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# **International business negotiation in the South and North China**

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## Abstract

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**Problem:** Concurred with China's economic development, the commercial activities among China and different countries have become more frequent. Many scholars have come to realize that China's different cultural background has been a great extent influenced by the international business activities, and many articles have been described about how the Chinese unique cultural influence the international business negotiation. But because the cultures in the South and north China have some great differences, therefore, when we reviewed those articles, we found that those descriptions in the articles were not comprehensive. Some of the opinions were feasible and effective in north of China in business negotiation, but perhaps were not suitable in the South of China.

**Purpose:** The purpose of this thesis is to get a better understanding of how the different cultures from north and south China affect the international negotiation process.

**Method:** We have developed the qualitative approach to fulfill our thesis purpose. This qualitative study was conducted by interviewing two managers from China Ocean Shipping Agency Fuzhou (south China) and JINAN XiaoYa CO.Ltd (north China). All the final results are derived from the analysis of the gathered empirical data and the theories presented.

**Result:** By analyzing the connection between the collected empirical data and the presented theories, the main conclusion we get is that in an international negotiation process, the different cultures from south and north China may have an effect on different levels.

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# 1. Introduction

## 1.1 Background

Today, the fundamental shift in the world economy is from the national to the global economy. As (Hill 2007) said “Globalization economic referred that we are moving away from a world in which national economies were relatively self-contained entities, isolated from each other by distance, language, culture, and many different factors toward a world in which barriers to cross-border trade and investment are declining; perceived distance is shrinking due to advances in transportation and telecommunications technology; material culture is starting to look similar the world over; and national economies are merging into an interdependent, integrated global economic system”. (Hill 2007)

The Chinese market has been attracting lots of business. Thousand years ago, many businessmen from Rome or some western countries went through the Silk Road to China for Chinese beautiful porcelain, silks and tea. The opium war in the 19<sup>th</sup> century brought disasters to China while also prompted a large number of adventurers and business people from the West countries to search the riches. Since the late 1970s, China’s “open door” policy and unprecedented acquisition of foreign investment was considered a dream come true for the Western business people (Fang 1999). After that time many businessman began swarm into China, the total values of imports and export was from almost zero in 1979 increased to 14219.1 (100 million US) in 2005. Foreign direct investment was also from almost zero in 1979 increased to 603.25 (100 million US) in 2005 (*China statistical year book 2006*). After two decades’ development, China became the largest recipient of foreign direct investment among developing countries and became the second largest in the world after the United States.

The Chinese market does not have quite the same routine as any European or North American market. There seem to be surprises lurking around every corner (Krott 2003). China as a difficult and risky market to operate in for Western business communities can be considered as a special challenge due to the oldest culture and some other factors. All these distinctive features make China a unique case in international business. (Ghauri & Fang 2001)

## **1.2 Problems discussion**

The world economy is becoming globalized, as new blocks and relationships emerge to create a radically different business environment. International business negotiations are increasingly recognized as a part of the managerial process, highly relevant for the implementation of business strategies. Negotiation can be defined as *“a process by which disputants communicate their differences to one another through conference, discussion and compromise, in order to resolve them”* (<https://acc.dau.mil>), or *“An aspect of human activity influenced by the cultural behavior of societies”* (Goh 1996). Moreover many scholars recognized that, different cultures among different countries played very important roles in international business negotiations process. As Gulbro and Herbig (1996) said *“Different cultures can generate different negotiating styles, which are shaped by each nation’s culture, geography, history, and political system”*.

Some scholars pointed out that more than two-thirds of many negotiation efforts fail even though both sides have common goals to reach a successful business agreement. A lack of knowledge understanding of the different cultures may completely explain this situation. *“The way one succeeds in cross-cultural negotiations is by fully understanding others, using that understanding to one’s own advantage to realize what each party wants from the negotiations, and turning the negotiations into a win-win situation for both sides”* (Gulbro & Herbig 1996).

By doing business with Chinese, many businessmen realized that in order to reach a successful negotiation in China, understanding the Chinese culture has become significant. Many economic scholars issued a number of books or articles which describe the Chinese unique culture, but most of them just described those cultures from whole China perspective, but in fact, the cultures in south and north China are quite different. Considering the Chinese emerging market, we do believe that more and more companies will be attracted to all parts of China, not just focus in Beijing or Shanghai. This tendency will lead to an increase in the amount of negotiations with Chinese companies in different parts of China based on the cross-culture. We chose this research area due to its interesting nature and the possibility of making the findings of this thesis useful for foreign companies who wish to get successful negotiation in different parts of China.

### **1.3 Purpose**

The purpose of this thesis is to get a better understanding of how the different cultures from north and south China affect the international negotiation process.

### **1.4 Research questions**

The research question of this thesis is that *“Are there any differences in international negotiation between north and south of China when conducting business based on their different cultures”?*

### **1.5 Target group**

This thesis is not only for those international businessmen who are doing or prepare to do business in China. But also for those scholars who are interested in knowing how the different culture of the south and north China influences their international business negotiation.

## **1.6 Delimitations**

Culture can be analyzed from many different perspectives and it can influence the international negotiation. In this study, the culture influences the international negotiation which can be analyzed from Chinese and foreigners' perspective. But here we just focus on the Chinese perspective because of the limit of time. And the aim of the thesis is to study how the different cultures from north and south China influence the international negotiation process, so the Chinese business culture will be applied. China is a big country with many different cultures, when we analyze the culture influence, it cannot be analyzed from the whole China perspective. We analyze the Chinese business culture from the south and north China, because the business development levels in south and north China are higher than the eastern and western. So the eastern and western are not considered in this thesis.

## **2. Methodology**

### **2.1 Qualitative method**

We used the qualitative method as the research strategy, because we want to find out how the different cultures in north China and south China affect the international business negotiations. Bryman (2001) described that qualitative researchers are interested in which the conception of the world or sight of life members in a definite social group have, in order to catch the individual's opinions and interpretation of the reality that they live in. In a qualitative investigation the perspective of participators are always starting points, what they think is important and meaningful (Bryman, 2001). It is different from the quantitative research which is based on the researchers' perspectives.

According to Bryman (2001) there are four main points for qualitative researchers in investigations. The first, researchers understand the social environment in the same

way as those persons in investigations. The objects of analysis in social research are usually human. It is quite different from the scientific research. Many qualitative researchers want to understand the experiences and opinions of the people in investigations, and the social environment and situations that they existed in. That is why a lot of researchers explain in their reports that they started from participants' opinions and understandings. (Bryman, 2001)

The second, qualitative researchers think that descriptions and explanations are important parts in their studies (Bryman, 2001). Qualitative researchers tend to collect amount of descriptive detail, as the participants' background or environment. Researchers do believe that these details influence the activities, valuations and understanding; these must be explained in a special context (Bryman, 2001). Bryman (2001) emphasize that we can't understand how individuals in a social group behave if we can't relate them to the special environments that they existed in.

The third, the qualitative researchers emphasize the process, which means "*a sequence of individual and collective events, actions that come up and develop over time in a certain context.*" (Bryman, 2001: 266). Researchers have a tendency to understand the social life as a process. Researchers focus in changing and development of the people in investigations in order to catch how different factors connect with each other in a social environment. This is the reason why lots of investigations usually take a long time, even many years. Man can reach the same thing with help of semi-structure and non-structure interviews, so the participants can reflect the process which leads an event or action. (Bryman 2001)

The fourth, qualitative research has flexibility on structure. If some decisions are understood, what researchers expect and which social reality they will meet, researchers can change the direction of investigation or add other elements which they also need to think about, and maybe will influence the result (Bryman, 2001). It can be difficult to change in quantitative researches. If researchers send hundreds of

questionnaires and realize that they have forgotten some important questions, they have to start from the beginning.

On the other side, qualitative method has also disadvantage. Quantitative researchers they always criticize the qualitative investigations because of sometimes they are too subjective. In the other words, qualitative researchers build unsystematic understandings about what is important and meaningful (Bryman, 2001). In addition, it is quite difficult for the quantitative researchers to duplicate of a related study, this is because of the study of qualitative is non-structural. Most of the time, this is depends on the understanding and interesting of researchers themselves (Bryman, 2001). Bryman has also explained that researchers choose a direction that they think it is important, when others maybe think that other phenomenon are more meaningful. At the same time, participators in a qualitative study can be influenced by characteristics of researchers, for example, gender, age and personality (Bryman 2001). Moreover, results of qualitative investigations are very difficult to universal. As using observation or non-construction interview, these two qualitative methods way, the respondents is often a small individual part of a certain social environment, because of this, the results of the research is impossible popularize to other social environment. (Bryman, 2001)

Bryman suggested that results from qualitative investigations are going to be generalized to theory, not to populations. The other disadvantage of the qualitative research is the lack of transparency, which means how this information in research is planned and completed (Bryman, 2001). It is difficult for the readers to understanding how the respondents are screened and how they deduce the final results by using data analysis. Because of the quantitative researchers can display their results by charts or tables, but not for the qualitative researchers.

In this thesis, in order to avoid the disadvantages that have been mentioned above, we first read a lots of books and reports which were related, including the books and

reports about the study of qualitative method and quantitative method to help us to get a better understanding and get suggestion of the way to use them. In the process of setting the questions for the respondents, we also try to set the questions carefully and closely related to the research papers. And in order to enhance the transparency of research papers, in the case analysis part we also cited many original case of the respondents, this will help the reader to get a better understanding of the process and how the results will be deduced.

Bryman (2001) describes that there are six steps in a qualitative investigation. The first is a general problem, i.e. is the starting point about the interest of researchers. The second is choice of relevant places and participators by reading relevant information and other investigation reports. The third, selection of relevant data, in order to focus on understandings from participators perspective, we choose qualitative method with non-interview. The fourth, explanation of data, we analyses materials by recording and transcribing dialog, and sorting data in different themes. The fifth is the conceptual and theoretical work. We have not created some new conceptions or theories from our investigation, but our results have formulated the relations between earlier theories and phenomenon and factors that included in our problem. The last one, report about results and conclusions. Bryman (2001) emphasizes that reader must trust durability and consequence of explanations when they read reports. Because researchers are may only intermediary of what they hear and see. As a researcher, we must make an impression for reader by catching consequences of our conclusions. We are going to explain how we connected phenomenon that we saw and heard to the social environment later.

## **2.2 Interview**

In our research, with the aim that we want to get a better understanding of how Chinese business culture affect business negotiations from north and south of China, we have chosen a semi-structural interview as method. According to Bryman (2001)

researchers always have a list with specific theme under the semi-structural interview; this named also interview-guide. Meanwhile interview persons have much more freedom to design answer by their own way. Questions in interview-guide must not have the same order, and interview persons have also possibility to answer some new questions which are not in the interview-guide when they need explain deeply and detailed.

Bryman (2001) describes that researchers need to formulate interview-guide by the way that make answers in investigation easier. Apart from this, researchers need also use an understandable language that is suitable for all interview persons (Bryman, 2001). The third, researchers are not allowed to ask leading questions to influence interview persons. (Bryman, 2001) The last, it is necessary for researchers to note or ask background fact, for example age of interview persons, gender, job, because this is important to put their answers in a context (Bryman, 2001). According to Bryman (2001), those basic questions in interview-guide which there are background fact but none leading questions. Our interview persons have also freedom to answer and explain by their own way.

Before researchers carry out an interview, Bryman (2001) suggests that they choose a calm environment there interview persons feel save to make explanations and understandings easier, meanwhile it is important for researchers to prepare a recorder with high quality in order to transcribe and catch important and relative information easily. We chose computer as a support for interview, because many people feel safe and calm in digital environment. Interview persons don't need to be worried about that someone else can hear the contents during the interview. At the same time, they have more time to think and formulate their answer. Through the interview via Internet, we as researchers had an easy way to transcribe in order to catch relative information.

