

## Cross-cultural Negotiation: Understanding Is the Key to Success

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### Abstract

**In this report, we want to demonstrate that an essential key to success in cross-cultural negotiation is to know the cultural difference between the two parties in the negotiation. We focus on China and the US in this report. To support our argument, we first indicate some difference in defining negotiation between the two countries. Then we point out the different negotiation styles of the two countries. Finally, we conclude that although there are other important factors in negotiation, the understanding of culture can still help negotiators adapt to new process and prepare for emergency.**

### Keywords

**Cross-Cultural Negotiation; China; US; Cultural difference; Negotiation styles.**

## 1. Introduction

The economies of China and U.S. respectively have developed fast. Since 1890, U.S. became the world's most productivity economy and since at least 1920, Gross Domestic Product (GDP) of U.S. has been the largest around the world (Mintz, 2004) [1]. In 2018, the proportion of U.S. GDP to global gross domestic product is about 15.2% (Plecher, 2020) [2]. As for China, the GDP has increased quickly since last century and it is about 14,342.90 billion US dollars in 2019. China accounted for about 11.81% of the world economy in 2019. By 2018, Chinese total trade in goods had jumped to \$4.6 trillion or 12.4% of global trade. The U.S. is the world's second-largest trader at 11.5% of total trade (China Power Team, 2019) [3]. Data indicate that Chinese and Americans are more likely to invest in foreign countries. When trade between two persons or companies from different countries occurs, cross-cultural negotiations will take place.

Owing to the convenient transportation and development of Internet, the interdependence of world economies has increased and all of countries have been connected closely (we could call our world "the global village"). The tendency of economic globalization is sharper. It is more likely for a person to work and study abroad. People can communicate with foreigners easily by social media even though they live in different continents. In addition, information spreads rapidly. When there are some significant things happening in America, including some commercial events, people can obtain that information simultaneously. Therefore, possibility of acquisitions corporation by a foreigner is greater than that before. When mergers corporations happen, managers between two companies must negotiate with each other.

In addition, cross-cultural negotiation also happens on the personal level. Students who study in the US are more likely to search jobs in US than those who study in China. Their dream companies' human resources will interview them. During the interviews, candidates need to negotiate with HRs about their wages, working hours and so on. Undoubtedly, this negotiation is between two persons from different cultures.

Culture influences human thinking and behaviors. According to Pogosyan (2017) ,“as a system of meaning and shared beliefs, culture provides a framework for our behavioral and affective norms.” [4] Thereby, before negotiation, people need to know the other side’s culture so that they won’t behavior inappropriately, which will make the other side think they are impolite. As a result, this negotiation will fail. In each year, examples of failure of negotiations due to differences of culture are too many to imagine.

In a word, through a thorough research into the successful pathway to cross-cultural negotiations between the United State and China is feasible and meaningful. This report aims to demonstrate that to make a cross-cultural negotiation more successful, it is essential for the negotiators to know the cultural difference with the other party and their negotiation style. Homework before negotiating is the crucial to achieve the key of understanding.

## 2. Cultural Differences Between US and China

Different cultures define negotiation in various ways (Chang, 2006) [5]. Americans view negotiation as a competitive process among negotiators while Chinese views it as a relationship building practice (Sae, 2008) [6]. Chinese usually comprise to preserve the relationship with others. However, Americans think that “business is business.” A negotiation becomes cross-cultural when the parties involved belong to different cultures and do not share the same ways of thinking, feeling, and behaving (Casse, 1981) [7]. Therefore, to negotiate with a party from a different country, the first step is to know the cultural difference. Below are some main cultural differences between America and China.

### 2.1. Expression

The fundamental of negotiation is communication. Since cultural differences often lead to behavioral differences, it is indeed difficult for people with different cultural backgrounds to communicate with each other (Chang, 2006) [5]. Chinese culture is typically high-context culture. A popular saying in China is that “this can be sensed but cannot be explained in words.” Chinese prefer to convey their ideas indirectly, and the other party need to look for the hidden meaning. American culture is low-context culture. They prefer to express clearly and precisely and like to point out their suggestions and ideas directly.

