

A Comparative Study of Sino-U.S. Business Negotiation Strategy From the Perspective of Cultural Dimensions Theory

CAO Shuo^[a]; LIU Ying^{[b],*}; GAO Jingyang^{[b],*}

^[a]Associate professor. School of Foreign Languages, Dalian University of Technology, Dalian, China.

^[b]School of Foreign Languages, Dalian University of Technology, Dalian, China.

*Corresponding author.

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Abstract

Business negotiation serves as an important activity in Sino-U.S. trade where Chinese companies pay much attention to the relations with their American counterparts. Due to the salient differences in cultures and ways of doing business, negotiating conflicts occur frequently, which impedes the smooth advance of business activities. This comparative research aims to analyze differences in Sino-U.S. business negotiation from an intercultural perspective, providing advice for Chinese negotiators in an attempt to reduce misunderstandings and disputes.

The author has collected information about the definition of international negotiation as well as the current state of intercultural research and summarized previous related studies. This study employs Hofstede's cultural dimensions theory and conducts case analysis in ways that apply the theory into practical negotiation situation.

The findings show that Chinese negotiators value long-term business partnership; in addition, they often consult their superiors when the expected conditions change; in terms of communication model, Chinese negotiators prefer indirect speech and constantly use euphemism; a general framework on the contract is more important than specific details for them. American negotiators give priority to the realization of business goals; negotiators represent the company to make decisions and are responsible for the negotiation results; Americans often point out issues

face to face and specify concrete solutions to problems; compared with Chinese negotiators, they prefer to reach a consensus on detailed matters and stress less on general tenets.

This study illustrates features of Sino-U.S. negotiation in an attempt to provide guidance for future related studies. The author also tries to summarize some pragmatic strategies for Chinese negotiators so as to facilitate the negotiation.

Key words: Comparative research; Sino-U.S. business negotiation; Cultural dimensions theory

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INTRODUCTION

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With the embrace of opening-up initiative, Chinese companies accelerate its pace to adapt into international business community and seek partnership with counterparts worldwide. Over the past several decades, China, the largest developing country in the world, has conducted intensive trading activities with America. At the moment, amid China's transformation of economic structure, import serves as a strong driver to boost the economy, in the meanwhile Sino-U.S. relation needs to upgrade along the way. As the most common activity in international business, negotiation often decides the success or failure of the business. Intercultural communication often makes international negotiation difficult and complicated. China and America represent totally different cultural values, which adds to the significance of Sino-U.S. negotiation research.

The most commonly applied theory in Sino-U.S. negotiation study is Hofstede's cultural dimensions

theory which specifies cultural tendency in power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance, long-term versus short-term orientation. Conventionally, people held fixed opinion on the five pairs of opposite tendencies and classified cultures into these dimensions accordingly. Many scholars have researched Sino-U.S. negotiation under intercultural theories. Some have drawn the conclusion that Chinese negotiators belong to collectivism, which means they prefer group decision-making, while American negotiators belong to individualism and they make decisions on their own; in addition, Chinese companies often have strict hierarchy and American negotiators stress less on positions and status in the company; American negotiators have high uncertainty avoidance which makes them focus on present situation and check each specific items in the contract, instead Chinese negotiators have relatively low uncertainty avoidance and emphasize more on the general principle of the business.

Among previous studies, cultural recognition of Sino-U.S. negotiation is relatively similar, but the intensive analysis of cultural impact and concrete business factors are often neglected. The purpose of intercultural study is to identify differences in international communication and help to facilitate negotiation. This study aims to identify the main differences in Sino-U.S. business negotiation based on Hofstede's cultural dimensions theory and conducts case study on the aspects of negotiation goal, decision-making process, communication models and agreement building process. The author tries to formulate some pragmatic strategies for Chinese negotiators in ways that help them to avoid conflicts in a sensible way, which may also provide references for conflicts management in Sino-U.S. trade.

The results show differences of Sino-U.S. negotiation mainly exist in establishing business goals, decision-making process, communication models and the agreement building. Chinese negotiators cherish cooperative relationship while Americans stress on the signing of a contract; Chinese negotiators prefer group consensus when making decisions, on the contrary, Americans appreciate individual judgements; Chinese negotiators speak in an indirect and euphemistic way, on the contrast, American negotiators speak directly; Chinese negotiators start with general tenets in discussion while Americans begin with detailed issues.

The general contents of this study are summarized as follows: chapter one presents basic information on international negotiation and intercultural communication and concludes previous studies on Sino-U.S. business negotiation. Chapter two explains the five aspects of Hofstede's cultural dimensions theory. Chapter three analyses several cases of Sino-U.S. business negotiation based on the theory. Chapter four puts forward some pragmatic strategies for Chinese negotiators.

