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Honors Thesis

EXPLORING HOW SINO-BUSINESS CULTURE INFORMS
UNITED STATES BUSINESS NEGOTIATION PRACTICE

by
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Submitted to Brigham Young University in partial fulfillment
of graduation requirements for University Honors

Department of Marketing and Global Supply Chain
Brigham Young University
June 2024

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ABSTRACT:

EXPLORING HOW SINO-BUSINESS CULTURE INFORMS
UNITED STATES BUSINESS NEGOTIATION PRACTICE

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Bachelor of Science

Numerous scholarly works have explored the intricacies of negotiating with China. This paper aims to add value to previous research by providing insights deduced from cross-cultural communication with individuals from the People's Republic of China (PRC), while emphasizing the advantages of adaptation of Chinese business culture by U.S. negotiators. *The United States Institute of Peace* observed several biases among U.S. negotiators including a tendency to accept initial solutions prematurely, as well as a lack of understanding regarding counterparts' objectives and contextual circumstances (Quinney 2002). The strengths of Chinese business culture help remedy these tendencies and inform Western negotiators how different frameworks can assist in domestic and international negotiations. The narrative begins with an exploration of the evolving dynamics between the United States and China. Next, the concept of guanxi, the heart of Chinese culture, is examined for its potential application in improving Western negotiation approaches. This leads into the value of the Chinese holistic approach to negotiation. Lastly, the paper contrasts the methodologies of Western negotiators with those of their Chinese counterparts, demonstrating the way for a comprehensive understanding of negotiation dynamics in cross-cultural contexts.

ACKNOWLEDGEMENTS

The completion of this thesis marks the culmination of a significant journey, one that I could not have undertaken alone. I wish to express my sincere gratitude to those who have supported and guided me along the way.

Thank you, Vika Filimoeatu and Julie Radle, for encouraging me to continue the Honors Program curriculum and providing directions to get me started on my thesis. Their insights and direction were instrumental in setting me on the right path.

Thank you, Dr. Mark Hansen, for answering my questions on procedure and assistance serving as the liaison between the business school and the honors program. Both departments are indebted to you for your service.

Thank you, Dr. John Gardner, for the helpful feedback and challenging me to improve the thesis. Your guidance has been vital in shaping the final outcome of the paper and my academic journey.

Special thanks are due to Dr. Simon Greathead for his consistent mentorship, thought-provoking insights, and guidance throughout this endeavor. Despite a full workload and other pressing obligations, he always made time to meet and provide counsel.

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Section 1. The Evolving Relationship between the United States and China

1.1 Foreword

This research paper focuses on how Chinese business culture can be incorporated into and inform Western¹ business negotiation practices. Chinese business culture practices are often effective in the world market, as demonstrated by China's status as the largest producer in the world of many commonly used electronic goods, semiconductor chips, and rare earth elements (Blustein 2019). Becoming the largest producer has given China extensive negotiation experience. The Chinese are also exceptional at project management, as evident by their accelerated urbanization rates. What took the United States 40 years to accomplish in urbanization, China accomplished in only 15 years (Guan et. al 2018). Project management is a key aspect in negotiations, and Chinese culture has an extremely different method of management as compared to the United States. Chinese immigrants are living examples that many of the principles of Chinese culture can be successfully applied in the United States economic landscape. The evolving relationship between the United States and China demonstrates the journey and effectiveness of Chinese culture in America. Chinese immigrants are considered "model minorities" and are some of the most successful immigrants in the United States (Holland 2007). The beginning narrative demonstrates how early Chinese citizens immigrated to America, often as poor refugees, and how they have become an integral part of the United States success story.

¹ For the purposes of this paper, "Western," "Westerners," or any variation thereof represent the United States unless explicitly stated otherwise.

1.2 Early Chinese Immigrants in the United States

The United States and China have a longstanding history of leveraging Chinese labor and innovative ideas to address economic challenges within the United States. The first immigrants from China landed in North America in 1780; however, it wasn't until the discovery of gold in California that the United States saw a large influx of Chinese immigrants. The incentive of a profitable opportunity was even more attractive to immigrants fleeing the Taiping rebellion, the Opium Wars, and a Chinese government with limited control over public safety (Holland 2007). The United States represented a literal “golden opportunity” and potential safe haven for Chinese immigrants while presenting the United States with a promising supply of willing workers for work ventures in the future.

When the transcontinental railroad was threatened by domestic labor shortages in the 1860s, thousands of Chinese workers leapt at the chance to provide their services to this construction. The majority of these workers hailed from Taishan County in Guangdong Province, a region recognized for its rural landscape and economically disadvantaged population. The United States recognized the difficulty that the workers would face gaining passage to the United States and provided free transoceanic passage and a five-year prepaid labor contract (Holland 2007). Chinese workers were essential to the completion of the western portion of the transcontinental railroad. The participation of Chinese workers in the construction of this monumental project not only ensured the railroad's timely completion, but achieved a cultural and economic feat: the “physical presence and productive efforts” of the Chinese laborers also built a bridge between

America and Asia that had not existed before (Chang & Fishkin 2019). The transcontinental railroad served as the passageway to accelerate the immigration of sino-immigrants² to the United States.

Despite this form of foreign aid, the Chinese immigrants were mistreated and discriminated against. Upon the completion of the railroad in 1869, the freshly unemployed Chinese laborers sought new employment. This caused an uproar from American citizens who blamed the Chinese workers for accepting lower wages and taking American jobs. American citizens called for action to be taken to stop the immigrants from gaining permanent residence. Politicians capitalized on the widespread disdain and leveraged the prohibition of Chinese citizenship as a means to advance their own political objectives. As a result, Congress created the Chinese Exclusion Act, a law that restricted immigration of contracted Chinese workers. This marked the “first time Congress ever barred a particular racial group from entering the country,” (Holland 2007). The ban was only supposed to last for 10 years in order to prevent the railroad workers from remaining in the United States. However, the ban was expanded and renewed as politicians continued to use it as propaganda to gain reelection and due to general fears about the economic impact of additional laborers. It took 50 years for the ban on Chinese immigrants to be lifted. This period of exclusion represented a blockade of cultural understanding between the two countries. It represented conventional fear of an unfamiliar culture, one which hindered cross-cultural acceptance and learning for a substantial period of time. It wasn't until World War II, when China became an ally of the

² “Sino” is defined by the Cambridge Dictionary as something “of or connected with China”. For example, Sino-immigrants means immigrants of Chinese descent.