## **2.3 Sample delimitation**

North and South of China are roughly bounded by the Yangtze River. North of the Yangtze River belonging to the Northern culture, south of the Yangtze River belonging the culture of the South. However, due to the fact that North and the South of China are too large and with many provinces, even in the same part of China, there are also a few differences among those provinces. This thesis looks at two companies from the representative southern coastal province - Guangdong and the representative of the northern province - Shandong as the samples to compare the effects of the different cultural in south and north China in international negotiation. Beijing and Shanghai in this paper is not selected as a comparison, because these two cities are Chinese political and economic center, and their culture tend to be multi-cultural, they mix all culture from different countries as they mix cultures business operation model close to the multinational model so they can not represent the south and north culture of China.

## **2.4 Data collection and analysis – method**

As mentioned before, we used internet as a support for interview to make information collection easier. We wrote down all details under the interview. Afterward, we gathered the dialogs that could connect with the problem area of our investigation which was used as the theme in result.

## **2.5 Method discussion**

According to Bryman (2001) there are three important criteria for judgment of social research investigations which are reliability, replication and validity. Reliability is about the result from investigation becoming the same if this investigation is repeated. It resembles another criterion that is named replication. Sometime researchers want to try repeating an investigation that other researchers performed earlier, because they think, for example that results in investigation is not correct. An investigation must be

possible to repeat, that means, replicable in order to reach the requirement in replication (Bryman, 2001). Reliability becomes often important if one does a quantitative investigation. On the other side, it is difficult for qualitative researches to be repeated, because it is impossible to “freeze” a social environment and the social condition. A qualitative investigation is unstructured and is often depended on researchers’ own inventions, Bryman (2001) describes. He suggests that qualitative researchers can choose a similar social part as the first researcher. So in this thesis, we interviewed two persons from south and north China, in that time those two persons were the managers of the company, but if other students want to repeat this interview, according to the different situation and different environment, may be in the recently both of them have jointed in a negotiation, they got another experience. Even those students ask same questions, the answers may be different.

Another criterion validity according Bryman (2001) means a judgment of whether the conclusion which is generalized from investigation connects together or not. Validity can be divided between conception validity, internal validity, external validity and ecological validity. Conception validity concerns mainly the quantities method which is to get the main point of the topic we are trying to prove or analyze. Internal validity is about how the conclusions in a relationship between two or more variables are durable or not (Bryman, 2001). External validity can also named generalization which is about whether result from an investigation can be generalized besides this specific context in investigation, Bryman (2001) explains. Ecological validity means whether result from social research is suitable in people’s life and social environment. According to the main point of this thesis is try to find out the difference about the south and north China’s different influence the international negotiation. So we interview two manages who with rich experience in international negotiation, one of them is form south China, another is form north China. According to the interview, and the analysis we can get a positive result. So we think the method in this thesis is validity.

Because we used case-study as design of our investigation with qualitative interview as method and limited selection with only two persons, result will be difficult to be generalized to other social environment and situations. Bryman (2001) has also described that researchers of case-study must be aware that there is no possibility to find a type of case which can generalize result to other environment or situations, because case-study is about how researchers perform an investigation and draw conclusion of this case that contains one small community, one organization, one certain place or one group. In qualitative investigation, result of a case study will be generalized to theory, not to population. (Bryman, 2001)

## **2.6 Method critique**

We have more theories than it's needed because we just use the ones that are suitable for our thesis. Some theories which are not needed cannot be removed because they stay together so the suitable ones may not lose its context. Our knowledge and experience in translation between languages may not be enough so we can't translate exactly what they say. Furthermore, the final results may have been better if we could interview our two targets face to face.

## **3. Theoretical framework**

In order to be successful in export marketing and selling you must know that there are cultural differences, which affect your actions and also know how to handle these cultural differences.

**Culture is** the collective programming of the mind which distinguishes the members of one human group from another. Culture is a fuzzy concept. At least two meanings are frequently confused: (a) culture in the narrow sense of civilization and its products, and (b) culture in the anthropological sense of broad patterns of thinking, feeling, and acting, which includes much more than "civilization" alone. The definition obviously

refers to the second meaning. (<http://wikipedia.com> )

Culture, in this sense, includes systems of values; and values are among the building blocks of culture. The culture also is a fundamental aspect of life. All people have culture. Only requirement for being cultured is human. (<http://wikipedia.com> )

### **3.1 Hofstede's Cultural four Dimensions**

Hofstede's (1984) studies the culture in business which the organizations can be seen as miniature societies with a distinctive social structure reflected in various pattern. Through his studies of the different culture in business all over the world, the subsequent statistical analysis showed that the difference among countries reflected the existence of four underlying value dimensions along which the countries could be positioned. The four dimensions represent elements of common structure in the cultural system of the countries. They are based on four very fundamental issues in human societies to which every society has to find its particular answers. The position of a country on each of the four dimensions could be indicated by a score: the range of scores represented the range of different answer to the four issues actually found. These four dimensions are:

- **Individualism**
- **Power distance**
- **Uncertainty avoidance**
- **Masculinity**

#### **3.1.1 The individualism versus collectivism (alone versus together)**

The first dimension of Hofstede's Cultural four Dimensions theory is the individualism and collectivism. These two stands for difference social framework and which can be seen as the alone versus together. Individualism stands for a preference

for a loosely knit social framework in society wherein individuals are supposed to take care of themselves and their immediate families only. The collectivism stands for a preference for a tightly knit social framework in which individuals can expect their relatives, clan or other in-group to look after them in exchange for unquestioning loyalty. Also the collectivism is not used here to describe any particular political system. The fundamental of the individualism and collectivism is that the degree of interdependence a society maintains among individuals and it relates to people's self-concept like: I and we, which alone and together.

In the business culture, in general, the individualism consist in most economically developed countries and the collectivist consist in most less economically developed countries. There will therefore be an individualism-collectivism gap in virtually any transfer of management skills from a more to less developed countries. The gap contents several aspects such as the self-interest, self-actualization, relationship, family and "Face".

As also, said by Hofstede, in a collectivist culture people's loyalty lies with family, friends, and employer. Collectivist cultures value commitment to others rather than to one. Personal relationships are very important. In collectivist cultures people are more likely to act in group than singly. (Hofstede, 1984)

### **3.1.2 Large versus small power distance (unequal versus equal)**

The power distance is the extent to which the members of a society accept that power in institutions and organizations is distributed unequally. This affects the behavior of the less powerful as well as of the more powerful members of society. The main difference between the large power distance and small power distance is that the people in these societies accept a hierarchical order in which everybody has a place which needs no further justification or people strive for power equalization and

demand justification for power inequalities. The fundamental issue of the power distance is how a society handles inequalities among people when they occur and the way people build their institutions and organizations.

By studies, the power distance dimension tends to separate the more economically developed countries from the less developed countries: small power distance consists in the more developed countries and the large power distance consists in the less developed countries.

In the business culture, the business culture with a high power distance emphasizes the difference between people with power and those without. The people in these cultures like a hierarchical organization and ascribe a lot of influence and power to leaders. But it is normal for the companies to give responsibility to less important employees in the small power distance societies. (Hofstede, 1984)

### **3.1.3 Strong versus weak uncertainty avoidance (rigid versus flexible)**

Uncertainty avoidance is the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. This feeling leads them to beliefs promising certainty and to maintaining institutions protecting conformity. The societies can be seen as the strong uncertainty avoidance societies and weak uncertainty avoidance societies. The difference between the strong and weak uncertainty avoidance societies is when the future is unknown and time only runs one way, whether it tries to control the future or just let it happen. The strong uncertainty avoidance societies maintain rigid codes of belief and behavior and are intolerant towards deviant persons and ideas. The weak uncertainty avoidance societies maintain a more relaxed atmosphere in which practice counts more than principles and deviance is more easily tolerated. Uncertainty avoidance has consequences for the

way people build their institutions and organizations.

In business, the culture with low uncertainty avoidance is willing to take risks. Low uncertainty avoidance businesses are willing to work in situations where the rules and procedures have not been properly worked out. High uncertainty avoidance cultures don't like risk and feel more comfortable when everything is following the rules. (Hofstede, 1984)

### **3.1.4 Masculinity versus femininity (tough versus tender)**

Masculinity stands for a society in which people are supposed to be assertive, tough, and focused on material success; femininity stands for a society in which people are more relationship-oriented, more modest, tender, caring for the weak, and concerned with the quality of life. This fundamental issue addressed by this dimension is the way in which a society allocates social (as opposed to biological) roles to the sexes.

There are some societies strive difference between the sexes. For a maximum social difference, the men are given the more outgoing, assertive role and women the caring, nurturing roles. In the sociality, most institutions are populated by men. Such societies become performance societies evident even from the values of their women.

Other societies strive for minimal social differentiation between the sexes. For the minimal social differentiation, some women can take assertive roles if they want to but especially that some men can take relationship-oriented. In this kind of societies, maybe a little less than the maximum-social-differentiation societies, the most institutions are still populated by men. These minimum-social differentiation societies in comparison with their opposite, will permeate their institutions with a caring, quality of life orientated mentality. These kinds of societies which are caring for all members including the weakest members are an important goal for men as well as women.

Hofstede (1984) brings forward 14 work goals to identify the masculinity and femininity from a section in the value questionnaire that asked for the importance to the respondent in an imaginary ideal job. These 14 work goals are: challenge, (living in a) desirable area, earnings, cooperation (with colleagues), training, (fringe) benefits, recognition, physical (working) conditions, freedom, (job) security, (career) advancement, use of skills, (relationship with) manager and personal time (for personal or family life). The answer to the 14 work goals questions were scored on five-point scales, with answer categories from one means of utmost importance to five means of very little or no importance. This can be seen from the masculinity index (MAS) values. (Hofstede, 1984)

### **3.2 Time**

The time conception, there are different time conceptions under different culture background. To describe under the headings “time as structure” and “time as communication”, there are two most important time conceptions of many kinds of time systems in the international business which are the monochronic and polychronic time.

In the monochronic cultures, time is experienced and used in linear way-comparable to a road extending from the past into the future. Under the monochronic time conception, people pay attention to and doing only one thing at a time. In a monochronic time system, the schedule may take priority above all else and be treated as sacred and unalterable. People think time is money.

In the polychronic cultures, time is characterized by the simultaneous occurrence of many things and by a great involvement with people. Under the polychronic cultures, people not just doing one thing at a time. There is more emphasis on completing human transactions than on holding to schedules. In the polychronic time systems, time means being involved with many things at the same time and also is experienced

as much less tangible as monochromic time and can better be compared to a single point than to a road.

In the business negotiation, the negotiators must select the appropriate negotiation strategy because of the different time conceptions under different culture background. The monochromic time dominates most business in the countries such as United States of America, Switzerland, and Germany. The polychromic time dominates most business in the countries such as Asia countries, Italy and France. In the business negotiation, the people in monochromic time dominates always try to make the process short and fast, pursuit of speed and efficiency. For them, to measure how a negotiating process going is to see how many problems has been solved. The people in polychromic time dominates always take the negotiation process slowly and try to make it comprehensive and systemic.

