipline for blue collar employees. This situation damaged the company. It was right to "bring rules and regulations back to this company." But, it always takes time for a reform to be successful. Heinz Fraunhoffer should be patient to change the unsatisfactory situation step by step. He shouldn't dream to change everything with several months, even several weeks.

Before Technical General Manager Frank Huang started his reform in 2010, he didn't say his enemies clearly enough. The failure of Frank Huang was regrettable. But for General Manager Heinz Fraunhoffer, before his reform, he knew his enemies clearly – I had reported him the discontent sentiment from employees several times, and had warned him several times there might be another strike. Heinz Fraunhoffer didn't pay attention to my opinion at all. He forbade blue collar employees to enter office building, installed 26 CCTV camares all at once to monitor blue collar employees, fired employees without any communication... Even in Chinese culture, he would be regarded as an arbitrary ruler. If he did the same thing in any other company, there also would be employee resistance.

On Sep 11th, 2012, after the employees started the strike, Heinz Fraunhoffer told Richard Grobauer and me, he was waiting for this strike, and he was prepared to this strike. He said he would use this strike to change MEP China totally. I didn't know whether this was his real idea, or just his conceal facing this strike. If this was his real idea, I had to say this was crazy. How could a General Manager to use a strike to control a company? This is too risky.

During the strike in Sep 2012, Heinz Fraunhoffer didn't cooperate with local Shengze Town Government, and he suggested to the Board of MEP China to close down the factory in Shengze and rebuild the factory of MEP China in another location (Taicang). According to my calculation, to close down the factory in Shengze and rebuild the factory of MEP China in Taicang would cost at least 100 milliun CNY, and the net profit of MEP China in 2011 was only 7.435 milliun CNY. Would German investors spend this 100 milliun CNY (more than 13 times of the net profit of MEP China in 2011) just to move a factory to another location? German

investors wanted to make profit in China, not wanted to spend money to fight employees or local government in China.

Now, let me answer my research questions based on this strike in Sep 2012:

(1) On the company management side, what caused the strike in Sep 2012 in MEP China?

The impertinent actions from General Manager Heinz Fraunhoffer to tighten the coercive bureaucratic control over his employees directly caused the Sep 2012 strike in MEP China. As a General Manager, he was too impatient and crude.

(2) On the employees side, why employees in MEP China struck in Sep 2012?

Employees struck in Sep 2012 in order to resist the reform of General Manager Heinz Fraunhoffer, that reform plan tightened the coercive bureaucratic control over them and threatened their jobs. In this case employees struck mainly for their own interest (specially in this case, their interest was mainly their jobs as well as compensation from the company after they were fired).

(3) On the company management side, how to avoid employee resistance when the management executes new organizational control practices?

In order to avoid employee resistance, when the management executes new organizational control practices, management should pay attention to have more communication between management and employees; should try to involve employees to the discussion in advance; should try to use more enabling bureaucratic control, even cultural control to replace coercive bureaucratic control. And, the management should never be impatient and crude when executing new organizational control practices. The communication and cooperation with local government is sometimes helpful to achieve the objective of the management, especially in the cases in mainland China.

Chapter Seven: Further Discussion and Research Conclusion

7.1 The Consequence in MEP China after these Three Strikes

After the leaving of General Manager Heinz Fraunhoffer in Sep 2012, there was no General Manager in MEP China for quite a while. MEP China was managed temporarily by Vice General Manager Mr. Liang Guo and me. Mr. Liang Guo and I cooperated very well. Both Mr. Liang Guo and I reported to the Board of MEP China directly.

In 2013, Richard Grobauer instructed me to fire MEP China Labour Union Chairman Yuli Zhao, “at any cost”. Finally Yuli Zhao agreed to leave MEP China with a compensation of 500,000 CNY. This compensation amount is an “astronomical figure” in China.

Mr. Liang Guo was fired by Richard Grobauer also in 2013, because of “bad performance”.

Afterwards, in June 2014 I myself was suddenly fired by the new General Manager of MEP China Mr. Shi Wang, who just joined MEP China for several weeks. I came to Richard Grobauer to ask for his support to me (Richard Grobauer was the sole General Manager of MEP Group at that time, both Dr. Jurgen Kern and Harry Keuler were fired before 2014), but he kept silent. Then I knew, it was actually his idea to fire me. Richard Grobauer wanted a “new MEP China”, and I was regarded as part of the “old MEP China”. It was the plan of Richard Grobauer to fire Yuli Zhao, Liang Guo and me step by step, to clean up Yuli Zhao and top management team of “old MEP China”.

After being fired by MEP China, I worked in Baoshida Swissmetal AG as CFO, and I was located in Donarch, Switzerland for almost two years.

When I finally came back the dormitory of MEP China in 2016 to visit my old colleagues, I found that, almost all the employees who had participated the strikes years ago had already left MEP China after 2014. After my leaving, the new General Manager of MEP China Mr. Shi Wang (who joined MEP China in middle 2014) fired step by step all the blue collar employees (blue collar employees didn't resist this time because they received very generous compensation for leaving MEP China, even higher than the standard required by Labour Contact Law in China) and use outsourcing workers instead. These outsourcing workers signed working contracts with a Human Resources Company and sent by that Human Resources Company to MEP China to work, in this case MEP China could change employees freely and thus avoid any further strikes.

When the manager wasn't satisfied with certain employee, MEP China just needs to inform that Human Resources Company to take back that employee and to send to MEP China a new employee in the next day. This method avoided the further strikes but doubled the labour cost of MEP China. The new General Manager of MEP China Mr. Shi Wang also changed almost all department directors/managers who had worked together with me.

