Differences in Business Negotiations between Different Cultures

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INTRODUCTION

Negotiations can be discussed from a broad or a narrow sense: negotiations in a broad sense include all forms of consultation, communication, discussion, exchanging of views, reaching a consensus, and formal negotiations. Those in a narrow sense include the activities that are carried out in places that are publicly or formally prepared for negotiations. The academic circle of negotiations has mixed views toward the relationship between cultures and the behavior of negotiation. Some believe that negotiations have become a common behavior, and regardless of the cultural backgrounds of negotiators, the behavior of negotiation is carried out within a predetermined framework. However, others believe that negotiations in different countries are different from each other; they take different forms, and are fundamentally different. To varied extents, different cultural backgrounds lead to different types of negotiations. This correlation is not absolute, however, and stereotyping should be avoided (Liu, 1996).

In order to understand the influence of culture on negotiations and decision making, we can use cross-cultural studies and different nations’ cultural strengths and weaknesses to anticipate an opposing nation’s possible behaviors in the negotiation process, and to understand the cultural factors that may influence their decision making. It is commonly believed that cross-cultural studies are focused on certain phenomena and discuss the similarities and dissimilarities between different countries. Although this kind of research may be limited in terms of the chosen countries or certain behaviors, it still has great value in terms of helping us understand negotiations since it discusses the different values, attitudes, and decision making patterns of people in different countries. A macro study on cultural characteristics that involve national characteristics and Chinese values can be used to clearly explain the characteristics of a nation’s citizens. Based on this kind of study, a researcher can develop the hypothesis of how negotiations are influenced and make inferences. Therefore, the findings of this kind of research can be used as the foundation based on which a cross-cultural theory of international negotiations can be developed (326-327).

Cultural Differences and Negotiations

The methods of negotiation vary with culture. Some people may adopt a more direct or simple method of communication, whereas others may adopt a method that is more indirect or complex. Each culture has its own standards, and one behavior that has a certain meaning in a certain culture could be interpreted differently in another. For example, calling others by their family names in the U.S. or Australia is a friendly gesture; however, doing so in France, Japan, or Egypt is a sign of disrespect. When negotiating with people from foreign nations or regions of great cultural differences, their cultural traditions should be observed. Since the style and pattern of negotiating are influenced by cultural characteristics, the process and result of negotiating will also differ because of negotiators’ cognitive differences in interpreting each other’s interdependence and authority. Different strategies or tactics may be adopted, nullifying a potentially win-win situation because of the decline of mutual trust.

Different cultures also have different core values that determine the courses of action. Since cultural differences often lead to behavioral differences, it is indeed difficult for people of different cultural backgrounds to communicate with each other. Communicative difficulties are often influenced by the following eight cultural factors: (1) attitude, (2) social structure, (3), cognitive pattern, (4), roles and role interpretation, (5) language, (6), non-verbal expressions, (7) spatial usage and organization, and (8) the understanding of time. Since different cultures may lead to errors in cognition, understanding, and evaluation, a singular theory of negotiation may not be applied to different cultures.

The existence of cultural differences is an undisputed fact. Foster (1992) believes that the influences of cultural differences on negotiations can be observed in the following aspects:

1. Definition of Negotiation

Different cultures have defined “negotiation” differently. For example, Americans look at negotiation as a
competitive process between proposals and counterproposals, whereas the Japanese people view it as an opportunity for sharing information.

2. Selection of Negotiators
   The standard for selecting negotiators may include credential, relationship, gender, age, experience, and social status. Different cultures place different levels of weight on these criteria. Thus, different expectations exist for negotiators who participate in different kinds of negotiations.

3. Rituals of Negotiation
   Cultural differences among negotiators lead to significantly different rituals. For example, Americans have a reputation for not placing a strong emphasis on an opponent’s gender or job title. Europeans, on the other hand, are more formal in this matter. A mismatching of the titles of two negotiators is viewed as a sign of disrespect. Moreover, in Southeast Asian nations such as China or Japan, business cards are formally used when two parties introduce themselves to each other. A negotiator who forgets to bring his/her business cards or writes on the other person’s business card is viewed as being deliberately ignoring the other person.

4. Communication
   Whether it is verbal or non-verbal expression, cultures influence communicative behaviors. In order to avoid offending the opponent in an international negotiation, a negotiator should be especially aware of the opponent’s unique communicative behaviors or habits.

