Impact of cultural differences on negotiation strategies in international negotiation

A thesis submitted to the Bucerius/WHU Master of Law and Business Program in partial fulfillment of the requirements for the award of the Master of Law and Business (“MLB”) Degree

Tatchamon Nanavaratorn

July 25, 2014

13,817 words (excluding footnotes)

Supervisor 1: Mr. Michael Friedman
Supervisor 2: Dr. Matevž Raškovič
# Table of Contents

LIST OF TABLES ........................................................................................................... IV  
LIST OF FIGURES ......................................................................................................... IV  
ACKNOWLEDGEMENTS ................................................................................................. V

I. INTRODUCTION ........................................................................................................... 1  
   PURPOSE AND GOALS ............................................................................................... 1  
   METHODOLOGY ......................................................................................................... 1  
   KEY RESEARCH QUESTIONS ...................................................................................... 2

II. BACKGROUNDS: WHAT ARE NEGOTIATIONS? .................................................. 3  
   DEFINITION OF NEGOTIATIONS ............................................................................. 3  
   TYPES OF NEGOTIATIONS ....................................................................................... 3  
   STAGES OF THE NEGOTIATION PROCESS .............................................................. 4

III. THEORIES: GERMAN AND CHINESE CULTURE ANALOGY ............................... 6  
   HOFSTEDE’S TYPOLOGY OF CULTURE .................................................................. 6  
      Large versus Small Power Distance .................................................................. 7  
      Strong versus Weak Uncertainty Avoidance ...................................................... 8  
      Masculinity versus Femininity ........................................................................... 9  
      Individualism versus Collectivism ..................................................................... 10  
      Long- versus Short-Term Orientation .................................................................. 11  
      Indulgence versus Restraint ............................................................................... 12  
   GLOBE PROJECT ..................................................................................................... 14  
      Performance Orientation ...................................................................................... 16  
      Uncertainty Avoidance ......................................................................................... 16  
      Institutional Collectivism .................................................................................... 16  
      In-Group Collectivism .......................................................................................... 16  
      Power Distance ..................................................................................................... 17  
      Gender Egalitarianism ........................................................................................... 17  
      Humane Orientation ............................................................................................. 17  
      Future Orientation ................................................................................................ 17  
      Assertiveness ........................................................................................................ 18  
   HALL’S WORK .......................................................................................................... 19  
      High versus Low context of Culture ..................................................................... 19  
      Polychronic versus Monochronic time .................................................................. 21

IV. CULTURE AND NEGOTIATIONS ............................................................................... 25  
   WHAT IS CULTURE? .................................................................................................. 25  
   WHAT ARE CROSS-CULTURAL NEGOTIATIONS? .................................................. 27  
   IMPACT OF CULTURAL DIFFERENCES ON THE NEGOTIATION PROCESS .......... 29  
   CULTURALLY-SPECIFIC NEGOTIATION TACTICS AND STRATEGIES ..................... 31  
   Chinese .................................................................................................................... 31  
   German ..................................................................................................................... 38

V. ANALYSIS: INTERVIEW AND CASE EXAMPLES ................................................... 41  
   EXPERT’S INTERVIEW .............................................................................................. 41  
   GOOGLE AND THE WALL OF CHINA ..................................................................... 43

VI. DISCUSSIONS: CASES .............................................................................................. 46  
   GENERAL DISCUSSION AND THEORETICAL IMPLICATIONS: EXPERT INTERVIEW .... 46
List of Tables

TABLE III-1: Hofstede’s Small Versus Larger Power Distance; Table acquired from (Hofstede, 2011) ................................................................. 7
TABLE III-2: Hofstede’s Weak Versus Strong Uncertainty Avoidance; Table acquired from (Hofstede, 2011) ................................................................. 9
TABLE III-3: Hofstede’s Femininity Versus Masculinity; Table acquired from (Hofstede, 2011) ................................................................. 10
TABLE III-4: Individualism Versus Collectivism; Table acquired from (Hofstede, 2011) ................................................................. 11
TABLE III-5: Short Versus Long-Term Orientation; Table acquired from (Hofstede, 2011) ................................................................. 12
TABLE III-6: Indulgence Versus Restained; Table acquired from (Hofstede, 2011) ................................................................. 13

List of Figures

FIGURE III-1: Polar Graph for GLOBE’s Societal Scores for China, Data acquired from (House, 2004) ................................................................. 15
FIGURE III-2: Polar Graph for GLOBE’s Societal Scores for Germany, Data acquired from (Szabo et al., 2002) ................................................................. 15
FIGURE III-3: Hall’s High Versus Low Context Example of Countries (Hall, 1976) ......................................................................................... 19
FIGURE III-5: Hall’s High Versus Low Context Model (Hall, 1976) .......... 20
Acknowledgements

The author gratefully acknowledges the support from her advisor, Mr. Michael Friedman, from the Bucerius Law School and the Max Planck Institute for Comparative and International Private Law, for the intriguing introduction to negotiation at the Law School, the extensive knowledge on negotiation throughout the negotiation simulations during the workshops and guidance through the thesis preparation stages, as well as the supervision on the direction for the thesis.

I am grateful for my co-advisor, Dr. Matevž Rašković, the assistant professor at the University of Ljubljana and current board member of the Confucius Institute Ljubljana, for the generous time and insights with regards to cultures and cross-cultural communication styles, while also kindly providing continual comments and scientific papers to support my research.

The author would also like to extend her gratitude towards Dr. Gerd Boesken, the director Ostasien Service GmbH who had allowed the author to conduct a personal interview so that industry experiences could be obtained from practitioner and used to confirm and disprove certain findings. Without them, I would not have been able to complete the thesis.

Tatchamon Nanavaratorn
I. Introduction

Purpose and goals

The goal of this research is to illustrate how culture impacts negotiation styles and outcomes and examine whether the impact of cultural differences is as substantial as popularly suggested in the mainstream media through data analysis of literatures and industry examples. Its purpose is to assess how much of the negotiation process and strategies are steered by culture, such as social backgrounds and norms, as opposed to being steered by the negotiators’ own skills. It will begin with an explanation what negotiation and culture independently are, through providing a review of various works of respected scholars, before proceeding to discuss the impact that culture has on negotiation strategies and how culture plays a role in terms of cross-cultural negotiation. Furthermore, the study will describe the essential and practical culturally-specific characteristics of mainly German and Chinese culture values using various reputed cultural paradigms.

A summary of well-known models and tools will be used alongside industry examples to substantiate the conclusions of this research study.

This analysis aims to review and expand upon the existing literature on cross-cultural negotiations. It is not the goal of this paper to discredit any established theories.

Methodology

The methodology applied is a combination of data analysis and data gathering (interview). The methods adopted were literature research, case study, telephone discussions and personal interviews that involved a list of semi-structured interview questions.

The case study was chosen as it provides a clear reflection of how importance culture and social conducts can be, or at least, how it is perceived to be the culprit in
the mainstream media. Rather than attempting to examine several cases briefly, the chosen case study is selected for an in-depth analysis and compare against various proposed cultural models to endorse or refute the theories.

The semi-structured interview approach was chosen so that the interviewee will have the interview questions, which are open-ended questions, but then be allowed to introduce new points where he/she see appropriate. This will allow the interviewee, or the expert in the field, to have the flexibility he/she needs without being limited to fixed boundaries. The interviewee is the negotiation consultant who specializes in the Asian market was chosen because of his expertise in the matter of dealing with intercultural negotiations and business practices. The interview serves the purpose of giving practical, real-world data from the industry that is used to confirm or disprove the data gathered through literature research.

**Key research questions**

Through differences in beliefs, values and traditions, overcoming cross-cultural issues in negotiation can be exasperating.

In Sino-foreign negotiations, the Chinese are mistakenly perceived by westerners to be inefficient and sometimes even dishonest, while the Chinese may view foreign nations as insincere and aggressive. (Sebenius and Qian, 2008) The study called for a more in-depth understanding of cross-cultural negotiation through examination of different culture models to first understand culture and its influence; in addition, it uses culturally-specific negotiation strategies as a guideline to improving negotiation.

- How does national cultures impact negotiation strategies and outcomes?

- Can learning cultural differences contribute to a higher success rate in negotiation?

- Do cultural differences impact negotiation outcomes less than is popularly suggested in mainstream business media?
II. Backgrounds: What are negotiations?

Definition of negotiations

Negotiation is “a form of social interaction.” (Brett, 2000, pp.98) Negotiation is the process “by which two or more parties try to resolve any perceived incompatible goals.” (Carnevale and Pruitt, 1992, cited in Brett, 2000, pp.97) Shell (2006, pp.6), the director of the Wharton Executive Negotiation Workshop, defined negotiation as “an interactive communication process” that occurs when there is an entity or subject matter that one party wants from another, and vice versa. Thus, negotiators negotiate to find the common acceptable ground for both parties.

Brett observed that negotiations do not need to involve direct confrontations of the two parties; however, as evident in many cultures, negotiations may involve indirect confrontation such as through so-called mediators who act as third parties.(Brett, 2000)

Types of negotiations

Negotiation is a broad term. It can be categorized by its purposes: to complete business transactions among buyers and sellers or to resolve disputes among two or more parties. (Brett, 2000) Nevertheless, despite inconsistencies stemming from its broad definition, negotiation is ultimately a method to ease incompatibility. (Carnevale and Pruitt, 1992, cited in Brett, 2000, pp.98)

With a business transaction type of negotiation, a negotiators goal is to weigh between the potential contract terms or the alternative terms that they can receive from other buyers or sellers. (Brett, 2000) This concept is the concept of the Best Alternative to a Negotiated Agreement (BATNA), which is a method to calculate the leverage in negotiation. BATNA is a concept that asks negotiators to question their stand on the deal: which side needs the deal more than the other? (Shell, 2006)
Negotiation for the purpose of conflict resolution is different: the goal is to untangle the disorder that had already occurred before the negotiation process. A negotiators task in this particular case is to evaluate the options that can be done to reconcile a conflict. (Brett, 2000)

Additionally, business transaction negotiations are different than the dispute resolution type of negotiation in the emotion at the negotiating table. Brett explained that emotions in this case referred to positive emotions, acts such as integration or feigns emotion that may change the course of the outcome. Brett contends that the two types of negotiation occur within all culture. The good news is that each society has learned how to manage and co-exist with them as time passed. (Brett, 2000)

Stages of the negotiation process

In International Negotiation guidebook, Alexander Mühlen (Muehlen, 2010, pp.14) suggests: “It is said that negotiators should act in their own interests by preparing thoroughly, analyzing their strong and weak points, skillfully interacting with their counterparts, and making sure that there will be a full implementation.” In this part of the study, the stages of the negotiation process will be based on a Sino-Western business negotiation process, which could be clearly divided into three parts: Pre-negotiation, formal negotiation and post-negotiation. (Ghauri and Fang, 2001)

Pre-negotiation stage involves, among others, calculating each side’s BATNA, incorporating a negotiation-planning document, informal discussion and presentation. (Ghauri and Fang, 2001) According to Brett (Brett, 2007), BATNA is important to calculated before entering the formal negotiation process as the higher the BATNA, the more power and demand the party will have. The planning document is a useful tool to note down and analyze the parties involved. (Brett, 2007) Understanding counterparts can aid negotiators to be able to interact proficiently with the counterparts (Muehlen, 2010) As for presentation and informal discussion prior to the formal negotiation, Ghauri and Fang (2001) explained that it could be the opportunity to convince the other party that the negotiation would be in
good faith and if there are products involved, they are of advanced quality and should be presented accordingly.