This method avoided the further strikes but doubled the labor cost of MEP China. MEP China suffered huge losses after 2014. Both Richard Grobauer and the new General Manager of MEP China Mr. Shi Wang were finally fired. I don't know actually when they were fired, but when I came back the dormitory of MEP China in 2016 to visit my old colleagues, some new employees of MEP China informed me that both Richard Grobauer and the General Manager of MEP China Mr. Shi Wang were already fired.

In 2020, some old colleagues informed me that MEP China is losing more and more money and is near bankruptcy.

7.2 The Further Discussion

7.2.1 Further Discussion on the Control / Resistance Angle

The strike in April 2009 against the new "Overtime Wage Calculation Method" was an "accident", or we can say this is a "contact battle" between Technical General Manager Cindy Yu and blue collar employees in Production Department. Before blue collar employees in Production Department realized that their salary in March 2009 was decreased according to the new "Overtime Wage Calculation Method", no employee even thought about a strike. Technical General Manager Cindy Yu also didn't forecast that there would be a strike. When blue collar employees in Production Department realized that their salary in March 2009 was decreased according to the new "Overtime Wage Calculation Method", they were so angry and they wanted to "get our money back", so they stopped the machine in Production Department. This strike was initiative. After the blue collar employees in Production Department struck, Commercial General Manager Qinming Zhou stealthily supported this strike, and his support was the important reason for the success of this strike. But Qinming Zhou didn't arrange this strike. Qinming Zhou also didn't forecast there would be a strike in advance.

The strike in April 2010 against Technical General Manager Frank Huang was somehow a well organized battle organized and prepared by employees (including some department

managers) with pro-employees MEP China Labour Union Committee, as well as by Commercial General Manager Qinming Zhou. Employees, MEP China Labour Union Committee, and Qinming Zhou had the same objective: to use this strike to drive Frank Huang out of MEP China.

The strike in Sep 2012 against General Manager Heinz Fraunhoffer, according to my observation, wasn't organized or prepared by the employees or MEP China Labour Union Committee. General Manager Heinz Fraunhoffer initiatively provoked this "battle" with employees.

I analyzed these three strikes case by case in Chapter Four to Six. Now I want to discuss these three strikes as a whole.

From the very beginning, just like other companies in mainland China, MEP China was a highly controlled organization through top-down management systems and widespread aggressive measures to control its largely blue collar workforce. For its blue collar employees, coercive bureaucratic control was always the main control type, or even the only control type used by the management. Coercive bureaucratic control was the root to cause the employee resistance in MEP China.

But, coercive bureaucratic control was also used by almost all companies in mainland China, for example, the neighbouring private owned Chinese companies. Frankly speaking, compare with these neighbouring private owned Chinese companies, the coercive bureaucratic control on the blue collar employees in MEP China was relatively loose, or humane. Why these strikes happened in MEP China, but not in these neighbouring private owned Chinese companies?

And, after Cindy Yu was promoted as Technical General Manager of MEP China in June 2006, actually she did a lot of thing to improve the benefit of blue collar employees, for example she gave each employee (with no home in Shengze Town) a low cost company dormitory apartment with air conditioner. Compare with the former General Managers in MEP China before 2006, Cindy Yu was much kinder to blue collar employees. Why the first strike happened during the management of Cindy Yu, but not before?

Just like a despotic state, revolution of people doesn't appear when the control on its people of this state is most rigorous, but appears when the control on its people of this state starts to loose. We learn this from the French Revolution, as well as from the collapse of Soviet Union. Also, revolution of people doesn't appear in the most despotic nations like North Korea or Khmer Rouge, but always appears in the less despotic nations, such as Pahlavi Dynasty of Iran,

or Eastern European Communist Countries in 1989.

Homoplastically, this explains why the first strike happened during the management of Cindy Yu, but not before; also explains why these strikes happened in MEP China, but not in these neighbouring private owned Chinese companies.

After the success of the first strike in April 2009, employees in MEP China were more confident facing management, especially they found the weakness of MEP China management: MEP China as a company was flimsy facing a strike, because of its unique characters in production and delivery; The disunity among the management of MEP China, even among the Board of Directors of MEP China; The final decision makers in Germany were far away from MEP China and they didn't know the whole picture in China. What's more, employees in MEP China won a Labour Union Committee controlled by themselves, this was very seldom in mainland China.

When Frank Huang joined MEP China as Technical General Manager and started his reform to improve company performance (at the same time to tighten the coercive bureaucratic control on his employees), he was hated by employees, Labour Union Committee, as well as Commercial General Manager Qinming Zhou. Employees, Labour Union Committee, as well as Commercial General Manager Qinming Zhou organized the second strike in April 2010 to drive Frank Huang out of MEP China.

After the second strike in April 2010, blue collar employees almost abolished all the coercive bureaucratic control on them: In order to buy the support from blue collar employees, General Manager Qinming Zhou never used company discipline to punish blue collar employees. The management of General Manager Qinming Zhou led the company to the wrong direction (this company was almost out of control) and had to resign. Afterwards, bosses of MEP China in Germany sent General Manager Heinz Fraunhofer to MEP China to "bring rules and regulations back to this company", but General Manager Heinz Fraunhofer was too impatient and crude facing blue collar employees. Heinz Fraunhofer wanted to change MEP China within several months and provoked the battle with blue collar employees (by tightening the coercive bureaucratic control on his employees), his actions without suspense caused the third strike in Sep 2012. During the strike in Sep 2012, Heinz Fraunhofer didn't cooperate with local Shengze Town Government, and he suggested to the Board of MEP China to close down the factory in Shengze and rebuild the factory of MEP China in another location (Taicang). His suggestion was finally denied by the bosses of MEP China in Germany, thus Heinz Fraunhofer lost this battle

and left MEP China, just like Cindy Yu and Frank Huang.