1. LITERATURE REVIEW

1.1 Background Knowledge of International Negotiation

The definition of negotiation, what is negotiable, and what should be taken into consideration varies greatly from culture to culture. Generally speaking, it's a dialogue between two or more groups in order to seek respective benefits over issues where there may be disagreements and conflicts. The outcome may benefit all or just one group involved (Wikipedia, 2017). In business sense, negotiation is conversation between two parties who bargain over a certain deal and attempt to strike a proper balance between their concerned issues.

Salacuse (1988, pp.5-13) have identified six factors in the environmental context to illustrate that the international negotiations are more complicated and challenging than domestic negotiations. The six factors include political and legal pluralism, international economics, foreign governments and bureaucracies, instability, ideology, and culture. Among these factors, culture has been the primary focus and has been discussed in various researches in the field of intercultural negotiation. Although these factors are not directly related to the actual international deals, negotiators should have a better understanding of the business environment in markets they are willing to enter.

Political and legal pluralism: When conducting negotiation internationally, fixed legal rules in a certain country should be given special attention for they constrain both the progress and result of the negotiation (Hames, 2012, p.356). This factor is greatly influenced by the type of the ruling party in the country and the overall international trade strategies set by the government. Political factors include philosophy and ideology of political parties, nature and extent of bureaucracy influence of primary groups, political stability in the country, image of the country and its leaders in and outside the country. The legal environment includes the laws and regulations established by the government and applicable to people. Each negotiating party should give special attention to laws concerning taxes and duties as well as codes of contract law and standards of enforcement.

International economics: International economic environment as a whole is essential to international trade among countries. The exchange rates and flows of money differ greatly from country to country, as a result, negotiating with different countries needs to consider their currency stability. The risk is especially higher for the party who needs to pay in the other country's currency. The less stable the currency, the higher the risk for both parties. In addition, any change in the value of currency can have a significant effect on the mutual benefits between parties, causing the agreement unequal.

Foreign government and bureaucracies: Governments

tend to have a control on the scale and influence of business organizations. The typical developed capitalist countries often possess a more inclusive and open trade environment and their governments regulate less on the development of the enterprises, therefore, their trade negotiation is mainly based on the business reasons. In contrast, governments of some developing countries closely supervise their import and export trade as well as joint ventures, putting much restrictions and pressure on the process of negotiation. Political considerations may influence the negotiation more heavily than business reason alone.

Instability: This factor often occurs when negotiating with developing countries. The lack of information on local business, the incomplete infrastructure, shortages of distribution system, political instability and so forth will cause uncertainty to the negotiating process. It is necessary to include clauses in the contracts that specify the responsibility of each party and solutions to problems that may occur.

Ideology: Some countries prioritize the benefits of individualism and capitalism, such as the United States. They stress individual rights and the importance of making profit, while other countries like China and France may stress group rights and public investments (Salacuse, 1988). They may also have different approaches to sharing profits. This adds to the communication challenges in negotiations.

Culture: People from different countries have their own definition of negotiation. Some negotiating parties stress more on the details of each clause in the contract and strive to make the most share of benefits, while others prefer the establishment of a long-term business relationship. This factor is the most complicated one as it triggers problems outside business. Misunderstandings can happen regularly and unpredictably. Negotiators need to have a good command of other countries' business culture and delivery their business principles in a more acceptable way.

As far as I am concerned, these six factors suggest a more exterior, objective and relatively fixed background which cannot be influenced or controlled by negotiators. Amid the period of reform and opening up, China embraced the combination of "bringing in" and "going global" initiative, actively conducting foreign trade with the rest of the world. The trading policy has been improved in accordance with the international trade environment and the growth model of China's economy. The economy is more driven by the synergy of investment, consumption and export; in addition, the government gives prominence to foreign investment and conducts Chinese enterprises to seek partnership with their foreign counterparts. All these changes explain that the political and economic atmosphere is favorable for Chinese enterprises. The stable international landscape also

provides an exciting opportunity for individual countries, developing countries in particular. As Chinese economy is subject to market forces on the one hand, and government macro-control on the other, political considerations may have more influence on Chinese enterprises when they negotiate. National ideology and corporate culture also play a part in negotiating process where subtle differences may cause conflicts or even ruin a business.

Phatak and Habib (1996) have proposed five factors in the immediate context that have a large influence on negotiation. These are relative bargaining power, levels of conflict, relationship between negotiators, desired outcomes, and immediate stakeholders.

Relative bargaining power: It generally refers to the financial investments that each party would put into the new venture (Yan & Gray, 1994, pp.1482-1483). Parties that are willing to invest more will undertake more risks, but they will have more control and influence over the contract. Besides, there are other factors that may influence relative bargaining power, including managing government relations, special access to markets or distribution systems.