In the formal negotiation stage, persuasion is strong. This is where both parties will reach out to a various negotiating strategies to convince and persuade each other. Flattery, pinpointing the other party product’s weaknesses and even deception can be involved in this stage. (Ghauri and Fang, 2001)

After the intent letter and agreements have been made at the end of the successful formal negotiation, post-negotiation stage arrives. This is the implementation stage for many but could also be the time where new negotiation rounds occurred, for the Chinese at least. (Ghauri and Fang, 2001) The research will explain the matter a more in-depth manner as the study progresses.
III. Theories: German and Chinese culture analogy

The following part of the thesis research study will revolve around data-analysis, particularly content analysis method. The work of Hofstede, House and Edward Hall are represented here:

Hofstede’s typology of culture

Geert Hofstede, a Dutch Social Psychologist Organizational Anthropologist, created a paradigm to study culture differences among cultures in 1970. The cross-cultural model, a result of over 116,000 surveys completed by IBM employees in 72 countries, was first created as a four-dimensional model, citing four factors on distinguishing national cultures and was later expanded to include additional dimensions to better reflect further cross-cultural data. The model has since then become a foundation for intercultural research, providing a useful tool to identify national cultures. (Minkov and Hofstede, 2011)

Hofstede provides “one of the most used dimensions for comparing human values at the cultural level.”(Hofstede, 1984 cited in Gouveia and Ros, 2000, pp.25) Faure and Sjöstedt (1993, pp.5) affirm the notion of cultural differences in *Culture and Negotiation* that “national cultures presumably affect negotiations in various systematic ways – for instance, by coloring negotiating styles.” Although several decades have passed since Hofstede first published his findings, the gap between national cultures, mainly Westerns and Asians, still exists in our society today, holding true despite the natural evolution of culture over time.(Minkov and Hofstede, 2011, Brew et al., 2001)

Hofstede first introduced the four dimensions of culture and later on added the fifth dimension under the permission of Michael Harris Bond. In 2010, he introduced two new dimensions: the Pragmatic vs. Normative and the Indulgence vs. Restraint dimension. (Hofstede, 2011) The current study will briefly mention the new Indulgence vs. Restraint dimension, which is the sixth dimension that was developed by Michael Minkov. However, there is overall still very little peer-review feedback in the literature on the two new dimensions, especially the
pragmatic dimension; therefore, it will not be treated in this paper. More information can be found in a book by Geert Hofstede, Gert Jan Hofstede, and Michael Minkov under the title *Culture and Organizations: Software of the Mind*, 2010 edition.

The following factors are widely used to distinguish among cultures:

**Large versus Small Power Distance**

Power distance is described as the “degree to which members of a society accept as legitimate that power in institutions and organizations are unequally distributed.” (Gouveia and Ros, 2006, pp.26) It is “the extent to which people would accept the unequal distribution of power within a society.”(Brew et al., 2001, pp.3)

The dimension refers to social inequality in the society as well as “the relationship with authority.’”(Minkov and Hofstede, 2011, pp.12) Hofstede’s empirical index has shown that Western countries are categorized to be at the low power distance end, whereas Asian nations are on the high power distance end. (Brew et al., 2001). Germany scored 35 through the data from the IBM set, while China scored 80 through the data not included in the IBM set. (Hofstede, 2001) Thus, several conclusions could be drawn.

<table>
<thead>
<tr>
<th><strong>Small Power Distance</strong></th>
<th><strong>Large Power Distance</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of power should be legitimate and is subject to criteria of good and evil</td>
<td>Power is a basic fact of society anteciating good or evil: its legitimacy is irrelevant</td>
</tr>
<tr>
<td>Parents treat children as equals</td>
<td>Parents teach children obedience</td>
</tr>
<tr>
<td>Older people are neither respected nor feared</td>
<td>Older people are both respected and feared</td>
</tr>
<tr>
<td>Student-centered education</td>
<td>Teacher-centered education</td>
</tr>
<tr>
<td>Hierarchy means inequality of roles, established for convenience</td>
<td>Hierarchy means existential inequality</td>
</tr>
<tr>
<td>Subordinates expect to be consulted</td>
<td>Subordinates expect to be told what to do</td>
</tr>
<tr>
<td>Pluralist governments based on majority vote and changed peacefully</td>
<td>Autocratic governments based on co-optation and changed by revolution</td>
</tr>
<tr>
<td>Corruption rare; scandals and political careers</td>
<td>Corruption frequent; scandals are covered up</td>
</tr>
<tr>
<td>Income distribution in society rather even</td>
<td>Income distribution in society very uneven</td>
</tr>
<tr>
<td>Religions stressing equality of believers</td>
<td>Religions with a hierarchy of priests</td>
</tr>
</tbody>
</table>

Table III-1: Hofstede’s Small Versus Larger Power Distance; table acquired from (Hofstede, 2011)
Table III-1 (Hofstede, 2011) shows the different characteristics between small and large power distance societies. From the table, it can be concluded that decentralization would be more common in Germany, as it is one of the low power distance societies, whereas in China, centralization is more prevalent, because it is a large power distance society.

**Strong versus Weak Uncertainty Avoidance**

Avoiding Uncertainty is the “degree to which members of a society are uncomfortable with uncertainty and ambiguity.”(Gouveia and Ros, 2000, pp.26) It should be noted that it is not the equal to risk avoidance. The dimension categorizes societies based on their tolerance toward unstructured situations. Societies that have strong uncertainty avoidance will be opposed to unstructured situations and would potentially have regulations to prevent damages caused by unpredictability.(Hofstede, 2011)

The empirical index by Hofstede shows that East and Central European societies are on the high end of the scale, whereas Chinese and Nordic societies are on the low end. (Hofstede, 2011) Germany scored 65 while China scored 30. (Hofstede, 2001)
According to Table III-2 (Hofstede, 2011) and the empirical index, Chinese societies will more likely embrace ambiguity, whereas a society like Germany will prefer transparency and clear steps.

**Masculinity versus Femininity**

This particular dimension refers to “a preference for accomplishment, heroism, severity and material success as opposed to a preference for relationships, modesty, attention to the weak and quality of life.” (Gouveia and Ros, 2000, pp.26) This dimension is by no means referring to individual characteristics. Masculinity is tied to assertiveness, whereas femininity is tied to modesty.

According to Table III-3 (Hofstede, 2011), in a feminine society, there is relatively low differentiation regarding emotion between genders, both men and women can be modest and caring. In a masculine culture, there is a differentiation regarding the emotional and social role each gender has. Germany and China both scored 66 on the femininity versus masculinity scale. (Hofstede, 2001)
Individualism versus Collectivism

Individualism is “defined as an assessment of the emotional independence and autonomy of the person” (Gouveia and Ros, 2000, pp.26) and “the relationship between the individual and the group.” (Minkov and Hofstede, 2011, pp.12) A general understanding for what Hofstede meant by culture with high individualism was that individuals are independent; therefore, they should be self-reliant and only help those closest to them. (Gouveia and Ros, 2000) Individualism refers to “independence of groups, and low power distance, independence in the sense of hierarchy” (Gouveia and Ros, 2000, pp.32) Collectivism, according to Hofstede’s Culture’s Consequence (1984), refers to “dependence on groups of which individuals form part.” (Gouveia and Ros, 2000)

With a strong influence from Confucianism, for which valuing family and cooperative undertakings are a cornerstone of this philosophy, the Chinese are placed on the collective end of the empirical index. For the Chinese, family is the most significant core unit. (Ghauri and Fang, 2001) Germany scored 67 while China scored 20. (Hofstede, 2001)
Table III-4: Individualism Versus Collectivism; table acquired from (Hofstede, 2011)

<table>
<thead>
<tr>
<th>Individualism</th>
<th>Collectivism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Everyone is supposed to take care of him- or herself and his or her immediate</td>
<td>People are born into extended families or clans which protect them in exchange for</td>
</tr>
<tr>
<td>family only</td>
<td>loyalty</td>
</tr>
<tr>
<td>“I” – consciousness</td>
<td>“We” – consciousness</td>
</tr>
<tr>
<td>Right of privacy</td>
<td>Stress on belonging</td>
</tr>
<tr>
<td>Speaking one’s mind is healthy</td>
<td>Harmony should always be maintained</td>
</tr>
<tr>
<td>Others classified as individuals</td>
<td>Others classified as in-group or out-group</td>
</tr>
<tr>
<td>Personal opinion expected: one person one vote</td>
<td>Opinions and votes predetermined by in-group</td>
</tr>
<tr>
<td>Transgression of norms leads to guilt feelings</td>
<td>Transgression of norms leads to shame feelings</td>
</tr>
<tr>
<td>Languages in which the word &quot;I&quot; is indispensable</td>
<td>Languages in which the word &quot;I&quot; is avoided</td>
</tr>
<tr>
<td>Purpose of education is learning how to learn</td>
<td>Purpose of education is learning how to do</td>
</tr>
<tr>
<td>Task prevails over relationship</td>
<td>Relationship prevails over task</td>
</tr>
</tbody>
</table>

Table III-4 (Hofstede, 2011) illustrates specific national behaviors that people within each society may have, be it individualism or collectivism.

**Long- versus Short-Term Orientation**

According to Table III-5 (Hofstede, 2011), long-term societies are forward-focused, perseverance and thrift is key. Short-term societies are more present-focused and put great weight on stability of an individual.

This dimension was scored based on a survey of students in 23 countries. The scores strongly correlate to economic growth, which is seen through the connection with hard work. Survey has shown that societies that have been fully or partially influenced by Confucianism scored in a similar range, which is towards the long-term end wherein a significant part of Confucianism and its teachings are embedded. (Hofstede, 2001)

East Asian societies as well as Eastern and Central European are more long-term oriented than those societies such as the United States, Australia, Latin American and African, which are located on the other end of the continuum. South as well as North European societies are considered to lie around the middle of the scale—medium term oriented. (Hofstede, 2011) Germany scored 31 according to the data from the IBM survey, whereas China scored 118. (Hofstede, 2001)
According to Table III-5 (Hofstede, 2011), long-term societies are forward-focused, perseverance and thrift is key. Short-term societies are more present-focused and put great weight on stability of an individual.