In 2014, MEP China spent huge costs to fire almost all the current blue collar employees and replace them with outsourcing blue collar employees, to avoid further strikes. This action really avoids further strikes, but double the personnel cost in MEP China. From then on, MEP China is losing money and MEP China is near bankruptcy right now.

In 2016, two years after I left MEP China, I reached four former colleagues to ask them their opinions concerning these strikes. The four former colleagues are: former Purchasing Manager Golden Chen (left MEP China in 2012); former Quality Management Manager Linman Gu (working as Operation Director in MEP China in 2016); former MEP China Labour Union Chairman Yuli Zhao (left MEP China in 2013); former MEP China General Manager Heinz Fraunhoffer (left MEP China in 2012). They reviewed the strikes in MEP China:

Interview Record with former MEP China Labour Union Chairman Yuli Zhao

Date and Time: June 10th, 2016, 12:26 PM

Interview Type: telephone

Interview Language: Chinese

Voice Record: Yes

Interviewer: Qizhong HU (H)

Interviewee: Mr. Yuli ZHAO, MEP China Labour Union Chairman (2009-2013) (ZY), with experience of all three strikes, Telephone No.: +86 137 7165 7150

H: What are the main reasons to cause the strikes in MEP Suzhou?

ZY: Company is always the strong part, and employees are always the weak part. If the communication is not enough coming from the company side, and if the company side is not reasonable/legitimated enough, then there will be actions from employees side. The different opinions among top management were another reason.

H: What kind of management actions caused the intention of employees to strike?

ZY: 1. Company culture is not good. The company didn't respect human rights enough. 2. Salary and regulation system is not perfect.

H: Do you think fairness is the main object the striking employees were seeking?

ZY: Yes, yes. Definitely. When I mention "Salary system is not perfect", actually I mean "Salary system is not fair".

H: How to improve management to avoid this kind of harmful employee resistance?

ZY: 1. Management should communicate with employees by heart, to give employees fairness. Management should not only depend on pressures on employees. 2. Now I'm the owner of a private farm, I also have several employees now. I always have meals together with my employees. For all the issues and questions, my employees have the right to discuss with me face to face, and I will give them a clear answer, then my employees will not have an intention to resist. MEP Suzhou didn't do this point at that time.

H: Do you think the ideology in China, especially the political education received by these employees, such as Communism, Marxism, Strikes led by China Communist Party in history, as well as Chinese traditional culture, played a role in that strike?

ZY: There is some impact from ideology, but not a lot. Actual, the request from employees are always very low, there is only basic request, for example salary, not high level request. Better salary, better working condition, not so strict company culture, this is what employees want. The request from employees is not on the political level, according to my understanding. The employees, especially low level employees, haven't received very high level political education.

Interview Record with former MEP China Purchasing Manager Guodong CHEN

Date and Time: June 10th, 2016, 12:53 PM

Interview Type: telephone

Interview Language: Chinese

Voice Record: Yes

Interviewer: Qizhong HU (H)

Interviewee: Mr. Guodong CHEN, Purchasing Manager in MEP China before 2012 (C), with experience of first two strikes, Telephone No.: +86 139 1371 2939

H: What are the main reasons to cause the strikes in MEP Suzhou?

C: The company made most of the employees angry. More than half, or 60% of the total employees, their interest was damaged by the company.

H: How the employees started to have resistance potential? What kind of management actions caused the intention of employees to strike?

C: Because of income package, working condition, and one very important point: the company didn't make good on the promise. Finally, there will be a breaking point, a leader to

start the strike. The strikes in MEP Suzhou are quite political, I mean first two strikes. The last strike again Mr. Fraunhoffer, I have no experience. But I heard from some colleagues, Mr. Fraunhoffer was very aggressive and he made a lot of employees angry.

H: Do you think the ideology in China, especially the political education received by these employees, such as Communism, Marxism, Strikes led by China Communist Party in history, as well as Chinese traditional culture, played a role in that strike?

C: In my opinion, the education we receive, will reduce the possibility for a strike, not increase. The strikes in the Chinese history led by China Communist Party, they were totally on political level, they were not the same as the strikes in MEP China, which were focused on employees interest.

H: How to improve management to avoid this kind of harmful employee resistance?

C: 1. I have a regulation in my current company (which is owned by Mr. Chen himself): the employees have the right to discuss with me, even argue with me, on his salary topic; but it is totally forbidden to discuss your salary situation with any other employee. This is a red line in my company. I know maybe this is very hard to protect this regulation. If most employees feel he doesn't get the right or fair salary, there is the potential for strike. To have a good salary structure, as well as good encouraging system, this is very hard in a company. If you really do it in the good way, you will reduce the potential for strike. I never hear strikes from these companies which have good salary structure, as well as good encouraging system. 2. Pay attention to company culture, humanity care. 3. Rely on the position, not on certain person. The company should have the confidence to do any personnel adjustment, should not rely on certain person. 4. To respect employees. Treat employees as human, not only meanings.

H: Do you think fairness is the main object the striking employees were seeking?

C: How to say... This is part of the point 1 I have mentioned in last question, a good salary structure.