Levels of conflict: The level of conflict and way of interconnection between the parties will also affect the negotiation process (Singh, 2008, p.208). Basically, there are two types of conflict. One is inherent and deep-rooted differences that are based on ethnicity, identity, or geography. These problems are difficult to resolve and inevitable. Each party should focus more on the common ground and try every means to talk across the divergence. The other type of conflict is based on the negotiation itself. More often than not, negotiators hold different ideas as to what the negotiation concerns and how to frame the negotiation. This conflict appears to vary across cultures. It is advisable to know each other's interests and concerns and move the conversation into one track.

Relationship between negotiators: The relationship of two parties before the negotiation largely determines how the negotiating process will go on, how much concession the two parties are willing to make. The success or failure of the current negotiation will influence any future negotiations. (Lewicki, Saunders, & Barry, 2012, p.282). In this connection, building long-term business relations is essential to negotiations.

Desired outcomes: Both parties hold their objectives before the negotiation, and there are always conflicts between their short-term goals and long-term business relations. Most of the time, either party can meet all their desired objectives. They have to weigh different choices when they encounter setbacks during negotiation.

Immediate stakeholders: The immediate stakeholders include negotiators themselves as well as their superiors, employers and boards of directors. The ability of primary negotiators greatly influences the negotiation process and outcomes and their performance in the negotiation

will determine how they are looked in the eyes of their superiors and colleagues. Sometimes, negotiating performance can be part of the appraisal and important assessment for career advancement.

This context sheds light on the more interior, subjective and flexible factors in negotiating process. The corporation, negotiators and their superiors can more or less influence the negotiation. In my view, relative bargaining power can be manifested in corporate strength or investment ability. Companies that have more capital are willing to take risks may have more discourse power when they negotiate, which means they are more likely to dominate the conversation when disputes occur. In addition, business is more based on long-term relations and mutual benefits because companies wish to maintain a stable and trustworthy quality of their products. Given this, companies may seek partnership in every operational process including manufacturing, distribution, advertising and so forth. Good business relations will contribute to win-win scenario in the long run, though sometimes they may balance the short-term goals against long-term relations. The chosen negotiators of both sides have a direct impact on the success or failure of the negotiation.

1.2 An Overview of Intercultural Communication Study

Intercultural communication (ICC) refers to any communication between two parties who, in any particular domain, do not share a common linguistic or cultural background. It is actually a process during which people in different cultural backgrounds undertake communicative activities (Thomas, 1983, p90). Intercultural communication occurs when a group of people who do not share the same cultural perceptions try to fulfill a common mission. Generally, the research of ICC abroad is much earlier and systematic than that of at home, thus contributing a lot to domestic study and providing theoretical framework for further exploration in this field.

1.2.1 Intercultural Communication Study Abroad

Although intercultural communication is a fairly common phenomenon in the international community, the study of intercultural communication has a short history. It was originated in the United States and evolved from the international propaganda research during the World War II. Edward T. Hall conceptualized this new field of ICC in his foundational book, *The Silent Language*, in 1959. In 1970, intercultural communication was officially acknowledged by the International Communication Association (ICA) and then by the National Communication Association (NCA) in 1971. Since then, a lot of studies began to accumulate and the members in ICA and NCA increased quickly, thus created a need for ICC textbooks. Samovar and Porter (1972) published the first edition of their edited book *Intercultural communication: A Reader*. In 1977, the International Journal of Intercultural Relations,

edited by Daniel Landis, was published. In the 1980s and 1990s the publications paid more attention to extending the outreach of intercultural theory and to improving the applied research method. (Chen & Starosta, 1998). After sorting out various related studies, Lomas, Osorio and Tusón (1993) divided intercultural study into four dimensions consisting of the evolvement of interpersonal relations, the function of language in a conversation, the research of the communicative process and the cognitive structure of communicative process. It was not until 1990s when scholars pursued methodological diversity that qualitative studies began to be accepted. Stephan researched intercultural communication by reviewing social cognition and examined ways that can reduce the impacts of stereotypes, cultural biases, and ethnocentrism in communication (Gudykunst, 2003, p3). Ting-Toomey and Oetzel (2001) focused on conflicts management in cross-cultural communication. They concluded the influence of cultural diversity and individual personality in conflict-solving styles.

1.2.2 Intercultural Communication Development at Home

The discipline of intercultural communication was first introduced into China during the early 1980s by some English teachers who wanted to alter the traditional teaching methodology to communicative approach in EFL in China. Scholar Hu Wenzhong, a famous professor of ICC in China, divided the short history of ICC into three distinct periods. The first period is from 1979 to 1987 during which foreign language teaching began to be popular. The years of 1988 to 1994 mark the second period when foreign language teaching was still growing and a new discipline called intercultural communication aroused the interest among many researchers. The third period started from 1995 when an International conference on Intercultural Communication “East and West” was held in China, since then, the China Association for Intercultural Communication was established. With the nation’s reform initiatives and opening up endeavors, ICC became a serious discipline in China. Professor Xu Guozhang was one of the investigators who first wrote articles on the cultural loading of words or the meaning of words. Shortly after that, there appeared hundreds of articles and books concerning this field. The focus of study shifted from academic interest to theoretical research and practical implementation.

