

# Impacts of Cultural Differences on Sino-American Business Negotiations

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**Abstract**—With the rapid development of global economic cooperation, international business negotiations are on a dramatic increase. In the past two decades, business negotiations between China and the U.S. have been growing remarkably. However, there are huge cultural differences between the two countries and the cultural differences always have a negative effect on Sino-American business negotiations. Hence, it is widely accepted that understanding cultural differences is vital to Sino-American business negotiations. This paper also emphasizes that in business negotiations people must be familiar with the other cultures, enhance sensitivity to cultural differences and reduce instability caused by the cultural differences. Only in this way can people increase the predictability of the other negotiation's behavior and develop appropriate negotiation strategy, thus become more active in the negotiating process.

**Keywords**- *Sino-American cultural differences; Business negotiation; Impacts; Measures*

## I. INTRODUCTION

International business negotiation is an important part of business activities; it is a cross-border activity that the negotiating parties conduct consultations on issues of common interests to reach a consensus (Liu Yuan, 2007:03). Negotiators from different cultural backgrounds have different ways of communication, values and ways of thinking, and it means that the understanding of different cultures in international business negotiations and the familiarity with the cultural differences of the business activities are very important (Donald W. Hendon, Rebecca Angeles Hendon, Paul A. Herbig, 1996:17-19). Currently, the U.S. is the world's largest economy and it is China's largest trading partner, business negotiation plays an important role in trade between the two sides. Because cultural differences between the two countries have a direct impact to all aspects of business negotiations, this paper attempts to compare and analyze their impacts on business negotiations through the Sino-American differences in ways of thinking, negotiating style and other aspects, and then brings out some suggestions from a cross cultural perspective.

## II. NEGOTIATING CONFLICTS DUE TO CULTURAL DIFFERENCES

### A. *Thinking conflicts*

Chinese people attach importance to an integrated way of thinking. Chinese people tend to look at things from the overall characteristics. Meanwhile Chinese people are

accustomed to divide things into two opposing aspects. In a word, they tend to talk about the principles and then to talk about the details. But Americans tend the linear way of thinking. Due to the influence of linear thinking, they pay attention to the actual negotiations and at the beginning they are eager to discuss specific amounts. They think the contract is a complete and legally binding clause which should be complied with.

### B. *Habit conflicts*

Permission for value affects the autonomy of the Chinese negotiators. Chinese people pay greater attention to the difference between the status and the position of himself in the superior-subordinate relationships. In the United States, affected the concept of equality, both exchanges are equal and have equal rights in the negotiators, highlighting the role of the individual. However, because the negotiating parties are Chinese people, their role in such prominent individuals may give each other a lot of pressure and this probably makes the opponent not suited and then push the negotiations into deadlock.

### C. *Value conflicts*

Chinese people's values the thinking based collectivism formed the character of loving peace and the overall situation that they trend to consider a more balanced treatment of the issue. They perform very moderate when expressing their views so that it make the other party very confused. American values the thinking based individualism. Individualism is the core American value and it thinks that fair competition is the best way of incentives. The value makes them more accustomed to single-handedly deal with matters and arbitrarily solve problems.

## III. HIDDEN RISKS IN BUSINESS NEGOTIATIONS

### A. *Emerging misunderstanding*

The most important tool of communication between the Sino-American negotiators is language; in addition there is non-verbal communication. However, due to differences in linguistic and non-linguistic cultures, communication barriers exist between the two sides. There are many differences in language and culture between Sino-American and it creates a lot of misunderstandings and barriers to communication between China and the U.S. negotiators.

### B. *Making the agenda inconsistent*

Due to the different ways of thinking about China and the U.S., Chinese negotiators tend to take lateral negotiations. All the negotiation problems involved should be lateral

spread and several issues are discussed at the same time. While making progress, the entire things move forward at the same time until all the issues are settled. Americans tend to adopt the vertical negotiations. After negotiating the issues involved clearly, they would like to talk about the clauses one by one.

#### C. *Making the negotiation come to a deadlock*

In order to maintain good relationships, Chinese negotiators are more willing to take the form of non-confrontation and non-direct conflict to solve the problems. However, the U.S. negotiators will seek to clarify their views and distinguish right from wrong with direct language. This straight forward expression of the American negotiators will hurt the Chinese people's self-esteem. These differences make the negotiation process become difficult and even lead to an impasse in negotiations.

