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Negotiation and Culture:

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The Intricacies of the Chinese Negotiation Process

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Abstract: Globalisation has resulted in an increased need for inter-state interaction and cooperation on issues of international importance, including politics, trade, security, and health. However, the intricacies of culture affect actors' attitudes to particular phenomenon. These differences can result in opportunities or challenges for the parties involved, depending on their level of understanding of and attitude toward the culture of the other party and the peculiar ways in which these cultural values manifest themselves. This paper discusses the cultural factors informing Chinese negotiation and the ways in these cultural traits might manifest themselves in the negotiation process.

## **Introduction:**

Globalization, “the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa” (Galligan, Roberts and Trifiletti 2001), has created greater opportunities for trade and other interactions between states and non-state actors. While people have always negotiated, globalization has increased the need for negotiations and frequency with which they take place. These negotiations relate to trade, economics, national security and a host of other issues of inter-state cooperation. To the extent that globalization means more interstate interaction, it has heightened the need for and instances of cross-border and cross-cultural negotiation.

## **Culture and Negotiation**

At its simplest, negotiation refers to that process through which groups and individuals seek to resolve the misunderstanding and disputes that might arise as a consequence of their interactions. (Fisher and Ury 1983) provide a more detailed and oft cited definition: “Negotiation is a basic means of getting what you want from others. It is a back-and-forth communication designed to reach an agreement when you and the other side have some interests that are shared and others that are opposed”. Researchers into the theory and practice of negotiation have identified culture among the factors affecting the negotiation process. They have also cited the impact of gender and physiological considerations. However, these factors are not pertinent to this discussion. Culture has been identified as an important concept in many social science disciplines. In discussing “Negotiating Cultures”, Williams Zartman says “negotiation exhibits both universal patterns determined by the finite possibilities of its nature and local variations determined by

cultural practices and differences among its practitioner”. However, theorists are yet to arrive at an agreed upon definition of “culture”. (Weber 2001) cites (Williams 1893), who said that culture is “one of the two or three most complicated words in the English language. “Williams has a point. Culture is one of those terms that everyone seems to understand but no one seems to be able to define adequately,” Weber posits. Frank & Rubin (1993) define culture as “a set of shared and enduring meanings, values, and beliefs that characterize national, ethnic, or other groups and orient their behaviour”. Culture, they posit, “can be understood as a system of widely accepted beliefs and assumptions that are transmitted from one generation to the next through a learning process.” Culture is of vital significance to human social existence, with French sociologist Akoun (1989) saying, “The role of culture is to answer questions even before they are raised”.

(Solomon 1999) argues that with the end of the Cold War, many countries resumed contacts as they attempt to resolve shared problems or development in political and trade relations. The end of international ideological and political polarization saw diplomacy replacing military confrontation as the tool of choice to resolve international problems. Solomon notes that today’s negotiations involve actors from culturally and historically unfamiliar counterparts. Aman Garcha<sup>1</sup> echoes Solomon’s sentiments, saying “global warfare is considered by many states to be less accepted as a means of settling conflict”. In light of this new reality, Garcha premises, “The question then becomes what the distinctive effect of culture on negotiation may be, both in creating unexpected opportunities for dispute settlement and imposing obstacles to agreement.” Garcha further notes that an appreciation of the impact of cultural consideration on the negotiation process may lead to a better understanding of the negotiation process itself. He says

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<sup>1</sup> (Garcha n.d.)

that negotiators must be mindful of the impact of culture in the negotiation process, since this can affect the hierarchy of the negotiating objectives themselves, as well as “behaviour mannerisms or non-verbal cues that subtly block confidence and trust”.

Zartman identifies “Actors”, “Structures/Processes” and “Goal Values” as standing out for special attention in a discussion of culture and negotiation. Structure, he says, “refers to a distribution of elements, usually elements of power (or means) but also elements of value (ends). [... ] [S]tructure matters, but only as it affects process, which matters too”. Zartman further cites (Larson, 1992) in saying that while negotiators want to achieve certain goals, negotiations occur within the confines of larger values, beginning with the processual assumption of reciprocity. An analysis of “Actors”, Zartman notes, highlights the importance of culture. He says that these actors should be studied individually in terms of their psychological traits and operationally, in terms of the roles they play. However, he notes that it is their collective behavioural traits (culture) that provide intriguing targets of study. “[C]ulture helps to shape a negotiator’s sense of the negotiating process, conceptual vocabulary, use of language, attitude toward time, favoured channel of communication, and use of the media.”<sup>2</sup> This follows on the premise that different people negotiate differently and “one’s own assumptions appear to be normal and realistic, because they are familiar and unquestioned when negotiating domestically”<sup>3</sup> hence the concept of American negotiation, Russian negotiation, Japanese negotiation, Chinese negotiation, etc.