### **3.3 Negotiation**

The negotiation process is being used to satisfy both the seller and the buyer by concluding the best optimal price for the buyer and the best optimal selling price for the seller so they can maximize their outcomes. The factors that can influence the negotiation process are culture, social roles and personality. So having a good knowledge and understanding about the culture of the person you are going to negotiate with, will lead to a better satisfied business deal at the end. If the cultures differ very much from each other it may occur problems and the best way to solve it is to mix them and obtain an alliance culture which will lead to co-operation and successful negotiation. (Helgesson, 1996)

During the negotiation, the seller has the target price which is a very high price that he is willing to sell his product while the buyer's target price is the lowest price he is willing to buy the product for. Another important term is the resistance point which means the lowest price the seller is willing to sell the product for and for the buyer is

the highest price he is willing to pay for the product. All the possible outcomes that both the seller and the buyer can accept are within the settlement range. (Helgesson, 1996)

Pre-negotiation: The international business negotiation process is divided into three phase. Phase one is the pre-negotiation and this is the phase where the first contact between the parties occurs and if there is any interest of doing business with each other. The parties have an opportunity to develop their social relationship which will influence in the later phase that will be mention later on (Fang 1999). Fang (1999) also mentioned that the Chinese usually are showing enthusiastic interests in getting to know the other party by checking if they got enough advance technology which is required for the project, the enthusiasm they got to transfer it to the Chinese side and the ability of delivering the products on time.

According to Fang (1999) The Chinese government authorities have a big role in the first phase of negotiation. It's the first actor you need to contact to show whenever there is a desire for the party to sell large projects in the Chinese industries which are controlled by the state. The requirements for a foreign firm to do business in Chinese market are to have qualification of technologies, long term interest in the Chinese market and a well-build financial condition.

“Face”-To-“Face”: The second phase is the “Face”-to-“Face” negotiation, here the international business negotiator has the chance to learn to know and understand each other's negotiation styles and approaches from the two culture perspective. And it may help to determine how well their -own negotiation style fit into the counterparts' style.

Post-negotiation: The last phase will be the post-negotiation phase where the final contract of the negotiation deal may be ready to be signed or closed. It depends on how well it went on the “Face” to “Face” negotiation phase.

### 3.4 The Ten Ways That Culture Affects International Negotiation

According to Salacuse (1999), there are ten ways that culture can affect the international negotiation and those ways will be mentioned in this sector along with a brief explanation, including the Chinese data about their business negotiation which is brought from Salacuse’s survey (1999). Understanding those ten ways may lead to a more familiar and secure negotiation for the negotiators and may avoid misunderstandings between each other. Figure 1 below show those top ten ways that culture can affect negotiation.

**Figure 1 The top ten ways that culture can affect negotiation**



(Jeswald W. Salacuse, 2004 *Negotiating: The top ten ways that culture can affect your negotiation*)

#### 1. Negotiating Goal: Contract or Relationship?

The main goal of a business negotiation is signing contract between the negotiators. But there are some cultures that rather signing a contract wants instead to build a

rewarding relationship between the two parties that will last over the long term. So it's important to know if your counterparts are seeking for a contract or for a relationship. Otherwise it may be waste of time and energy for both of the parties. (Salacuse, 2004)

## **2. Negotiating Attitude: Win/Lose or Win/Win?**

The gap between culture and personality may in some business negotiations differ a lot, so depending on how big the gap is, the negotiation may end as a Win/Win where both of the parties gain or as Win/Lose where one gains while the other struggles. It is important to know your negotiator so that Win/lose will not be an outcome. (Salacuse, 2004)

## **3. Personal Style: Formal or Informal?**

Every culture has its own ways of being formal or informal, like Salacuse (2004) said: "A negotiator with a formal style insists on addressing counterparts by their titles, avoids personal anecdotes, and refrains from questions touching on the private or family life of members of the other negotiating team. A negotiator with an informal style tries to start the discussion on a first-name basis, quickly seeks to develop a personal, friendly relationship with the other team, and may take off his jacket and roll up his sleeves when deal making begins in earnest." (Salacuse, 2004) Formal is the smartest way to act in a negotiation, because it will be quicker to shift to informal act.

## **4. Communication: Direct or Indirect?**

The cultures that have a direct communication way of negotiating, usual gives a clear and definite response to your questions and proposals while negotiating. America and Israeli is an example of using directness of communication. Indirect communication is

being used for example by Japanese. They are answering to your proposal through interpreting seemingly vague comments gestures and other signs which can lead to a misunderstanding to a direct communication user. The indirect communication way may see as an insult for the direct communication way, so understanding your counterpart's communication way will lead to a more peaceful negotiation deal. (Salacuse, 2004)

#### **5. Sensitivity to Time: High or Low?**

Sensitivity of time addresses on the negotiation goal which have been mentioned earlier in this sector. It depends on if you want to sign contracts or building relationships. When your goal is to sign contract you want to use as little time as possible, so in this case the sensitivity to time is high. When you building relationships with a company you are working in a more slowly tempo so you can get enough time to learn to know your negotiator, so sensitivity to time is low. (Salacuse, 2004)

#### **6. Emotionalism: High or low?**

Emotion effect the international negotiation. Culture plays a small role on emotionalism, individual personality have a bigger role. Some people are good on hiding their emotions while other isn't during a negotiation deal. Nerveless, different cultures have different ways of dealing with their emotions among individuals. (Salacuse, 2004)

#### **7. Form of agreement: General or specific?**

According to Salacuse (2004) "Some experienced executives argue that differences over the form of an agreement are caused more by unequal bargaining power between the parties than by culture. In a situation of unequal bargaining power, the stronger

party always seeks a detailed agreement to "lock up the deal" in all its possible dimensions, while the weaker party prefers a general agreement to give it room to "wiggle out" of adverse circumstances that are bound to occur. According to this view, it is context, not culture that determines this negotiating trait."

Parties are influenced by cultural factors in cases of form of agreements. When Chinese are negotiating, they prefer having contracts in the form of general principles instead of detailed rules while Americans are vis-à-vis. They prefer having detailed specifications.

### **8. Building an Agreement: bottom up or top down?**

Related to the form of the agreement is the question of whether negotiating a business deal is an inductive or a deductive process. Does it start from an agreement on general principles and proceed to specific items, or does it begin with an agreement on specifics, such as price, delivery date, and product quality, the sum total of which becomes the contract? Different cultures tend to emphasize one approach over the other. Some observers believe that the French prefer to begin with agreement on general principles, while Americans tend to seek agreement first on specifics. For Americans, negotiating a deal is basically making a series of compromises and trade-offs on a long list of particulars. For the French, the essence is to agree on basic principles that will guide and indeed determine the negotiation process afterward. The agreed-upon general principles become the framework, the skeleton, upon which the contract is built. My survey of negotiating styles found that the French, the Argentineans, and the Indians tended to view deal making as a top down (deductive process); while the Japanese, the Mexicans and the Brazilians tended to see it as a bottom up (inductive) process. A further difference in negotiating style is seen in the dichotomy between the "building-down" approach and the "building-up approach." In the building down approach, the negotiator begins by presenting the maximum deal if the other side accepts all the stated conditions. In the building-up approach, one side

begins by proposing a minimum deal that can be broadened and increased as the other party accepts additional conditions. According to many observers, Americans tend to favor the building-down approach, while the Japanese tend to prefer the building-up style of negotiating a contract. (Salacuse, 2004)

### **9. Team Organization: One leader or group consensus?**

It is important to know in any negotiation how the other side is organized, who has the authority to make commitments and how decisions are made. Once again, culture is an important factor that influences how decisions-makers organize themselves to negotiate a business deal. “Some cultures emphasize the individual while others stress the group. These values may influence the organization of each side in a negotiation. One extreme is the negotiating team with a supreme leader who has complete authority to decide all matters. Many American teams tend to follow this approach. Other cultures, notably the Japanese and the Chinese, stress team negotiation and consensus decision making. When you negotiate with such a team, it may not be apparent who the leader is and who has the authority to commit the side. In the first type, the negotiating team is usually small; in the second it is often large.” (Salacuse, 2004)

### **10. Risk taking: High or Low?**

Different cultures are more risk takers than others. All depends on how willingness a negotiator is on taking risks about revealing information, try new approaches and tolerate uncertainties in a proposed course of action. When you negotiating with a risk-averse, you should take a few points in consideration:

- “Don't rush the negotiating process. A negotiation that is moving too fast for one of the parties only heightens that person's perception of the risks in the proposed deal”. (Salacuse, 2004)
- “Devote attention to proposing rules and mechanisms that will reduce the apparent risks

in the deal for the other side.” (Salacuse, 2004)

- “Make sure that your counterpart has sufficient information about you, your company, and the proposed deal.” (Salacuse, 2004)
- “Focus your efforts on building a relationship and fostering trust between the parties.” (Salacuse, 2004)
- “Consider restructuring the deal so that the deal proceeds step by step in a series of increments, rather than all at once.” (Salacuse, 2004)

### **3.5 The Chinese culture**

#### **3.5.1 ZHONGYONG (The doctrine of the mean)**

There are so many definitions of culture; one of them can be described as communication. “Culture is communication, communication is culture” In that sense, for understanding the Chinese business culture, it is also necessary to understand the Chinese communication. Therefore, we consider it is important to present an important ideological theory – “ZhongYong”, which permeates in all Chinese society. It also permeates in Chinese communication style.

The Doctrine of the Mean (Chinese: 中庸) is one of the important books which influence Chinese people generation by generation, and is part of the Confucian canonical scriptures. It is said to be a composition by Confucius' grandson Kong Ji, called Zisi. Zhong yong is also translated as: the Mean (D.C. Lau), the Constant Mean (Huang, James Legge), the Middle Way (Simon Leys), the Middle Use (Arthur Waley), the Common Centrality (Tu Wei ming), the Unwobbling Pivot, or the Pivot (Ezra Pound). ([http://en.wikipedia.org/wiki/Doctrine\\_of\\_the\\_Mean](http://en.wikipedia.org/wiki/Doctrine_of_the_Mean))

The purpose of this small, 33-chapter book is to demonstrate the usefulness of a golden way to gain perfect virtue. It focuses on the "way" (DAO) that is prescribed by a heavenly mandate not only to the ruler but to everyone. To follow these heavenly

instructions by learning and teaching will automatically result in a Confucian virtue. Because Heaven has laid down what is the way to perfect virtue, it is not that difficult to follow the steps of the holy rulers of old if one only knows what the right way is. ([http://en.wikipedia.org/wiki/Doctrine\\_of\\_the\\_Mean](http://en.wikipedia.org/wiki/Doctrine_of_the_Mean))

Chan (1963) renders "Mean" as an "Equilibrium" identified as "Harmony". While there are no stirrings of pleasure, anger, sorrow, or joy, the mind may be said to be in the state of Equilibrium. When those feelings have been stirred, and they act in their due degree, there ensues what may be called the state of Harmony. This Equilibrium is the great root from which grow all the human activities in the world, and this Harmony is the universal path which they all should pursue. (Chan, 1963)

Today many Chinese understand “ZhongYong” as “the middle way”. They believe one Chinese adage “shoot the bird which takes the lead”. There are many adages in western countries also described same idea. For example: a nail that sticks out is struck; common fame is seldom to blame; the outstanding usually bear the brunt of attack.

“ZhongYong” reflect to Chinese communication style is never extremeness. The Chinese rarely use “Yes” or “No” in situations where they are supposed to help someone, meaning, actually, “Yes” or “No”, they usually use the word “maybe”. In this sense, “maybe” is used in order to create a harmonious atmosphere. (Fang 1999) and the “Maybe” is not as outstanding as “Yes” or “No”, it is just in the middle side. Some scholars describe this in another world “HanXu”, it means contain, store, imply. It refers to both verbal and nonverbal mode of communication which is contained, reserved, implicit, and direct.