United States, that legislation was altered to allow greater collaboration and immigration between China and the United States.

The post-World War II immigrants from China were completely different from the poor, uneducated, unmarried, dialect-speaking male immigrants of the 18th century. The new immigrants were highly educated, spoke Mandarin, and pursued degrees in engineering and the sciences. Degrees in these specific fields were extremely scarce in American society (Alic 2008). The United States had dedicated the majority of their research and development funds to farming and military technologies in order to fund the War. The Chinese immigrants saw the gaping hole in the areas of technology and sciences in American society and labored to fill it. These Chinese scientists made groundbreaking discoveries related to manufacturing, computer hardware and software, and other technologies (Teitelbaum & Asher 2009). These timely innovations have given the United States a competitive advantage in worldwide technological leadership. For an America emerging from the agriculture era, these scientific discoveries were revolutionary and greatly assisted the United States to become the superpower it is today.

The new sino-immigrants brought their families with them; these children in turn followed the same pattern as their parents of attending colleges and earning bachelor's degrees. The descendants of these Chinese immigrants have been shown to “achieve a higher degree of success than the population average” in America. Success was determined by international surveys to include “income, education, high family stability, and low crime rate,” (Holland 2007). Multi-generational Chinese families continue to

provide services and expertise which further American society in the present day. Chinese immigrants and their descendants have made remarkable contributions to technological and infrastructure advancements in the United States. Their success, rooted in the application of cultural principles, demonstrates the potential for Chinese cultural principles to thrive and excel in an American environment. Additionally, the consideration of China's status as the world's largest producer as well as its advance in becoming a global consumer in sectors similar to those of the United States (Fernández-Stembridge 2003), constitutes evidence that the exchange of business culture principles between China and the United States could produce mutual benefit and cooperative innovation.

1.3 China and the United States Today

Currently, the United States shares a mutually beneficial relationship with China, although political and economic challenges are apparent. The United States is the largest consuming country, while China is the largest producer of a variety of goods, including steel, coal, gold, semiconductors, and solar panels (Blustein 2019). China maintains its standing as the largest producer in part due to its exclusive access to large amounts of rare earth elements that are essential ingredients in the aforementioned products. For the past two decades, China has accounted for the production of 80% to 95% of the world's rare earth elements, making it the largest producer by far (Seaman 2019). In addition to being the largest producer of rare earth elements, China also leads in production of antimony, magnesium, tungsten, and natural graphite, which are essential in the production of smartphones, computer hard disks and TV/monitor screens. The United

States is “heavily dependent” on the importation of rare earth elements, which makes the current relationship with China even more valuable (Pacchioli 2023). China’s production of rare earth elements, coupled with the cheap labor available in China, creates a competitive advantage that is nearly impossible to recreate in the United States. This imbalance creates a United States dependency on China and a concerning strain on the relationship that exists between the two countries.

As the world's largest producer of rare earth elements and its pivotal roles in “controlling production chains and shaping the market” for many essential products, China has gained extensive experience in negotiation practices (Seaman 2019). These practices are deeply connected with its cultural identity as a leading provider of services and products. Leveraging these competitive advantages, China has developed unique perspectives and techniques to negotiate effectively. Such techniques could potentially prove useful to cross-cultural negotiation practices (Meyer 2014). China is also making progress in becoming a major world consumer.

China has experienced incredible growth in its middle class with a jump in urbanization rates of 30% in 1999 to 50% in 2014. China achieved this level of urbanization in just 15 years, a feat that took the United States 40 years to accomplish (Guan et al. 2018). This is a result of many Chinese citizens in rural areas migrating to cities where there are better occupations and higher standards of living. As China’s population continues to elevate its financial status, the citizens of China are beginning to consume many of the same products as citizens of the United States, such as computers,

jewelry, cars, and cellphones (Fernández-Stembridge 2003). Given these intertwined dependencies and changing consumption trends, it is uncertain on how future relations between the United States and China will progress.

The journey of China's transformation of sending poor immigrants to seek refuge in the United States to becoming one of today's most respected and formidable superpowers is truly remarkable. Leveraging thousands of years of rich cultural heritage and effective business practices, China has ascended to global prominence and found success in and with the United States. The citizens of the United States, hailing from a relatively young country with just over 200 years of historical existence, could glean valuable insights on employing different methods of conducting business transactions by studying the example set by Chinese culture.

One issue that could be informed by Chinese culture is found in Western negotiation practices. Western negotiators tend to approach negotiations with a focus on making deals more quickly than their Chinese counterparts (Pitta, Fung, & Isberg 1999). Although effective at achieving results, the Western approach has its downsides. According to *The United States Institute of Peace*, American negotiators may settle for the first solution they find and overlook the needs and contextual circumstances of the other party (Quinney 2002). On the other hand, Chinese negotiators are skilled at observing the bigger picture and taking a more holistic approach (Standifird & Marshall 2000). This thesis aims to show how Chinese culture can inform Western negotiation practices. Historically, the United States has often stuck to a "my way or the highway" mentality (Quinney 2002), where embracing Chinese culture approaches such as guanxi

and holistic thinking, could possibly lead to better outcomes, including more collaborative agreements and stronger, lasting relationships. The next section will explore the concepts of guanxi and holistic thinking from Chinese culture.