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<sup>2</sup> (U.S. Negotiating Behaviour 2002)

<sup>3</sup> (Garcha n.d.)

## **Models of Negotiation**

As China emerges as a superpower, whose economy is estimated to become the world's largest as soon as 2012, with conservative estimates putting that timeline at 2020 or 2027<sup>4</sup>, there is more need to understand the Chinese culture and the peculiarities of what constitute "Chinese negotiation". However, this must be considered in relation to existing model of negotiations, which bears some particular differences from the Chinese model. Ghauri (1996)<sup>5</sup> divides the international business negotiation process into three stages: (1) pre-negotiation, (2) negotiation, and (3) post-negotiation, saying that each state is conditioned by factors such as culture, strategy, background and atmosphere. Graham and Sano (1987) develop a four-stage model: ice-breaking takes place in the non-task sounding Stage 1, in that negotiators get acquainted with each other but do not discuss business. This is followed by task-related exchange of information, Stage 2, when negotiators outline their subjective needs and preferences and the alternatives open to them. Sage 3, persuasion, involves attempts at influencing the other party's needs and preferences using various persuasive tactics. Concessions and agreement, Stage 4, is characterised by an agreement, often the summation of a series of concessions.

Ghauri and Fang combine Ghauri's and Graham's models and divide the Chinese business negotiation process into three stages:

1. Pre-negotiation: lobbying, presentations, informal discussion and trust building;
2. Formal negotiation: task-related exchange of information, persuasion, concession and agreements; and

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<sup>4</sup> (Economist 2010)

<sup>5</sup> Cited in (Ghauri and Fang n.d.)

3. Post-negotiation: implementation and new round of negotiation.

They also speak of the People's Republic of China (PRC) Condition, "a set of contemporary social and institutional forces driving the PRC since it was founded in 1949". Boyer et al identifies these as:

1. Politics: the pervasive influence of the Chinese Communist Party on every aspect of life in China;
2. Economic Planning: in keeping with the political system is centralised and characterised by strong government control;
3. Legal Framework: is young, weak and unstable, in which law is often subjected to political ideology and influences by human factors;
4. Technology: of which the modern type is in short supply;
5. Great size: large landmass and the world's largest population
6. Backwardness: large segments of the population still live below the poverty line while education and infrastructural development is uneven and unsatisfactory in many areas;
7. Rapid change: namely the coexistence of traditional Chinese cultural values and Western lifestyles; and
8. Chinese bureaucracy: characterised both by red-tape and quick buying according to government priorities.

In addition to the socio-political and socioeconomic circumstances informing the Chinese negotiation process is Confucianism, the 2500-year-old "philosophy of human nature that considers proper human relationships as the basis of society" (Yum 1988). Ghai and Fang list the emphases of Confucianism as moral cultivation rather than legal power; interpersonal relationships; family and group orientation; respect for age and hierarchy; avoidance of conflict and need for harmony; and the concept of Chinese face, which will be detailed subsequently. (Yum 1988) says that in studying human nature and motivation, Confucianism sets forth four

principles “from which right conduct arises”: *ren* (humanism), *yi* (faithfulness), *li* (propriety), and *chih* (wisdom or a liberal education). Confucian societies, such as China, have developed interpersonal relationship patterns that are quite different from those with individualistic patterns, such as North America, as illustrated below.

Table 1: Comparison of North American and the East Asian orientations to interpersonal relationship patterns

East Asian Orientations	North American Orientations
1. Particularistic Particular rules and interaction patterns are applied depending upon the relationship and context	Universalistic General and objective rules are applied across diverse relationships and context
2. Long-term and asymmetrical reciprocity	Short-term and symmetrical reciprocity or contractual reciprocity
3. Sharp distinction between in-group and out-group members	In-group and out-group distinction is not as sharp
4. Informal intermediaries Personally known intermediaries Frequently utilized for diverse relationships	Contractual intermediaries Professional intermediaries Utilized only for specific purposes
5. Personal and public relationships often overlap	Personal and public relationships are often separate