The implicit Chinese communication implies challenges for Western marketers who can find difficulty in identifying the Chinese customers’ needs and wants when they

are expressed implicitly. Due to that, Fang (1999) suggests to Western negotiators, when negotiating with Chinese, to go beyond merely listening to the expressed Chinese wishes in order to discover those unspoken needs and wants which the Chinese customers really mean to imply.

### **3.5.2 “FACE”:**

The concept of “Face” overlaps both interactionist and individual-level approaches. As Ting-Toomey put it ““Face” is, in essence, a co-operative discourse game with infinitum rules.” At the same time it is governed by interactionist constraints: ““Face” is not an objective of interaction, but a condition for interaction, or a ritual constraint.” And finally, “Face” has particular significance in a cultural or intercultural context: “the rules are...grounded in the socio-cultural norms of the speech community.” The idea of “Face” in a cultural context is familiar to many people: for instance, it is a truism of western concepts of Asian culture that “Face”, and particularly avoiding loss of “Face”, are important motivators for people from that culture. However, the large amount of recent theorizing and research on “Face” and “Face” work has tended to be blurring this distinction, acknowledging that “Face” concerns are universally powerful, although their precise nature differs from culture to culture.

In China, the “Face” is also play a very important role in international negotiations. Many negotiators due to negligence the role of the “Face” in the negotiations led to the breakdown of negotiations. It is fact a cultural universal. In China, the “Face” is always call self-respect and the people in China is especially sensitive to “Face” issues, perhaps because relationship focused cultures are so group-oriented. So when the western negotiators are doing negotiation with Chinese, they must pay attention to retain the Chinese negotiators’ “Face” in the negotiations. Also the western negotiators cannot loss the Chinese negotiator’s “Face” because some of the problems in the negotiations.

For example, if the leader of the Chinese negotiators doesn't know or misunderstanding some questions or knowledge in the negotiation, the western negotiators point the mistakes out or explain it in public, this will cause the high-status Chinese leader to lose "Face" which may lead to the breakdown of negotiations. But if the western negotiators point the mistakes out or explain it by speaking one-to-one and taking the blame on himself, this will avoid losing the leader's "Face" and show the respect to him. Such acts may cause a smooth progress of the negotiations.

The "Face" is an embodiment of the person's status, social class, and so on. So the western negotiators must show the respect to the negotiators "Face" in negotiation. It will cause problems for the western negotiators who do not know how to show respect to high-status local counterparts- especially customers. And usually, in Chinese culture, the buyers have higher status than the sellers in negotiation.

### **3.5.3 "GUANXI"**

#### **The relationship**

No matter for the selling, marketing, sourcing, or negotiating a joint venture, the fundamental differences between relationship-focused and deal-focused business behavior impact the business success throughout the global marketplace. This is especially true for China. Most of the world's business cultures are in fact relationship-oriented. The Chinese they prefer to get things done by working with people with whom they have solid connections. (Gesteland & Seyk, 2002)

Being relationship-focused, Asians prefer to deal only with family, friends, and persons or groups well know to them – people who can be trusted. They are uncomfortable talking business with strangers especially strangers who also happen to be foreigners. Because of this key cultural value, Asian firms typically want to know their prospective business partners well before thinking about business with them.

(Gesteland & Seyk, 2002)

**“GUANXI” is not just as the relationship but more complex in China.**

In differ of the normal relationship; “GUANXI” in the Chinese business community is more complex. As said by Chen, 2001, “The concept of “GUANXI” has its roots back to ancient Chinese social customs in which reciprocity and other modes of social exchange were used to build up and reinforce interpersonal relationships throughout society.” To better understanding the “GUANXI” in Chinese business community, in China, the “GUANXI” is originated from the Chinese family system in which immediate and extended members are expected to have a mutual obligation to help one another. Later, this cultural trait is extended to other social relationships that occur among people of common identities. (Fang 1999) As kind of special relationship, “GUANXI”, it can build by the following points: Blood ties, friendship and Introduced through a third party which have already build relationship with both sides.

The “GUANXI” in China's commercial activities or negotiations have an important role. As said by Hsieh and Liu (1992, cited in Fang 1999), it claim that “GUANXI” can be used as a helpful strategy for research of background information about Chinese business partners, price negotiation, forms of payments, and implementation of contracts. As what we already present the important role of “GUANXI”, for the foreign business managers or the foreign negotiators, how to build a “GUANXI” with the Chinese businessman? MR Hu (1994) gives the way how to build a “GUANXI” with the Chinese businessmen, which is to succeed in the Chinese market, foreign business people must rely on friendship or good personal relationship-“GUANXI”, which often takes time and patience to build.

In the conclusion, “GUANXI” plays more and more important roles in the Chinese

business community. As a summary, Yeung and Tung (1996, cited in Fang 1999) have pointed out several conclusions about “GUANXI”. First, “GUANXI” is a necessary but no sufficient condition for long term business success in China. Second, in the established phase of business negotiations, technical competence gains importance. Third, to be successful, it is important to build a relationship with the right individuals. Fourth, “GUANXI” relationships are person specific and it constitutes a great problem to transfer. Fifth, non Chinese firms often must resort to intermediaries to gain the proper connection in China. Sixth, the tendering of favors, particularly the offer of short term gains is essential but not powerful enough to maintain the long term “GUANXI” relationships alone. To maintain long term relationships, an integrated approach is more effective. Finally, trust is essential for long term “GUANXI” maintenance.

## 4. Literatures review

### 4.1 Salacuse, *Intercultural Negotiation in International Business*

The table below is showing how many Chinese people in percent are willing for example to sign contracts instead of building a relationship, or how many of the Chinese people have the attitude of Win/win. The same way of reading it applies for the rest of the table.

**Figure 2 The ten ways that influence negotiation in China**

	China
Negotiating Goal: Contract	45.5%
Negotiating Attitude: Win/Win	81.8%

Personal Style: Formal	45.5%
Communication: Indirect	18.2%
Sensitivity to Time: Low	9.1%
Emotionalism: Low	27.3%
Agreement Form: General	27.3%
Building an Agreement: Top down	54.5%
Team Organization: One leader	90.9%
Risk Taking: Low	81.8%

#### **4.2 Yutan. Lin, *My country and my people***

North Chinese people accustomed to the simple thinking and plain hard life, tall and strong, warm and humorous, love jokes. They are the son of natural. They produced many local separatism Kingdoms within China generation after generation. They also provided material for those novels which described war and adventure in China.

In the south of the Yangtze River, one will see another kind of people. They are used to ease and comfort, diligent resort, developed minds, physical degradation, and love poems. They are shrewd businessmen, excellent writer, but the craven on the battlefield. Prepare rolling to the ground before the fist landed on his head at any moment, and crying. They are the future generations of the big, high educated family who moved from north to south with their books and paintings in the end of the Jin Dynasty. At that time, northern China was violated by the savage tribes.

#### **4.3 Wumian. Zhao, *Southerner and Northerner***

Regardless of what reason, the North wins more than it loses. As the time passes, they developed a careless, freehanded personality. They do think that is the spirit of man, they should be considered a "Hanzi". North people like eating meat in large piece, drinking in a big bowl; southerner prefer to cut the meat in small pieces, drinking in a

small cup. North people like to eat dumplings; this is their greatest contribution to the Chinese diet. Southerner likes to eat “Hun Dun” (looks like a small dumpling). Dumplings just need with vinegar, one a bite. “Hun Dun” needs much more condiments, only a half a bite.

#### **4.4 Yingqi. Wang, *The South Rain and the North rain***

Describing the North and south rain is to imply the differences of North and South culture. The rain in south are lingering, gentle, petite and lasting, like the love of southern girls, shame, amorous. It reminds people the mountains and the cottages in the drizzling rain. The rains in north are forthright, ruggedness and simple. It reminds people the towering plateau, flat and fertile soil.

The differences between southerners and northerners have long historical origins. North, in the history, provided more Warriors, Jing, Ke (a famous warriors) is its representative; South were mostly poets, Qu, Yuan (a famous poet) is its representative. Moreover like folk songs: "Northeast tiger, northwest wolf, southerners are the only sheep." In the Past, even the crime, southerners are more to intelligence-based, such as fraud, etc.; northerners are mainly violent-based, such as murder, etc.

## **5. Empirical data presentation**

### **5.1 Case A - China Ocean Shipping Agency Fuzhou**

#### ***Company Background***

China Ocean Shipping Agency Fuzhou is one of the subsidiary companies of China Ocean Shipping Agency (PENAVICO) in South of China. It was founded in 1956. The initial name was China Ocean Shipping Agency Fuzhou Branch. In 1993 it was renamed to China Ocean Shipping Agency Fuzhou. “China Ocean Shipping Agency

(PENAVICO)” was founded on January 1, 1953. PENAVICO is widely recognized by the industry for its professional service and market situation is located in Beijing and has perfect service network including over 80 domestic port offices, more than 300 business stations and overseas representative offices in U.S., Europe, Japan, Korea ,Singapore and Hongkong respectively.

As the subsidiary of PENAVICO, China Ocean Shipping Agency Fuzhou’s main business scopes range from international shipping agencies including cargo canvassing, booking, stowage, LCL consolidation, customs broker, cargo inspection and quarantine broker, air transport and international multi-modal services etc., with the annual profit of RMB over 5 million.

### ***Respondent***

In order to collect the empirical data for this thesis, we interviewed Mr. Jinxiang Gao through internet. Mr. Gao is the manager of Market department, he has more than ten years of experience in negotiating with other countries. His main negotiation activities are shipping and being agency of other foreign shipping company. The interview through internet was around 40 minutes. We asked about 20 questions, we just summarize some important question and answers, all the conversation were in Chinese, we translated in to English and show in below.

#### **1. How do you prepare the international negotiation?**

Mr. Gao: preparation a negotiation is a very complex work. It include so many aspects, for example you need to create a negotiation group, the members of this group must cover some different areas, for example, because you are going to negotiate with foreigner, so you need translators, lawyers, recorders and some professional technique personas. And then you need to collect as much as possible information about your negotiators, that information is about their cultural background, company background,

and the members of their negotiation group and assume their deadline in this negotiation.

**2. In the international business negotiations, do you think the different cultures will affect the negotiation?**

Mr. Gao: “As we know, different countries have different cultures; even different areas have different cultures. In fact, whatever negotiates with native clients or foreign clients, before a negotiation begins, especially an international negotiation begins, and we always spend a lot of time to collect the clients’ culture information, for example what are their taboos? What are they like? What are their opinions about time, etc? One word, understand the different culture is very important.

**3. Before you and your group have a negotiation, how you study for the culture background of the international negotiators?**

Mr. Gao: This question is very big, but normally we need to know where the clients are from? What kinds of question you cannot ask? What they prefer? What they hate? And some special culture of them, if they are from Middle East, you should know most of them are Muslim, they don’t eat pork. Study for the culture background of the clients include so many aspects, we only do our best to know as much as possible of them.

**4. If there is a conflict between the negotiation and your holiday, what shall you do?**

Mr. Gao: I want to take the negotiation instead of holiday, because the opportunity is not easy to find, but the holiday you can take another chance.

**5. In the international negotiation, the decisions or strategies were made of one leader person or from a whole group.**

Mr.Gao: I have joined many international negotiations in this company, as I know most of the decisions were made by whole group. In a negotiation process, all the members discuss the same subject together to find out the final result, and then the leader of this group will present this decision. Because during the discussion all the members including the leader discussed together, so I think the decisions were made by the whole group.