1.3 Previous Studies on Sino-U.S. Business Negotiation

In this section, the author summarizes and comments on several studies concerning Sino-U.S. business negotiation between 2000 and 2015.

1.3.1 Characteristics of Sino-U.S. Business Negotiation

From 2000 to 2015, there are several studies researching the differences of Sino-U.S. negotiation. Although the theoretical framework may be similar, the conclusions

drawn by these studies emphasize different aspects due to their separate research methods and perspectives. Some typical examples are illustrated as follows.

Professor Chang (2006) specified in his research the Sino-U.S. negotiation characteristics from the perspective of cultural factors. He thought that American negotiators have distinct personalities due to the regions they come from. For instance, people from Texas often refer to themselves as “Texans” instead of “Americans”. Americans prefer a “conquering” approach when they negotiate while Chinese people pursue a “harmonizing” approach for their national personalities. Besides, he contended that Americans often set fundamental principles in advance and they observe them strictly even when there appears a good deal that violates the principles. Compared with Chinese people, they are not accustomed to silence and they would perceive it as uncertainty. Instead, Chinese people do not show their opinions straightforward and they do not have various facial expressions when they talk. Professor Chang also illustrated Americans’ attitudes towards contract. He believed that Americans think the negotiation comes to an end once the contracts have been exchanged while Chinese people wish to establish a long-term relationship after a contract has been signed. More importantly, Americans often solve a problem item by item while Chinese people prefer to set an overall principle before they go over the details.

Professor Chang has provided an overview of differences in Sino-U.S. negotiation, but some of the findings are not credible enough as no real cases of negotiation were given. For example, in his statement of attitudes towards contract, he contended Americans are task-oriented while Chinese stress on long-term relationship. This perception may be too absolute because the real situation in every negotiation is rather complicated. In fact Professor Chang has anticipated Sino-U.S. negotiation differences based on cultural comparison. Although the findings are not very authentic and fit only with the mainstream culture, they still lay a foundation for further research.

Scholar Wang (2013) summarized differences of Sino-U.S. negotiation by case studies. He drew the conclusion that American negotiation is characterized by individualism, task orientation and egalitarian, on the contrary, Chinese negotiation presents the features of collectivism, relationship-orientation and hierarchy. In addition, America belongs to a low-context society where communication is precise, direct and based on true intentions. China is a high-context society where people value group-identity, covert codes and maintain a homogeneous normative structure with high culture constraint characteristics (Ting-Toomey, 1985).

In scholar Wang’s research, he proposed several intercultural communication factors to analyze different

negotiating styles. In his analysis of Chinese and American culture, he mentioned some aspects like the conception of “self”, social relationship, time awareness and so on. People often have different perception about culture and some may say corporate culture should also be taken into consideration when conducting case studies. Scholar Wang has admitted that some cases are second-hand as companies are always confidential of files. Although scholar Wang’s study has its limitations, the research method that integrates cases with cross-cultural factors is worthy of reference.

In an analysis about cultural values of companies from China and the United States (Zhan & Zhang, 2015), the authors used quantitative method, collecting data concerning cultural orientations of Chinese and American companies selected from Forbes Global 2000. He applied Hofstede’s cultural dimensions theory into a qualitative analysis of these data. The findings show that Chinese companies prefer high power distance, which means people are distinctly graded within a company. When it comes to negotiation, a Chinese negotiator often acts as a representative of the company and he has no rights to make final decision. Compared with Chinese companies, the data shows that American companies value equality and encourage everyone to come up with new ideas and get involved in the management and decision-making process. Besides, American companies score high in uncertainty avoidance while Chinese companies’ total score is relatively low, which suggests that American negotiators always make fundamental codes to avoid uncertainty, however, Chinese negotiators may resort to flexible ways to solve unexpected problems. The data also shows some similarities in Chinese and American companies, for example, both Chinese and American companies show preference for masculinity and long-term orientation, which means they worship competitions, achievements and material gains, and express a more urgent pursuit for future.

The above study is in-depth and relatively credible because Professor Zhan and Professor Zhang did both quantitative and qualitative research through data analysis. Among the top 2000 publicly listed companies in Forbes magazine, they have selected 162 Chinese companies and 170 American companies with English official website clearly stating their corporate values through which a comparative study has been conducted. Although the research is not directly related to business negotiation, it still gives us an overall idea of corporate cultures. We can see that some of the findings are different from those of previous studies as Chinese companies and American companies share some similarities in cultural tendency. With the development of globalization, companies always change their cooperate values to become more adaptable to international trade. Through quantitative research, the

results are more concrete and reveal many unique features of some companies.