5. Time
   The meaning of time varies with cultures. Countries that value traditions, especially those located in a warmer climate, tend to have a slower pace of life. People in these countries do not focus on time, and even if they do, it would only be for a short period of time. Americans are often perceived as slaves to time since they value time and perceive it as an intangible asset. People in Asia and Latin America, however, do not share the same attitude. They believe the focus of a negotiation is the negotiation itself, regardless of how much time it requires. Graham (1981) believes that because of cultural factors, the perception of time can be divided into three categories: linear-separable time, circular-traditional time, and procedural-traditional time. Most of the European and North American cultures belong to the category of linear-separable time, in which time is perceived as a straight line that is consistent of the past, present, and future. Therefore, time is valuable, and the time spent in the past contributes towards the future. In the category of circular-traditional time, time is circular, and the future cannot be changed. The future is also a replay of the past, thus time has no value and planning is not needed. In the category of procedural-traditional time, the time spent on an activity and the process is important. Time and money are two separate things, and the results are determined by the effort instead of time (Yu, 1994). A culture’s definition of time influences how its people negotiate. Therefore, the misunderstandings that often occur in international negotiations are usually caused by the different understandings of time in different cultures.

6. Risk Tendency
   Cultural differences also often determine negotiators’ willingness to take on risks. The bureaucratic systems of certain cultures prefer to make decisions when sufficient information is available. The Japanese principle in negotiating is to reduce the risk as much as possible and avoid face-to-face conflicts, and one reason behind this is to avoid being held personally responsible for the consequences of a decision. Therefore, Japanese employees seldom make decisions on their own so as to avoid being blamed for making the wrong decision. For cultures that are more entrepreneurial, such as the U.S., practicality and efficiency are valued; therefore, people in such cultures are willing to make decisions even though they have not yet fully acquired sufficient information.

7. Group and Individual
   Cultural differences influence how much weight is placed on individualism or collectivism. Emphasizing individuality, Americans value independence, boldness, and uniqueness. In an individualistic country, a person is often responsible for the last decision, whereas the people in a collectivistic country believe that the group comes before an individual, and individual needs are secondary. The final decision in a negotiation is often reached through group discussions, and the responsibilities are shared since a group of people all participated in the discussions and decision-making.
8. **Natural Agreement**

Culture has a deep influence on the formation of negotiations and agreements. “Agreement” does not necessarily mean the same thing in different cultures. In one of his studies, Foster (1992) pointed out that a memorandum in an agreement is often used by the Chinese to represent the formalness of a relationship, whereas the Americans believe that an agreement is reached through a logical framework; it is official and is based on the legal system. In some countries, a contract has no sanction at all, and the people in these countries believe that it is impractical to expect the other party to fulfill their obligations when two parties cannot trust each other. Moreover, in certain cultures, reaching an agreement is based on who the negotiators are, instead of what they can do.

**Multinational Negotiation**

Whether we are discussing the personality of a nation’s citizens or Chinese values, these variables can be viewed as the cultural factors that influence negotiations in different settings. It is challenging to understand multinational negotiations since they involve many complicated factors. Salacuse (1988) has also pointed out that besides cultural factors, there are also factors that involve politics, international economy, the governmental and administrative system, society, and individual ideas, making multinational business negotiations more complex and challenging than domestic negotiations. The following 23 items in actual practice can be used as the guidelines in international negotiations:

1. Be a pragmatist instead of a moralist.
2. Understand whether the opponent adopts a win-win or a win-lose strategy.
3. What is the meaning of “losing face” to them?
4. Do they value long-term or short-term relationships?
5. How can one make them yield?
6. Is their quotation of prices at the extreme end?
7. How much do they care about their opponent’s reputation?
8. Do you expect to face a single opponent or a group of opponents? If a group, how many people are in the group?
9. What do they really mean when they say “no”?
10. How do they perceive “silence” during a negotiation?
11. How often do they change their job positions?
12. Their attitude in honoring the contract.
13. Their tendency to discuss each item or the entire package.
14. Do they get emotional easily?
15. How does their society perceive women, lawyers, unions, and “money is everything”?
16. Their legal system.
17. Emphasize the questions.
18. Explain the concepts separately, one at a time.
19. Ask the other party to review the written documents.
20. Write down numbers formatted in a way with which the other party is familiar.
21. Adjust your own level of English to match that of the other party.
22. Use visual aids as much as possible.
23. Avoid technical jargon that involves technology, sports, or commerce.

