

CULTURAL DIFFERENCES IN BUSINESS NEGOTIATIONS

KULTURNE RAZLIKE U POSLOVNIM PREGOVORIMA

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Abstract: *In international business negotiations play an important role. The international negotiator must aware of cultural differences through the negotiations process. In some places, cultural differences are so big that without studying a foreign culture, negotiations could not be successful. Good negotiators must overcome cultural and personality differences of people and focus solely on its own negotiations. The paper represents key characteristics of business negotiations with Chinese business partners.*

Keywords: *Business negotiations, cultural differences, negotiation process, intercultural negotiations, negotiations with Chinese.*

Sažetak: *U međunarodnom poslovanju pregovori igraju važnu ulogu. Međunarodni pregovarač mora biti svjestan kulturnih razlika u toku procesa pregovaranja. Ponekad su kulturne razlike toliko velike da bez proučavanja strane kulture pregovarača, pregovori ne mogu biti uspješni. Dobri pregovarači moraju prevladati kulturne razlike i osobnosti kod ljudi i usredotočiti se samo na pregovore. U radu se prikazuje ključne značajke poslovnog pregovaranja s kineskim poslovnim partnerima.*

Ključne riječi: *Poslovni pregovori, kulturne razlike, pregovarački proces, međukulturni pregovori.*



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1. Introduction

Globalization forces businesses into contact with firms from different cultures, necessitating cross-cultural communication. In the realm of business, this communication often takes the form of negotiations where face-to-face negotiations are an integral part of the formation and implementation of all commercial relationships [1].

Negotiation breakdowns among individuals, businesses or governments from different cultures can be attributed to various reasons.

In the global expansion of businesses, the ability to understand impact of changes in cultural differences on negotiations can determine success or failure of these international endeavours.

International business is an extremely difficult process, in which there is no place for make a mistake. Any good negotiator will negotiate on intercultural thoroughly prepared, and if you are not familiar with the culture of the other side, it will be examined closely. Ignorance, unawareness and disregard for cultural diversity are totally disrespectful and unacceptable, because they do not reach an agreement. A lot of care should be taken in international negotiations with a completely different culture than ours. There is no need to completely change their culture, values, attitudes, principles, methods, etc. negotiations, but it is only necessary to adapt and respect the culture of the opposite side. If we blindly self-righteous (egocentric), nationalist, and we are not adapted to the other, it is better not to do business globally, but stay within the limits of our small country.

Much of the expansion over the last years has occurred in the booming Asian markets, and all businesses need to understand how to negotiate with the younger generation to avoid business failures.

2. Cross-cultural negotiation

Negotiating across borders differs markedly from negotiating within the domestic market. A number of new factors have to be considered, including different languages, cultural sensitivities, legal systems, tax regimes, labour laws and different business practices. The negotiating environment can be further complicated by government-led bureaucracy, restrictive regulations and, in some cases, direct government interference. All of this can be set against a background of political and economic instability, with currency fluctuations and uncertainty stemming from ideological differences. [2] Perhaps a working definition of international negotiating is “getting people of different nationalities to seek agreement by considered dialogue on an agreed agenda”. It is undoubtedly throughout a process of communication, when a word or phrase meaning one thing in one culture can mean something quite different in another. Chaney and Martin [3] define cross-cultural negotiation as discussions of common and conflicting interests between persons of different cultural backgrounds who work to reach an agreement of mutual benefit. Cross-cultural negotiation is more difficult than mono-cultural negotiation because of differences of language and culture [4].

In a cross-cultural environment, the negotiation process increases in complexity with the need to consider the factors of different languages and cultures, which are not relevant in a mono-cultural environment.⁹ Ferraro states that: When negotiating within our own culture, it is possible to operate effectively at the intuitive or unconscious level. However, when we leave our familiar cultural context and enter into international negotiations, the scene changes dramatically. There are no longer shared values, interests, goals, ethical principles, or cultural assumptions between the negotiating parties. Different values, attitudes, interests, behaviours, and languages may produce different negotiation styles, which, if not managed well, can lead to misunderstanding and disagreement and can even break up business relationships. The negotiation style used effectively in one culture can be ineffective and inappropriate when dealing with people from another cultural background and actually may result in more harm than gain. For instance, being frank and direct may be welcome in some cultures and may help reach a quick agreement, but may not be acceptable in other cultures. In addition, members of different cultures may focus on different aspects of an agreement. In some cultures the attention of negotiators may be directed more towards the specific details of the agreement, while other cultures may focus on how promises can be kept.