Section 2: Guanxi: The Heart of Chinese Business Culture

2.1 Task-Based vs. Relationship-Based Cultures

The United States is known for its task-based business relationships (Meyer 2014). Task-based societies, also referred to as transactional relationships, rely on confidence in another party's accomplishments, skills, and reliability. Confidence is mainly "built through business interactions" (Meyer 2014). Business ventures tend to be viewed as professional in purpose and often limited in their relational reach. Individuals in task-based societies often care little about who performs the service, instead focusing on whether the task will be accomplished. The emphasis of such ties is on the practice of business rather than the need for interpersonal relationships to conduct business.

Many strategic partners in task-based culture are chosen based on what provider is cheapest or most efficient. This strategy is effective when there are many providers that have similar services for relatively similar prices. If one provider does not fulfill expectations of service or product, then another provider can quickly be selected. Compared to some countries, in United States culture there is relatively little to no relationship outside of the business relationship (Meyer 2014).

The transactional-based approach is useful when laws in a certain country are protective and can ensure that there isn't treachery or deception. The United States has

established laws that protect businesses and contracts (Pitta, Fung, & Isberg 1999), so there isn't as great a need for relationship-based business agreements in domestic business. If a breach in contract occurs, the offending firm can be brought to court to face the consequences of their negligence. Having a contract in a culture defined by a "consistent, reliable legal system" allows an individual to do business with people they "don't trust or even know," (Meyer 2014). The population of the United States is made up of immigrants from vastly different cultures with different understandings of how business is conducted. The laws of the United States reflect such diversity, by clearly stating what is illegal and the repercussions for breaking a contract. U.S. business laws allow individuals from completely different backgrounds to do business with one another, regardless of cultural backgrounds and without getting to know who the counterpart is. The laws of the United States have developed over time in order to encompass a heterogeneous demographic of individuals.

The clearly defined protocols and reliable standards in the United States vary greatly when compared to the financial ecosystem and largely homogeneous population that exists in China. According to Erin Meyer, a professor at INSEAD who specializes in cross-cultural communication, China and the U.S. are complete opposites of one another when it comes to relationship building in business (See *Figure 1* below). According to the *Journal of Consumer Marketing*, contracts in China are much more open to interpretation and selectively enforced (Pitta, Fung, & Isberg 1999). It is difficult and costly to pursue breaches in contract, and the government does little to assist in regaining lost property or intellectual property, especially if the offended party is from another nation (Crane 2007). Each of the approaches, task-based and relationship-based, have

their strengths and weaknesses. However, Erin Meyer recommends that “no matter who you are working with, investing more time in building affective trust (personal relationships) is a good idea,” (Meyer 2014).

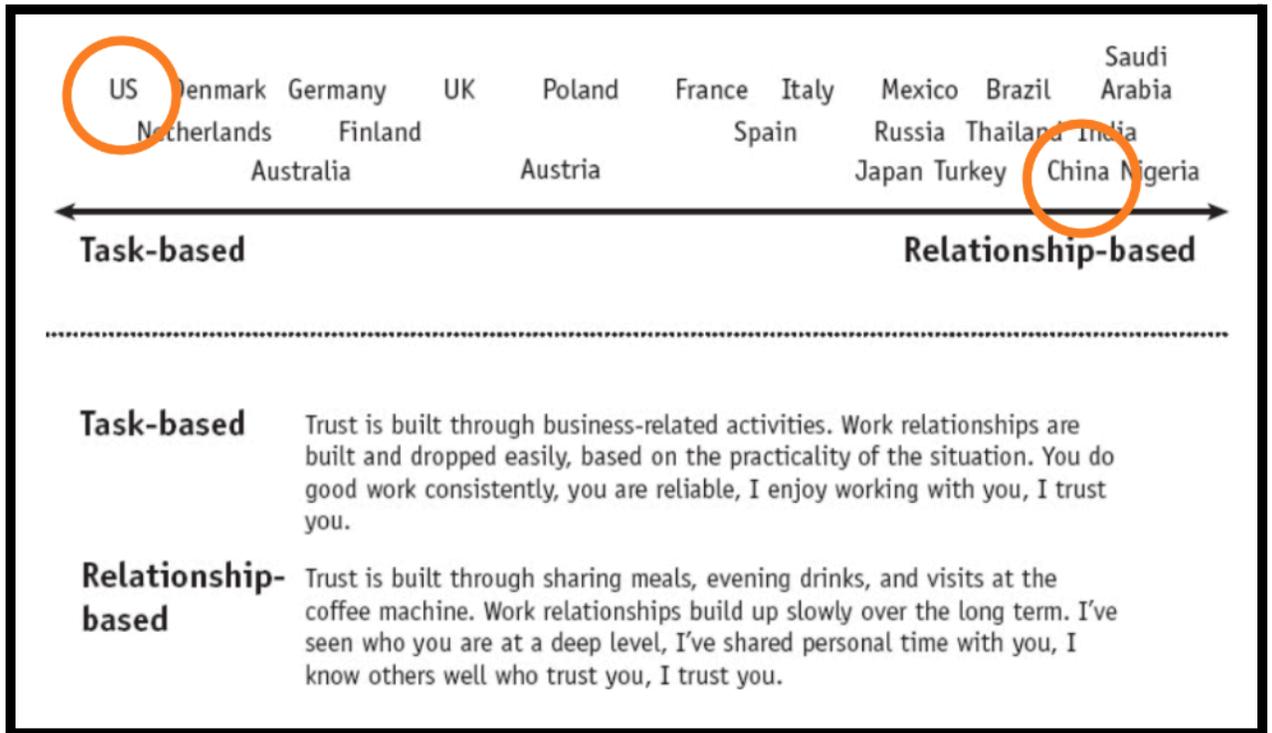


Figure 1 (Above): Erin Meyer Trusting Scale (Emphasis Added) (Meyer 2014)

Transactional relationships occasionally falter because Americans spend little time getting to know their counterparts. They trust in the strength of the contract and focus on getting the deal done. An analysis of U.S. negotiations conducted by *The United States Institute of Peace* found that American negotiators were “urgent” and “results-oriented” and emphasized finishing the negotiation in “the shortest time,” (Quinney 2002). These are characteristics typical of task-based relationships and can, with cultures of different priorities or domestically, be detrimental to negotiation results. While the negotiations are conducted quickly and results are produced, there can often be

mistakes or miscommunications that will require future negotiations to solve. The quick time frame of American negotiations also does not allow for affective trust to form, which is essential to forming long-term relationships. In order to accomplish everything in the shortest amount of time, personal relationships are set aside to focus on the business aspects. This leaves only time for the most important facts to be presented, which leaves out a good deal of context that could prove important to the negotiation.