**6. In the international negotiation, if a business with high profit and high risk, another with normal profit and normal risk. Which one you want to choose?**

Mr. Gao: In most of business activities, high profit are always bound to the high risk, contrary, low risk are always live with low profit. It is unassailable. But in a company's business activities, we can't say we just only do the business which with high profit and high risk or the business which with low profit and low risk. We choose which business we are going to do, it depends on are there enough profits we can get. But if we can only choose one and abandon another, in my own opinion, I will choose the high profit. But simultaneously, we will do lots of work to reduce the risk.

**7. In the international negotiation, how do you think about being on time?**

Mr. Gao: Being on time, in different countries or in different culture has different definition. In some countries or some culture, for example a meeting at 8:00, any time before 8:30 means on time, even more in some countries before 9:00 means also on time. Contrary, in some other countries 8:00 means exact 8:00, no 1 min more or less. For our company, when we are going to negotiate with a client, we always reach the location 5 min earlier. Whatever the client is the monochromic or polychromic culture.

**8. In the business negotiation, how do you control the period of this negotiation?**

Mr. Gao: In the negotiation process, going direct to the final decision is impossible, for us we prefer the period of negotiation not too short, but not too long. In the negotiation process, we discuss some peripheral unimportant items, through this we can understand each other more detail, we try to give the clients a good impression to create a relationship with them, but we do not spend a lot of time on it, because we believe that the relationship can be created by future service of our products. So after a short period of pre-negotiation we prefer go straight to the main point what we really want to negotiate.

**9. In the international negotiation, do you think “Guanxi” is important?**

Mr. Gao: “Guanxi” in English can simply be translated to mean relationship. To some certain extent, “Guanxi” replaced honor, credit standing and trust. Some times “Guanxi” means profit. In China, 20 years ago, we say that, “the science and technology are productivities.” But now we can say “the Guanxi is productivities.” Of course it is a little bit overstated. But it can exactly describe how important “Guanxi” in China is. For our company, in order to create a “Guanxi” with a new client or reinforce an existed relationship with an old client, sometime we can launch business activity with zero profit.

**10. In the negotiation, if the client misunderstanding or do not know some aspects of the business project, will you point it out or explain to them in the negotiation, or later privately?**

Mr. Gao: “Face” this is a very Chinese word, I think just Chinese people pay so much attention on “face”. As I know in many countries people care more about profit more than “face”. In China, people always say “As Buddha needs incense, so man needs

face” from this sentence you can understand how important the face is. So when we negotiate with a native client, especially from north of China, we really need to take care of their “face”. Otherwise the business is very easy to fail. But for our self, we think profit is higher than “face”, if the profit is high enough, face can be lost.

**11. Does the “Zhongyong” ideology influence your opinions or activities in the negotiation process?**

Mr. Gao: “Zhongyong” ideology is the main ideology in China, when we were young, parents or teacher always told us that “shoot the bird which takes the lead.” Or “a nail that sticks out is struck”. So much people believe this equilibrium ideology is good for both side in the international negotiation. Some people said to me that in the international negotiation for example our profit can reach to 100, but during the negotiation we should never asked for 100, we should ask for 95 or 90. So that we can leave some profit to our clients, it looks like we lose some profit, but in fact if this business negotiation can be successful, next time the client will come back to us. Finally, for the long time, we get more profit. But do you consider that this time you leave some profit to our clients, maybe next time the clients will ask more, if that situation happened what shall we do? So in my opinion, do our best to ask the maximum profit in the international negotiation is the common way that every country does.

**12. In the negotiation process will you accept some items which are difficult to you, consider the relationship or “Face”?**

Mr. Gao: we do not do it in the negation. We do not promise things that we cannot do, even if some of the things we can do, but just with great difficulties, we do not make promise. We only guarantee our interests before we promise something.

## 5.2 Case B - JINAN XiaoYa CO.Ltd

### *Company Background*

The JINAN XiaoYa CO.Ltd is a light industry company in north China. It is the company which produced the first washing machine in China. By a huge investment on its R&D institutions, nowadays, the productions of the JINAN XiaoYa Co. Ltd have sold for many foreign countries and became more popular for the foreign customers.

### *Respondent*

In order to collect the empirical data for this thesis, we interviewed Mr. ZhengMing Wang through internet; Mr. Wang is one of the managers of the import and export department of the JINAN XiaoYa Co. Ltd. He was retired in 2006 when he was 55 years old but he has very rich experience in negotiating with Chinese companies and other countries. Because he is one relative of one member in our group, so we get a chance to do an interview through internet with him for around 30 minutes. We asked about 20 questions, we just summarize some important questions and answers, all the conversations were in Chinese, we translated into English as shown below.

#### **1. How do you prepare the negotiation?**

Mr. Wang: It's very important to do the preparation before we start a negotiation with other companies. I think 70-80 percent of the total time spent is on the preparation of the negotiations, the real negotiations is no more than 20-30 percent of the total time spent. In the negotiations, we must be very careful doing a lot of work before the negotiation to grasp the initiative in the negotiations.

Before we have a business negotiation, first we will study their companies'

background to understand our opponent For example, their past business practices, their needs, enthusiasm, the preferences of staff negotiations, the talks on the other side's attitude and so on.

Second is to clear our own principles. It is according to our company's situation to develop a general principle of the negotiations. We also will decide which kind of time strategy we use in the negotiations. Then there's a useful way which is the thinking of transposition. It means we stand on each other's point of view of the negotiation. Let our negotiator to play each other's role, and try to find out as much as possible problems they may issue in the negotiation, and then prepare the solutions.

**2. In the international business negotiations, do you think the different cultures will affect the negotiations?**

Mr. Wang: In my point of view, the different cultures will affect the negotiation in some aspects. In the negotiations, in my experience, it's quite different way to do the negotiation between the Germany companies and U.S. companies. For the U.S company, May be subject to the impact of U.S. culture, they are more easily to accept some change of the contract in the negotiation and they also think it's normally to have some change of the business contract in the negotiation. As the different as U.S companies, for the Germany companies, some time it is difficult to make them accept the change of the contract, they always ready for all the terms of the contract and think they are all important and there is no need to necessarily to make changes. As Germans, seriously and always follow the rules, we need different strategies for the people from different background of culture.

**3. Before you and your group do the negotiation, how do you study for the culture background of the international negotiators?**

Mr. Wang: It is hard to answer this. According to my experience, in order to give a

friendly image of my company to the foreign negotiators, normally we will study of their culture background such as where they come from and their habits. When we contact with them face-to-face, we will try to arrange a suitable hotel for them and suitable food that they will enjoy. We hope that they can appreciate our kindness and our respect for this negotiation. So in the negotiation, there will be a good start for both of us.

**4. If there is a conflict between the negotiation and your holiday, what shall you do?**

Mr. Wang: If there's a negotiation or work which I need to attend during the holiday, I think I will go for the negotiation instead of holiday. Even if the holiday is important for me such as I promised my family to spend time with them, but the work need to go first. If I refuse to join a negotiation it may damage my image and may influence my current position in the company.

**5. In the international negotiation, the decisions or strategies are the made by one leader person or from a whole group.**

Mr. Wang: The decision is always made by the leading person of our group. When we need to develop a final decision or strategy of business, every member in our group will give their views. The lead person always listens to their views and makes a final decision himself. The leading person formulates the final decision by listening to the views of panel members.

**6. In the international negotiation, if a business with high profit and high risk, another with normal profit and normal risk. Which one you want to choose?**

Mr. Wang: If a new business with high profit but also with a quit high risk, it's hard for us to make a decision if we will take it. Normally, we will choose a business

which may has not so high profit but with low risk. As in our company, the investment of start a new business plan is quite high, so if we start a Inefficient or failure plan, the cost is which we cannot hold. So therefore, we always tend to a business plan which has low risk. We have more preference to the cooperation of low risk.

**7. In the international negotiation, how do you think about being on time?**

Mr. Wang: Time is a very important aspect in the negotiations, each time of the talks we will normally be 10 to 15 minutes ahead of landing. If we are late for the negotiations, then I think it is not only makes the other companies think that we do not attach importance to the negotiations and thereby reducing the enthusiasm to work with us, also will reduce the level of trust of our company. Greatly increase the difficulty of the negotiations and further cooperation finally. Never be late for a negotiation and make the negotiation process end on time.

**8. In the business negotiation, how do you control the period of this negotiation?**

Mr. Wang: Normally, in the negotiation, we won't go direct to the topic. This is kind of rude which may let them think we are hard to work with. We used to try to make a friendship with them first. I think it is more important to create a friendly relationship than just to seek for a profit. A good relationship will help a lot for the negotiation and finally may achieve a win-win for both. And in the negotiation, we try to finish it on time, but sometimes it may cost more time than what we expected. Because of the decision is made by the leader of the group, sometimes if the leader who from our parent company cannot attend the negotiation, we have no right to make a final decision, so we need to wait for the leader to attend and make the decision. So this may longer the period of the negotiation which its planned.

**9. In the international negotiation, do you GUANXI is important?**

Mr. Wang: GUANXI is quite important in the business negotiations. It will be more simple and easy to have commercial negotiation with a company which has GUANXI with us than a stranger company. On the one hand, Because of the company which we have GUANXI with is more trustable and more easily to understand each other. This is also because of the main purpose of commercial negotiations is through negotiations to strengthen bilateral or multi-communication, understand each other. Its' based on resolving contradictions and differences to reach a consensus, therefore to achieve the purpose of trade or cooperation. For every commercial negotiation, the both sides want to achieve their own side of a certain intention through the communication. Therefore, the relationship is a unity of opposites. Due to the fight for the companies' profit, it often create a tense atmosphere in the negotiations, this could even break the negotiation down and leading to failure of cooperation. I think the GUANXI between two companies or the negotiators could create a relaxed and peaceful atmosphere in the talks, narrowing the distance between each other and make it easier to resolving contradictions and differences to reach a consensus. The GUANXI could make the negotiation much easier and smooth, if you do not have it, then create it first.

**10. In the negotiation, if the clients misunderstanding or do not know some aspects of the business project, will you point it out or explain to them in the negotiation, or later privately?**

Mr. Wang: This does not happen so often. The lead person of other companies, they always have the experience and sufficient business knowledge of the business negotiation. But if there some misunderstanding or some the problem which is more professional they do not know, I think we will explain to them later privately. Try to point their mistakes privately, don't loss their face.

**11. Does the “Zhongyong” ideology influence your opinions or activities in the negotiation process?**

Mr. Wang: The ZHONGYONG ideology is a very widespread adoption of thinking for the Chinese people. Even in doing business, this ideology is also often adopted. Some time when we are having the negotiations, we will not ask for the 100% of the desired objectives, normally we just try to achieve the 80-90% of the desired goal. May be if we try our best could achieve the best desired goal, but this kind of action will take much more time and cost, or create a very bad relations of cooperation later on. The profit which we are possibly to get could be much better than the profit which we had, but it is not worth it.

**12. In the negotiation process will you accept some items which are difficult to you, consider the relationship or “Face”?**

Mr. Wang: yes we will do it. Because the relationship is very important, if we have a good relationship it is very difficult to say “no”. If we promise something we will do our best to fulfill it. If it really over our ability we will try to adjust it, but never reject or give up it.

## **6. Data analysis and results**

**In this chapter,** Through a combination of the above-mentioned theories and viewpoints, Contact with survey received answers of the interviews of China Ocean Shipping Agency Fuzhou and JINAN XiaoYa CO.Ltd to study the impact of North and South cultural differences on in international negotiations on the impact. In the following part, we will sum up the answers of the interviews in the following areas (which also mentioned in the theory of the ten ways that culture affects the international negotiation) to analysis: team organization: one leader, the sensitivity of time, risk taking: low, sexual orientation, the negotiating goal: contract, personal style, communication, and the impact of China's unique culture on the commercial

negotiation.