#### D. *Making the negotiation eventually ruptured*

Chinese businessman pay attention to friendship and they can change the terms of the contract flexibly. Americans emphasize the benefits. Once they signed the contract, they attach great importance to legal contract. Chinese people are very hospitable and the visiting U.S. negotiators will be taken good care of. While the Americans are equal hospitality and the guests will not be given preferential treatment. The different understanding will difficultly enable both sides to trust each other and may directly lead to the talks ended without results.

### IV. STRATEGIES OF CROSS-CULTURAL NEGOTIATIONS

#### A. *Making good preparations*

During the negotiations, the two sides are not hostile relations, but that is not to say there is no interest conflict and contradiction. The negotiating table is changeable. In order to influence the development of the negotiations in complex situations, the negotiators must be fully prepared. Only well prepared, the negotiation personnel could adjust to the changing circumstances and become flexible in negotiations, so as to avoid intensifying conflicts of interests.

#### B. *Creating appropriate atmosphere actively*

After conducting adequate preparation, the negotiations begin. One negotiation often involves several discussions and consultations, but whether it is a one-time or repeated negotiated negotiation, the negotiators should create a good atmosphere because tense atmosphere will affect the negotiator's emotions, actions, and the tone when negotiating (Pervez N. Ghauri, Jean-Claude Usunier, 2003:62-74). A good atmosphere tends to have a positive impact on the negotiations and relaxed negotiations atmosphere will make both sides feel very relaxed.

#### C. *Paying attention to etiquette*

“People first learn ceremony(做人先学礼)”. Etiquette is very important in any place, so it is important to protect the personal accomplishment, but also the basis for harmonious interpersonal relationships. It is also an indispensable factor

in business negotiations. Elegant dress, manners will give a deep impression to the other side. Since the focus of the two countries is not the same and the ceremonial perception is not the same, so people can develop a simple but effective trick to relieve stress ritual between the two parties.

#### D. *Handling the conflicts of interests*

As the participants have their own ideas, so it is normal that there is a conflict of interests in the negotiations. In the negotiations, the two sides are in accordance with their own mindset to consider the issue and different opinions may make the negotiations come to a deadlock. Giving more opportunities to each other to exchange opinions and let each other feel that they were involved in the whole process and this is a good way to reach an agreement and resolve the conflicts.

#### E. *Developing several sets of programs*

During the business negotiations both sides want to strive for maximum benefit and it is very easy to emerge friction, therefore, it's very important to prepare for two possible alternatives and multiple backup sets of programs. Both sides qualified, principled compromise and then put forward suggestions to solve the unsatisfactory, so as to find out a best strategy to meet the maximize interests of both sides.

#### F. *Delaying strategy*

Americans pay attention to the efficiency of the negotiations, based on this characteristic the Chinese negotiators can use delaying tactics to get the initiative. This Strategy is to delay negotiations by delaying the time to regain the initiative, forcing the other side to make concessions on the negotiating asking price. This also makes the other side under big pressure, and then they will sign the contract as soon as possible.

#### G. *Elastic commitment strategy*

Because the United States has a strong awareness of the law merchant, so they tend to strictly in accordance with the clauses to perform contract, so the Chinese negotiators could use elastic commitment strategies to protect their reasonable request. This will not receive compensation for prosecution because of the situation mutation or contract change.

### V. CONCLUSION

In conclusion of the above analysis, it can be summarized that cultures have influences over all the basic elements of negotiation. The consequences resulting from cultural differences are a great danger for smooth negotiation between the Chinese and the Americans. In today's increasingly globalized world economy, along with the frequent international exchanges and close business, cultural differences between countries is particularly important, little attention will cause unnecessary misunderstanding, and may even directly affect the actual business contacts effect(Christopher W. Moore, Peter J.Woodrow, 2010:35-51). There are a lot of cultural differences between China and the America. In the international business negotiations the two

sides must enhance the sensitivity to cultural differences. In cross-border business negotiations, the negotiators not only should understand cultural characteristics of different countries and learn about cross-cultural theoretical knowledge, but also should have a broad mind and tolerant attitude towards cultural differences in other countries to show understanding and respect. A famous Chinese tactician maintains that, “know yourself and your enemies, and you may win one hundred victories in one hundred battles”. Only correctly understand and properly grasp the cultural differences between China and the U.S. can people constantly improve their negotiating skills, enhance their advantages and then promote the smooth conduct of international business negotiations.

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