According to *The United States Institute of Peace*, “While U.S. negotiators are adept at making sure that the other side hears what they have to say, they are less accomplished at hearing what the other side is not saying,” (Quinney 2002). Other cultures, particularly Chinese culture, place emphasis on interpreting body language and unspoken cues to discern the true nature of a situation (Meyer 2014). Imagine a negotiation where only half of the words were actually heard by the other party. Such a scenario may seem laughable but is all too real in some American negotiations. There are certain techniques found in Chinese business culture that could inform and potentially provide a remedy to the tendencies associated with American negotiation practices.

2.2 A History of Guanxi

Chinese business culture has been shaped by the principle of “guanxi” (关系), which is a Mandarin Chinese word that translates to “relationship”. Guanxi is derived from Confucianism, a Chinese philosophy originating during the Han dynasty (206 BC – AD 220) (Zeng 1999). Confucianism focuses on principles of self-cultivation, which in this philosophy is defined as the aim to “determine one’s proper position in the network

of social relationships and to behave properly according to one's position," (Tu 1996). In Confucianism, relationships possess great value, even defining one's inherent worth. If a person provides a favor, then a favor is expected in return. Some of the earliest examples of guanxi involve Chinese farmers who relied on each other to provide favors with the expectation that they would receive a favor back out of mutual respect and friendship. Such transactions went beyond the give-and-take of official business. The purpose of these favors wasn't just to obtain profit or materials: These activities added value by building rich and reliable relationships. Since communities were tight-knit, laws were less prevalent, and instead people chose to assist those with whom they had good guanxi (Ambler, Witzel, and Chao 2009).

The belief and tradition of guanxi has been adopted into Chinese modern business practices. There have been some modifications as business has expanded into the international landscape. Chinese individuals recognize that foreign parties prefer to formalize agreements in writing and are willing to enter into such contracts. However, when this signage occurs varies amongst different demographics. For example, many Westerners want to finalize a contract before getting to know their Chinese counterparts. Conversely, "the Chinese prefer to deal with people they know, like, and respect first", and then complete the required transaction or contract (Berry, James, and Tsui 2013). This cultural difference can be particularly frustrating for Westerners, because they focus on what appears to be most efficient (ie. the quick signage of a contract or agreement). Westerners might not realize the important advantages of focusing on relationship

building before finalizing transactions, which could mean they miss out on valuable opportunities for beneficial connections and cooperation.

Becoming familiar with a business partner can ensure that they can be trusted to a greater extent than a purely written contract would require (Standifird & Marshall 2000)³. Westerners rely on signed agreements to determine what actions a contracted vendor should or should not take in order to fulfill an order. This is useful for simple and routine tasks where little can go wrong and the contracted vendor could easily be replaced. However, in more unpredictable circumstances, such as where demand for product fluctuates greatly, it would be beneficial to have a supplier who is invested in the success of the customer, to a degree beyond what the bare minimum requires. The contracted vendor with whom the client has developed a relationship will be more likely to go above and beyond what is required to ensure the needs of the client are met. Varying demand is just one of several potential setbacks in a task-based approach. Other factors, such as fluctuations in the costs of parts or products, weather disruptions affecting shipment times, economic downturns, shifts in trends, and possible defects, can also significantly impact operations. A study focused on the transaction cost advantage of guanxi-based business practices demonstrated that an increase in guanxi had the ability to reduce costs associated with such challenges (Standifird & Marshall 2000). Should anything go awry, the Chinese expect the counterparty to be available to help to deal with issues in order to protect and grow a long-term relationship (Gold, Guthrie, and Wank 2002). Unlike Western agreements that explicitly state what is expected, Chinese agreements are

³ *Getting to know someone better may also reveal that they are **not** trustworthy. Either way, spending time to deepen a relationship can aid in the assessment of an individual's reliability and capability.*

continually changing in order to best suit the needs of both firms. The guanxi in these cases is stronger and can be more mutually beneficial than a contractual obligation (Standifird & Marshall 2000).

By contrast, a weak understanding or application of guanxi can have negative consequences for business relationships, especially in China. Individuals from other countries are labeled as waiguoren (外國人), which translates to people from the outside. This term is often used to reflect the idea that foreigners may struggle to fully grasp the essence of guanxi. While they may observe and even attempt to replicate it, they often fall short of understanding its true depth.

It is common for uninformed waiguoren to expect tasks to be accomplished in China because they have a contract set in place. For the Chinese, the contract is not as important as the relationship. As expressed in the Chinese proverb, "the rule of man is more important than the rule of law" (Pitta, Fung, & Isberg 1999), Chinese culture places greater importance on interpersonal connections. The Chinese recognize that laws can be altered or interpreted differently by individuals to fulfill their needs. Rather than relying on the letter of the law, the Chinese choose to put their trust in their relationship with others. If that trust is not established but a contract is in place, then there is a mitigated ethical effect in violating said contract (Standifird & Marshall 2000). Conducting a business deal without trust poses greater risks in China due to the importance of guanxi, yet similar considerations are relevant in United States business negotiations as well. Contractual obligations can often contain loopholes and be subject to different

interpretations. In such cases, it may be beneficial to have multiple layers of trust established, rather than relying solely on one set. Ultimately, the stronger the guanxi, the less risk there is of opportunistic behaviors (Standifird & Marshall 2000).