1.3.2 Comments on Previous Studies

From the above studies, it can be concluded that researchers show a great preference for Hofstede's cultural dimension theory and Hall's high-context and low-context theory when they try to identify cultural factors in Sino-U.S. negotiation. Some scholars use real-life case studies to analyze differences in Sino-U.S. negotiation and compare the results with previous studies, which put the negotiating situation in different contexts and upgrade the theory to a new level. From all the similar researches in the last decade, individualism versus collectivism, power distance, and uncertainty avoidance are the main aspects in this topic. Others analyze the negotiation strategies in Sino-U.S. negotiation. However, we can also find some drawbacks in the previous studies; for example, for lack of comprehensive cognition of American culture and interaction with business people, some scholars cannot integrate cross-cultural theories with real business negotiation practices very well. Besides, these studies seldom formulate strategies for Sino-U.S. negotiation. As such, this study tries to apply Hofstede's cultural dimensions theory into real cases in a way to give advice to Chinese negotiators.

2. THEORETICAL FRAMEWORK

2.1 Hofstede's Cultural Dimensions

In this section, the author summarizes the features of Hofstede's (1980) cultural dimensions theory and specifies analytical framework of this study.

2.1.1 Power Distance

Hofstede (1980, p.67) have identified that power inequality can often occur in social status and prestige, wealth, laws and rules. Power distance refers to the degree to which people in a society accept and agree that power is distributed unequally. It also manifests the dependence and interdependence level among people in different social hierarchy. In a society which exhibits a large degree of power distance, higher social status means more power and not to challenge higher-status members is the norm. In a corporate, the hierarchy is strict and needs no further explanation. Subordinates seldom make decisions alone and carry out orders from their superiors. They take it as unavailability and are reluctant to disagree with superiors. In a society with low power distance, things are different. There are no such strict boundaries between superiors and subordinates and people are encouraged to strive for equality. People often demand reasonable justification when inequality occurs. Although the social status is still there, people in lower-status don't just follow codes of conduct, instead, they may get involved in management

and decision-making process to some extent. Power distance shows people's attitudes towards hierarchy and how they manage their relations with superiors.

2.1.2 Individualism VS Collectivism

A society of high individualism usually possesses a loosely-knit social framework where individuals care more about themselves and their immediate family members, and the government rewards personal achievements, protects individual rights. Individuals see themselves as a basic unit and strive to realize personal goals and ambitions. However, in a collectivism society, people put collective interests above personal interests. They promote interdependence among individuals and emphasize the significance of social obligation. There are many in-groups where people place more attention on their participation behaviors in the group. Interpersonal relationship is of great importance and those unsociable and self-centered can hardly fit into the society. In pursuing goals and objectives, people think the fulfilment of collective goals is the basis and prerequisite of realizing personal goals. They will make concerted efforts to achieve common goals.

2.1.3 Masculinity VS Femininity

The high side of this dimension called masculinity which shows a preference for competition, performance targets, heroism, assertiveness and material rewards. The opposite side of this dimension called femininity which exhibits an orientation for modesty, cooperation, good relationships with managers and other staff, caring for the weak and quality of life. In a more masculine society, women have more discourse power and tend to be more competitive and emphatic, while in a more feminine society, women are modest and less competitive.

2.1.4 Uncertainty Avoidance

Uncertainty avoidance indicates the degree to which people feel uncertain and ambiguous about the future. Extreme uncertainty in the society arouses intolerable anxiety and people usually resort to law, religious belief and technology to ease uncertainty (Hofstede, 1980, p.111). In a society with high uncertainty avoidance, people constantly maintain rigid norms and regulations in an attempt to avoid obscure situations. People in this society have to abide by rules and procedures and often feel constrained. A lower degree in this dimension shows more acceptance for new thoughts and ideas. In this society, practice is more important than principles. Following this, the government imposes less regulations and shows a more relaxed and liberal attitude to new things. People are accustomed to uncertainty and ambiguity.

2.1.5 Long-term VS Short-term Orientation

Hofstede (2001, p.359) once said long-term orientation emphasizes future rewards, while short-term orientation focuses on the past and present. A country scoring

higher in this index values long-term commitment and encourages persistence and frugality. People think personal adaptability is important and maintain their relationships according to status. When they make much money, they tend to save and often prefer to invest in real estate. On the contrary, in a country with short-term orientation, people emphasize quick results and instant satisfaction. They are not sensitive to social status and put much emphasis on personal steadfastness. They lay equal importance to hard work and leisure activities.

2.2 Analytical Framework of This Study

In the following chapters, the author employs four real-life cases concerning Sino-U.S. business negotiation to analyze differences between Chinese and American negotiators. Each case reflects one or more aspects of Hofstede's cultural dimensions theory. The author combines cultural factors with business situations. Through comparison, the author identifies business attitudes and conflict-solving modes of Chinese and American negotiators. Finally, the author summarizes several strategies for Chinese negotiators and gives suggestions for coping with conflicts.