Interview Record with MEP China current (in 2016) Operation Director Linman GU

Date and Time: June 10th, 2016, 18:30 PM

Interview Type: face to face

Interview Language: Chinese

Voice Record: Yes

Location: Fish Restaurant in Zhouqiao Area, Jiading District, Shanghai, China

Interviewer: Qizhong HU (H)

Interviewee: Mrs. Linman GU, current (in 2016) Operation Director in MEP China (GU), with experience of all three strikes, Telephone No.: +86 150 5172 9128

H: What are the main reasons to cause the strikes in MEP China?

GU: There are three reasons for three strikes. For the first strike, the main reason was: the salary (calculation) of the employees was changed. Plus the support from someone in the top management. For the second strike, the different opinion in the top management play more important role, political reason, fight within top management, and plus the reason Mr. Huang (current Technical General Manager) want to fire some unqualified employees. For the third strike, it was very clear: the current General Manager Mr. Fraunhoffer reduced the interest of employees and he wanted to fire quite a lot employees, and he didn't hide his intention. The employees stood jointly to fight against him.

H: What kind of management actions caused the intention of employees to strike?

GU: 1. Salary and welfare allocation is not very fair. Some (employees in certain) departments had very high salary and welfare, much higher than others. Employees from other departments would feel unfair. 2. Employees feel that their jobs were not secure, they were afraid that they would be replaced by the company. 3. The company relied too much on low level employees, and the company gave in during the first strike, this gave the employees more confidence for the later two strikes.

H: Do you think the ideology in China, especially the political education received by these employees, such as Communism, Marxism, Strikes led by China Communist Party in history, as well as Chinese traditional culture, played a role in that strike?

GU: There is some impact from ideology.

H: How to improve management to avoid this kind of harmful employee resistance?

GU: 1. To have a fair and clear salary / welfare system, encouraging and punishment system. 2. To arrange some company activity, to give the employees the feeling that the company attaches importance to them. 3. To avoid the establishment of the small groups inside employees. We should pay attention to the employees who has several relatives and friends in the company.

Interview Record with Former MEP China General Manager Heinz Fraunhoffer

Date and Time: July 5th, 2016, 11:30 PM

Interview Type: face to face

Interview Language: English

Voice Record: No

Location: Noname Coffe Shop on Hongmei Road, Near Hongqiao Road, Shanghai, China

Interviewer: Qizhong HU (H)

Interviewee: Mr. Heinz Fraunhofer, General Manager of MEP China in 2012 (FR),
Telephone No.: +49 173 584 9729

H: After almost 4 years, I would like to know your opinion at this moment: What's the reason to cause the strike in MEP Suzhou in Sep 2012?

FR: The most important fact for the strike in 2012, even for all the strikes in MEP China, is the location of this company. This company is located in Shengze area, you know, we are almost the only real foreign invested company in that area. The local government, they don't know how to protect foreign investment, they even don't want to protect foreign investment. We didn't get enough support from the local government. In other area, in which they have friendly local government to foreign investment, the local government will handle this issue easily.

Concerning the employees in MEP China who struck in 2012, obviously they had received certain benefit from the two strikes before, any they want to protect their illegal interest. Maybe you also noticed, certain employees didn't work properly in the two normal shifts, they didn't have enough production output in the two normal shifts, they pushed us to arrange the third shift and then they got overtime salary from the work in the third shift. When we started to adjust the workforce, to give them more regulation to push them working more efficiently, and when we started to fire certain bad employees, they were afraid to lose their illegal interest then they decided to strike.

Most employees came from almost the same area in China, they were easy to stand together.

H: Do you think the ideology in China, especially the education received by these employees, such as Marxism, played a role in that strike?

FR: Obviously yes! In MEP China, the employees they think they have the right, have the right to strike, have the right to fight. They really think they are the "owner" of that company, this idea came from the Marxism education they received. The local government used this point, somehow not obviously, to control the workforce in China, in order to keep the pressure to the investors, both foreign investors and local private investors.

H: How to avoid this kind of harmful employee resistance?

FR: My plan at that time was to close that plant, to move our plant to the foreign-investment-friendly area in China. When I joined MEP China in 2012, it was already too late to change the ideas of the employees. In a normal company, employees will also consider the interest of its company, not only his private interest. If he considers only his private interest, never considers the interest of its company, the company will fail and he will lose his job. But in MEP Suzhou in 2012, after the two strikes before, no one believe this point and the employees didn't care about the interest of the company. We should move the plant to a new location and restart the plant with selected employees and new employees.

7.2.2 Further Discussion on the Labour Process Angle

Even I have engaged with literature on Labour Process Theory from very beginning, but in the first draft of my thesis I decided not to include it, because I was thinking that I was taking a manager's perspective on the cases and the problems it contained, and I had a wrong opinion at that time that Labour Process Theory would be a conflict with my perspective as a top manager. Professors pointed out my mistake and told me that Labour Process Theory also contained a view on management's position in relation to the "problem" of control, which my thesis claimed authority over. Given this claim to authority, the omission of a labour process perspective, as combining an anylysis of managerial control with a perspective that includes employee responses, including resistance, was arguably mistaken. After I extended my reading on literature on Labour Process Theory, I accept this critique from professors and include Labour Process Theory in the current edition of my thesis.

A key element of the Labour Process Theory is the analysis on the local management mechanisms and control, as well as a research on how they are used to limit the power of sections of the working class who has work skills that are not reproducible by unskilled labour or machines (Braveman 1974). This is exactly one side in my thesis to be discussed: how management of MEP China tried to control blue collar employees and limit the power of skilful blue collar employees.