2.3 Examples of Guanxi in the United States

A prime example of guanxi is found at Chinese company, NIO. NIO, established in 2014, has grown rapidly in the past decade. NIO recorded 96% growth each year from 2021 to 2023 (Diao 2023). NIO has quickly become a large competitor of Tesla, which is particularly noteworthy as Tesla recently built a factory in Shanghai. A market analysis conducted in 2019 by Tianjin University revealed NIO sold more than “four times the number of domestic Model X sales made by Tesla at the same level” (Li 2019). The secret to NIO’s success lies in their ability to utilize guanxi. NIO takes extreme measures to foster a lifelong relationship with their customers, which is much more “cooperative” than the customary one of “buying and selling” commonly found in Western practices (Diao 2023). NIO’s employees are called “Fellow” and provide above and beyond service to potential and existing customers. Fellows even help sell used cars after the car has been owned for a number of years. NIO provides a wide range of events for customers, including “parent child events” and “training camps for car owners” (Peng 2020). The excellent service and focus on relationship building has resulted in “60% of total orders coming from customer referrals,” (Diao 2023). While not yet in the United States, a recent interview announced NIO’s plans to enter the North American market in 2025 (Reuters 2024). It has not been announced how NIO will adapt to the United States

market, but it will be interesting to see what guanxi principles NIO continues to utilize that have contributed to so much success in the Chinese market.

Although present in many Asian cultures, guanxi has been attributed to originating in Chinese culture (Smith 1996). This paper focuses on how Chinese business culture can inform Western business negotiations. The following section is an example of how Chinese business culture has informed Japanese business culture, which in turn has been employed with great success in the United States. By demonstrating how guanxi has informed Japanese culture in the West, the reader will see why certain practices associated with guanxi could prove to be effective when employed in Western negotiations. Chinese neighboring countries (Japan, Korea, and Vietnam) have absorbed and refined Confucianism and its principles, such as guanxi (Smith 1996). Japan's adoption of guanxi has resulted in a focus on "group harmony and social cohesion" when dealing with others outside of the firm (Alston 1989). One of the most famous integrations of guanxi in business is found at Toyota, a Japanese motor company in America, has applied the principles of guanxi in their business dealings and have seen great success.

Contrary to the prevailing assumption among Americans—that investing time in nurturing long-lasting personal relationships is inefficient—Toyota's strategy underscores the strategic value of such relationships. For example, according to an article from *The Harvard Business Review*, it took two to three years for General Motors, Ford, or Chrysler to design new cars. Toyota, using principles of guanxi, required a mere 12 to 18

months. Additionally, Toyota's manufacturing costs decreased by 25% in the 1990's through leveraging guanxi (Liker & Choi 2004). This accelerated pace underscores the agility and adaptability produced by Toyota's supplier relationships, enabling the company to swiftly respond to market demands and technological advancements. Toyota attributes its success to building strong and long-lasting relationships with its suppliers, ensuring that the suppliers receive the support they need to function seamlessly with Toyota. In essence, Toyota's accomplishments discredit the idea that investing in long-term supplier relationships is inefficient. Instead, they demonstrate how such partnerships can significantly improve efficiency, foster innovation, and provide a competitive advantage in the shifting business environment. Toyota's emphasis on collaboration has not only revolutionized industry standards but also highlights the considerable impact of developing strong connections through guanxi.

2.4 Holistic Thinking

In contrast to the Western approach, which often focuses on specific details and immediate outcomes, Chinese culture places a strong emphasis on holistic thinking (Martinsons & Davison 2007). Holistic thinking means considering the broader context and the interconnectedness of all parties involved. Western negotiators tend to focus on the issue at hand and on the immediate solution (Quinney 2002). This can lead to some of the tendencies observed in Western negotiators, such as prematurely accepting initial solutions and a lack of understanding of the context of the issue, which can lead to recurring problems. These common biases can be partially attributed to the linear thinking patterns common in the West. Americans break up negotiation tasks into a series

of more manageable pieces: “price, quantity, warranty, delivery, and so forth,” (Graham & Lam 2003). The linear model progresses logically as each item is decided upon. Progress is more apparent to the negotiators as tasks are marked as accomplished. Because each task is separated from the next, the linear thought process may miss out on details that could prove helpful to previous tasks decided upon. For example, suppose there's a shortage of workers in one department and a decision to hire new employees is made. Later in the negotiation, it's discovered that cuts are necessary in a different department, potentially allowing resources to be reallocated to address the staffing shortage in the original department. Such a circumstance might be avoided if elements of the Chinese holistic model are applied.

The Chinese tend to see individual parts unified as a package deal. They talk about all aspects of each item before settling on what should be done. The logic behind this approach is that if one aspect were to change, then all aspects would change. For example, if the shipping cost or additional labor exceeds the initial expectation, negotiations would need to be reopened to establish a new price. In Chinese culture, it is preferred to see the whole picture before making a decision. A common symbol of Holistic thinking is the Chinese principle of yin and yang. The yin and yang signify that “seemingly contrary forces are interconnected and interdependent,” (Meyer 2014). This aspect of Chinese culture can be applied to Western negotiations by slowing down the negotiation and taking a more holistic approach. Before deciding on anything, it could prove beneficial to take some time to look at the macro picture rather than zooming into the micro. Such a negotiation may feel like no progress is being made since no decision is

finalized. However, once a holistic view of the situation has been examined, decisions can be made quickly.