## **6.1 Negotiation Goal: Contract or Relationship?**

In a negotiation it's important to know if your counterpart wants to sign a contract or build a relationship. In China the term relationship is more wide and complicated. Chinese prefer to get things done by working with people with whom they have solid connections. They prefer working with family, friends and persons or groups which they are well known to them – in other words people that can be trusted. Dealing with strangers, gives an uncomfortable feeling to the Chinese especially with people which are from a foreign country. This way of defining relationship for Chinese is called Guanxi.

In the XiaoYa.co.LTD which represents the north part of China in our thesis, Guanxi is an important factor in their business negotiations. They are saying that it's easier to do business with a company which has Guanxi with them than dealing with someone who don't. According to them it's more trustworthy and easier to understand each other, so less misunderstanding may occur. While negotiating with a company which has Guanxi, their relationship is getting stronger between them and strengthens the joint of the negotiation deal. He also mentioned that the Guanxi between two companies or the negotiators could create a relaxed and peaceful atmosphere in the talks, narrowing the distance between each other and make it easier to resolving contradictions and differences to reach a consensus.

The company that represents the south part of China, China Ocean Shipping Agency Fuzhou Company said that Guanxi replaced honour in some certain extent and sometimes it means profit. Mr Gao said "In China, 20 years ago, we say that the science and technology are productivities. But now we can say the Guanxi is productivities." Guanxi is a bit overstated in China, but this describes how important Guanxi is. According to Mr. Gao, in order for the company to create Guanxi with a

new client or reinforce an existed relationship with an old client, sometimes they can launch business activity with zero profit.

We can conclude Guanxi/relationship is important to both the north and south part of China. Their negotiation goal is to establish relationship. So in order for foreign countries to do business in China, like it was mentioned earlier “Guanxi can be used as a helpful strategy for research of background information about Chinese business partners, price negotiation, forms of payments, and implementation of contracts.” (Fang 1999)

## **6.2 The team organization: one leader**

It is important to know in any negotiation how the other side is organized, who has the authority to make commitments and how decisions are made. And once again, the Different cultures will affect the company's different business practices. Salacuse (2004) had pointed out that “*Some cultures emphasize the individual while others stress the group. These values may influence the organization of each side in a negotiation.*” In the way of a company to do the decision-making, in our point of view, it generally will be impacted by the different power distance. As what we had written in the culture dimensions, Hofstede G. (1984) indicated the fundamental issue of the power distance is how a society handles inequalities among people when they occur and the way people build their institutions and organizations.

Hofstede G. (1984) also mentioned that in the business culture, the business culture with a high power distance emphasizes the difference between people with power and those without. The people in these cultures like a hierarchical organization and ascribe a lot of influence and power to leaders. But it is normal for the companies to give responsibility to less important employees in the small power distance societies.

The strong power distance and the week power distance will affect the decision

making in the negotiations. In a company with strong power distance, the decision making is always developed by the leader of the negotiation's team and the leader who is also the manager of the company. This is because they hold a strong power position in the company. Comparing with the leader, the members of groups are disadvantaged and they are usually responsible for the implementation of the decision and submit to the leaders. Such as Mr. Wang of the JINAN XiaoYa CO.Ltd from north China had mentioned: *"The decision is always made by the lead person of our group. When we need to develop a final decision or strategy of business, every member in our group will give their views. The lead person always listens to their views and made a final decision himself. For us, even sometimes the decision is not so right which as we thought; we still need try to follow it."* But for a company with the weak power distance, the Decision-making usually through the discussion of negotiating group members, then later on the lead person develops the final decision through a combination of everyone's views.

This different kind of decision-making style is influenced by different cultures. Commercial rapidly developed in recent years in south China, in such a commercial context, the companies in south China are usually with weak power distance. Such as Geert Hofstede mentioned that the power distance dimension tends to separate the more economically developed countries from the less developed countries: Small power distance consists in the more developed countries and the large power distance consists in the more countries which are less developed. But in north China, because of its geographical location and the deeper the impact of traditional culture, the speed of commercial development is slower than the speed in south China, so the companies in north China are usually with strong power distance. This finally caused the difference of decision making form the different area of China.

### **6.3 Sensitivity to time: High or Low?**

In an international negotiation, the attitudes towards time are also an important

element. “Cultural discussions about time in negotiation often refer to two elements: promptness in meeting deadlines and the amount of time devoted to a negotiation”. So it can be described in two different attitudes, one is highly time-sensitive with regard to promptness but less so with the respect to their willingness to devote large amounts of time to a negotiation (Salacuse J. W., 1999). Another is the low time-sensitivity, in this attitude towards time, people make decision more slowly. They prefer spending a lot of time to establish a long-term relationship between parties, and linger in the pre-negotiation step.

According to the theory and some literature review, many authorizes believed that Chinese negotiators were always slow to make a deal in the negotiation process, but as Salacuse (1999) claims that “time is valued differently by different cultures with regard to the amount of time devoted to and measured against the aim pursued”. So we think it is necessary to point out that most of those authorities are not from China, they have their own culture background, even if there are some authorities from China, but they have their own culture background also, because as we mentioned before in China the cultures in south and north are quite different.

After the interview of both north and south companies’ managers in China, we perceived that the company in south China is more time sensitive when compared with the company in north China. When comparing two different parts of negotiators, the respondents from the both sides of China think that their time must be carefully planned, but they do not like American negotiation way - go straight to the final decisions, they consider spending time with the counterpart is important and necessary. But during the negotiation process, people from south China prefer after spending a few time with the counterpart and going straight to final decisions, if they don’t lose so much profit. As Mr. Gao said.” we do not spend a lot of time on it, because we believe that the relationship can be created by future service of our products. So after a short period of pre-negotiation we prefer go straight to the main

point what we really want to negotiate”.

In north China, negotiators also prefer to spend a lot of time with the counterpart in order to know better about their culture and company background, and willing to establish a long-term relationship between parties. During the negotiation process, they tend to conduct the negotiations in their way, on plenty of time to hold on the negotiation until they are able to obtain what they want. Sometime they need to wait their companies' authorization to take decisions according to the negotiation.

Based on theory and the interview, we consider that the time sensitivity of the south and north Chinese business cultures can connect to the theory of “**power distance**”. It is about their respect to the concept of hierarchy and bureaucracy. In the north of China, company or organizations are always structured in a very hierarchical and bureaucratic way. Due to that bureaucracy and hierarchy, the person who ranks a high position in the company and has the power of taking all decisions. As we mentioned above during the negotiation process the people from north China always need to wait the authorization to take decisions, because the decisions always decided by one leader, so they can continuously interrupted the process because they were not the right persons to decide and always somebody else had to be consulted. So sometimes the time required for negotiating is significantly long, indicating, therefore, hierarchy and bureaucracy as some of the main factors that affect the time management during the negotiations. We consider also that some of the reasons that may clarify this fact are the great amount of people involved in the negotiations from the north of China, because of this they feel more comfortable and they think this is one way to show their face.

#### **6.4 Risk taking: High or Low?**

Along with various types of commercial activity, the risks which are always following

is inevitable. During the commercial negotiations, due to the risks within the business cooperation plan, it always caused the process unsuccessfully, even caused the breakdown of negotiations. There are two different kinds of projection in the negotiations; one is the projection which has high risk and high profit, the other is the projection which with low risk and low profit, these two different projections will always be chosen by different companies. This is the ability of Risk Taking. Said by Salacuse (2004) had pointed out that *“Different cultures are more risk takers than others. All depends on how willingness a negotiator is on taking risks about revealing information, try new approaches and tolerate uncertainties in a proposed course of action.”*

Through the study and analysis of the interview of Mr. Gao in south China, the conclusion which we got is that the companies in south China, when they are facing the selection of different projections, the business projection with the high risks and high profit is more inclined to be accepted. The more actively commercial activities of south China than north could be regarded as the reasons for this conclusion. By the affect of geographical location and long-term local culture Traditions, since the earlier period of the commercial development of South China, the international trading business had begun with the ocean shipping way. At that time, although the international trade would bring substantial benefits, but because of the restrictions of technology development, the trading of ocean Shipping is usually with a great risk. This kind of business either will gain a great benefit or lead a completely failure of it. But under this situation, in south China there are still a lots of the business men keen on such commercial activity. Even the trading is failure, in most conceptions of the businessmen from south China they still believe that they could gain the lost back by the next successful trading which would bring a huge benefit. At the same time, the great benefit earned from the successful trading of ocean shipping also stimulated more businessmen to participate in this. With the development of a time, this kind conception was gradually turned into a unique business culture of south China. The

core meaning of this business conception is to pursuit of great interest, even the great risk will always with it. So in today, we can consider the culture of south China is with low uncertainty avoidance, as mentioned by Hofstede G. (2004): *“In business, the culture with low uncertainty avoidance is willing to take risks. Low uncertainty avoidance businesses are willing to work in situations where the rules and procedures have not been properly worked out.”* In the negotiation with the companies from south China, even some of the projections may gain the benefit with huge risk, but for the businessmen from south still willing to accept them only if there’s opportunity for the development of their companies or the interests is big enough. In turn, this conception is also promoted a more rapid development of commercial in south China.

In north China, also due to the geographical location and long-term local culture Traditions, people used to get profits through planting and raw materials in the past. So the property of the businessmen from north China was accumulated through the generation to generation. If there’s possibility by applying some projections which may make their own property losses or bankruptcy, due to the difficult of this accumulation of property, the businessmen from north China always had a strong stress when they facing the high risk and high profit projection. Because of this, it will be difficult for them to accept the projection with high risk and high profit. They are much prefer to the projection which has low risk and low profit, even the benefit is low than the high risk projection, but they believed that the achievement of the huge profit can implemented through accumulate of projections which had such a small risk and low profits. This kind of Commercial activities finally turned to a unique business culture of north China. Because of this, we considered the culture of north China is high uncertainty avoidance. Hostede G. (2004) mentioned *“In business, the culture with high uncertainty avoidance don’t like risk and feel more comfortable when everything is plenty of rules.”* However this kind of conception also caused the business development is slower than south China, although widely accepted by the businessmen of north China because of the security. So differ as the businessmen

from south China, the businessmen from north China whom are influenced by this kind of culture are more Cautious and traditional. When the company is negotiating with them, usually it is quite difficult for them to accept the projection which with high profit and also high risk. As the Mr. wang said: *“If a new business with high profit but also with a quit high risk, it’s hard for us to make a decision if we will take it. Normally, we will choose a business which may has not so high profit but with low risk. As in our company, the investment of start a new business plan is quite high, so if we start a Inefficient or failure plan, the cost is which we cannot hold. So therefore, we always tend to a business plan which has low risk.”*

So when a foreign company has negotiation with them, it’s better to offer a business plan with low risk, even the profit for the companies from north China will looks low, but they will easily accept it. Connect with the theory of relationship and GUANXI, there’s still a possible way for the companies from north China to take the projection with high risk and high profit by build a relationship of mutual trust. This may through numbers of commercial cooperation which with low risk and profit. Then, because of this relationship and trust some projections which with high risk and high profit may be accepted by the companies from north China.