### Indulgence versus Restraint

The latest dimension added to the Hofstede dimension is Indulgence versus Restraint. The dimension was conducted based on the results from the *World Values Survey*. Indulgence versus restraint dimension is a model that believes that predictions on happiness could be drawn through life and the importance of free time. (Minkov and Hofstede, 2011) The dimension is defined as:

“Indulgence stands for a society that allows relatively free gratification of basic and natural human desires related to enjoying life and having fun. Restraint stands for a society that controls gratification of needs and regulates it by means of strict social norms.” (Hofstede, 2011, pp.15)
According to the dimension scores for regions, South and North America, Western Europe as well as a part of Sub-Saharan Africa belong to the indulgence-end, whereas Asia, Eastern Europe, and the Muslim societies belong to the restraint-end. (Hofstede, 2011)

Table III-6: Indulgence Versus Restrained; table acquired from (Hofstede, 2011)

<table>
<thead>
<tr>
<th>Indulgence</th>
<th>Restrained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher percentage of people declaring themselves very happy</td>
<td>Fewer very happy people</td>
</tr>
<tr>
<td>A perception of personal life control</td>
<td>A perception of helplessness: what happens to me is not my own doing</td>
</tr>
<tr>
<td>Freedom of speech seen as important</td>
<td>Freedom of speech is not a primary concern</td>
</tr>
<tr>
<td>Higher importance of leisure</td>
<td>Lower importance of leisure</td>
</tr>
<tr>
<td>More likely to remember positive emotions</td>
<td>Less likely to remember positive emotions</td>
</tr>
<tr>
<td>In countries with educated populations, higher birthrates</td>
<td>In countries with educated populations, lower birthrates</td>
</tr>
<tr>
<td>More people actively involved in sports</td>
<td>Fewer people actively involved in sports</td>
</tr>
<tr>
<td>In countries with enough food, higher percentages of obese people</td>
<td>In countries with enough food, fewer obese people</td>
</tr>
<tr>
<td>In wealthy countries, lenient sexual norms</td>
<td>In wealthy countries, stricter sexual norms</td>
</tr>
<tr>
<td>Maintaining order in the nation is not given a high priority</td>
<td>Higher number of police officers per 100,000 population</td>
</tr>
</tbody>
</table>

Table III-6 (Hofstede, 2011) presents values that each society may hold.
GLOBE project

Project GLOBE, a study inspired by Hofstede’s work (Minkov and Hofstede, 2011, Hofstede, 1983), is a research project of 62 societies across the globe. GLOBE stands for *Global Leadership and Organization Behavior Effectiveness*, which is a project conducted through surveys of over 17,000 participants from several industries by over 160 researchers and scholars. (Javidan et al., 2005)

The GLOBE study has produced 9 cultural dimensions, with 6 out of 9 of the dimensions developed and expanded from Hofstede dimensions. The GLOBE study categorized societies into cluster groups—each cluster represents shared cultural values and common behaviors. There are 10 clusters: Latin Europe, Germanic Europe, Anglo Europe, Nordic Europe, Eastern Europe, Latin America, Confucian Asia, Anglo (outside Europe), Sub-Saharan Africa, Southern Asia, and the Middle East. Germany belongs to the Germanic Europe cluster and China belongs to the Confucian Asia cluster. (Javidan et al., 2005)

The scores are calculated from the responses to a questionnaire and are presented in two ways: As-Is and Should-Be. The As-Is aspect refers to the common practices within the society. Should-Be refers to the modal values of the culture, emphasizing how the society should be and what shared perceptions the people within the society should hold. (House et al., 2002)

Figure III-1 (data acquired from House, 2004) and Figure III-2 (data acquired from Szabo et al., 2002) illustrate the GLOBE societal scores for China and Germany, respectively, on polar graphs as examples (for details, see Appendices 1 and 2). The score range is from 1 to 7. The blue points on the graph show the As-Is aspect while the red points show the Should-Be aspect, and discrepancies between the lines indicate how different the current practices in culture are and how they are expected to be by the people. (Javidan et al., 2005) Comparing the two polar graphs between Germany and China, the differences in societal scores for both values and practices underscore their considerable differences.
GLOBE study is also a useful tool for executives and business practitioners to apply in conducting cross-border transactions, as the study can provide a deeper understanding when dealing with people from another cultural cluster.

Figure III-1: Polar Graph for GLOBE’s societal scores for China, Data acquired from (House, 2004)

Figure III-2: Polar Graph for GLOBE’s societal scores for Germany, data acquired from (Szabo et al., 2002)
The following are the 9 cultural dimensions and their brief explanations:

**Performance Orientation**

Performance Orientation is defined as the degree “to which an organization or society encourages and rewards group members for performance improvement and excellence.” (House et. al, 2002, pp.6) This particular dimension is built upon Hofstede and Bond’s work, which is known as the Confucian Dynamism or the Long-Term orientation dimension. (Hofstede and Bond, 1988, cite by House et. al, 2002, p6).

**Uncertainty Avoidance**

Uncertainty Avoidance is “the extent to which members of an organization or society strive to avoid uncertainty by reliance on social norms, rituals, and bureaucratic practices to alleviate the unpredictability of future events.” (House et. al, 2002, pp.5) The dimension gives higher scores to cultures that favor structured setting and plans and shun away from the unexpected scenarios. (Javidan et al., 2005)

**Institutional Collectivism**

Institutional Collectivism or otherwise known as Collectivism I, represents the Societal Collectivism degree, or the extent “to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.” (House et. al, 2002, pp.5) Cultures scoring high in the dimension value group loyalty, even if it could damage individual goals, in an extreme case. (Javidan et al., 2005)

**In-Group Collectivism**

In-Group Collectivism or otherwise known as Collectivism II denotes “the degree to which individuals express pride, loyalty and cohesiveness in their organizations or families.” (House et. al, 2002, pp.5) An article from the questionnaire states that
employees in this culture should have a great sense of loyalty toward the organization or social group. (Javidan et al., 2005)

**Power Distance**

Power Distance represents “the degree to which members of an organization or society expect and agree that power should be unequally shared.” (House et. al, 2002, pp.5) Cultures with a high score in the Power Distance dimension are generally expected to follow and obey the leaders. (Javidan et al., 2005)

**Gender Egalitarianism**

Gender Egalitarianism refers to “the extent to which an organization or a society minimizes gender role differences and gender discrimination.” (House et. al, 2002, pp.5) For example, regarding gender and education, the dimension explores the idea that males should be encouraged to pursue higher education. (Javidan et al., 2005)

**Humane Orientation**

Humane orientation denotes the “degree to which individuals in organizations or societies encourage and reward individuals for being fair, altruistic, friendly, generous, caring, and kind to others.” (House et. al, 2002, pp.6) Cultures that score high in this dimension are cultures that have a high tolerance towards mistakes.(Javidan et al., 2005)

**Future Orientation**

Future Orientation represents “the degree to which individuals in organizations or societies engage in future-oriented behaviors such as planning, investing in the future, and delaying gratification.” (House et. Al, 2002, pp.6) The majority of clusters score a similar number in this dimension: 3.5-4.5 in practices and 4.8-6.0 in values perception.(Javidan et al., 2005)
Assertiveness

The assertiveness dimension of the model refers to the “degree which individuals in organizations or societies are assertive, confrontational, and aggressive in social relationships.” (House et. Al, 2002, pp.6) One of the questions in the survey given to people asked if they agreed that dominance in a relationship is a standard. (Javidan et al., 2005) Referring back to Figure III-1 and Figure III-2, Germany’s assertiveness cultural value is substantially lower than that of China’s.
Hall’s work

Edward T. Hall, the scholar who developed the models for distinguishing cultures, expressed that the models he created would have a strong emphasis on the nonverbal cues of culture. He stated that:

“While I do not exclude philosophical systems, religion, social organization, language, moral values, art, and material culture, I feel it is more important to look at the way things are actually put together than at theories.” (Hall, 1976, pp.16)

He developed the models to distinguish cultures with regard to their contexts and to their time orientations, among others. Context and time orientation will be discussed henceforth.

High versus Low context of Culture

An example was brought up concerning translations using machines. When translating one language to another through machine translation, even if the translated message is grammatically correct, there could still be distortion in terms of the sense. That is, there is a difference in the context. (Hall, 1976)

Figure III-3: Hall’s High Versus Low Context example of countries (Hall, 1976)
Cultures are categorized on whether they are more high or low context relative to others. Figure III-1 (Hall, 1976) shows some of the countries that Hall has placed on the high end of the culture scale and vice-versa. There is no single culture that lies exclusively at the different ends of the high-low context spectrum; there are only relative disparities between the cultures on this continuous scale. “As one moves from the low to the high side of the scale, awareness of the selective process increases.” (Hall, 1976, pp.86) Hall elaborates that one must decide what the right amount of context to be communicated to his/her peers is. It should not be insufficient or excessive. Hall also referred to the example of the linguist Berstein, who identified that high-context language is termed restricted, whereas low-context language is elaborated. (Hall, 1976)

Figure III-4: Hall’s High Versus Low Context model (Hall, 1976)

Figure III-2 (Hall, 1976) shows the overview of high-low context culture in terms of meaning transferred and the amount of information given. From the diagram, the meaning transferred is the same, only the information and context will differ among the high-context and low-context communication method. A high-context transaction would rely on implicit signals to communicate meaning, while a low-context transaction would provide the same information explicitly.

A high-context method of communication involves “preprogrammed information that is in the receiver and in the setting, with only minimal information in the transmitted message.” (Hall, 1976, pp.101) In general, Hall explains that a high-
context communication features communication in which the meaning is hidden within the person. It is difficult to obtain a clear grasp of the internalized or coded meaning within the person without understanding the whole context or signals from the person. Fang and Faure (2011) gave their own explanation of Hall’s work on high-low context, that the high-context culture deals with various implicit messages that could only be understood through social cues unique to the respective culture. One distinct example of a culture located on a high-context end of Hall’s continuum is the Chinese culture. (Hall, 1976)

A prime example of a high-context point of view is if person A is bothered with an issue, he/she expects that his/her interlocutor (person B) knows what is it that is bothering the person A without being specific, and therefore, that person B will politely maneuver around the contentious point in the dialogue. (Hall, 1976)

Balanced against the high-context culture is the low-context culture. It is the reverse form of high-context culture transactions, where almost the entirety of the transmitted message is communicated together with the message so that the context is as clear as possible. “The mass of the information is vested in the explicit code.” (Hall, 1976, pp.91) Thus, low-context culture is specific and detailed.

Dahl (2004) acknowledges that there are clearly other factors that constitute the difficulty faced in communication other than the high-low context concept; however, the high-low concept is an important explanation for why a person from a high-context culture encounters complications when dealing with a person from a low-context culture.