3. APPLICATION OF CULTURAL DIMENSIONS THEORY TO SINO-U.S. BUSINESS NEGOTIATION

3.1 Negotiation Goal: Business or Relationship

Case 1:

David Evenson, manager of a supermarket chain located in Milwaukee, wanted to import goods from China and establish business relations with Chinese companies. Wu Xin, an internal staff, gave suggestions to David, and introduced Xin Cheng, an importing and exporting corporation dealing in agricultural and animal products. Soon David agreed to import 2,4000 two-ounce packages of Chinese green tea from Xin Cheng and both sides signed a contract. Given the fact that the Thanksgiving Day was coming, David expected good sales of tea and his confidence was even strengthened by the good quality and delicate packaging of the green tea. He even asked Wu Xin to make bilingual advertisements for the tea and released them on the local newspaper. However, due to the small size of the transaction, the cost per unit was very high. From the initial sales record, American people didn't show much preference for the green tea and the sales stagnated. The accounting department urged David to reduce the price in order to gain profits. Although David was unwilling to cut the price, he finally agreed with the accounting department. Later the Chinese company learned that the tea didn't sell well and again suggested David to cut the price. This time, David seemed to have lost faith in this product, and showed no interests to other products that the Chinese company suggested later (Chen, 1996).

From this case, it's easy to notice that both parties have different goals for the same deal. As soon as the contract had signed, David wished to make profits from the deal and this was his primary goal in doing business.

American businessmen see profits as their motivation, which reflects their preference for short-term goals and quick results. Unlike the American people, Chinese people prefer long-term orientation. In doing business, Chinese businessmen tend to establish business ties first and all the transactions should be based on mutual trust and business relations. They see business relations as a prerequisite and guarantee for the long-term benefits. Back to the case, the Chinese company didn't provide concrete solutions when they heard David was about to suffer a loss, they thought a loss in one deal was temporary and would not damage their relations.

The case revealed a gap between Sino-U.S. business negotiations. Chinese put business relations above actual transactions and a signed contract is just the beginning of their relations. They may not care much about the sales volume and profits of their importers; instead they stress the long-term mutual benefits. On the contrary, Americans are always profit-driven, and they think each signed contract means the end of the deal. If the first deal doesn't meet their expectation, they may not continue to cooperate with the other side.

For Chinese negotiators, if they want to establish close ties with American companies, they need to understand the long-term relation is based on every successful deal. On the negotiation table, a win-win strategy often provides positive anticipation for respective goals and gains trust and understanding. For American negotiators, they should adapt to Chinese way of doing business. Warm hospitality has become a negotiation necessity and long-term benefit is all that matters. American companies may consider cooperating with Chinese companies and formulating long-term strategy together based on mutual understanding and trust.

3.2 Decision-Making: One Leader or Consensus

Case 2:

The Chinese Ministry of Culture signed a contract with American side for exhibition of China's archaeological treasures. These treasures would travel a number of American cities. Both sides have disputes over insurance issue. Chinese People's Insurance Company agreed to provide insurance at \$2 million which was acceptable, but the insurance didn't cover the exhibits in the event of malicious damage. The negotiation reached a deadlock. The Chinese insurance company said they had to report the issue to the higher authorities and wait for their instructions. In the following days, they suggested the American side to put aside the insurance matter and discuss other minor items. The American side was confused, but since there was no other way to improve the situation, they agreed to delay the discussion of exhibition insurance (Carolyn, 1997).

In this case, the insurance matter revealed a big difference between China and America in decision-making process. Obviously, China belongs to high power distance culture. The Chinese side didn't directly address the insurance issue; instead, they waited for instructions

from superiors. In Chinese corporate culture, there is distinct hierarchy and each level of staff cannot cross the boundary. If they encounter issues that are beyond their responsibility or power, they must consult their superiors for approval. In negotiation table, Chinese negotiators are representatives of the higher authorities and they have no power to decide each item. When the other party poses a new problem, they often ask for delay of the conversation and report the problem to their superiors. In American companies, they show a low power distance. People in different levels are encouraged to put forward new ideas and act on their own. They relatively have more power to make a final decision (Feng, 2005). In a negotiation, they prefer to discuss issues directly and solve the disputes once and for all.

Apart from power distance, the case also revealed Chinese collectivism versus American individualism. Chinese negotiators cannot make decisions alone, and they have to consult the whole group until the group reached a consensus. No wonder Americans often find negotiating with Chinese time-consuming, and they couldn't identify who is the actual authority to make the final decision. For Americans, since they are chosen to be negotiators, they are empowered to make final decision.

From this case, Chinese companies should learn that hesitation or delay is not an effective way of solving problems, and the other side may lose confidence and switch to other companies more often than not. Negotiators should show more initiative and do not disappoint the other side. American companies may not put much emphasis on strict procedures and orders from the higher authority and their style of negotiating is more informal than Chinese negotiators.