It is also common in Chinese culture to consider a counterpart's reputation and background in addition to the facts of the immediate issue (Martinsons & Davison 2007). An American negotiator may say, "This supplier has missed an order and cost us thousands of dollars". A Chinese negotiator may respond, "This supplier has been with us for ten years and has only missed one order. They have made us hundreds of thousands of dollars." For the Chinese negotiator, the relationship and reputation of the supplier outweighs the monetary value lost. This does not mean that no action should be taken, but it affects the way the negotiation process continues. Rather than deciding based on easily accessible information, taking a more comprehensive approach ensures a thorough evaluation before reaching a conclusion. In summary, embracing the holistic approach of Chinese culture in negotiations can lead to more comprehensive decision-making and stronger relationships, leading to more consistent profits over time (Standifird & Marshall 2000).

Section 3 Application of Chinese Culture into Western Negotiation

3.1 Assumptions for Application

What would the concept of guanxi and holistic thinking look like when applied to a negotiation in the United States? For the purpose of this demonstration, two fictional companies will be used. Company A, which is the purchasing and distribution company and Company B, which is the supplier. Assumptions include that both companies are

United States based, and Company B is a transactional based partner. Company A is a much bigger entity and holds the majority of the power. Company B has had trouble in the past with producing enough inventory for Company A.

3.2 Western Negotiation Approach

Opening Statements: Brief and Professional

The Western approach would begin with a clear agenda that linearly progressed from one action to the next. The negotiation process would likely begin with few quick pleasantries before diving into the situation. Personal conversation would likely be extremely limited, if there is any at all (Meyer 2014).

Discussion and Bargaining: Results Orientated

The conversation would revolve around what the lowest price could be, the logistics to carry it out, the quality expected, and the requirements that would be set forth in the contract. According to *The United States Institute of Peace*, American negotiators can be “forceful, explicit, legalistic, urgent, and results orientated” (Quinney 2002). Contracts and previous obligations are the priority of the conversation, and little flexibility is given to the supplier. American negotiators emphasize the benefits of “reaching an agreement on (their) terms, and the costs of failing to do so” (Quinney 2002).

Problem-Solving and Creativity: Transactional

If a contract is continually broken, then Company A may need to sever ties with Company B or use threats in order to motivate Company B. Company A might inform Company B that it may need to switch to a competitor in order to get its point across. The focus of the linear negotiation is a “sequence of stages... that typically culminates in an end game and a binding agreement” (Quinney 2002). The problem-solving is limited to the resources that Company B has at its disposal. Company A expects Company B to produce results without any resources or assistance from Company A. Since the relationship between the two firms is transactional-based, a new supplier can be found quickly should Company B be unable to produce results. The problem-solving efforts are concentrated specifically on addressing the issue at hand.

Agreement and Closure: Clear Ending

The linear model that Americans follow requires a beginning, middle, and end. Essentially, Western negotiators “consider the negotiations finished when they have come to the end of the list” (Graham & Lam 2003). Once the agenda has been wrapped up, a contract is signed and the negotiations are considered over.

Implementation and Follow Up: Limited

Some follow up may be required in order to ensure compliance, but there is typically minimal interaction between the two companies after negotiations are settled.

The contract acts as a reminder and form of enforcement to uphold the agreed-upon terms and obligations. *Figure 2* below demonstrates such a negotiation:

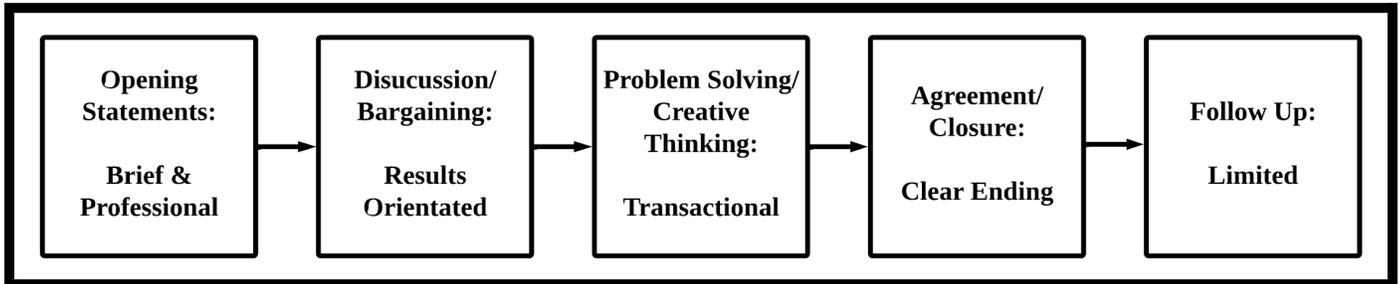


Figure 2 (Above): Western Negotiation Practice Framework

Note that the framework of **Figure 2** flows in a linear fashion. Each item is discussed and agreed upon before moving on to the next. The implementation and follow-up represent the end of the negotiation. If another issue were to present itself, negotiations would open up and the process would start again.

Now, what would the negotiation process look like if Company A utilized Chinese business principles, such as guanxi and holistic thinking, to accomplish its goals?

3.3 Chinese Culture Approach Applied to Western Negotiation

Opening Statements: Personal and Extensive

The negotiations would start with a personal conversation discussing current events occurring in both companies, and likely would include personal matters in the lives of the representative. The purpose of this conversation is to build trust and to glean information about ways to mutually assist each other. Remember, the Chinese are known

for their holistic thinking patterns, meaning they look at the bigger picture rather than focusing on the smaller details (Yama & Zakaria 2019). While the opening conversation may have nothing to do with the actual business transaction, it will provide insights about the reasoning behind what each of the companies want.