Actually, inside MEP China, the battles between management and employees have a very long history. Management in MEP China faces a dilemma from the very beginning: the products of MEP China are in a small niche market, the production process (especially the dipping process

in production) in MEP China is very unique. This means that the management can't find skilful blue collar employees in the open job market, MEP China has to train the blue collar employees by itself. Thus the dilemma for the management is: if MEP China only thains limited skilful blue collar employees to save costs, then the company will have no backup skilful blue collar employees in hand, the production process will be fully controlled by the current operators of the machines (especially operators for the dipping machines). But if the company trains more skilful blue collar employees as backup employees, this is very costly.

Technical General Manager Cindy Yu used a typical Chinese (or eastern / Asian) way to respond this situation: she tried to build a personal relationship with the key blue collar employees, and tried to appeal blue collar employees to stand with her. This was the reason why she indulged Production Director Enfu Guo to hire new employees through current employees' recommendation, because both Technical General Manager Cindy Yu and Production Director Enfu Guo want to build an "atmosphere of family" in MEP China, both Technical General Manager Cindy Yu and Production Director Enfu Guo want to control employees like parents in a family. Cindy Yu sometimes visited her employees' home, to solve their difficulties in life like a mother. When she knew her employees didn't sleep well during summer nights without aircondition, and this situation caused one of her employees injury in the work, she decided to give each employee an airconditioned company dormitory with reduced price. To control employees like parents in a family, this is the management philosophy of Cindy Yu. But Cindy Yu totally failed when her blue collar employees stroke in April 2009 for their personal interests. Cindy Yu resigned immediately after this strike, partly because of the failure of her management philosophy. Her management philosophy was actually based on the Confucian Culture of ancient China, but she underestimated the willing of her blue collar employees to protect their personal interests in contemporary environment.

Technical General Manager Frank Huang used a typical western way to respond this situation: he tried to control or limit the power of sections of the skilful blue collar employees by company regulations, for example he applied the job rotation system in production department: other employees would have chance firstly to be trained and afterwards to be placed as operators for dipping machines (operators for dipping machines were the key skilful positions in production of MEP China). Frank Huang used to be a production manager in a big American firm in automobile industry, and he was a believer of Ford Scientific Management Theory. He believed that "correct" regulations and systems/structures would ensure the operation of a

company and he seldom communicated with his blue collar employees. Frank Huang also failed when employees strike in April 2010 to fight his reform to enhance regulations in the factory.

General Manager Heinz Fraunhofer used an extreme way to respond this situation: he firstly tried to give blue collar employees high pressure to suppress blue collar employees, when blue collar employees strike in Sep 2012 to fight his high pressure policy, he secondly tried to abandon the current MEP China factory and employees, to rebuild a new factory in another place with selected reliable employees and outsourcing employees. Heinz Fraunhofer finally failed because the German Board of MEP China didn't support his tremendous expensive plan to rebuild a new factory in another place.

Finally MEP China solved the blue collar employee problem with huge costs. In 2014, MEP China spent huge costs to fire almost all the current blue collar employees and replace them with outsourcing blue collar employees, to avoid further strikes. This action really avoids further strikes, but doubles the personnel cost in MEP China. From then on, MEP China is losing money and MEP China is near bankruptcy right now. This proved the opinion of Hyman (1987), he argued that contradictions in capitalist enterprises firstly created openings for strategic choice but finally entailed that no strategy would prove successful. Hyman (1987) also found, in the context of six distinct managerial functions, the extent to which the control of labour could be regarded as a dominant management strategy. His statement was also supported in my research in the contemporary environment in MEP China.

Ackroyd and Thompson (1999) found that organizational misbehaviour was very much more prevalent and varied in content than it was normally acknowledged, both management and social scientists overlooked a good deal of organizational misbehaviour. As a manager as well as a researcher with a pragmatic scope of the research, I totally agree with their opinion based on my experiences in MEP China.

Ackroyd and Thompson (1999) discussed self-organization of employees, actually self-organization of employees (for example self-organization made by employees came from the same region) in MEP China really had shown its importance in the strikes, self-organization partly dominated the strikes together with MEP China Labour Union.

On the other side, Ackroyd and Thompson (1999) found managers often acted unknowingly on existing patterns of self-organization, and, when they did have some idea of what existed, this was normally far from being accurate and complete – this situation was exactly the situation I experienced in MEP China. Especially, the final decision maker for MEP China, the German

Board of Directors, mainly got information concerning MEP China through very limited written reports, which was far from enough to show the whole picture of employees, especially during the strikes.

Ackroyd and Thompson (1999) proposed managers to use humanistic alternatives to replace hard direct control, and to respond with a search for new means of regulation. Concerning this point, I suggested in my thesis after I analyzed my case on three strikes in MEP China: bureaucratic control will cause more resistance motivation than other control (market control or culture control). Especially, the coercive bureaucratic control will most likely be resisted by employees. Managers should try to use more enabling bureaucratic control, even cultural control to replace coercive bureaucratic control.