**Polychronic versus Monochronic time**

Monochronic time and Polychronic time are distinguished by the time orientation of the culture, or concisely, they are the “two variant solutions to the use of both time and space as organizing frames for activities.” (Hall, 1976, pp.17)
Hall (1976) labeled monochronic time as having a focus on schedules and promptness. He categorized that Western countries are considered to be the monochronic society. The reason schedules are highly important within the monochronic society is because scheduling enables compartmentalization, which then makes it possible to execute planned activities, one at a time. Through this planning and scheduling, issues with higher priority will be executed first while lesser priority issues are moved to the end of the list. In the event that time is not permitting, the lesser priority matters could then be ignored.

Alexander Mühlen (2010) endorsed the concept and explained that monochronic-oriented culture is a culture that concentrates on one matter at a time. Time is valued greatly, even being linked to monetary value (e.g. the famous English saying “time is money”). Therefore, societies with this notion of time will be punctual and strictly obey orders with all matters relating to time in general. A task is considered final only when the last point has been completed, rather than being left open ended and unfinished. German speaking countries are categorized as being a very monochronic culture, putting great emphasis on time management and punctuality.

In the context of negotiation, a monochromatic negotiation process will be structured and agenda-points based. Because time is a crucial commodity, negotiation will general begin and finish as planned. (Muehlen, 2010)

In contrast, Polychronic time places more focus on completing the transaction than following planned time and schedules. (Hall, 1976) Polychronic-oriented cultures take a more relaxed approach in regards to time. Polychronic societies accept that events may naturally occur simultaneously without adhering to an ordered process. Visitors can arrive unannounced and would be asked to join in the activity that is happening at that moment. The notion of time is taken less strictly than in monochronic culture. (Muehlen, 2010) For those from the polychronic culture, appointments and planned schedules will not carry the same weight as they do to those from a monochronic culture. Plans are open to changes, even at the very last minute. (Hall, 1976) Asians (Muehlen, 2010) as well as Latin Americans are categorized as having polychronic culture. (Hall, 1976)
Negotiation processes in a polychronic culture may be perceived as unstructured and without the pressure of time limits. Agenda points can be addressed in different orders than planned. (Muehlen, 2010)

**Counter Arguments**

Over time, these cultural models have encountered quite a bit of skepticism. The following are some of the viewpoints of critics.

Dahl, (2004) having conducted his own intercultural research, pointed out that Hall’s model lacks statistical and empirical data, as it is extremely complex to quantify the degree to which several behaviors are high or low context. Hall himself, however, has noted this limitation, already. When Edward T. Hall produced the model for distinguishing different cultures, he adds that:

> “All theoretical models are incomplete. By definition, they are abstractions and therefore leave things out. What they leave out is as important as, if not more important than, what they do not, because it is what is left out that gives structure and form to the system. Models have a half life – some ephemeral, others last for centuries.” (Hall, 1976, pp.14)

According to Hall, since non-mathematical models or paradigms of culture are created based on unique situations, models are highly abstract.(Hall, 1976)

Second, before presenting their support for the benefits of understanding culture’s impact on negotiation, Faure and Sjöstedt (1993) brought in a critical viewpoint: although culture plays a role in influencing negotiation styles and outcomes, one must realized that the same applies for countless other variables and considerations. Caution should be applied when considering why a negotiation has been broken off. “Culture has too often been used as an excuse to justify negotiation failures; when one has run out of other explanations, there is always the residue of culture to fall back on.” (Faure and Rubin, 1993, pp.xii) Thus, culture plays the culprit in
negotiation failures, when in fact blame may be better attributed to other factors. Similarly, although Salacuse has conducted a survey and derived various differences in culture from the methodology, he adds that “style in a given negotiation may be influenced by numerous factors besides culture, including personality, bureaucracy, business experience, and the nature of the transactions under negotiation.” (Salacuse, 1998, pp.225)

Additionally, when faced with a cultural differences barrier, negotiators with similar professions can nevertheless generally rely on their occupational backgrounds to overcome the differences. (Salacuse, 1998) Hence, the need for understanding the cultural differences may not be as important as the mainstream media suggested.

Moreover, several studies on culture were conducted through survey questionnaires and interviews and completed individually by participants. (Fang, 2006, Ma, 2006, Salacuse, 1998) It is probable that the questions were interpreted slightly differently from one participant to the other, not yielding the most objective and accurate responses that a model of culture should be built upon. (Salacuse, 1998) A research study result has also shown that although individuals of a particular culture may have accurately rated and reflected their own national identity—Australians as extroverts and German Swiss as high in conscientiousness—they may have exaggerated the real differences in the perceived and the assessed traits. (Terracciano et al., 2005) As a result, the questionnaires completed for the purpose of cultural study may not be as accurate as they claimed to be due to the interpretation of the questions on the surveys and participants potentially having overstated certain facts.

Dahl (2004) similarly pointed out the importance of realizing that there is more than one factor that is influencing the culture of an individual. Culture is not the sole perpetrator in determining human behavior. Thus, it is only safe to acknowledge that culture plays a role in influencing a nation or a large group of people, but it is not necessarily a reflection of individual behavior. A response to this criticism is that as Hofstede (2011) himself claimed, the paradigm of cultures has limitations and that they are only to be used at a national level, not on a personal and individual
level.

One of Hofstede’s responses to the critics of the cross-cultural models is that:

“There is no one best way of constructing dimensions, be they cultural, psychological, organizational or other. Different approaches to data collection and data analysis will yield different dimensions. Asking which of them are true or right in an absolute sense is a meaningless question. The correction question is how coherent these dimensions are…or what use they could be.” (Minkov and Hofstede, 2011, pp.17)

Hofstede explained that different models carry different merits and qualities. Scholars should be aware that an all-around, one-size-fits-all cross-cultural model does not exist.

However, with all its critics and limitations, Faure and Sjöstedt explained that as previously mentioned with globalization, international negotiation is increasing in numbers, and it is likely that conflicts and disputes will arise in this globally interdependent business environment. (Faure and Sjöstedt, 1993) Pye (1992) suggested that the wise way to approach the situation would be to have knowledge of cultural differences, especially Chinese, and encourage international negotiators to be themselves.

In brief, it is best to combine the results suggested by these cultural paradigms and compare them based on situations and industry examples. Other factors should be considered, but cultural values should not be taken lightly.

IV. Culture and negotiations

What is culture?

Culture is a term with many definitions. Researchers and Anthropologists have long given their own definitions to the term. For example, a French writer and politician
has described culture as something that has remained when everything else has been forgotten. (Akoun, 1989 cited in Faure and Sjöstedt, 1993)

Similarly, Faure and Sjöstedt (1993, pp.3) have defined culture as “an aggregate product…typically consists of such social phenomena as beliefs, ideas, language, customs, rules, and family patterns.”

Hofstede (1980, pp.24) has also given his definition of culture, regarding it as “the collective programming of the human mind that distinguishes the members of one human group from those of another. Culture, in this sense, is a system of collectively held values.” The concept from Hofstede means that through culture, common characteristics of a group could be drawn in the same way as how common personality traits could be drawn from each individual. (Hofstede, 1980) However, Hofstede notes that, by defining that culture as “collectively held values,” he does not attempt to explain the varying personalities of individuals within a single society, but rather a shared set of values and perceptions that may influence an individual’s behavior. (Dahl, 2004)

In a separate study, Faure (1999, pp.189) divides the notion of culture into a short-term and a long-term perspective: “In short-term perspective, culture can be conceived as a structural component of any society that conditions human thinking and behavior, operating in a deterministic way. In the long-term perspective, it is a dynamic social dimension that induces changes over time through modification of values scale.”

Dahl (2004, pp.1) rationalizes that despite the countless definitions of culture, the implication is unified: “culture is an abstract entity which involves a number of usually man-made, collective and shared artifacts, behavioral patterns, values or other concepts which taken together to form the culture as a whole.”

Faure and Sjöstedt (1993, pp.3) explain that culture “orients, or perhaps even directs, judgment and opinion.” Culture aids social groups in preserving their unique identities. Dahl (2004, pp.4) concludes that culture “acts as an interpretive frame of behavior.” More Concisely, culture has been an explanation of various
social norms. Hall (1976) agrees culture is another fundamental dimension that has an influence on a person, the same way that status, activity, setting, and experience influenced an organism’s perception. Dahl (2004, pp.3) raises an example with the notion of ‘French culture’, which “implies that the society shares certain values and exhibits resultant behavior and artifacts, which can easily be distinguished from other cultures, such as the ‘German culture’ or the ‘Spanish culture’.”

Language is just one part of a culture and has played a part in justifying how culture has affected behaviors of people within each society. Language is said to be the answer to predicting an individual’s perception. (Faure and Sjöstedt, 1993) Through such a concept, it can be implied that culture, while taking on many duties in the society, has an important role in the field of communication.

Culture plays a large part in the communication role and so it can be concluded that “culture may be both an obstacle and a facilitator” during a social interaction according to Faure and Sjöstedt (1993, pp.4). Communication, specifically negotiation, may be facilitated when the two parties hold similar shared values and perceptions as there are no unexpected surprises or misunderstandings that could cause one to disrespect the other unintentionally. On the other hand, interactions can be tiresome or even abruptly broken when misunderstandings occur and the other party is offended due to cultural differences. (Faure and Sjöstedt, 1993)

When two parties do not hold the same perception on the same matter, an understanding of the counterpart’s cultural values is crucial. This important role of culture will be examined more thoroughly in the next point. With countless definitions and aspects of culture, there is no one single definition; however, for the purpose of this study, culture will be understood as the collective values that people of the same social group hold, using Hofstede’s definition. (Hofstede, 1980)

**What are cross-cultural negotiations?**

Recalling the definition of Negotiation: Negotiation is a way in which conflict could be resolved. (Faure and Sjöstedt, 1993) Cross-cultural interaction is much
more complex than a mono-cultural interaction. Negotiators do not belong to the same culture—do not share the same thought process and feelings. (Woo and Prud'homme, 1999)

International negotiation is complex. Salacuse believes that “the great diversity of the world’s cultures makes it impossible for any negotiator, no matter how skilled and experienced, to understand fully all the cultures that he or she may encounter.” (Salacuse, 1998, pp.222)

Cross-cultural negotiation is a layer of negotiation, where communication is exchanged between parties with different backgrounds with an intention to reach an agreement. (Fisher, 1980) Faure (1999) defines it as the interaction among different cultures. One definition of cross-cultural communication is an interaction that “takes place at the verbal, nonverbal, situational, contextual and social structural levels and constitutes a total communication system that can assist the negotiator to bridge the gap between utterance and felt meaning.” (Woo and Prud’homme, 1999, pp.315) The experience of cross-culture exposure experienced by an individual is compared to the experience “a fish that ignores it lives in the water until it is taken out.” (Faure, 1999, pp.187)

The interaction among cultures is crucial to understanding at this point in time, with cross-cultural interaction rapidly becoming more prevalent. Globalization is altering the negotiation process as businesses are expanding internationally and organizations are automatically falling behind the curve if they choose to stay local. (Dong and Liu, 2010) One major player in the realm of international negotiation is China. With China becoming more integrated into the world economy through its own rapid development, whether it would be through foreign direct investments (FDI) or global education programs, China’s potential encountering cultural interactions is practically unlimited. (Fang and Faure, 2011) Thus, with the increase in cultural interactions and international trade, cross-cultural negotiations have become more frequent and unavoidable. An estimation is made that a manager dealing internationally will spend over 50% of his/her time on negotiating deals. (Adler and Graham, 1989)
A study, *The Cultural Dimension of Negotiation: The Chinese Case* that was conducted in 1999, shared that over 300,000 joint venture agreements were signed within a period of 15 years. (Faure, 1999) Accordingly, cross-cultural interaction and thus negotiation is an up-and-coming trend. (Dong and Liu, 2010) Current news are evidence of the importance and urgency of understanding cross-cultural values.