3.3 Communication: Direct or Indirect

Case 3:

An American company was working on a joint-venture contract with a Chinese company. In the first negotiation, both sides agreed on some principles and made a set of minutes at the Jinbi Hotel in Shenzhen. The achievement of this conference called "Jinbi Minutes". In the following three years of negotiation, the Chinese side always mentioned the content in "Jinbi Minutes". However, the negotiation didn't go smoothly and little progress had been made. The head of American side lost temper and screamed: "the 'Jinbi Minutes' was signed three years ago and the situation now is totally different. The items in the contract changed and the capital required changed too, let alone the transformation in technology and Chinese market. Can't you just put aside the old principles and we discuss based on new situation?" The Chinese side was angry too and shouted: "Are you betraying what you've agreed before?" The American side said: "That's not a contract. It's just an agreement to do business." The atmosphere in the negotiation table got intense and stressful and neither party was willing to make a concession. In the end, the American side accepted the advice of the Chinese side and agreed to consult a third party. After the interference and the conciliation of the third party, finally a contract was signed (Laurence, 2004).

This case happened during the course of negotiation. According to Hall (1973), the American culture belongs to low-context culture, while Chinese culture is situated at the high-context end. The two orientations reflect different style in communication: direct or indirect. Direct negotiation style prefers addressing speech explicitly and communications are often action-oriented and solution-minded. Americans favor direct confrontation and put their cards on the table. Questions and doubts can be asked freely. In this case, the American side saw no achievements in the negotiation process, and began to pose the defaults of "Jinbi Minutes". Their only goal is to get the contract done no matter what they have agreed before. On the other hand, the Chinese side prefers the indirect approach. They insisted on the old principles and couldn't figure out solutions to negotiation stagnation. In the end, the Chinese side suggested the consultancy of the third party as a way to avoid further direct confrontation.

In terms of masculinity versus femininity, both parties showed some preference for masculinity. After all, the contract was signed finally, which means they both value achievement, and material gains. Instead of quarreling on the issue, the Chinese side changed way of negotiating. They invited the third party, which indicates that they still pursue a harmonious approach and business relationship is important.

This case revealed different style of communication. Direct confrontation is a weakness for Chinese negotiators and sometimes they would regard it as rudeness, instead, American negotiators are much accustomed to this approach. The mediation of a third party may be a good way of eliminating deadlock.

3.4 Agreement Building: Bottom-up or Top-down

Case 4:

Patricia Worth had interests in buying and fixing up old houses and wished to start a business in this field. With the help of a small business administration in Chicago, she got a chance to negotiate with manufacturing companies in Beijing. Her goal was to import and market electrical fixtures and plumbing to those who needed to buy and fix up old houses. She was talking directly to Lei Yingjin then, an employee in a manufacturing company in China. Before the negotiation, Patricia had done extensive research and made tables and graphs specifying costs, potential markets, expected sales and profits. After rounds of negotiation sessions, she was disappointed with the time wasted in ineffective discussions and the mounting expenses. At this point, the Chinese side switched the conversation and started to deal with some general principles, like "the best products at reasonable prices, followed by accurate marketing", but they would not give any explanation on what they meant by "best, reasonable and accurate" or how to achieve this (Chen, 1996).

In this case, Patricia and the Chinese side had very different understanding of what negotiation is and what should be discussed at the very beginning. Patricia preferred the bottom-up approach which starts the negotiation by talking about specific items. Once these

details are settled down, it's easy to go over other general goals. America very much belongs to high uncertainty avoidance culture. Americans like to implement rigid codes and regulations in an attempt to avoid unexpected things. In business negotiations, they pay much attention to terms in contract. This will make sure they have something as reference when disputes occur. They adopt a straightforward approach by talking about prices, costs, transportation, markets and so forth in the negotiation. On the other hand, the Chinese side prefers a top-down method. They start the negotiation by reaching agreements on general principles and then proceed to specific items. China belongs to a lower uncertainty avoidance culture, which means Chinese people believe more in practice and they always have flexible ways to solve problems.

Americans and Chinese have different emphasis on building an agreement. Americans always find it difficult to comprehend the general principles put forward by Chinese, and they think it's a waste of time to discuss those principles. Americans are action-oriented and they want to see the actual progress in the negotiation. For Chinese negotiators, general principles are more important than specific items in the contract.

4. SINO-U.S. BUSINESS NEGOTIATION STRATEGY ANALYSIS

Analysis have been given on the differences in Sino-U.S. business negotiation through case studies in the last chapter, we have found that culture serves as a crucial factor in the setting of negotiation goals, decision-making process, communication models and agreement building process. That means negotiators often encounter both negotiating problems and cultural conflicts. It is advisable to build common ground and narrow cultural gaps in ways that overcome obstacles during negotiation. This chapter illustrates strategies in a practical sense and may be helpful for Chinese negotiators.