Discussion and Bargaining: Mutually Beneficial and Collaborative

The negotiation will flow into what both companies want from the negotiation. According to a survey of Chinese and American managers, Chinese managers “consider situational factors such as (the) background” of a situation, much more than their American counterparts (Martinson 2007). Such a focus helps to avoid the common misstep of American negotiators in disregarding counterparts' objectives and contextual circumstances (Quinney 2002) and helps to identify mutually beneficial solutions. Rather than a demand for lower prices, Company A may ask what it can do to help Company B lower the price. Some potential solutions could be decreasing workloads placed on Company B or renegotiating current prices due to economic changes. One of Company A's primary objectives is to nurture a lasting partnership with Company B. This commitment entails a vested interest in Company B's success and a willingness to offer support to achieve mutual goals, even if it involves unconventional approaches.

Problem Solving and Creativity: Holistic

To ensure long-lasting success for both the supplier and the customer, a holistic problem solving method would be employed. This may include more involvement than a U.S. firm would typically be willing to provide. Some real-life applications of guanxi and

holistic thinking that have occurred in America include sending customer personnel to assist in restructuring operations or utilizing a supplier's competitor to work collaboratively with the original supplier (Liker & Choi 2004). For example, Company A may tell Company B that if Company B can't meet demand, Company A might need to involve a competitor to help. Out of respect to Company B, Company A will inquire what competitor Company B would best be able to work with and would recommend (Liker & Choi 2004). Company B would be assured that they were not being replaced, and would still be in high standing with Company A. If Company B were able to increase production capability, then more orders would be sent to Company B as a reward.

Agreement and Closure: Deliberative

The decision-making process would be longer than a typical United States negotiation. The negotiators would be given several breaks to discuss with their colleagues and superiors about what possibilities exist. This is a critical difference from the Western mindset, which usually revolves around the conclusion of a “good deal,” (Graham & Lam 2003). In Chinese business culture, it's common for decisions to be postponed as stakeholders engage in extensive consultations within their respective companies to refine details before reaching a final decision (Graham & Lam 2003). This deliberative process aims to ensure that all perspectives are considered thoroughly, ultimately leading to the selection of the best possible solution. This varies greatly from Western-styled negotiations, where a solution is determined early and immediately implemented. If there is a mistake, the American companies will pivot and decide on an alternative solution. The Chinese prefer to spend more time gathering information,

spending more time at the beginning of the negotiation rather than pivoting in the middle of the project. Chinese culture recognizes that all things are connected and that situations are usually far more complex than first assumed (Yama & Zakaria 2019). Therefore, more time is required to decipher the circumstance and agree on a solution before action is taken.

Implementation and Follow Up: Ongoing

Reflecting back to the origins of *guanxi*, favors historically were built up by farmers laboring side by side (Ambler, Witzel, and Chao 2009). Implementation and follow-up in current Chinese business culture tends to follow this same pattern. The focus on long-term relationships that is prevalent in Chinese culture requires that the customer is available to help support the client in whatever form they can, and vice versa (Gold, Guthrie, and Wank 2002). This means that the client will typically take a much more hands-on approach with the supplier to ensure everything goes according to plan. This differs from the Western approach, which relies on the contract to motivate the supplier to keep up with the demand. Rather than using the contract as collateral, the client in Chinese culture will strive to provide helpful expertise and work with the supplier to ensure long-term success for both companies. Should economic factors change or situations shift, the client and supplier will be willing to reopen negotiations.

The framework for Chinese culture styled negotiations might look like **Figure 3** found on the next page:

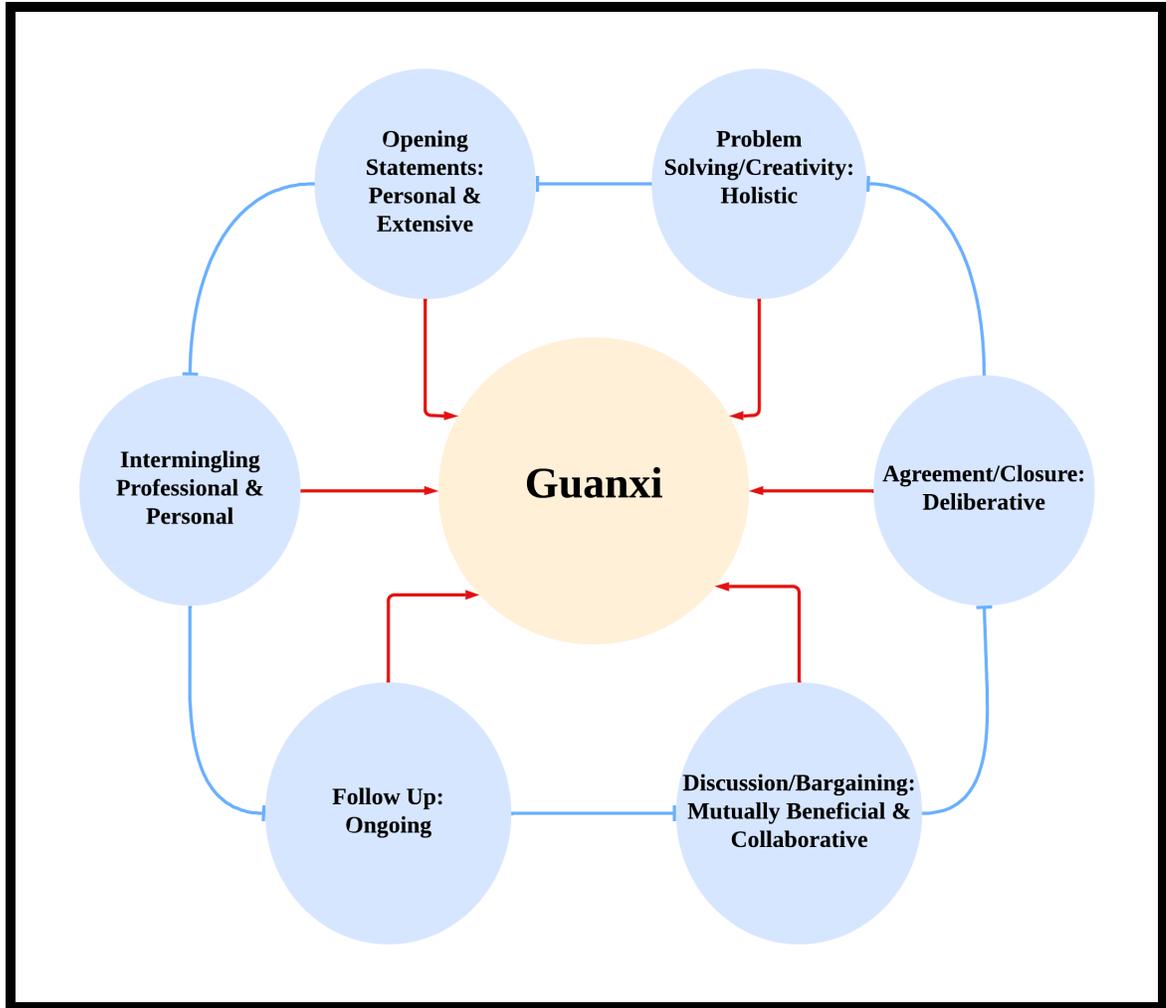


Figure 3 (Above): Chinese Culture Framework

Figure 3 differs from **Figure 2** in that it is a holistic approach. Rather than events flowing one after another, everything is connected and considered. The events are arranged in a circle without a flow line to demonstrate that the negotiations can go any which way. In addition to the information provided at the negotiation, the negotiators consider the background of Company B and the history the two companies share. This is represented by the extra category in **Figure 3** of *Intermingling Professional & Personal* that guanxi requires.

Guanxi is placed at the center of the framework to demonstrate the long-term relationship as the most important aspect of the negotiation. The chart is also a circle to demonstrate that the relationship is ongoing and does not have a clear end. This represents the Chinese preference to maintain long-term relationships with their business partners.

3.4 Caveats of Chinese Culture in Western Negotiation:

It is important to note that while Chinese culture applied to Western negotiation practices can be effective in some circumstances, it is by no means the best way to negotiate in all occasions. In order to utilize the benefits of guanxi, “careful cultivation of an individual relationship” is required (Standifird & Marshall 2000). If done incorrectly, then the counterpart may perceive efforts to build a long-term relationship as opportunistic and manipulative. The entrance to a guanxi relationship can prove difficult to acquire if the potential partner is part of a smaller company with a limited network or is a newly founded company. Guanxi is much more easily established with the presence of mutual connections. If a negotiation is expected to result in a one-time appointment, it may not be worthwhile to invest time in building a long-term relationship. In this scenario, the original firm could choose to forgo spending time learning about the potential partner and instead focus on finding other suitable candidates in case there is an issue with the original supplier. Although this approach contradicts certain principles found in Chinese culture, it could justify pursuing a transactional relationship. It should be noted that the primary connection requires the most time and effort. From that primary connection, each connection made requires a significantly smaller transactional cost

(Standifird & Marshall 2000). Therefore, employing strategies found in Chinese culture to an industry with few key players or where many firms are connected would prove very effective. Chinese culture also emphasizes seeing the whole picture before making a decision. A rushed situation would make it difficult to gather all the necessary details needed in order to make a decision. In such a circumstance, a more direct and linear Western approach may be more advisable than the Chinese cultural approach.

4.1 Areas for Future Research

While this paper has explored the ways in which Chinese business culture can inform Western negotiation practices, it is important to recognize that this topic remains open for further investigation. There are numerous areas within the topic of cross-cultural studies where additional research could be conducted. For instance, delving into how Chinese negotiators navigate rushed or time-constrained situations could provide valuable insights to Western negotiation practices. Another topic on the timing of decisions amongst cultures was discovered by a study conducted in 2007 on the differences between American and Chinese managers. While the Chinese are typically known for taking longer to make decisions using the holistic framework, it was noted that Americans and Chinese managers usually made big decisions within days or weeks (Martinsons & Davison 2007). It is curious that managers from two different cultures come to conclusions around the same time, while employing different methods. The United States culture is characterized by making decisions quickly and adjusting implementation (Meyer 2014). Conversely, Chinese culture tends to take more time to consider the factors in context before making a decision (Yama & Zakaria 2019). It

would appear that more time is spent by the United States in the implementation stage rather than the decision stage, where the Chinese place greater importance on the decision-making process before implementation, ultimately resulting in similar durations for the entire negotiation process for both cultures. Further research on the effect of where time was spent (in the pre-planning stage or adjusting implementation) could prove valuable and inform Western negotiation on which method is better in different circumstances.

4.2 Conclusion

The purpose of this paper is to educate Western negotiators on how Chinese culture can complement and inform Western negotiation practices. The Chinese-culture approach may be better received in circumstances revolving around long-term partners or where suppliers are limited. If a partner is invaluable, then it is pertinent to develop strong and lasting relationships.

Chinese culture excels in this area that is typically overlooked by Western negotiation practices. Western negotiation practices often prioritize efficiency and the bottom line, which may lead to overlooking the importance of cultivating trust and rapport with counterparts (Quinney 2002). Holistic thinking deduced from Chinese culture can help identify interconnected factors in order to make creative and mutually beneficial business decisions. This can be especially useful in negotiation practices where many aspects are at play, and where building solid relationships can significantly enhance outcomes (Liker & Choi 2008). The common tendencies noticed in Western negotiation were accepting initial solutions prematurely and a lack of understanding regarding counterparts'

objectives and contextual circumstances. Holistic thinking can be utilized to consider the factors of a negotiation in context and avoid the first bias. Developing guanxi can assist with the latter bias, by allowing the two parties to understand and assist one another on a deeper level. In doing so, miscommunications and misunderstandings can be decreased to foster more mutually beneficial relationships. By incorporating the principles of guanxi (personal connections) and holistic thinking from Chinese culture, Western negotiators can expand their toolkit and negotiation capabilities to overcome the common biases observed in Western negotiation.

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