Source: J.O. Yum, The Impact of Confucianism on Interpersonal Relationships and Communication Patterns in East Asia

Yum further compares the North American and the East Asian Orientations to Communication Patterns, as illustrated in Table 2. In discussing this phenomenon, she says:

Since the main function of communication under Confucian philosophy is to initiate, develop, and maintain social relationships, there is a strong emphasis on the kind of communication that promotes such relationships. For instance, it is very important in East Asia to engage in small talk before initiating business and to communicate per-serialized information, especially information that would help place each person in the proper context. Communication is perceived to be an infinite interpretive process (Cheng, 1987), which cannot be compartmentalized into sender, message, channel, and receiver. It presumes that each partner is engaged in an ongoing process and that the relationship is in flux.

Table 2: Comparison between the North American and the East Asian Orientations to Communication Patterns

East Asian Orientations	North American Orientations
<ul style="list-style-type: none"> <li>• Process orientation                             <ul style="list-style-type: none"> <li>○ Communication is perceived as a process of infinite interpretation</li> </ul> </li> <li>• Differentiated linguistic codes                             <ul style="list-style-type: none"> <li>○ Different linguistics codes are used depending upon persons involved and situations</li> </ul> </li> <li>• Indirect communication emphasis                             <ul style="list-style-type: none"> <li>○ The use of indirect communication is prevalent and accepted as normative</li> </ul> </li> <li>• Receiver centred                             <ul style="list-style-type: none"> <li>○ Meaning is in the interpretation</li> <li>○ Emphasis is on listening, sensitivity, and removal of preconception</li> </ul> </li> </ul>	<p>Outcome orientation Communication is perceived as the transference of messages</p> <p>Less differentiated linguistic codes Linguistic codes are not as extensively differentiated as East Asia Direct communication emphasis</p> <p>Direct communication is a norm despite the extensive use of indirect communication Sender centred</p> <p>Meaning is in the messages created by the sender Emphasis is on how to formulate the best messages, how to improve source credibility, and how to improve delivery skills</p>

**Source:** Adapted from J.O. Yum, The Impact of Confucianism on Interpersonal Relationships and Communication Patterns in East Asia

Confucianism was also one of the four key values (Winters 2008) identified as affecting Chinese negotiation and other interaction. Winters notes that Confucianism emphasizes relationships, characterised by total and complete respect for personal responsibility and obligation; responsibility for the preservation of surface harmony and the collective good; and, hierarchy – represented by meticulous observation of rank in which the individual is clearly subordinate to the organization. Winters also speaks of the concepts of (*miànzi*) face (mentioned above); *guānxi* (relationship); and *kèqi*, a combination of the words *kè* (guest) and *qi* (behaviour), meaning “thoughtful, courteous and refined behaviour”.

*Miànzi* (giving face) is dependent upon the relationship between parties in that if a party is higher up the hierarchy, the subordinate party is expected to ensure that the higher ranking party does

not lose face. Winters describes *miànzi* as “personal pride” and “the basis of a person’s reputation and his or her social status in any given situation”. “Saving face,” “losing face” and “giving face” are essential for successful in business exchanges in a Chinese context since causing someone to lose face can forever damage relationships. On the other hand, “giving face” through moderately praise in the presence of one’s professional or social group earns respect and loyalty and can contribute significantly towards facilitating negotiations.

Guānxì (“relationships” or “connections”) is especially important since the Chinese put more faith in people, rather than contracts, evidenced by the absence of lawyers from most negotiations (Ghauri and Fang n.d.). Winters says *guānxì* is a fundamental aspect of Chinese culture and that the right *guānxì* is necessary for surviving difficulties and frustrations in life and business, since it speaks to supportive relationships based on mutual respect. (Yum 1988) also addresses this point, saying that human relationships under Confucianism “are not universalistic but particularistic”. Yum elaborates thus:

“Human relationships under Confucianism are not universalistic but particularistic. ... [T]he warm human feelings of *jen* are exercised according to one's relationship with another person. Ethics in Confucian thought, therefore, are based on relationships and situations rather than on some absolute and abstract good. Instead of applying the same rule to everybody with whom they interact, East Asians differentially grade and regulate relationships according to the level of intimacy, the status of the persons involved, and the particular context. The East Asian countries have developed elaborate social interaction patterns for those whose social position and relationship to oneself is known, but there are few universal patterns that can be applied to someone who is not known.