Moreover, understanding local languages is necessary for international marketing or negotiating. Although English is an internationally spoken language, the people in nations such as Germany and France do not really enjoy talking to you in English – even though they may speak English fluently. Some countries value a negotiator’s technical competence. In the U.S., for example, people would not talk to you if they did not believe you were a professional. Some countries emphasize a negotiator’s social status or educational background. For example, the French and Mexican people care about whether a negotiator has special relations in the business or political environment; the Japanese care about whether you are a heavyweight in the organization (Bradly, 1991).

Using the same problem-solving approach, Americans believe that both parties in a negotiating process should expect to see good results, whereas Spanish people believe that a good settlement should not be expected. To the Japanese, the results of a negotiation depend on the roles of the buyer and the seller, whereas Brazilians believe a good
result is determined by interpersonal relationships. Therefore, we will compare the habits and styles of American and Chinese negotiators to analyze the differences in business negotiations between different cultures.

DIFFERENCES BETWEEN CHINESE AND AMERICAN NEGOTIATIONS

Americans’ Unique Characteristics
(1) Vast Land and Different Personalities
Americans from different regions have different personalities. Although within the same country, the northern, southern, eastern, and western regions are like different worlds. For example, the people in Texas often refer to themselves as “Texans” instead of “Americans.”
(2) Conquering and Harmonizing
Americans uphold the spirit of “conquering” when they negotiate, whereas the Chinese focus on a natural way of “harmonizing.”
(3) The Habit of Retorting
Americans love to retort, and this probably originated from their legal system that is based on two opposing sides. Therefore, they do not give in easily.
(4) Emphasize Fundamental Policies
Americans greatly value fundamental policies, and these policies are often formulated well in advance. Sometimes, a sound concept would still be rejected if it violates fundamental policies.
(5) Formulate a Backup Plan
Besides the official proposal, Americans also formulate a backup plan just in case the original proposal is not approved.
(6) Not Accustomed to Silence
Americans are good at utilizing the skills of pausing and being silent; however, they lack the ability to tolerate interruptions.
(7) Demand Clear Conclusions
At the end of a negotiation, Americans would want to draw a clear conclusion (exchange of contracts). In other words, they believe that a negotiation has officially come to an end once the contracts have been exchanged. However, the Chinese believe that the relationship between the two parties have just begun after a contract has been signed.
(8) Focus on “One at a Time”
Basically, Americans like to solve a problem item by item. We, on the other hand, prefer to exchange our overall ideas before we go over the details.

3. We can see how Americans look at negotiating from their “9 Rules of Negotiation”:
(1) Everything is negotiable.
(2) Never pay the “window sticker” price. Don’t be easy to get.
(3) Start high and nibble like crazy.
(4) No free gifts! Use the big “IF”.
(5) Start slowly and be patient.
(6) Use/beware the power of legitimacy.
(7) Make small concessions, especially at the end.
(8) Keep looking for creative alternatives.
(9) Leave your opponent feeling they have done well.

Americans’ Negotiation Skills
The U.S. is the world’s largest economic entity. Its business schools are among the best in the world, its members are consisted of diverse ethnic groups, and its political and economic powers are still the strongest in the world. They did not reach their current status by luck and coincidence: American negotiators are quick thinkers who are capable of
changing their strategies and tactics during a 10-minute break time, forcing their opponents to respond quickly.

Americans value time; this can be observed by the fact that they are punctual and do not waste the time of others. Since the U.S. is a symbol of productivity and efficiency, Americans firmly believe that sooner is always better than later. When an American tells an Asian to “find some time to come over,” this offer is actually interpreted differently. In the U.S., this sentence is spoken in an official tone, and it suggests that prior notice is needed for any visiting. To an Asian, however, this sentence means that prior notice is not needed, and he/she is welcome to visit at any time. In the U.S., there is a direct relationship between time and the urgency of a matter. An important matter requires instant attention and action. It is quite the opposite in some countries, however, as important things require more time for contemplation. Like the proverb “urgent matters are to be handled slowly” states, posing a time limit places unnecessary pressure.