3. Negotiations with the Chinese

More and more countries are involved in negotiating with Chinese in international business since China started its economic opening-up around the 1980's. So negotiating with Chinese is also becoming increasingly important for international business successes in particular, since after China joined WTO in December 2001. It is anticipated that more frequent negotiations with Chinese will take place as China is going through free trade negotiations with a number of western countries. However, negotiating with Chinese can be very challenging and Chinese have been sometimes recognized as some of the toughest negotiators in the world [5]. People from other cultural backgrounds, especially those from the west, often find the behaviour of Chinese negotiators to be difficult and unintelligible. This is the reason why much attention has been given to studying Chinese negotiation styles. It is noted that different cultures have different interests, values, ethical principles, attitudes, behaviour and linguistic styles which could affect the process and outcome of any negotiation [6].

3.1. Recommendations for Successful Negotiation with Chinese

A number of barriers in this business meeting led to a failure in collaboration. Identifying these communication barriers can also be relevant to diplomacy since meetings and negotiations are essential for international relations. We therefore make the following recommendations for both business and diplomacy in order to help overcome these barriers. [7]

1. Make an effort to learn Chinese culture and customs. This will help in understanding and categorising Chinese negotiation behaviour.

2. Be patient during the non-task sounding process. Chinese usually need time to build trust and create *guanxi* with their counterparts before deciding to move ahead with a negotiation.
3. Make sure that trust has been successfully built into the task-related exchange of information process, because Chinese individuals will provide adequate and useful information only to people they trust. This will eventually make the persuasion process easier.
4. Remember that entry to the concessions and agreement process is not the sign of a successful negotiation. Developing good *guanxi* with Chinese negotiators and respecting Chinese cultural traits is the basis for moving forward in this process.

3.2. Slovenian experience with Chinese negotiators

Based on the Slovenian experience with Chinese negotiators in business negotiations, we came to the following conclusions and recommendations for negotiators who are entering the Chinese market. Knowledge of Chinese culture is the first and necessary condition for successful business negotiations.

To successful negotiations with the Chinese negotiators is necessary:

- ♣ to learn their legal system and culture,
- ♣ to gain their trust and respect, which is crucial for achieving the desired results,
- ♣ fair play and "win-win" situation, because the agreement will be reached only if the mutual benefit is gained,
- ♣ to know the opposite negotiator and their business practices,
- ♣ the communication must choose the correct word, phrase and tone of voice and body language must be appropriate,
- ♣ avoid insults and humiliation the opponents negotiator,
- ♣ we can not disclose his personal qualities or deficiencies,
- ♣ never ask questions that raise doubts in people's decisions whether negotiators,
- ♣ way exchange of business cards (with both hands, labeled side facing the opponents negotiator),
- ♣ used in addressing the surname and, unlike us in the first place,
- ♣ it is advisable to bring a gift that represents our country,
- ♣ compliments it makes sense to deny, because Chinese people cherish modesty,
- ♣ not be staring at them because they feel uncomfortable,
- ♣ advisable to know the basic Chinese expressions (mean an interest in their culture and language),
- ♣ are very manipulative and this is usually not hiding (we must be prepared),
- ♣ Chinese exchange information and views over the lower level, thus like to communicate indirectly,
- ♣ the person who first enters the room is the most important in the group,
- ♣ older negotiator have a higher status and respect,
- ♣ particularly like to use delaying tactics (they are very patient negotiators),
- ♣ also like to resort to extreme tactics requirements (goal: expect a compromise),
- ♣ before we consent to the agreement, it makes sense to carefully weigh the facts,

- ♣ when you get the feeling that the agreed conditions are satisfactory, will facilitate the discussion,
- ♣ long negotiations are unnecessary cost for us, but in Chinese is not identical,
- ♣ between gifts and corruption is a very fine line.

4. Conclusion

The aim of any negotiation is to reach agreement. Negotiation in a mono-cultural setting is difficult. In a cross-cultural environment, negotiation is more complex and the difficulty increases as such negotiations have to consider differences of communication, method of negotiation and culture. Mastering effective cross-cultural negotiation requires the understanding that people from different cultural backgrounds approach negotiation differently. Thus, it is important to be aware of, and take action to counter, the differences in negotiation norms. This paper has suggested the necessity of being aware of different Chinese behaviour in negotiations. Awareness of cultural differences is important. Knowledge of Chinese culture is an advantage as it can help reduce misunderstandings and minimise the high tension involved in negotiations. The Chinese, for their part, are inclined to appreciate any effort by the European to learn Chinese culture and customs. This can impress the Chinese negotiator and can go a long way in helping the negotiation progress positively. As such, the attempt to understand any cultural traits that prevail in Chinese behaviour would help the European negotiator to enter a better relationship with the Chinese.

5. References

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Photo 138. Sparrow in the hand / Vrabac u ruci