For example, when negotiating, if the Chinese party has different opinions on some clause, they may keep silent or point out using other methods, such as changing the topic of conversation, or asking the other party whether they think this is reasonable to indicate that they do not satisfy with this clause. While American party will point out directly and say that they disagree with this, for which Chinese will feel that they are losing face. In Chinese view, refuting their view directly will harm their “Mian Zi”, which can be translated as dignity in English. They think Mian Zi is the most important, especially in a formal occasion (Gao, 2018) [8]. Therefore, different ways of expression may lead to misunderstanding of the meaning and the message conveyed

### 2.2. Ways of Thinking

Culture can impact thinking mode. The difference of thinking methods is obvious between Chinese and Americans. Chinese tend to think comprehensively. They are accustomed to combine all aspects of a problem into a comprehensive consideration, which is “The whole before the parts”. On the contrary, American prefer to divide whole task into a series of small tasks and solve them in sequence. They pay attention to details. “Details first, principles later” is a common practice in American business negotiations (Zheng, 2015) [9].

When discussing a cooperation, trading, or even group project, Chinese would like to put the agreement for the result as the first step. After determining the agreement for the cooperation or trading, they then talk about the details and potential issues and solve them. Americans like

to solve the potential issues and discuss the details firstly, then they are willing to make a decision for the whole case.

### 2.3. Collective Spirits

Cultural differences influence how much weight is placed on individualism or collectivism (Chang, 2006) [5]. China is a collectivism country. Chinese always view collective interests as more important than individual interests, and each member in a group burden the same responsibility. In contrary, Americans advocate individualism. In their point of view, individual independent, boldness and uniqueness are very important. Therefore, Chinese prefer group working, while Americans like to work by themselves.

### 2.4. Views of Time

Different cultures deal with time in very different ways (Godin, 2006) [10]. Chinese people have a circular view of time. They work for multiple tasks at the same time, make good use of long-term vision and systematic methods, pay attention to form and protocol, and do not strictly limit the time of negotiation. Americans have a linear view of time. In their perception, time is money. They pursue speed and efficiency. If someone fail to make proper use of their time, it is a violation of their interests and can lead to resistance and even anger.

## 3. Different Negotiation Styles

After discussing about the existing cultural differences, the next step is to compare the negotiation styles influenced by the different cultures. Most of the negotiation strategies are influenced by the views on the negotiation outcome: Distributive outcome and Integrative outcome. Integrative outcome provides great benefits for both parties and stable relationship (Bazerman & Neale, 1982) [11]. Distributive negotiation is a win-lose scenario in which the negotiators view the negotiation as a competitive process (Phatak, 1997) [12]. American negotiations tend to be a short-term distributive way while Chinese negotiation prefer integrative outcome.

### 3.1. American Negotiation Style

U.S. negotiators have a distinctive style: forceful, explicit, legalistic, urgent, and results-oriented (Quinney, 2002) [13]. Those characteristics are ingrained in the American lives. Americans obtain this kind of style due to their unique historical origin. The part of the history for Americans positively focused on the liberal. "Equality, a horizontal relationship, is strongly valued in the United States." (Adachi, 2010) [14]. Americans would likely talk in the same ways they talk to their generation while talking to their elders. This style is prevalent when Americans negotiate at business meetings. This can be called power distance as well, which is defined as the degree to which a person can influence other people's ideas and behavior. The number of Power Distance is pretty low, 40 compared to China, in the American (Hofstede Insights, n.d.) [15]. This low number leads to Americans are rarely influenced by others. They would glad to talk and behave what they like to anyone. It leads to the formation of this particular negotiation style for the Americans.

#### 3.1.1. Short-Term Negotiation

In any negotiation style, time has been considered a significant factor in achieving the agreement. It can be varied between different cultures. For Americans, they are positively focusing on the present and the short-term. When Americans meet a negotiation, they would mostly focus on completing their agreement rather than to discuss or anything else like building a relationship with their cooperative corporation. The Americans will make it very clear what they want in this contract because they are very focused on existing interests. The polarization mentioned above is, so to speak, strengthened by the fact that many Americans have powerful

ideas about what is “good” and “evil” (Hofstede Insights, n.d.) [15]. Americans would really clear on focusing the good and bad on the contracts rather than vague expression appeared in China. For instance, American CEO s try to improve and maximize their companies’ profits in their limited time frame of contract terms with a company rather than considering long-term cooperation as success (Adachi, 2010) [14]. Moreover, the American company would publish a quarter form to measure the performance of the company. These forms would encourage people to do better or hard on their job by frequently seeing the result rather than seeing the report once a year. This kind of negotiation method, connect with the different department, believed by the Americans within the whole company in a short time period help to contribute the efficiency of the whole company.