4.1 Taking Each Other's Position Into Account

As businesses are profit-driven, each party wants to maximize their profits and achieve their negotiating goals. It is hard to realize win-win results if each party thinks selfishly. We need to take other's interests into consideration and respect the other party. Here are two statements:

A: We offer a diversified selection of umbrellas at the Canton Fair.

B: You can choose from a diversified selection of umbrellas at the Canton Fair.

Statement A emphasizes the seller, while statement B emphasizes the buyer and expressed the willingness for business cooperation. Chinese negotiators might as well be in other's position so as to form a harmonious relationship. In doing business, considering other party's

interests and needs is the first step to establish business relations.

4.2 Expanding Positive Anticipation

As Americans don't like unexpected changes in business, Chinese negotiators may find flexible ways to mitigate conflicts. The key to solve this problem is to reassure the American side that they will handle the issue properly and the deal will go smoothly.

A: Recent demand of our products is heavy; we can't ship your goods before July 17.

B: Although the recent demand of our products is heavy, we'll try our best to ship your goods by July 17.

A states the real situation straightforwardly and shows incompetence to address the problem. This may make American side uncomfortable because nobody wants to hear bad news. B presents difficulties and expresses strong inclination to deal with the problem although the shipment delay is inevitable. B is more acceptable because it shows concern for the other side and expands positive anticipation. In business negotiation, it is wise not to reveal your inability to fulfill the agreed deal. Positive anticipation is the condition to gain trust of the other side and necessary for the advance of the deal.

4.3 Time Pressure

When the negotiation reaches a deadlock or no progress is going to achieve, time pressure can be a useful way to move the negotiation forward. Look at the following example:

A: We are not able to deliver your products before August 1 as required if you cannot place an order earlier than this Thursday.

B: That is to say, we have only 3 days left.

A exploits time pressure to urge the other side to make an offer rather than demand the other side to make a decision as soon as possible. Time pressure gives a sense of urgency and is likely to encourage the other side to take actions. As Americans often place high attention to time and efficiency, Chinese negotiators can use this strategy to present new conditions. The uncertain factors outside the time range act as a catalyst in the negotiation process.

4.4 Additional Condition

Negotiations invariably involve concession and compromise. It is almost impossible to achieve the original goal without any losses because negotiation itself is asymmetric, otherwise there would be no room for negotiating. That is to say Chinese negotiators should find extra conditions that will not cause big losses while keep the negotiation continue. An additional condition would be like this:

A: On the condition that you give us better insurance terms, we will deliver the goods 4 days earlier than stipulated.

B: We'll consider it.

A puts forward extra condition to expand negotiation range based on mutual consideration which keeps a balance between two sides. When asking for a better term, it is necessary to make a concession which is within your acceptable range. To make a good preparation for negotiation, Chinese negotiators may consider all the additional conditions in advance and form the compromise range.

CONCLUSION

In this study, the author tries to find out features of Chinese and American negotiators through intercultural comparison. By using Hofstede's cultural dimensions theory, the author has identified differences in four aspects of negotiation.

In establishing business goals, Chinese negotiators not only focus on signing a satisfactory contract, but also build a long-term relationship for future deals; in decision-making process, when encountering unexpected situation, negotiators tend to consult their superiors before they make decisions; Chinese negotiators speak in an indirect way and attempt to avoid direct confrontation; in signing a contract, Chinese negotiators prefer to discuss detailed issues under a general framework.

However, American negotiators put more emphasis on business itself and each successful deal will lead to further cooperation; American negotiators are representatives of the company and they are responsible for the decisions; they prefer a direct way of speech and look for practical solutions to problems; they discuss every detailed terms in the contract before reaching a common ground.

As negotiation is a process of communication, the author has formulated some pragmatic strategies for Chinese negotiators. These strategies may not be reflections of both Chinese and American cultures; instead they serve as effective ways to address problems. Taking the other side's position into consideration is a good way to build business relations. Expanding positive anticipation reassures the other side while there are negative changes. Using time pressure will be helpful when encouraging the other side to make a decision or end a deadlock. Chinese negotiators should also propose additional conditions when making concession in an attempt to minimize losses.

This study inevitably has some limitations. For instance, for the lack of intensive research of Chinese and American cultures, the characteristics of Chinese and American negotiators may not be accurate, and due to the complexity of negotiation process, the strategies only provide a general approach to avoid conflicts and practical solutions are subject to changes in real situation. All in all, this study sheds light on differences of Sino-U.S. business negotiation and may give some guidance to Chinese negotiators.

In the future, scholars may refine intercultural theories through comprehensive research of global business

negotiation as companies have continuously redefined their identity to suit market change. They may also tailor specific methods of solving conflicts in different types of negotiation. It still takes a long, hard journey for Chinese and American negotiators to minimize the effect of cultural factors in the course of negotiation.

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