The biggest difference between Americans and the people in other countries in terms of negotiating is that Americans are preoccupied with the articles in a negotiation, whereas the people in other countries focus on the relationship between them and their opponents. A blind spot shared by Americans is that they believe all the people in the world want to be like Americans. They believe that all the markets should be made open. Even if you are negotiating with them on your own turf, they still want to do things their way. If you are on their turf, their lawyers will present you with a host of rules. Americans love conflict and they do not conceal their skill of intimidating others. American negotiators take a strong stance at the beginning and seldom back down. As time goes by, they have learned to be patient, a lesson from their interactions with the Japanese. When necessary, they will only concede on important matters when the negotiation process is near its end. Nevertheless, Americans still prefer quick negotiations; they are not happy with too much socializing or delay. (Ralston, etc, 1992)

**Chinese Characteristics in Negotiating**

In American or European society, children are taught that they must pay attention to others’ manners when they speak to them. Failure in maintaining a steady eye contact is a gesture of being impolite or feeling guilty. They are also taught to speak their mind and express their ideas. A lot of school hours are also used for discussions, and students are encouraged to make comments. However, the Chinese society believes that “silence is golden,” and the people in this culture do not only want to remain quiet, but also view those who are talkative as being showy or immature. To the people in American and European society, however, being quiet means one knows nothing, has no ideas, or is uncertain. Many Chinese people believe that Americans and Europeans exaggerate their facial expressions, and that they have too many body expressions. On the other hand, the qualities that we value such as “being quiet” and “having no facial expressions” are perceived by them as “being dull” and “expressionless.” This kind of situation often leads to unnecessary confusion and misunderstanding.

The Chinese value interpersonal relationships, followed by morality and law. Since the Chinese economy as well as it relevant laws have only been developing for a number of years, there is not yet a complete set of business laws available. Therefore, the implementation of a contract often relies on interpersonal relationships. The people in mainland China highly value “harmonious relationships”, and their leaders would never reveal “bad news”. Negative news would only be announced by an opponent’s assistant after a negotiation has ended, especially during the feast that is held after a contract has been signed. Therefore, in order to reduce possible risks during the initial stages of a negotiation, you should clearly state that new negotiations would be needed when something unexpected has happened that changes the agreements.

The Chinese people do business based on their relationships, which would be used to pressure a party who hesitates and to accuse him of being neglectful of their relationships. Many Chinese people are willing to shake a foreigner’s hand, but they wait to see if the foreigner reaches out his hand first. According to traditional Chinese manners, you should nod when you greet someone, unlike the Japanese people who make a 90 degree bow. Chinese are natural born business people and they love a good bargain. Therefore, their business model is to set a high price first and make concessions slowly.
Techniques in Negotiating with the Chinese

1. Establish Mutual Trust
   In order to work with the Chinese, “trust” is the most fundamental element. The Chinese people believe that a long-term business relationship cannot be established without trust. On the contrary, Westerners, especially Americans, are able to separate business relationships from personal relationships, and they are also able to conduct business with those whom they do not yet trust.

2. Identify the Decision Makers
   Generally speaking, when a Chinese negotiator consults with a Western negotiator, he would need to report to his direct supervisor after gathering information before he can come back with new questions and topics. The higher level officials seldom participate in the negotiating process. Therefore, when negotiating with a Chinese negotiator, it is important to identify how much authority he has.

3. Overcome the Language Barrier
   Mandarin is the official language in China; however, each region has its own unique dialect, and one should not rely entirely on translators. Being able to fully understand the opponent’s language and local traditions is important in doing business or negotiating with the local people.

CONCLUSION

Negotiation can be viewed as a process in which a party wishes to persuade and change the thoughts and behaviors of another. When both parties wish to do so, they both need to seek mutual benefits that address their needs and perspectives before they can reach a consensus. Different people have different views, and it is even more difficult to reach an agreement in an international negotiation that involves different cultural backgrounds. The three domains of personal qualities, situational factors, and strategies/tactics are very different between different cultures. For example, Americans focus heavily on facts, and they persuade others by using logic. To the Chinese people, however, the mutual relationship between the negotiators is the key to a successful negotiation. This kind of “guan-xi (relationship)” is different from the Western sense of “relationship” (Chang, 2001). Therefore, a successful multinational business negotiation begins with understanding the opponent’s cultural and cognitive patterns.

REFERENCES