### 3.1.2. Relationship

The relationship is always emphasized in the negotiation part because people are social animals. They tend to cooperate with those people they trust in. However, “Americans believe that the relationship develops after a contract” (Akgunes, Culpepper, & Austin, 2012) [16]. The time take for building a relationship is long. Furthermore, the short-term benefit is emphasized by Americans when they face the negotiation. They would probably not spend much of the time building trust when they need to talk about the contract. They would initially focus on the real stuff rather than talk some trivial. The low rate of uncertainty avoidance causes it. People tend to accept new things or talk with strangers. Therefore, when American people negotiate with other people, they seem like they have known cooperators for a long time. “We are recognized as being friendly, out-going, and having a sense of humor” (McDonald, 1996) [17]. This style is challenging for the Chinese to understand. Chinese people think building a relationship costs a long time, and it would help reach the agreement because they are based on a trust relationship to talk with each other formally. This idea on the relationship contributes to the particular way the Americans negotiate with each other on the table.

### 3.1.3. Individualism

The different countries’ viewpoints are outstanding, but it can be concluded as two parts-individualism and collectivism. Americans are one of the highest countries that have freedom or more individual thoughts. “The Americans like to break things down into individual elements and look at them one at a time (Akgunes et al., 2012) [16].” They consider it an effective way to talk about the agreement because they can figure out the exact things in the contract and clarify the advantages and disadvantages. Moreover, they can write it down after the negotiation to form a substantial contract to follow step by step. Individualism grant power to the American negotiator when they have a meet with their client. Therefore, they tend to be the risk-takers for the process of making a contract. They undertake the risk cause the link between the job and themselves are direct. The success and failure of contracts define their capabilities rather than collectivism, which tends to have a more complicated relationship. “Also, within the exchange-based world of work, we see that hiring, promotion, and decisions are based on merit or evidence of what one has done or can do” (Hofstede Insights, n.d.) [15]. Those factors express the ingrained individualism in Americans’ mind.

## 3.2. Chinese Negotiation Style

Unlike the United States, which only looks at short-term negotiations, Chinese way of long-term negotiation is to consider cooperation and benefits. And compared with the United States, China pays more attention to holistic thinking which is also influenced by some cultural factors. Chinese negotiation includes many different considerations and its thinking mode is completely different from that of the United States. Chinese economic system differs quite substantially with those typically found in the West and is very different from the US system in particular. In general, cultures found in socialist countries tend to place a higher priority on cooperation both

within and between business entities, while cultures found in highly capitalist countries place greater values on competition (Akgunes et al., 2012) [16].

### 3.2.1. Relationship

In Chinese culture, Chinese people will not be cooperative with others if they do not have the good relationship. While Americans put a premium on networking, information, and institutions, the Chinese place a premium on individuals' social capital within their group of friends, relatives, and close associates (Graham & Lam, 2003) [18]. In cooperative negotiations, trusting the other party is important. The level of trust to other party shows the importance of cooperation and the idea of the other side and can determine the duration of the negotiation and the yield of the negotiation. Before the negotiation, the relationship helps both sides of people become more familiar and trust each other. Through this way, negotiations will work better and even more efficiently. Furthermore, the building methods of relationship between China and the United States are also different. A very common way to build relationships in China is to have dinner together. At the dinner table, the Chinese would discuss the contents of the negotiation and toast each other to show their respect.

### 3.2.2. Collectivism

Asian, Middle Eastern and most South American cultures are based on the notion of collectivism (Saeed, 2008) [6]. China negotiates as a team since they have a collective mind. The value of collectivism is first manifested as the subordination of individual interests to collective interests, and individuals regard the subordination to the collective as their own responsibility. All words and deeds take the collective interests as the starting point. Partial benefits are subordinate to the overall interests. Compared with short-term benefits, more long-term benefits are taken into account. This will show the unity of the Chinese when they negotiate. When Chinese negotiators negotiate, they need to report the results, and then proceed to the next step after getting the approval or advice of their superiors. This will ensure that everything is in line with the leader's requirements, and it is important to make a decision. Although this is time consuming, Chinese negotiators perceive this method as achieving a better result. The higher-level officials seldom participate in the negotiating process. In addition, therefore, when negotiating with a Chinese negotiator, it is important to identify how much authority he or she possesses (Chang, 2006) [5].