Granted, it may be impossible to fully comprehend all of the aspects of culture; international negotiators can start by identifying the differences and modify their negotiating styles to accommodate the differences through various cultural dimensions tools previously presented in this study to ease the friction. For example, by being able to observe and identify that the counterpart’s culture is on the high power distance (Hofstede, 1983), it may be wise to perhaps greet the superior first so that he/she does not lose face. Understanding cross-cultural negotiation, international negotiators will know how best to communicate their own opinions/proposition to the other side. Negotiators with cross-cultural exposure will have an advantage on the table. (Brett, 2007)

**Impact of cultural differences on the negotiation process**

At the end of the negotiation process when a contract is taken in to be signed, the first article of the contract could already provide a hint of a missing relationship aspect that Westerners typically overlook, but in an Asian culture it is a clause that could prove vitally important.(Faure, 1999) The Japanese would place a great emphasis on respecting the long-term relationship in the contract; the contract could be along the lines of “This agreement is made…to maintain mutual prosperity and coexistence and lasting amicable relations.” (Faure, 1999, pp.189) Faure states that it is culture which gives the negotiating parties their perception on the contract’s meaning and purpose.

For the Chinese, legality can equal an expectation of dishonesty. Traditionally, to draft a detailed contract, citing what would happen if one side acted fraudulently, would be an “indication of distrust” or considered impolite. (Fang and Faure, 2011, pp.329) The same indication exists when a lawyer is brought into the negotiation room in the introductory meeting, as the message sent is that the breakdown of
mutual trust and the business relationship could be in sight. (Fang and Faure, 2011) Though the collapse of the contract could happen, bringing in the lawyers or putting high emphasis on the contract and its legal obligations in the first stage of the negotiation is comparable to organizing a divorce before the marriage agreement is agreed upon to the Chinese. (Fang and Faure, 2011)

These situations can occur again and again, especially when the other side of the table is from a foreign culture, holding unknown values. Western delegates are often faced with unexpected norms within the Chinese culture, and these norms can come off as a surprise, causing frustration or disappointment. (Ghauri and Fang, 2001) It can be established that culture, an inherent trait of every social group, plays a prevailing role in forms of communication like negotiation.

This is where knowledge of cultural differences comes into play.

The topic of culture and its effect on and relation to negotiation has drawn several researchers and scholars to conduct studies and surveys to test the correlation between the two subjects. (Salacuse, 1993, Hofstede, 1980, Faure and Sjöstedt, 1993, Adler and Graham, 1989) (Fisher, 1980) The result, though not surprisingly anticipated as early as 1980 by Fisher in A Cross-Cultural Perspective and possibly even earlier, is remarkable: each social group’s negotiation style is unique, and culture is a determining factor for the ways a given group negotiates.

Consequently, misunderstandings due to different values and backgrounds in cross-cultural negotiations are likely to occur between dissimilar cultures. (Fisher, 1980)

Understanding the general mindset of people on the other side of the negotiating table can increase the success rate of the deal as not only would negotiators know what to expect, but they themselves would have a clearer understanding of their own tendencies on how they approach certain issues. Hence, negotiators with cross-cultural knowledge would be able to skillfully create cooperative atmospheres while warding off unwanted friction and misunderstandings with the other side. (Salacuse, 1998)
Knowing what to expect through the study of cultural values and traits could alleviate frustration as well as decrease friction and miscommunications that may arise during the negotiation process. (Dong and Liu, 2010)

Moreover, Faure and Sjöstedt (1993, pp.6) point out that “individuals performing as negotiators are likely to reveal their values through their behavior.” The negotiators themselves will be able to learn and perceive their own negotiating styles that may have been influenced by culture, since culture, as explained earlier is a system of values, has an influence on the norms of a social group. (Faure and Sjöstedt, 1993)

As a consequence, international negotiators could skillfully use learned cultural cues to aid in their negotiation strategies, or at the minimum, use this understanding as suggestions on appropriate reactions to unexpected situations. (Faure and Sjöstedt, 1993) Faure (1999, pp.188) briefly summarized the benefit of knowing the impact of culture, claiming that “understanding the role of culture and its various consequences can do more than increase knowledge. Its predictive dimension may help anticipation and thus, contribute to prescriptive tools to support negotiator’s behavior while working for a better outcome.”

**Culturally-specific negotiation tactics and strategies**

There has not been claim for a guaranteed direct path or formula that leads to successful negotiation outcome. Instead, international negotiators should equip themselves with as much information as possible. That way, negotiators can learn to identify the cultural values of their counterpart and preempt possible altercations. Knowledge of each culture’s negotiating style will bring fewer surprises, misunderstandings, and less frustration. (Dong and Liu, 2010)

**Chinese**

Hofstede’s findings (1983) have provided researchers with a way to quantify and categorize national character in order to describe culture. Other scholars have used Hofstede culture dimensions as well as other methods such as surveys to focus on studying the Chinese culture. (Salacuse, 1998, Dong and Liu, 2010) But to
understand and be able to negotiate well with a Chinese counterpart, a closer look at
the mechanism that has shaped the culture is essential for negotiators who are
unfamiliar with the Chinese collectivist and Confucian values. Confucianism, a
2500 years old philosophy, has exerted a great influence in shaping the Chinese and
other East Asian cultures, indirectly impacting the ways in which business or
negotiation gets done in these cultures. (Ghauri and Fang, 2001)

The following, though not a complete list, are selected important aspects of Chinese
negotiation strategies that have been influenced by Confucianism and long-
established traditions:

-Trust is essential

One Chinese negotiator has admitted that, “a friend coming to us to explain is
always better than the same work performed by a laowai [foreigner]. This is in fact
a question of trust” (Ghauri and Fang, 2011, p.322)

The notion of trust has been embedded in the Chinese culture for over 2000 years
through various philosophies, largely Confucianism. (Sebenius and Qian, 2008) The
Chinese believe that business should be made on the basis of trust and oppose
quick, impersonal transactions where the business deals are made purely in the
negotiation room alone. (Ghauri and Fang, 2001) Without establishing trust first,
the negotiation outcome might not be favorable.

Trust is cultivated with time and starts with an invitation to develop interpersonal
relationships or through a simple gesture such as giving face. (Sebenius and Qian,
2008)

-Interpersonal relationship

One of the basic Confucian values that has influenced the nature of relationships in
the Chinese culture is the “importance of interpersonal relationship.” (Ghauri and
Fang, 2001, pp.7) In the West, relationships develop after business deals, whereas
in the China, business deals develop after the relationship. (Sebenius and Qian, 2008)

This can be quite frustrating to “outsiders” or those who are not a part of Chinese circles, as the negotiation room could be filled with distrust and difficulties, which translate to a prolonged negotiation process.

The Confucian gentlemen will leverage great importance on a long-term business relationship, rather than a one-time deal. (Ghauri and Fang, 2001) A successful deal often means more than a deal, it also means an interpersonal relationship. This centuries-old theory has been validated again through an international research study comprising of 200 Chinese participants in a premiere business school in Beijing, China. The result is that for the Chinese, interpersonal relationships are of an even higher value than economics gains, albeit that does not mean that economic gains are of no importance. (Ma, 2006)

One of the several surveys that has been used to ascertain the characteristics of German and Chinese negotiators, among other nationals, has similarly revealed: “The goal of a negotiation is not a signed contract, but the creation of a relationship between the two sides.” (Salacuse, 1998, pp.226) The culture survey was conducted over a period of 4 years by Jeswald W. Salacuse (Salacuse, 1998) through questionnaires given to over 370 individuals—business executives, lawyers and graduate students of various nationalities, including German and Chinese. Though the survey may contain certain limitations, much like many other surveys, it still serves to reinforce the idea that to the Chinese, relationships come first. The researcher also points out that even though the signed contract could be described as the business deal, the “essence of the deal is the relationship itself.” (Salacuse, 1998, pp.226) In a journal article on cross-cultural interaction, Adler and Graham (1989, pp.524) gave yet another concise clarification: “Beyond profits, negotiators satisfaction is an important measure of success, especially if partners desire a continued relationship.”

Guanxi, a Chinese term for affiliations and connections in Chinese, plays a large role in the Chinese society at all levels. The term’s definition is closely linked to the
word Favor and Rule of Conducts and generally means those considered to be a part of the inner circle or friends. (Ghauri and Fang, 2001)

Deception, an act regarded as unethical universally, is not considered unethical in all circumstances in neo-Taoist cultures such as the Chinese. Deceptions that sprout from the intention to harm are regarded as evil, whereas deceiving to help a friend is considered honorable. (Sebenius and Qian, 2008)

According to a journal article titled *The Chinese Negotiation* (Graham and Lam, 2003, pp.5) from the *Harvard Business Review*, “While Americans put a premium on networking, information, and institutions, the Chinese place a premium on individuals’ social capital within their group of friends, relative, and close associates.” The individual with a great guanxi could be viewed as having the golden pass to enter an inner circle. The article (Graham and Lam, 2003, pp.5) went on to note, “More often than not, the person with the best guanxi wins.” Once access to guanxi is gained and a favor is received, it is important to keep in mind that reciprocity is highly expected. Though such an act of reciprocity must not be immediate, it must not be forgotten. The concept of returning favors is the fuel that drives the interpersonal relationship forward.