For a company which is going to have the negotiation with Chinese company, in order to reduce the risk, Salacuse (2004) suggested several considerations such as: *“ Don't rush the negotiating process, devote attention to proposing rules and mechanisms, try to make your counterpart understanding you and try to build a relationship and trust.”* So when the company facing a negotiation with the Chinese company, first they need to analyze the location and business culture background of the Chinese company and develop a Suitable strategy with them. Take time with the negotiation process and make sure that they can understand your plan. As what the decision we got in the analysis, for the company from south China, it is easier for them to accept a projection with high risk and high profit. But in the negotiation with the company from north

China, a projection with low risk and profit is suitable to be applied. To reduce the risk which is may exist in the negotiation and cooperation and in order to achieve the succession.

### **6.5 “ZHONGYONG” influence: high or low**

Confucianism is considered the second fundamental component of the Chinese culture. It is a philosophical tradition that has shaped the Chinese culture for 2500 years. The Confucianism was originated from the teachings of Confucius who lived in China during the Han Dynasty. This philosophy is not related with any religious content; it consists, instead, in a set of pragmatic rules for daily life. (Fang 1999) 己Ji (self) 所Suo (‘s) 不Bu (no) 欲Yu (desire), 勿Wu (not) 施Shi (impose) 与Yu (onto) 人Ren (others): Do not do to others what you do not want to be done on you (Do not treat others the way you don’t want to be treated). This is the main meaning of Confucianism.

“ZhongYong” ideological theory as one of the main ideological theories in Confucianism has been influencing all Chinese thousands years. As we know culture and environment can influence each other, even the “ZhongYong” ideological theory has been permeating in everywhere in China, but the south Chinese and north Chinese have different responds to this ideological when they take the international negotiations.

We think that about the “ZhongYong” ideological it can be describe as Do everything does not be so extreme, not radical, moderate, not holding too tight on things. After the interview of both sides of China, we found that in north China, when people negotiate with foreigners they try to follow the “ZhongYong” ideological theory, but in south China, the business man do not take so seriously “ZhongYong”, they admit this theory but they don’t think it is very important in the international negotiation,

they prefer ask for the maximum profit instead of leave some profit the client, in order to create a relationship. But they also believe that creating a relationship is important, sometimes they can give up some profit to create a relationship. So when we analysis the situations in south China, we got confuse about that.

Base on the theory and empirical data we consider that some reasons of the different attitudes of “ZhongYong” may be able to trace back to long history. “ZhongYong” ideology was originated from north of China thousands years ago. It spread from top to down, form the gerentocratic level to the normal citizen. But in that time of China, people thought that south of China was outlying, savage places, none of any dynasty located the capital in the south of China. The gerents always put the central of culture, economic and politic in the north of China. So the influences of “ZhongYong” ideology in north China are much deeper than the influences in south China. Moreover, south China began the international trading very early; in Ming dynasty (1368-1644) they have begun to communicate the foreign country by sea shipping business. So different cultures from other countries have struck in south China, since then, the unique culture of south China have gradually close to the international mix cultural, but particularly the slow speed. Because then China has also adopted the policy is a closed-door policy.

## **6.6 The “Face” influence: high or low**

As stated in the above theory, In China, the face is also play a very important role in commercial negotiations. Many negotiators due to negligence the role of the face in the negotiations led to the breakdown of negotiations. This is because of in China, firstly, Face Involved the Social Assessment and People's self-esteem. Secondly, the face has also reflected of a person's economic strength and social status. Finally, the face of Chinese people is also combined with Self-esteem and the vanity. The reason why there are people who have face will access to other people's respect and admiration, this is because of the principle of community rating and classification is

consistency in China. To give more face to the person who has more strong ability and contribution, this is a reward of their ability and efforts by the social evaluation; the person who has more strong ability and contribution is much more treasure their face than others will in turn to benefit the community, this is because they will work more harder by the stimulation of their self-esteem. Though there are difference between south China and north China in the Social, economic and other aspects, but through the research and investigation we did, they have the same perspective to the face. The characters of the northerners are more optimistic, heroic, and free and easy. They attach a great importance to their selves' image. So the northerners are very seriously to keep their face. The characters of the Southerners are more implicit, careful and pragmatic, attention to the actual interest. But they also think the face is very important to keep. This is because of what had been stated above, the face is a reflection of their social status, ability and credibility. In another aspect, the reason why both the Southerners and northerners are seriously to keep their face, is because of their culture is influenced by the ZHONGYONG ideology which had be accepted by Chinese for thousands years, which made the Chinese people to attach importance to the face and respecting.

It also mentioned by Salacuse (2004) that the different culture will affect the negotiators to have different behavior. In the ten ways the culture affects the negotiations, the different Personal Style and Communication style will influenced by different culture as well. There are two different style of the personal style. Salacuse (2004) mentioned that: *"A negotiator with a formal style insists on addressing counterparts by their titles, avoids personal anecdotes, and refrains from questions touching on the private or family life of members of the other negotiating team. A negotiator with an informal style tries to start the discussion on a first-name basis, quickly seeks to develop a personal, friendly relationship with the other team, and may take off his jacket and roll up his sleeves when deal making begins in earnest."* And also, the communication style can be divided into the indirect style and direct style. The Individualism society is preferred the informal personal style and directly

communication style; the Collectivism society is preferred the formal personal style and indirectly communication style. In China, the different of the personal style and communication style is mostly influenced by the face of the Chinese culture.

Influenced by the face and the Collectivism society, in the aspect of personal style both of north China and south China are accustomed to using the formal style. This result can be seen from the answers of the interviews of the companies in south China and north China. In the negotiations, to wear the formal clothes like suit, change the business card seriously and name the other negotiators in a formal way, such as MR. xx or MS. xx. As stated in the theory, In China, the face is always call self-respect and the people in China is especially sensitive to face issues, perhaps because relationship focused cultures are so group-oriented. In the negotiations, these actions are in order to give face to others negotiators. If when the foreign companies are negotiating with Chinese company, the negotiators wear a informal clothes or name the Chinese negotiators full name directly, these kind of actions will lead the Chinese negotiators feel they lose their face, which may think the foreign negotiators are rude or show no respect to them, then in the negotiation, it will be difficult to create a friendly atmosphere. As we said in the above, normally there will be some troubles in the negotiations and difficult to create a friendly relationship later on as well.

For the style of the communication, according to the theory mentioned by Salacuse (2004), it can be divided into the direct style and indirect style. The cultures that have a direct communication way of negotiating, usual gives a clear and definite response to your questions and proposals while negotiating. The cultures which is indirect communication way of negotiating, usual answer your proposal through interpreting seemingly vague comments gestures and other signs which can lead a misunderstanding to a direct communication user. For the negotiators who used to the indirect communication style, the over direct communication style in some aspect may let they feel the others are rude or show no respect to them, which lose their face. So it is important to apply a suitable communication style in the negotiation in order

to enhance the process goes well. Even sometimes due to the different of the culture background, it can not to apply a suitable communication style which satisfied the both side, it important to adjust each other's communication style to avoid the misunderstanding during the negotiations. As stated above, there are differences between south China and north China in the Social, economic and other aspects, the characters of the northerners are more optimistic, heroic, and free and easy. So the businessmen from north China are preferred a direct communication style. But because they are very care of their face, so if there are some aspects may cause the others lose face; they will use an indirect communication style also. In some situation, direct communication style may give a clear and definite response to your questions and proposals while negotiating, but also may make the others think they are rude or lose their face. For example, in the negotiation, if there a proposal is submitted by the other negotiator, they still will listen to them carefully and presented their idea indirectly through lots of explain. For the foreign companies who are negotiating with Chinese companies, it is better to present their idea with an indirect communication style when they do not agree with the Chinese negotiators' proposal. This will be easier for the Chinese negotiators to accept it and feel they are respected by the others. Or else, the Chinese negotiators will feel they lose their face and may caused they be angry. This can be seen form the answer of Mr.Wang: "This not happened so often. The lead person of other companies, they always have the experience and sufficient business knowledge of the business negotiation. But if there some misunderstanding or some the problem which is more professional they do not know, I think we will explain to them later privately."

For the businessmen form south China, because of their character and culture affect, they are more preferred the indirect communication style. Even in the ordinary and irrelevant aspect such as personal viewpoint of hobby, they still used to the indirect communication style. This is such as the answer of Mr. Gao in south China "when we negotiate with a native client, especially from north of China, we really need to take care of their "face". Otherwise the business is very easy to be fail. But for our self, we

think profit is higher than “face”, if the profit is high enough, face can be lost.” But this kind communication style may caused some misunderstand during the negotiation which the foreign negotiators. For example, the negotiators from U.S company, they always easily to believe that the negotiators from south China do not agree with their views because there’s no directly and clear view has given by the negotiators from south China. This difference is caused by the difference between their cultures and communication style. So for the foreign negotiators, it is important to study the others’ culture and communication style in order to avoid the misunderstanding during the negotiation.

Though the analysis stated above, even there are culture difference between the south and north because of the different of geographical location, economic and social development, but in the viewpoint of face ideology, personal style and communication style, there is no big difference between south China and north China. As we mentioned above, this is also because of the culture of both side is originated in the “ZHONGYONG” ideology which lead the both side Places great emphasis on face and respect.

## **6.7 Masculinity and femininity**

As mentioned above emotion effects the international negotiation. Culture plays a small role on emotionalism, individual personality have a bigger role. Some people are good on hiding their emotions while other isn’t during a negotiation deal. Nerveless, different cultures have different ways of dealing with their emotions among individuals. Salacuse (2004) pointed out that in order to have a fast and successful negotiation, to choose a time appropriate for the negotiation period is very important. Greet Hostede (1984) mentioned that the society can be seen as the style of masculinity or femininity. Masculinity stands for a society in which men are supposed to be assertive, tough, and focused on material success; femininity are supposed to be more modest, tender, the preference for relationship, caring for the weak, and

concerned with the quality of life. If the negotiation is take place during a holiday or non-working hours with a company from the society of femininity, it may reduce the working motivation and caused a negatively emotions. This is because of they have to work extra instead of the days which they can spend time with family or have relax. By the investigating of the working motivation and emotions on negotiation, Drolet and Morris (2000) found that the low working motivation and negatively emotions will affect the negotiation. These kinds of emotions will difficult the creation of a friendly relationship between companies and lower the proceeds benefit of cooperation. So it is important for the companies to choose a suitable time period for the negotiation. For a society of masculinity, because of it focused on material success and cares less about the quality of life. So there's no big problem to have the negotiation during the holiday or non-working hours compared with the femininity.

Through the research and analyze the answer of interviews, both of south and north China seems can be seen as the masculinity. As the analysis stated in the face ideology, both of the south and north Chinese are very care of their face. A higher earnings and status could give them more face than others. In order to achieve a respect and admiration, they are willing to working hard instead of care about their quality of life. It's much more important for them to achieve a material success. In another aspect, this is also caused by the society stress of future uncertain. The Health care system, unemployment protection system and the minimum living standard security system are imperfect in Chinese now. To secure the life when they disease or joblessness, both the south and north are used to save the earnings. To focus on a material success and try to achieve a higher earning make they must work harder no matter if it is the non-working hours or during the holiday. These points can be seen from the answers of interview in the empirical data presentation question 4.

So for the foreign companies who are going to negotiate with the companies from south and north China, there's no difference between the holiday and working days. For the Chinese businessmen from south or north China, the negotiation, even the

negotiation is proceed during the holiday or non-working hours, it will be no difference as the negotiation in a formal time.

## **6.8 Sensitive of keeping word**

Northerners of China are warm, cheerful and very concerned about their face. So they always promise too much and then get complains by friends in the back. Faced with new friends, the northerners will first eliminate the distance, make a friends with the new guys, then mutual understanding, if they are to temper, they can be together, if not, gradually alienated. Southerners of China are subtle and careful. First of all think of their own interests must be protected, and then charge for their words and deeds. Faced with new friends, the southerners first delimitate the boundaries between each other, then try to contacts each other carefully. If it fell good so they can be friends, it doesn't mean anything if they feel bad.