(Solomon 1999) describes the situation this way:

“...in the negotiating process, contemporary Chinese seek to recreate their own social context and enmesh the foreign negotiator in a process that they can manage to their own advantage. ... When the Chinese decide their interests are served by building a relationship with a foreign country, they can be highly skilled in drawing the officials of that country into personal relations.” (p.31 &32)

*Kèqi*, in the business context, Winters says, means that a party should demonstrate humility and modesty. Overstated claims of one’s abilities i very suspect and are quite likely to be investigated.

(Ghauri and Fang n.d.) speaks to the peculiarities of the Chinese negotiation process elaborating on the intricacies of the various stages. In the pre-negotiation stage, the Chinese are concerned about securing the most advanced technology; the other party’s capacity to deliver on time; and, price, often crying poor. Lobbying may occur in Beijing and elsewhere and the foreign negotiator might have to make the same presentation to different negotiators. Chinese negotiation teams are often large and may be replaced without explanation and may dwindle as the negotiation, which are often stretched over a long period of time, progresses. During the pre-negotiation stage, foreign negotiators need to pay particular attention to trust building, which is high in family but low outside kinship borders. Further, doing business with a second class firm will make the Chinese lose face. Those wanting to do business with the Chinese have to be patience, especially since the Chinese is an old civilisation and they tend to think that since they have survived for millennia without something, another hundred years would not make much of a difference. Further, Chinese might lash out at the other party for no apparent reason, but the intention is o test the other party’s response.

During the formal negotiation, Chinese will be concerned about equity share and management positions, wanting at least 50% of shares since they believe majority share leads to control. Regarding the contributions of the parties, Chinese often provide the tangibles while foreigners provide the technology, the best of which the Chinese are trying to secure at the lowest transfer cost to them. This modus operandi is informed by the thinking that the Chinese are exchanging their large market for the technology. The persuasion tactics employed by the Chinese include flattery, identifying the opponent's problems, shaming, deception, and putting competing foreign companies against each other. Chinese may deliberately or inadvertently use any of the “Thirty-six Stratagems”, 300-year-old writings that suggest tactics to be used in politics, war, as well as in civil interaction. The stratagems, all of which are characterised by deception, can be grouped under six broad categories, namely: (1) stratagems when in a superior position; (2) stratagems for confrontation; (3) stratagems for attack; (4) stratagems for confused situations; (5) stratagems for gaining ground; and (6) stratagems for desperate situations.

Regarding concession and benefits, when contracts are to be entered into, the Chinese weigh words meticulously when clauses affect them and threat issues affecting foreigners as generally as possible. They stimulate the other party to show its hand. The post negotiation is characterised by the PRC condition discussed above and a contract does not necessarily signify the end of negotiations but the basis for further negotiation. In fact, the basic Chinese attitude to contracting is problem solving based on the changing situations instead of the actual contracts. Flatly rejecting the implementation of the agreement certainly violate the ‘law of Chinese face’

## **Conclusion**

As the discussion above shows, globalisation brings together with increasing frequency entities that hitherto had little interaction with each other. Shifts in global economics indicate that China will increasingly become an important actor in international affairs. Culture is an important element of negotiations since it informs the attitude of negotiators in addition to the context, process and outcome of the actual negotiations. However, notwithstanding the age of its civilisation and the importance of culture to the negotiation process, the Chinese is a culture that is not understood by many non-Chinese societies. This creates peculiar challenges for interstate and cross-cultural negotiations and highlights the importance for understanding the ways in which culture affects individuals and their approach to the negotiation process. In “How Giving Face Can Brew Success”, (March n.d.), details the experience in China of Peter Benjamin, the owner of an Australian chemical engineering consultancy, who, despite his warning that “[m]any Chinese see it as their patriotic duty to shoot down foreigners”, has been successful in China and designed many of the country’s modern breweries. Benjamin offers the following advice to those wanting to do business in China:

First, do not be distracted by cultural differences. Understand them, learn to work within them, but do not be led astray by them. In my first negotiation, I probably spent too much time on the cultural aspects and not enough on the business elements.

Second, know that nothing is ever fully resolved. The Chinese see a contractual agreement as only a starting point in business. You need to be flexible and work with this, rather than fight against it.

Third, know that face is most important. I have seen the Chinese build bad breweries they knew were wrong, just because they did not know how to acknowledge they had made a mistake without losing face. Learn how to give face.

Most importantly, be prepared to make the Chinese look good. China is all about reciprocal favours, and if you make them look good, you will do an enormous service to yourself.

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