Tackling the problem begins during the pre-negotiation process. Negotiating in a foreign place could seem like sailing in unknown waters; employing a local expert in the area will be highly beneficial. A solution to establishing interpersonal relationship may lie in the intermediaries or Zhongjian Ren, who then serve as a bridge for the two sides to negotiate peacefully. (Ma, 2006)

Hosting an introduction week or trip where the Chinese delegates are invited to the host country prior to business negotiation will allow room for interpersonal relationships to develop. Often, it is rather difficult to arrive just prior to the negotiation date and expect close social relationship to flourish, for invitations to the Chinese homes are reserved for those close to them. Hosting the Chinese delegates could be a great beginning to a long lasting business relationship. (Ghauri and Fang, 2001)
To become accepted into the inner circle, simple acts of kindness go a long way. One Westerner who bought medicine for a Chinese business partner from Europe or a businessman who financed the education of a Chinese business colleague’s children has both observed smooth business interactions with their Chinese counterpart. (Sebenius and Qian, 2008)

*The Chinese “Face”*

Face is one the most highly-valued aspects of Chinese social interactions. It refers to the social standing of the person, which can be gained or diminished easily through criticism. Negotiators from Western culture may be surprised that there may be no such concept as ‘constructive criticism’ during the meeting among many spectators. In the Chinese culture, a criticism in public is a vicious criticism, especially a criticism that weakens the receiver’s face. (Sebenius and Qian, 2008)

Without prior knowledge on the concept of face, one may find that face is a fragile concept, easily broken, but at the same time, easily given.

Face can be easily broken through simple acts. As an example, the superior can lose his/her face in a scenario where the foreign negotiator enters the meeting room and greets his subordinate first. To the foreign negotiator, the intention was not to disrespect the superior, but rather that the lower rank member was standing closest to the door. (Sebenius and Qian, 2008) This is one example that emphasizes how fragile face is and how easily it can be shattered as a result of a lack of cultural knowledge.

Pricing negotiation in the Chinese culture can also be related to the Chinese “face” concept. When the Chinese party opens with an offer, it is customary to return an offer to respect the requester’s “face”. (Ghauri and Fang, 2001) Not allowing room for bargaining could result in the act being perceived as “denying the person’s pride and dignity” (Ma, 2006, pp.69) The face concept is not a one-way street. Chinese negotiators often give the same respect to face back by making deals with negotiable terms, providing the negotiating party the room to maneuver and adjust the agreement. Cues for more bargaining can be seen through the act of hesitance or
indecisiveness, thus, giving the negotiating party the room to negotiate in a non-confrontational way. (Ma, 2006) It is suggested that it is a wise strategy to always have flexible bargaining limits or margins so that space is available for face-saving. (Ghauri and Fang, 2001)

A manager from Ericson once said:

“...in a private meeting, over the dinner, I told the Chinese Manager that his statement about Thailand was not correct and that I did not say anything in yesterday’s meeting not to embarrass him… After that he became very friendly and even helped us to get that order.” (Ghauri and Fang, 2011, pp.316)

-Collective participation

As stated in the introduction that the Chinese rank as more collectivist than individualist, Chinese negotiators tend to approach the negotiation in a group effort. (Ma, 2006) Confucianism’s value on family has over time extended to organization, positioning organization or the work unit as a type of family. As a group-oriented culture, Chinese negotiators tend to make negotiation a collective process, involving a considerable number of negotiators and decision-making levels, thereby assuming a collective responsibility for the decision made. (Ghauri and Fang, 2001)

As discussed above, it is important to respect superiors in Chinese culture. In this case of engaging a Chinese negotiators acting as a group, it is important to identify the decision-maker. The decision-making authority is generally absent during the negotiation stage. It is usually a government official who oversees and is the superior that must approve each term of the negotiation. (Ghauri and Fang, 2001, Fang, 2006) As Pye (Pye, 1992) has observed, responsibility and the superior are often difficult to pinpoint. It requires attentiveness, which a Western may not be accustomed to. Successful identification can lead to direct negotiation with the superior and drive forward the negotiation, avoiding unnecessary time-consuming processes.
**Continuous negotiation**

The end of the formal negotiation process can mean the beginning of a new negotiation in the Chinese negotiation process. Though signed contracts should be honored, several cases have shown that this might not always be the case. Terms within the contracts can be re-negotiated and modified. (Ghauri and Fang, 2001) A Swedish negotiator (Ghauri and Fang, 2011, pp.319) who experienced such a situation said:

“Negotiators did not call the old issue into question again. But this was not the case with Chinese. The Chinese could take up and renegotiate whatever whenever they wanted” (Ghauri and Fang, 2001, pp.319) This does not mean that the Chinese negotiators are not honoring the settled oral agreements or terms, but rather that they would like to take their time in the negotiation (Pye, 1992) and that a mutual trust has not been established yet.

One should be aware of on-going negotiation and changing terms. The fundamental approach to adapting to this is to be honest, patient and calm; a fast and impatient character can be looked upon with mistrust by the Chinese. (Fang, 2006)

**Informal agreement is an agreement**

More often than not, successful negotiations and deals are made outside of the negotiation room. Oral agreements to deals in negotiations are a common occurrence in China. A signed contract is not the only indication of successful business deals, as nods or handshakes could hold the same weight. (Sebenius and Qian, 2008) With this in mind, negotiators dealing with Chinese counterparts should be aware of such signals during the negotiation process, which may or may not be confined within a conventional four-wall room. That is to say, discussions over a negotiation could happen in an unceremonious manner, perhaps during social functions or over dinner.

**Nonverbal cues**
The notion of informality mentioned earlier goes hand in hand with the concept of nonverbal cues, which is a subject deserving an entire section of its own.

As the Chinese culture is a high-context culture, nonverbal cues are essential to the negotiation process. It may be difficult to draw conclusions from a few words uttered in response to a term that is put on the negotiation table. Gestures and facial expression serve as clues to tell how the negotiation is doing. (Ma, 2006)

On the subject of signs, the survey conducted by Salacuse (Salacuse, 1998) suggests that the Chinese communication style is typically indirect. An indirect style of communication refers to the interaction style that involves a high level of vagueness and unclear signals. Salacuse puts it as “oblique references, circumlocutions, vague allusions, figurative forms of speech, facial expressions, gestures, and other kinds of body language.” (Salacuse, 1998, pp.230)

**German**

Understanding German cultural values is important not only to negotiators from the Orient, but also to other Western cultures. One may ask, why is it important to learn about a culture that might not be as unfamiliar to other Western cultures as the Asian cultures?

Smyser points out that “Germans may use the same words as Americans or others, but the words do not mean the same…they are not spoken in the same cultural context.” (Smyser, 2003, pp.x) Smyser continues to explain that this is because Germans have a unique history, viewing areas beyond their borders as a different world, holding different values. This section of the study adopts several examples and findings from W. R. Smyser, a former negotiation consultant to the White House, among others. Smyser has written for one of a series of books on negotiating styles from the United States Institute of Peace.

*-Direct communication*
Western communication styles are generally direct and sometimes even combative. Confrontation is not shunned or viewed as disturbing harmony. (Ma, 2006) Being one of the cultures that value directness, German negotiators often construct clear proposals and arguments. Signs and signals generally not used as definite responses are expected in the negotiation room. (Salacuse, 1998) Thus, non-German negotiators can rely on a direct communication form with regards to information sharing. (Adair and Brett, 2004)

Not only does German directness refer to behavior, but also carries implications for their flexibility in decision-making. Germans, being categorized as one of the low-context cultures (Adair and Brett, 2004, Hall, 1976), are found to be less flexible than those in the high-context culture. (Adair and Brett, 2004)

One of the keys to embracing directness and using it to the negotiator’s advantage is to listen carefully. Important information would be contained mostly in the dialogue, not in signs or signals. (Smyser, 2003)

A great amount of time should be invested prior to the negotiation process, so that the case and condition could be communicated directly and thoroughly to the German counterparts.

-Sensitivity to Time

Through a research study conducted during a period of over four years among many nationals in different work disciplines, Germans are observed to be highly sensible to time and punctuality, whereas less so in terms of time investment in negotiation. (Hall, 1990, cited in Salacuse 1998, pp.231) In short, the German would be willing to extend their planned schedule for negotiation purposes but would be very sensible to time with regards to punctuality and being on time to appointments and meetings.

The same notion of decision-making time with the Germans has also been supported through the literature produced by Smyser. (Smyser, 2003) Smyser explains that German will have room for a longer negotiation time if it is needed to
reach their goals and objectives. This should not be viewed as a tactic, intentional or otherwise, to stretch out the negotiation process to their advantage.

-Formality

“Germans are formal even when they are informal.” (Smyser, 2003, pp.209) First-name basis is off limits for initial contacts, and it would not be wise to assume the relationship has been cemented too early on. Despite the formality, working business relationships that entail casual conversations could develop with time. (Smyser, 2003)

“There is little to be gained by pushing informality if it dangers a negotiation.” (Smyser, 2003, pp.210) Consequently, formality is the recommended approach in the initial stage, only dispensing with proper formality when one is absolutely sure that it is acceptable, thereby avoiding being too personal at a premature stage.

-Separation between Social and Business

“German negotiators, especially at the beginning of a negotiation, sharply distinguish entertainment time from official negotiating time.” (Smyser, 2003, pp.119) Smyser explained that although German negotiators know how to appreciate entertainment, both as a provider to their guests and also as a receiver from the guests, one should not use the occasion for business negotiation, casual or not. Negotiators from other parts of the world have admitted to finding it a difficult task to detect a sudden change from the serious negotiation dialogue during the negotiation to an immediate relaxed conversation during breaks afterwards. (Smyser, 2003)

On a positive note, remarks pertaining to the negotiation would be possible outside the negotiation room if a comfortable ground between the parties has been established—when time has forged a working relationship between the negotiators. (Smyser, 2003)
V. Analysis: Interview and Case examples

This part of the interview and the analysis part of the study would allow for the possibility to either confirms or disproves previous cultural models and researches. The interview was recorded and questions pertain to it may be address to the author.

Expert’s Interview

Dr. Gerd Boesken, the Chief Executive Officer of the OstAsien Service GmbH and a publicly sworn translator under the state of Baden-Württemberg, recalled that one of the major differences he had observed after some time in China is in the writing system, or language in general. Dr. Boesken (2014, pers. comm. 18 August) shared that the Chinese language is so tremendously different than the German language in terms of their representations and writing systems, and though a lot has changed over the course of years, this has not. The Chinese language uses the logographic system of writing, and it is reflected in their communication styles, in both writing and speaking. Briefly speaking, Chinese memorize and learn to think the same way they would write. The thinking process and conceptual behaviors are not verbal, because Chinese characters can be understood without speaking or knowledge of the language. Dr. Boesken clarified the logographic system with an example: “while in China, there were more than a few occasions where Chinese would be seen discussing scientific issues and sooner or later they will soon need to write down Chinese characters either on papers or in the air, to make sense of what they are referring to.” (Dr. Boesken 2014, pers. comm. 18 August) He explained that Europeans and Westerns belong more of the phonographic system, where sounds are written down as they are heard. This is one of the many evidences showing how big the difference is and how critical it is for people to realize the differences.