7.2.3 Further Discussion on the International Business Angle (Focused on Mittelstand Firms)

Now I would like to discuss the issues happened in MEP China on the International Business angle. As I have introduced in the past chapters, the parent company of MEP China - Mehler Engineered Products GmbH (also be called as MEP Group) is a German manufacturer of coated yarns and fabrics for technical rubber products, began to produce technical textiles in the 1930s in Fulda, Germany. MEP Group is part of Mehler AG, and Mehler AG is part of KAP AG, which is listed on Frankfurt Stock Exchange. After the merging of Mehler Engineered Products GmbH with OLBO Industrietextilien GmbH in 2006, the company changed its name to MEP-OLBO GmbH (or MEP-OLBO Group). Until 2009, MEP-OLBO GmbH (MEP-OLBO Group) was one of the worldwide market leaders in coated yarns industry with factories in Germany, Czech Republic, USA, Portugal and China.

KAP AG is an industrial group with yearly revenue more than 400 million Euro, with almost 3,000 employees at more than 25 locations around the globe, and listed on the Frankfurt Stock Exchange. KAP AG is organized in five business segments focused on attractive niche markets with long-term growth potential. Mehler represents the largest segment of KAP (<https://www.mehler-ep.com/company/#element-id-2>). When I was working in MEP China, both KAP AG and Mehler AG were controlled by Mr. Claas E. Daun and operated by Mr. Fried Moeller.

Mittelstand firms are small and medium-sized businesses in Germany, which are often

family-owned firms employing up to 5,000 people and are characterized by their distinctive contribution to the German economy (Berghoff 2006). According to this definition, KAP AG, Mehler AG, as well as MEP-OLBO Group are all Mittelstand firms. Compare with big MNEs such as Fortune 500 companies, Mittelstand MNEs always face more difficulties during internationalising process, mainly because of less experience and resource.

Mittelstand firms, the bedrock of German manufacturing prowess, have particular characteristics owing to their evolution in the German industrial complex. For example, they always have specific labour relationships (relatively long service terms of employees in KAP AG), ownership (always family centred, controlled by Mr. Claas E. Daun for very long period in KAP AG), long term financing relations with banks (KAP AG, Mehler AG, as well as MEP-OLBO Group have long term financing relations with Deutsche Bank and Commerzbank in Germany), corporate governance (KAP AG sometimes sets up two or three Managing Directors in its subsidiaries, for example sets three Managing Directors in MEP-OLBO Group and sets up two General Managers in MEP China) etc.

These characteristics may shape the way in which such firms internationalise. In particular, these firms with (often) family owners may have limited international experience as well as limited resources they can draw upon to internationalise. As such, they face challenges, particularly when moving to far-off host markets like China, where institutional and cultural distances are significant barriers. For example, KAP AG (as well as Mehler AG, because KAP AG and Mehler AG have the same management) lacks international financial and legal professionals, especially out of Europe, KAP AG heavily relies on the third party financial and legal service providers. The management of KAP AG deeply lacks the business experiences in China. In 2000, the management of KAP AG and management of Mehler Engineered Products GmbH agreed to buy 27 Mu (18,000 m²) land to build the factory of MEP China, this amount of land was much less than the management of MEP China applied to buy. The bosses in Germany estimated that the land purchase price as well as land rent price in China would keep stable or even keep decreasing, so MEP China could buy or rent cheaper land in the future. Actually, the management of MEP China knew that the land price would increase quickly because of the economy booming in mainland China, but they could not convince their German bosses. The result was, 27 Mu (18,000 m²) land was not enough for the operation of MEP China. MEP China had to rent two warehouses out of its factory. Starting 2009, the rent for these two warehouses kept increasing by 50% to 60% per year, the rent cost became a bigger and bigger burden for the

operation of MEP China. When the economy was booming in mainland China in the first decade in 21st century, the automobile industry in mainland China was also booming. But, as a supplier for automobile industry, MEP China lost so many chances to develop quickly in these ten years. For example, MEP China had a chance to acquire one of its competitors with its land and equipment in 2006, the management of MEP China had negotiated a favourable acquisition price (we had convinced the seller to reduce the price from 20 million CNY to 18 million CNY, which was definitely a favourable price in the market). When we reported this issue to the management of MEP-OLBO Group (they were also the board directors of MEP China), the management of MEP-OLBO Group could not make decision and further reported this issue to the management of KAP AG. After very long period of waiting, the management of KAP AG finally instructed to buy this competitor with no more than 15 million CNY, which was totally impossible. MEP China finally lost this chance to develop ourselves as well as to destroy one competitor.

The case of three strikes in MEP China presented is a perfect example of the challenges these types of Mittelstand firms may face. Many of the labour disputes were partly a result of the management structures and management failures – inherited from the parent.

The parent of MEP China made these mistakes:

- a. Starting from June 2006, the parent of MEP China appointed two General Managers (and one associate General Manager also reporting to the Board of Directors directly) reporting to the Board of Directors directly, according to the structure of its parent, MEP-OLBO Group. This was a huge mistake and didn't work in China. The employees in MEP China were confused to face two General Managers on the same level. The parent of MEP China didn't know the culture of China in this issue. There is a saying in (ancient) China: there will not be two suns on the sky, there will not be two rulers in the country. Even now, most employees are accustomed to have an absolute authority inside a company. The two General Managers themselves also didn't cooperate well. Starting in the beginning of 2007, almost all employees in MEP China knew the conflict between two General Managers (Commercial General Manager Qinming Zhou and Technical General Manager Cindy Yu). Some "smart" employees even planned to use this conflict between two General Managers to achieve personal benefits. Qinming Zhou and Cindy Yu had different opinions even public conflicts several times. The board knew this quite well but couldn't solve this problem. The dispute between two General Managers (Commercial General Manager Qinming Zhou and Technical General

Manager Cindy Yu) hurt MEP China, especially later in the strike in April 2009. Specially, in 2010, the dispute between two General Managers (Commercial General Manager Qinming Zhou and Technical General Manager Frank Huang) also partly caused the strike in April 2010.