### 3.2.3. Comprehensive Thinking

In Chinese negotiation strategy, people think about one thing holistically, which is good for the long-term negotiations, and can get more benefits. Negotiators prefer to talk about the issue at once and want to know more about the background. Also, during the negotiation, negotiators will ask a plenty of questions to know the issue clearly. Chinese negotiators who practice holism want long descriptions of background and context and will ask a thousand questions. They constantly consider things in an all-round way. In negotiations, comprehensive thinking is applied in two main ways. First, all the topics related to the content of the transaction are linked together rather than being discussed on one topic in isolation. For example, when negotiating the price in a sale of goods negotiation, people should take into account the quantity ordered, product quality, delivery time and other issues. Second, when discussing a topic, it is necessary to discuss not only a few aspects or one or two major aspects involved in the topic, but all relevant aspects.

From all the discussions above in terms of time arrangement, outcomes, cultural styles and relationship building in the negotiations, we could make a thorough comparison between the United States and China (see Table 1).



**Table 1.** Comparison of Negotiation Styles between the United States and China

Country	US	China
Time Arrangement	Short-term	Long-term
Outcomes	Distributive outcome	Integrative outcome
Cultural Style	Individualism	Collectivism
Relationship Building	Do not build relationship before negotiating	Build relationship before negotiating

#### 4. Conclusions

Acuff (1993) defined that negotiation is a process of communicating back and forth for the purpose of reaching a joint agreement about differing needs or ideas [19]. Therefore, there should be at least one party in the negotiation trying to persuade the other party. The purpose of all negotiating strategies is to help persuade successfully. According to the two countries' negotiation style, Americans and Chinese have totally different ways in negotiating, which are influenced by their cultures. If the two parties of negotiators are from the two countries, and they keep their own negotiating styles regardless the other party's culture, it is obvious that the negotiation will end up with a conflict or even failure.

It's true that negotiators cannot weight the cultural factor too much and do not consider other factors such as the characteristics of negotiators themselves because the participants typically adjusted their negotiating style too far toward the other side's culture. Specifically, they expected the other party to negotiate as they would at home, not realizing that the counterpart would also attempt to adjust her strategy to the foreign context (Shonk, 2020) [20]. However, the understanding of culture can still help negotiators adapt to new process and prepare for emergency situation. Learning the culture of the other side and showing curiosity and understanding of the culture in the negotiation will help to close the relationship between the two parties. For example, the American negotiators invite Chinese negotiators to have dinner together can contribute to the success of negotiation.

In conclusion, in cross-cultural negotiations, above and beyond the issues of personal negotiation styles and techniques, one must consider the impact of cultural difference (Godin, 2006) [10].

#### 5. Recommendation

1. Explain specifically and directly and clarify business idea to the other party in low context language like English. Low context language tends to be more direct on transferring the meaning of the words. Others might be confused if negotiators talk indirectly by using interpretation. By avoiding this, they can increase efficiency on working progress when negotiate with cooperative partner cross culture.

2. Understand the cultural background of the other party before the negotiation and check out some culturally influenced behaviors or etiquette of the other party. For example, etiquette in America is different from that in China, Americans do not address each other by their official titles in negotiations. Negotiators need to understand each other's cultural background.

3. Know the background and characteristics of the specific negotiators as well to have a successful negotiation. Culture is one of the factors that impact the process of negotiation. The negotiators are ultimately speaking to "person" but not "culture" (Godin, 2006) [10]. Their own thinking, education, age and other factors may also influence their negotiation strategies.

4. Change negotiation strategy based on the culture of the opposite side. Using different negotiation strategies with different people from different countries will avoid some failures of negotiations due to different cultures.

5. Show curiosity and respect to the other party' culture when negotiating. People will always have a positive impression on the one who treat them kindly and respectfully. Doing this can establish a friendly relationship between the two party of negotiators and can reduce the risk of conflict. If some problem happens, they may solve them more patiently.

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