According to Dr. Boesken who is an intercultural management and negotiation consultant and expert in the Asia regions, the atmospheres within the negotiation room could be ruin with the simplest act. The negotiation process of the Germans and the Chinese can serve as an example: the way a negotiation is organized, agenda-wise, is substantially different. During the negotiation process, German associates will
religiously follow their agenda points, which are to first find a mutual agreement in the major issues, then the minors. This approach is adopted under the impression that if the major issues could not be agreed upon, the minor details are not worth the time and effort for further discussion. That would be the end of the negotiation. The Chinese associates, however, hold a completely opposite approach; they generally prefer to discuss minor issues first, may it be to establish a comfortable atmosphere or to assess the counterpart’s cooperativeness, then if those minor issues could be settled, there should be nothing to worry about the rest. The understanding is that if minor matters could be agreed upon, the rest will fall into their places.

Another great example of how the two cultures are different can be seen during the break time. The Chinese, in an attempt to be a generous host and generally after arriving only at the agreement on the minor matters, will propose that the negotiating parties take a break to have lunch/snacks before discussing further. The German, however, would like to arrive at the major result and find out the outcome. Therefore, the dialogue of the Chinese suggesting a lunch break and the German, though without the intention to disrespect, replying that they are not hungry and wanted to continue negotiating. This is a very crucial point in the negotiation round, as the wrong move could leave both parties empty handed. “The aim is to create a communication basis where the two parties could find an agreement where both of them are content with, hence, a win-win situation.” (Dr. Boesken 2014, pers. comm. 18 August)

When inquired about the importance and essential need of Guanxi or connections, Dr. Boesken agreed, however, added that perhaps that is an exaggeration with the term. There are countless literatures and articles on the importance of guanxi or otherwise known as the inner circle in China, but “how is guanxi not important here in Germany, or anywhere else in the world?” (Dr. Boesken 2014, pers. comm. 18 August) To excel and perform efficiently in China, one may need more referrals and connections than in other places, but that does not mean that connections or networks are not important anywhere else.

In response to the interview question on whether or not a product would be able to sell at all without cultural understanding, Dr. Boesken explained that if the product is a product that sells itself, that is, with great innovative technology, the product will
warrant itself and bring market success without even showing up at the office in China or having any communication skills. It is possible. However, with the changing in times and increasing competition in the market for the market shares, knowing more cultural values will be an advantage. (Dr. Boesken 2014, pers. comm. 18 August)

With the exposure to Chinese-speaking societies and the Chinese language since 1976, Dr. Boesken admitted to noticing substantial changes over the last decade, but culture barrier is a complex wall; it is a challenging task establishing an understanding when individuals are from different backgrounds. However, there is a global need to lessen the cultural barrier in the world, not just through cross-border business transactions, but also in other level of cross-cultural interactions, from befriending a foreign colleague to an interaction between man and woman of different cultural upbringings. Through accepting and being perceptive of others, no matter which culture and cohort they may be from, the aim can easily be achieved, be they commercials or simply exchange of ideas. (Dr. Boesken 2014, pers. comm. 18 August)

**Google and the Wall of China**

May 7, 2005 mark the day when Google decided that it was time to tap into the Chinese market. Kai-Fu Lee, a distinguished Taiwanese computer scientist with a Ph.D. from Carnegie Mellon whose success story was known throughout China, offered his assistance in assisting Google in its market entrance. With the combination of the Western world and a Chinese heritage, he is the perfect embodiment of the two cultures. Google immediately recognized the potentials and values that Kai-Fu Lee could add to the company, particularly on planned entry to the Chinese market. With the help from Kai-Fu Lee, Google’s chances in surviving in the new and unknown Asian market such as China were much higher. After a brief assessment, Kai-Fu Lee was warmly welcomed on board and released a statement on his website that he is choosing China. Google.cn site went live on January 27th 2006, with its Chinese name being released only a few months after. This was to give Google a touch of Chinese. (Levy, 2011)
When Google took on the plan to enter China and establish a search engine under the .cn domain, it hope was to create a level playing field with government censorship rules. However, Google’s operating license was revoked soon after it has gotten it back stating that it was not clear what Google’s core business was when the license was given. Google was only allowed to provide Internet services but was prohibited to act as a news portal, as with other foreign-owned companies in China. After over a year and a half long secret negotiation, Google finally restored its license in June 2007, with key services such as Gmail, Picasa and YouTube completely blocked while other services were significantly altered. By then, Google was seen as an outsider with unreliable service. (Levy, 2011)

Google’s success in the Chinese market was largely depended on the government relations point person who knows her way around the Chinese bureaucracy. Her tenure ended when expenses for iPods charged as gifts for the Chinese officials were discovered. Though gift giving is part of the Chinese culture, Google regarded the act as unlawful and considered it unethical act. After the incident has subsided, Google China would receive requests from the government to block 10 items on the search function, and in response, Google would take down seven and seek compromise. Some time after, Google would quietly restore the blocks and clear the censorship. The power-struggle went on in cycles. (Levy, 2011)

It was not long until the problem surfaced. In 2008 when China hosted the Olympics, it made a decision to increase the “Great Wall” or its censorship, thus, the restrictions became even more severe, the directives were more frequent. Shortly before Christmas in 2009, Google China was hacked. Allegedly, confidential information and personal data of political dissidents and human right activist were stolen. Google had then set up a special team to investigate the matter and searched for the best way to act in China. (Levy, 2011)

In June, a new problem was found. The problem was the catalyst in Google’s decision to pull out from the Chinese market. The incident involved Google Suggest; one of Google’s features which instantly developed search queries when users only enter in a few words or syllables. This function was initially aiming at aiding Chinese users who would usually use Chinese, which was more difficult to type into the search field. The
innovative tool was, however, unfortunately attacked by spams, which led to vulgar words randomly coming up as suggested words. The suggested links lead to nudity and other vulgar words. The Chinese government found the matter intolerable, even if the case was not caused directly by the company. (Levy, 2011)

On Jan 10th, 2010, Google made a decision to announce the non-censorship in all of its contents and pulled out from the market. Perhaps the next generation would be more open, said Kai-Fu Lee in a public announcement. There is a clear trend towards openness in the Chinese society as the new generation who will be possess younger, progressive minds, some even American-trained. (Levy, 2011)
VI. Discussions: Cases

General discussion and theoretical implications: Expert Interview

The interview gave the author the chance to learn about the insights in the industry through Dr. Boesken, an expert who has not only mastered the Chinese language, but also Chinese literature, music and musical ethnology among others. With both German and Chinese clients, though mainly German and European customers, Dr. Boesken was able to give constructive views on both sides of the negotiating tables.

The first point of discussion is the connection between the logographic/phonographic and the high/low context of culture. There is a link that correlates the two topics together and that is communication. To be able to converse in Chinese, a high context language, a person must invest the time into understanding and memorizing the principle and cues, and once those have been mastered, the language is efficient and fast to grasp. (Hall, 1976) That is the logographic language. (Boesken, 2014) As a result, negotiators with no understanding of the local cues and backgrounds can easily misunderstand the other party. According from a recall of Dr. Boesken on the German negotiators favoring a structured and to-the-agenda-point negotiation, the behavior and mindset could be explained through Edward Hall’s (1976) cultural model monochronic time orientation. The cultural traits examined earlier in the monochronic time section of the study are the explanation of the behaviors of the German and Chinese delegates. This stressed the how much the two language contrasted each other, and as previously presented in the study, language is a layer of culture that plays a role in influencing people’s behaviors.

When the Chinese delegates suggest for a break, it was a cue for the intention to extend friendship, to be able to treat the visitor and be the big spender. As Germans are a low-context culture, this cue went unnoticed and taken only as a suggestion to eat, not the beginning of a business relationship. At the same time, the Chinese, being a high-context culture, was not direct enough to explain their interest in
welcoming and extending the relationship. With no prior understanding, certain cues and contexts that were signaled get misinterpreted, or not received at all.

Dr. Boesken made an interesting remark was make on the concept of Guanxi, or the inner circle of networks, which is considered critical to have to gain success in negotiations and business transactions in China. While it is true that China may place networking in a slightly higher regards than other places, Germany and other Western places are also a strong support of networking and using networks to complete the tasks. This remark creates a subject worth wondering that perhaps Guanxi is not as popular as the mass media portrayed and suggested.

General discussion and theoretical implications: Google

The story of Google and China illustrates a struggle between two very different cultures.

Google’s use of Kai-Fu Lee, a Chinese native, as their representative in China demonstrated the value they placed on having an insider in negotiating with a foreign nation. Kai-Fu Lee, born in Asia, can be classified as an insider on the Chinese culture. He would have unique knowledge of Chinese and American cultural values. His appeal to familiarity with the Chinese public referred to Chinese as a collective group, something their culture could identify in particular with. This may have laid the stones for future business dealings with the Chinese, where upon his return, he may be more likely to be seen as an insider.

The public relation from Google made the decision to offer gifts was another clear investment in playing to the Chinese culture by establishing “guanxi,” Naturally, as a Western company, they were forced to handle the issue publicly in a different manner once the gifts were discovered. From this, we can see a very obvious disagreement in how Westerners prefer to handle their business practices as opposed to the Chinese. When dealing with the Chinese, a Westerner may have never come upon the idea to create a relationship before a business deal and perhaps not being able to establish the relationship.
Recommendations: Sino-German

Base on the industry insights and thorough examinations of renown cultural models, one must be very careful in a Sino-German negotiations, as the two cultures are often located on the different end of the scale, no matter what the scale was trying to examined. The example about to be mentioned below is one of the many examples where cultural differences are taken too lightly or not understood. More situational examples can be found under the Expert’s Interview and the Discussion section of the study presented earlier.

Germans could easily be perceived as inflexible during the Sino-German negotiation. At the same time, the Chinese are not excluded from the negative judgment and could be view as inefficient during the Sino-German negotiation as well. A reoccurrence of situations that Dr. Boesken had seen such as the Chinese suggesting a lunch break right after the small details have been agreed upon but none of the major items on the agenda have been discussed could repeat itself continually. To the Germans whose intention was to discuss the agenda items, the Chinese are clearly inefficient in term of time management and not to the point. To the Chinese, however, the Germans, denying an invitation to a friendly meal, are disrespectful and inflexible. The reason the Chinese extended the meal invitation after the minor items had been agreed upon is because at this point, the Chinese, with no intention to avoid discussing the major items within the agenda, consider that the rest of the deal will easily fall into place now that an understanding with the smaller items have been established. Had both parties know each other’s negotiating style and culture, middle grounds could be established. Instead of a whole meal, perhaps a small break could be agreed upon, while later discussing certain items before calling it a day. Another alternative, though not common for Germans, would be to discuss the important items during the lunch break in an informal scene, however, this was unknown to the Chinese that it is rather uncommon for Germans to discuss serious items on the agenda in such an informal setting. On one example alone, the cost of the deal is much to high to be broken by a simple cultural misunderstanding.
VII. Conclusion

The purpose of the study was to find out the potential impact culture differences have on negotiation strategies when negotiating internationally through a mixed approach. The conclusion clarifies the results of the research questions obtained through data analysis acquired from literatures, semi-structured interview with the expert and industry examples. Limitations of the study as well as implications for future directions are outlined.