- b. The parent of MEP China didn't understand the Labour Union System in China. Chen (2010) finds, in addition to the government and employers, the labour unions and workers are separate players: labour strikes in China are always launched by unorganized workers rather than by labour unions, whose task is to defuse the situation. Such a quadripartite process is dominated by the government, with the labour union playing a mediating role, not only between workers and the government but also between workers and employers. In China, Labour Unions are not designed to be the opposite side of the company management, actually Labour Unions are designed to support the company management. Company management has the right to control the company Labour Union with legal process, for example company management has the right to organize Employees Representatives Meeting and nominate employees representatives. A normal process in China is: company management controls the company Labour Union and use company Labour Union as a channel to communicate with employees, even use company Labour Union as a tool to execute culture control (for example, to organize team building or travelling in the name of company Labour Union). A good boss should regard company Labour Union as the second HR Department in company. When there is employee resistance, company Labour Union should work together to calm down the employees, not enhance the resistance. It is irresponsible to give up the control on company Labour Union and it is irresponsible not to communicate with company Labour Union. But the parent of MEP China in 2009 agreed to give up the control on company Labour Union, this caused the situation that MEP China Labour Union stood against the management of MEP China and organized the strikes in April 2010 and in Sep 2012.
- c. The parent of MEP China didn't keep good communication with local government in China. In China, local government has the responsibility to develop local economy and to keep social stability, they are always pro-business (especially in Eastern Provinces in China). When there is collective employee resistance such as a strike, local government normally will help the company to settle this issue. In this case, local government will

balance the interest of both company and employees then raise a fair settlement plan. To keep good communication with local government will help managers to deal with the employee resistance actions. But, especially in the third strike in Sep 2012, the parent of MEP China was misled by General Manager Heinz Fraunhoffer (who thought that the local government would yield to the German media to suppress the strike) and took an opposed position with local government, this position made that strike longer.

- d. The parent of MEP China didn't understand the ideology in China. The ideology in China is totally different with western countries. The parent of MEP China didn't understand the ideology in China (for example the powerful nationalist economic sentiments) thus they totally didn't understand the behavior of employees in MEP China, especially during the strikes, so they always made wrong response to the striking employees. For example, the parent of MEP China didn't know how employees in MEP China regard "fairness". In April 2009, the parent of MEP China thought it was proper to give two General Managers audi cars as bonus for the good achievement in year 2008, but employees regarded this as unfair, especially when the management planned to reduce their personal interest in 2009 in the name of "difficulties of company".

Actually, all above four points could be regarded as part of "Liabilities of Foreignness". "Liabilities of Foreignness" are the common situation for MNEs, especially Mittelstand MNEs. Psychic distance plays important role in this case. Frankly speaking, MEP-OLBO Group managed its subsidiaries in Germany, in Czech Republic as well as in Portugal not so bad. But, out of Europe, MEP-OLBO Group had huge problems as psychic distance increased. In USA, the management of MEP-OLBO Group had conflict with the management of MEP Inc., its subsidiary, concerning human resources policies; after 2009, MEP-OLBO Group started to build its new subsidiary in India, and this project in India became a big failure. MEP-OLBO Group used almost the same strategies (for example dual General Managers System) in all of its subsidiaries, and these strategies were mainly copied from MEP-OLBO's headquarters in Fulda, Germany. These strategies worked in Europe, but had problems out of Europe.

Come back to the discussion in China, the parent planned to copy its strategies to MEP China to duplicate its (former) success in Germany, actually it never worked in China. Before 2009, MEP China performed quite well, this was because of the good management skill of the former General Manager Thomas Zhou and the good basics made by him. Thomas Zhou intergrated the technical advantage of German parent company and his own managerial

advantage in China, which was different from the strategies used in Germany. Thomas Zhou built good basics for MEP China, this was the reason why MEP China kept performing well shortly after his leaving in June 2006. Thomas Zhou didn't simply copy strategies from the parent, he had his own strategies and he resisted the pressure from the parent to copy strategies to MEP China. After the leaving of Thomas Zhou, the new General Managers (Qinming Zhou and Cindy Yu) started to copy strategies to MEP China under the pressure from the parent, but the ideology of them was still "Chinese", thus there was a mixing of Chinese and German management appearing in MEP China. Not informing staff of their initial pay cut as a result of the overtime recalculations, this was the bad Chinese management way which very likely would not have happened in Germany; easily giving up the control on company Labour Union, this was the bad German management way (of course only in the situation in China). A mixing of bad Chinese and German management led MEP China to the failure, especially in the management of labour relations.

7.3 Research Conclusion / What Can We Learn from the three Strikes in MEP China?

Now, let me answer my research questions based these three strikes as a whole:

(1) On the company management side, what caused the three strikes in MEP China?

The impertinent change (the publishing of the new "Overtime Wage Calculation Method") without involving blue collar employees before affected the interest of the blue collar employees in Production Department. This impertinent change (also could be regarded as coercive bureaucratic control) caused the April 2009 strike in MEP China.

Technical General Manager Frank Huang tightened the coercive bureaucratic control over his employees and he planned to use a simple and crude way to change the situation: to replace the unsatisfactory employees/managers with new recruited persons. These actions of Technical General Manager Frank Huang directly caused the April 2010 strike in MEP China.

The impertinent actions from General Manager Heinz Fraunhoffer to tighten the coercive bureaucratic control over his employees directly caused the Sep 2012 strike in MEP China.