Base on the empirical data and interview two managers from south and north China, we found that in the international negotiation process, the northerners often promise some commitments which are very difficult or almost impossible to achieve, and then during the actual fulfill process we will give their promises some adjustment or changes. However, in the negotiations process they rarely say no. Southerners are the contrary, they absolutely do not promise things what they cannot be done, even if some of the things they can do, but just with great difficulties, they do not make promise. They only guarantee their own interests before they promise something. However, once they promised, they will make every effort to do so.

The reasons of this different attitude we though it probably connect to their different attitudes of “**face**”. How the Face influence in the international negotiation in south and north China, we will discuss later. Anyhow, northerners in the negotiation, in order to show their abilities, fortune and something else, they always admit some items which are over abilities for them to gain the fugacious respect from the clients.

The southerners they always put the profit and interests in the first position, they never let the “face” be ahead their profit, They believe that “villain first, gentlemen later”, it means specify terms clearly at first and use a good deal of courtesy later. So in the negotiation, they just admit those items which they can done, may be in the beginning they didn’t show their enough abilities and fortune, but later when all works can hand in on time and perfectly, they will gain the clients’ respect and trust.

## **7. Conclusion and discussion**

The purpose of writing this thesis is to obtain a better understanding about how the Chinese businesses culture affects international business negotiations from the southerners and northerners of China perspective. For reaching this aim we delimitate our work by answering the follow research question:

*Are there any differences in international negotiation within China when conducting business in the north and south based on their different cultures?*

In order to answer this question, we conduct our thesis through a qualitative research. With basis on some theories, as well as on the empirical data, we analyze the different concepts of Chinese business culture from southerners and northerners perspectives, and its relevant core values that impact on international negotiations. We interviewed two persons who have ample experience in international negotiating with foreigners from south and north parts of China. After analyzing our empirical data, based on the perspective of our interviewees, with the support of the theoretical framework, we find out that some aspects of south and north parts of Chinese business culture are significant influence differently the international negotiations.

Data from analysis and findings lead us to achieve several conclusions that contribute to a better understanding of how certain cultural aspects of the Chinese business culture from south and north part affect international negotiations differently. We

began this question from eight different aspects. We draw a figure to describe those differences.

➤ The Relationship

Creating a relationship to the clients is very important for the entire businessman. In this thesis, based on the information we collected we found in the south and north China, both of them accepted that the aim of one negotiation is not for sign a contract, it is better to create a relationship. This situation can be influenced by the attitude of “Guanxi”. In China, people do believe that “Guanxi” can play a main role in business activities, and “Guanxi” sometimes can simply translate to relationship.

➤ Power distance

To get a better understand of the Power distance in China, we set up a question about the decision was made by one leader or the whole negotiation group in a negotiation, try to find out the difference of south and north China. The result of this segment accord with what we thought in the beginning, the decision was always made by the leader in north China. They have more power distance than the southerners have. In south of China the decision was discussed by the whole group, the leader was participated in the discussion, and make the final decision together.

➤ Sensitivity of time

The sensitivity of time in the negotiation is represented as the speed of getting the final decision. In the south of China, negotiators prefer spend a little time in the pre-negotiation process to give a good impress to the counterpart in order to create a relationship. Then they would go straight to the final point. But the northerners could spend a lot of time in the pre-negotiation process. So the sensitivity of time in north China is much lower than the sensitivity of time in south China. The reason of this difference can be connect to the power distance and face, we explain in the above.

➤ Uncertainty avoidance

In order to find out the differences in this dimension, this thesis analyzed the inclinations of choosing the high risk but low profit case or choosing the low risk but high profit case of north and south China. Base on the information we got from two managers, we found the uncertainty avoidance in north China is very low, but in north China is definitely high. The reason of this difference can be concluded by the affect of geographical location and long-term local culture Traditions.

➤ “ZHONGYONG” ideology

“ZhongYong” ideological theory as one of the main ideological theories in Confucianism has been influencing all Chinese thousands years. But after the interview of both sides of China, we found that in north China, when people negotiate with foreigners they try to follow the ZhongYong ideological theory, but in south China, the business man do not take so seriously ZhongYong, theory. Because the “ZhongYong” ideological theory originated from north of China thousands years ago, but the south China began the international trading very early; the unique culture of south China have been influenced by foreign different culture, it have gradually close to the international mix cultural, so the “ZhongYong” ideological theory do not influence so much in south China.

➤ “Face”

“Face” is very important aspect in both sides of China. But in north China, they take it more seriously than in the south China. But do not make so much different. In north China many negotiators due to negligence the role of the face in the negotiations led to the breakdown of the whole negotiations, but in the south China even “Face” is important but in sometimes when the southerners negotiates, they prefer get more profit instead of lose a little bit “Face”, but they can just abandon a little of their “face”. So in China “Face” is very complex, it content so many things. Base on those

theories and analysis we thought it can connect to the different attitude to the “ZhongYong” theory and “Power distance”.

➤ Masculinity

To get a better understand of the degree of masculinity in south and north China, we set up a question about “if there is a conflict between the negotiation and your holiday, what shall you do?” try to find out the difference of south and north China. The result of this is that both sides of China are masculinity, both the degree are different, in south China they are more masculinity then in north China.

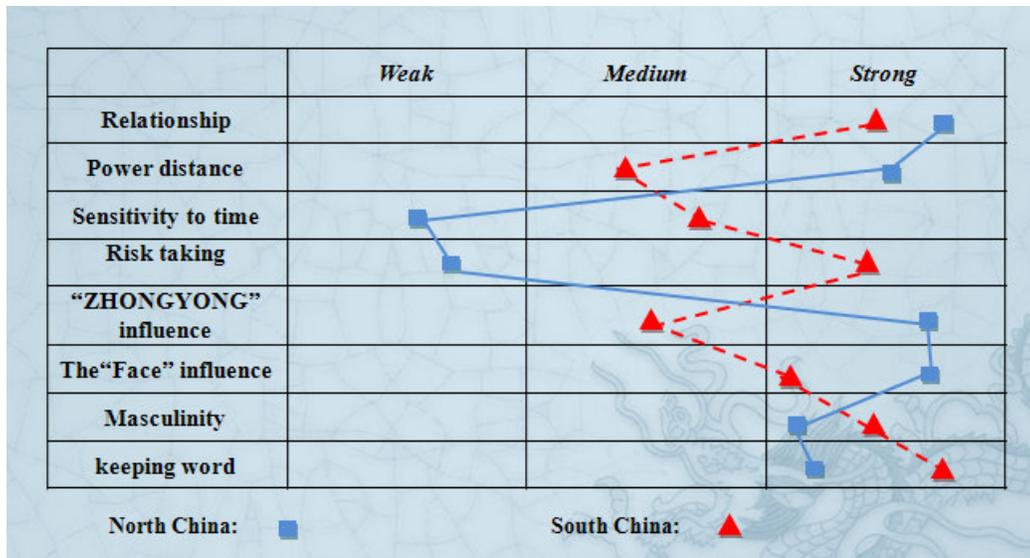
➤ Keeping word

In order to find out the differences of the attitudes of keeping work in south and north China, we asked the question which is “in the negotiation process will you accept some items which are difficult to you, consider the relationship or “Face”? After the interview we got that the northerners often promise some commitments which are very difficult or almost impossible to achieve, they will try their best to fulfill those promises but if they find out that the promise is totally over their abilities they will give their promises some adjustment. However, in the negotiations process they rarely say no. Southerners are the contrary; they absolutely do not promise things what they cannot be done. They only guarantee their own interests before they promise something. However, once they promised, they will make every effort to do so. This situation can be connected to the different attitudes of “Face”.

After conducting this thesis, we consider our purpose has being achieved; since we answered the research question by presenting the most relevant aspects of the different cultures in south and north China, that have effect on international negotiations and by analyzing the results of such effect. As a result of that we also obtained good knowledge and better understanding of how the different cultures from

south and north China affect the international negotiations. We draw a figure below which describes the different cultures influence the negotiation in south and north China in eight aspects.

**Figure 3. The different cultures influence the negotiations in south and north China**



## 8. Implications for Further Studies

Since we consider to have achieved our aim in providing foreigners with better knowledge about Chinese business cultures, but all the information are from Chinese perspectives so we think to the further studies it would also be interesting to investigate and present the foreign businessmen’s perspective.

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# Appendix

尊敬的 xxx:

感谢您在百忙中抽出时间看这封信。我们是严然和林晓峰，在瑞典的 MDH 大学学习国际商业管理。现在我们正在着手写我们的学士毕业论文。我们研究的题目是中国南北方的文化差异对国际商业谈判的影响。

在我们的论文是从中国南北方公司在国际谈判中的实际经验为基点,从而了解南北方的风俗差异如何影响国际谈判的. 通过此篇论文我们想给一些国际企业或者是本国企业提供一些有用的信息, 使谈判者更好地处理不同文化下的国际谈判.

我们需要收集一些实际的经验信息, 您的回答将对我们的论文起重要的作用. 以下部分是我们论文的部分内容与需要您帮助回答的一些问题, 如果您感兴趣的话, 请回信与我们约定一个合适的时间。

谢谢。

Dear xxx:

Thank you for taking the time to read this letter. We are Yan Ran and Lin Xiaofeng who are studying international business management in MDH University in Sweden. We are working in our Bachelor-theses; the topic of this thesis is international negotiations in South and North China.

This thesis is developed from Chinese companies' view, based on South/North Chinese negotiators' early experience in international negotiation, with the intention to investigate how South/North Chinese negotiators perceive the impact of culture when negotiating with foreign businessmen. By developing this, we will be able to collect helpful information for foreign or native companies, contributing, thus, to improve their abilities in cross-cultural negotiations.

Based on this purpose, we would appreciate your help for collecting data about our

research area. Information from your experience in international negotiation will significantly enrich our thesis. Following the letter, we attached our main interview questions. If you think any question is vague, irrelevant, please feel free to notice us in order that we can explain you later during meeting or modify it if necessary.

Best wishes,

## **Interview guide:**

### **Main questions**

1. Where's your company and what's the main business of the company.
2. In the international negotiation, the decisions or strategies were made of one leader person or from a whole group.
3. In the international negotiation, what kind of cooperation among different position?
4. In the international negotiation, if a business with high profit and high risk, another with normal profit and normal risk. Which one you want to choose?
5. How do you prepare the negotiation?
6. In the international negotiation, how to choose the members or the leader of the negotiation group? Is there any tendencies basis on the gender?
7. In the international negotiation, how do you think about time?
8. In the international negotiation, how the "Guanxi" works?
9. How the "face" influence the international negotiation?
10. Does the "Zhongyong" ideology influence your opinions or activities in the negotiation process?
11. Have you ever lead or join an international business negotiation for your company?
12. In the international business negotiations, do you think the different cultures will affect the results of the negotiations?

13. Before you and your group doing the negotiation, will you study for the culture background of the international negotiators?
14. In the business negotiation, will you always be on time and try to control the time process.
15. In the negotiation, if the negotiator misunderstanding or do not know some aspects of the business question, will you point it out or explain to them in the negotiation, or later privately?
16. In the negotiation, if the leader of the negotiators of the other company is a female, what do you think the difficult of this negotiation? Will it be more difficult or less difficult than a male leader?
17. In the negotiation, for some companies which are the first your company doing business with, will you give up some profit to try to build a friendly relationship with the companies?