Limitations of Study

The method of research was limited to analyzing secondary data from well-known typologies. No primary data was collected. The examples discussed in the thesis are limited to Germany and China. Various scientific papers and cultural models are used for data analysis and an interview with an expert has been used as supplementary evidence to confirm and/or contradict the findings and analysis. Various renowned cultural models have been taken and analyze, however, with all models, there are limitations in the models and theories.

It should also be noted that due to obvious limitations existed with conducting an analysis based on a small number of case studies, the samples could not be generalized fully or to be used to represent the group at large. Nevertheless, in practice, such limitations were not necessarily detrimental to the quality of the research study. Moreover, the limitations could be overcome while using this research as a framework for future researches and further discussions.

Research Findings

The whole research study focused on the following subtopics: The definition of negotiation and culture, as separate topics, then the definition of cross-cultural negotiation was derived along with culturally-specific negotiation tactics and strategies from German and Chinese cultures. The study has also included different
approaches in classifying cultures and their embedded characteristics by recognized researchers and scholars, more specifically through the examination of cultural paradigms of Hofstede, House, and Edward Hall. In fulfilling to the research questions, the models and processes show how national cultures impact negotiation strategies and outcomes. The concepts scope varies from power structure to time orientation. Then, the knowledge of cultural values and how they could improve cross-cultural communication was partially established and partially disproved – through case study and the expert interview, which in effect, provided the research study with extensive examples were included with the discussions. Finally, the analysis of the potential impact that cultural differences have on negotiation strategies is derived through a mix of data analysis methods. It can therefore, suggested that learning cultural differences does contribute to a higher success rate in negotiation. Contrary to certain literatures, some topics of the cultural differences, such as Guanxi and its importance, may have been overstated and therefore, the cultural differences impact on negotiation could have been somewhat exaggerated in the media. Nonetheless, there are noticeable differences and industry examples have prove clearly that cultural differences do impact negotiation as is popularly suggested in mainstream business media or not. However, with the limitations with the cultural models and the lack of empirical data, further researches must be conducted.

**Implications**

Though it is established that culture is not always the culprit in failing to find an agreeable outcome in negotiation, culture retains an important role in disguising values and perception of a group of people, which as a result, influence strategic decisions and the negotiating styles of a particular group. With several definitions derived and cultural models analyzed, the key to understanding people from the other side of the culture barrier becomes available. (Faure, 1999)

With cultural models and analyses highlight the importance of cross-cultural understanding and its relation to communication, specifically negotiation, in combination with the industry examples, being able to recognize cultural
differences when they are presented will provide negotiators with a bridge, a mirror and a cultural dictionary. Knowledge of cultural differences becomes a bridge for the two negotiating parties when both sides understand and are mindful of the other side.

The Understanding the attached cultural effects of each culture that may come during international negotiations can serve as a mirror to negotiators by helping them realize cultural values in one’s own culture. This will serve as a method for self-reflection. It may be difficult for an individual to visibly see and explain what have influenced his/her perceptions or the negotiation strategies. The various studies of culture and negotiation will echo the cultural norms that may be strange for peers from another cultural backgrounds back to the negotiators. (Salacuse, 1993)

Lastly, understanding the differences does not guaranteed winning negotiating strategies for negotiators, what it does guaranteed however, is the understanding that certain conducts are not intended to show disrespect or are they a strategy formulated to deceived. (Faure, 1999 Thus, potential frictions from both sides could be avoided and properly comprehended. While cultural models do have their limitations, they can serve as a basis for negotiators to take a systematic approach in developing a global and sensitive mindset toward others.
References


Hofstede, G. (2011) 'Dimensionalizing Cultures: The Hofstede Model
Appendices

1. Appendix 1 shows the table used in generating the polar graph with the data acquired from (House, 2004)

<table>
<thead>
<tr>
<th>China</th>
<th>As Is (Practice)</th>
<th>Should Be (Values)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncertainty Avoidance</td>
<td>4.94</td>
<td>5.28</td>
</tr>
<tr>
<td>Future Orientation</td>
<td>3.75</td>
<td>4.73</td>
</tr>
<tr>
<td>Power Distance</td>
<td>5.04</td>
<td>3.1</td>
</tr>
<tr>
<td>Institutional Collectivism</td>
<td>4.77</td>
<td>4.56</td>
</tr>
<tr>
<td>Humane Orientation</td>
<td>4.36</td>
<td>5.32</td>
</tr>
<tr>
<td>Performance Orientation</td>
<td>4.45</td>
<td>5.67</td>
</tr>
<tr>
<td>In-Group Collectivism</td>
<td>5.8</td>
<td>5.09</td>
</tr>
<tr>
<td>Gender Egalitarianism</td>
<td>3.05</td>
<td>3.68</td>
</tr>
<tr>
<td>Assertiveness</td>
<td>3.76</td>
<td>5.44</td>
</tr>
</tbody>
</table>

2. Appendix 2 shows table used in generating the polar graph with the data acquired from (Szabo et al., 2002), however the scores for Germany is an average score of East and West Germany.

<table>
<thead>
<tr>
<th>Germany</th>
<th>As Is (Practice)</th>
<th>Should Be (Values)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncertainty Avoidance</td>
<td>5.19</td>
<td>3.63</td>
</tr>
<tr>
<td>Future Orientation</td>
<td>4.11</td>
<td>5.04</td>
</tr>
<tr>
<td>Power Distance</td>
<td>5.395</td>
<td>2.616</td>
</tr>
<tr>
<td>Institutional Collectivism</td>
<td>3.675</td>
<td>4.75</td>
</tr>
<tr>
<td>Humane Orientation</td>
<td>6.58</td>
<td>5.45</td>
</tr>
<tr>
<td>Performance Orientation</td>
<td>4.17</td>
<td>6.05</td>
</tr>
<tr>
<td>In-Group Collectivism</td>
<td>4.27</td>
<td>5.2</td>
</tr>
<tr>
<td>Gender Egalitarianism</td>
<td>3.08</td>
<td>4.896</td>
</tr>
<tr>
<td>Assertiveness</td>
<td>4.64</td>
<td>3.16</td>
</tr>
</tbody>
</table>
### Appendix 3 shows the raw data acquired from the source (Szabo et al., 2002)

<table>
<thead>
<tr>
<th>Country means for globe societal culture dimensions</th>
<th>Austria</th>
<th>Germany (Former West)</th>
<th>Germany (Former East)</th>
<th>The Netherlands</th>
<th>Switzerland</th>
<th>Germanic europe cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean scores</td>
<td>Gap between “As Is” and “Should Be”</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As Is</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uncertainty avoidance</td>
<td>5.16</td>
<td>5.22</td>
<td>5.16</td>
<td>4.70</td>
<td>5.37</td>
<td>5.12</td>
</tr>
<tr>
<td>Future orientation</td>
<td>4.40</td>
<td>4.27</td>
<td>3.95</td>
<td>4.61</td>
<td>4.73</td>
<td>4.40</td>
</tr>
<tr>
<td>Power distance</td>
<td>4.95</td>
<td>5.25</td>
<td>5.44</td>
<td>4.11</td>
<td>4.90</td>
<td>4.95</td>
</tr>
<tr>
<td>Institutional collectivism</td>
<td>4.30</td>
<td>3.79</td>
<td>3.56</td>
<td>4.46</td>
<td>4.06</td>
<td>4.03</td>
</tr>
<tr>
<td>Humane orientation</td>
<td>3.72</td>
<td>3.18</td>
<td>3.40</td>
<td>3.86</td>
<td>3.60</td>
<td>3.55</td>
</tr>
<tr>
<td>Performance orientation</td>
<td>4.44</td>
<td>4.25</td>
<td>4.09</td>
<td>4.32</td>
<td>4.94</td>
<td>4.41</td>
</tr>
<tr>
<td>Group and family collectivism</td>
<td>4.85</td>
<td>4.02</td>
<td>4.52</td>
<td>3.70</td>
<td>3.97</td>
<td>4.21</td>
</tr>
<tr>
<td>Gender egalitarianism</td>
<td>3.09</td>
<td>3.10</td>
<td>3.05</td>
<td>3.50</td>
<td>2.97</td>
<td>3.14</td>
</tr>
<tr>
<td>Assertiveness</td>
<td>4.62</td>
<td>4.55</td>
<td>4.73</td>
<td>4.32</td>
<td>4.51</td>
<td>4.35</td>
</tr>
<tr>
<td>Should Be</td>
<td>3.66</td>
<td>3.32</td>
<td>3.94</td>
<td>3.24</td>
<td>3.16</td>
<td>3.46</td>
</tr>
<tr>
<td>Future orientation</td>
<td>5.11</td>
<td>4.85</td>
<td>5.23</td>
<td>5.07</td>
<td>4.79</td>
<td>5.01</td>
</tr>
<tr>
<td>Power distance</td>
<td>2.44</td>
<td>2.54</td>
<td>2.69</td>
<td>2.45</td>
<td>2.44</td>
<td>2.31</td>
</tr>
<tr>
<td>Institutional collectivism</td>
<td>4.73</td>
<td>4.82</td>
<td>4.68</td>
<td>4.25</td>
<td>4.69</td>
<td>4.69</td>
</tr>
<tr>
<td>Humane orientation</td>
<td>5.76</td>
<td>5.46</td>
<td>5.44</td>
<td>5.20</td>
<td>5.54</td>
<td>5.48</td>
</tr>
<tr>
<td>Performance orientation</td>
<td>6.10</td>
<td>6.01</td>
<td>6.03</td>
<td>5.49</td>
<td>5.82</td>
<td>5.90</td>
</tr>
<tr>
<td>Group and family collectivism</td>
<td>5.27</td>
<td>5.18</td>
<td>5.22</td>
<td>5.17</td>
<td>4.94</td>
<td>5.16</td>
</tr>
<tr>
<td>Gender egalitarianism</td>
<td>4.83</td>
<td>4.89</td>
<td>4.90</td>
<td>4.99</td>
<td>4.92</td>
<td>4.91</td>
</tr>
<tr>
<td>Assertiveness</td>
<td>2.81</td>
<td>3.09</td>
<td>3.23</td>
<td>3.62</td>
<td>3.21</td>
<td>3.07</td>
</tr>
</tbody>
</table>