General speaking, the impertinent changes without involving (certain or whole) employees, which could also be regarded as actions taken by management to tighten coercive bureaucratic control over (certain or whole) employees, caused the three strikes in MEP China in April 2009, in April 2010, as well as in Sep 2012.

(2) On the employees side, why employees in MEP China struck?

The blue collar employees in Production Department struck in April 2009 in order to fight the new “Overtime Wage Calculation Method” to protect their personal interest and to seek fairness. The ideology in China and the friendship among employees supported them to strike. Lack of communication between management and employees was another reason for employees to strike.

Employees struck in April 2010 in order to resist the reform of Technical General Manager Frank Huang, that reform plan tightened the coercive bureaucratic control over them and threatened their jobs. In this case, employees struck mainly for their own interest: the loose control and their jobs should be regarded as kinds of interest of employees. And, employees struck in April 2010 to support the MEP China Labour Union Committee, which was be regarded as their own Labour Union.

Employees struck in Sep 2012 in order to resist the reform of General Manager Heinz Fraunhoffer, that reform plan tightened the coercive bureaucratic control over them and threatened their jobs. In this case employees struck mainly for their own interest (specially in this case, their interest was mainly their jobs as well as compensation from the company after they were fired).

General speaking, employees in MEP China struck for their interest and for seeking fairness. Fighting to protect their interest (including overtime payment, loose control, their jobs, as well as compensation from the company after they were fired) was the main motivation for their strikes.

(3) On the company management side, how to avoid employee resistance when the management executes new organizational control practices?

In order to avoid employee resistance, when the management executes new organizational control practices, management should pay attention to have more communication between management and employees; should try to involve employees to the discussion in advance; should try to use more enabling bureaucratic control, even cultural control to replace coercive bureaucratic control. And, the unity in the management is very important before the management executing new organizational control practices. If there was a Labour Union out of the control of company management, the cooperation between company management and Labour Union is necessary and important. And, the management should never be impatient and crude when executing new organizational control practices. The communication and cooperation with local

government is sometimes helpful to achieve the objective of the management, especially in the cases in mainland China.

What Can We Learn from the three Strikes in MEP China?

If you are a manager, especially a manager in a foreign invested company in mainland China, based on my study, I would like to give you following suggestions concerning organizational control practice in order to avoid or at least reduce harmful employee resistance:

1. Bureaucratic control will cause more resistance motivation than other control (market control or culture control). Especially, the coercive bureaucratic control will most likely be resisted by employees. Managers should try to use more enabling bureaucratic control, even cultural control to replace coercive bureaucratic control.

I have visited some other foreign invested companies in mainland China, which use more enabling bureaucratic control and cultural control method. For example, one German invested company in Shanghai has free German Language and Culture Course (afterwork) for all employees who are interested in German Language and Culture; during FIFA World Cup period, the company management invited all interested employees to watch the football match of German national team in company dining hall, supplying free German beers. Employees of that German invested company are proud to work in that company, employees never use extreme way (like strike) to fight the company management.

2. Good communication between management and employees will reduce the resistance motivation (and further reduce the resistance action) of employees. Especially for a foreign manager in a foreign invested company in mainland China, you should try to use more channels to communicate with your employees. Lack of communication brings misunderstandings for both management and employees, and further brings resistance motivation from employees.

3. Dispute among management will encourage the resistance action of employees. The unity in the management is very important before the management executing new organizational control practices.

4. Culture Difference will increase the resistance motivation of employees. Especially for a foreign manager in a foreign invested company in mainland China, you should try to understand Chinese culture.

5. Ideology is important in China for the resistance motivation of employees. The ideology in China is totally different with western countries. Especially for a foreign manager in a foreign invested company in mainland China, you should try to understand the ideology in China.

6. Economic situation is important in China for the resistance action of employees. Employees will more likely to act resistance if economic situation is good (then they are easy to find next job even if they're fired). Managers in China should pay attention to this point.

7. The new Labor Contract Law in China (published in 2008) encourages employees to resist, because employees will most likely to get huge compensation even if they are fired. Managers in China should pay attention to this point.

8. Managers in China should understand the Labour Union System in China. In China, Labour Unions are not designed to be the opposite side of the company management, actually Labour Unions are designed to support the company management. Company management has the right to control the company Labour Union with legal process, for example company management has the right to organize Employees Representatives Meeting and nominate employees representatives. A normal process in China is: company management controls the company Labour Union and use company Labour Union as a channel to communicate with employees, even use company Labour Union as a tool to execute culture control (for example, to organize team building in the name of company Labour Union). A good General Manager in China should regard company Labour Union as his second HR Department. When there is employee resistance, company Labour Union should work together to calm down the employees, not enhance the resistance. As a manager in China, it is irresponsible to give up the control on company Labour Union and it is irresponsible not to communicate with company Labour Union. Chen (2010) finds, in addition to the government and employers, the labour unions and workers are separate players: labour strikes in China are always launched by unorganized workers rather than by labour unions, whose task is to defuse the situation. Such a quadripartite process is dominated by the government, with the labour union playing a mediating role, not only between workers and the government but also between workers and employers.

9. Managers in China should keep good communication with local government in China. In China, local government has the responsibility to develop local economy and to keep social stability, they are always pro-business (especially in Eastern Provinces in China). When there is collective employee resistance such as a strike, local government normally will help the company to settle this issue. In this case, local government will balance the interest of both company and employees then raise a fair settlement plan. To keep good communication with local government will help managers to deal with the employee resistance actions.

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