Analysis of Effect and Strategies of Cultural Differences on International Business Negotiation

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Abstract: Every culture has gained a global vision at some point in its history. As well as various ways of experiencing reality, it also refers to a distinct set of thoughts, values, and concepts. Negotiating international business is a complex economic activity that involves transnational and cross-cultural interactions. The negotiation of international business transactions is more challenging than the negotiation of commercial transactions in a single cultural milieu because it demands different ways of thinking, feeling, and acting. As a result, in order to develop strong communication skills, we must begin to observe things from views other than our own and gain a basic understanding of the cultures of those other perspectives. Finally, we might be able to spur economic growth. This paper consists of four parts. It firstly expounds the cultural differences existing in the business negotiation of enterprises. On this basis, it compares the cultural differences between different enterprises, shows influence on international business negotiations and puts forward corresponding countermeasures. The research results of this paper can provide a certain theoretical basis for the development of Chinese enterprises in the international economic and trade field, and provide front-line negotiators with corresponding solutions.

1. Introduction

China’s outstanding successes in reform, opening up, and modernization has captivated businesspeople from all across the world, and an increasing number of Chinese people are traveling abroad to conduct business. Today’s international business activities, whether they involve government-sponsored infrastructure projects, technology introduction or cross-border financing, commodities trading, banking and financial services, worldwide shipping, or management consulting, require both Chinese and foreign parties to negotiate the proposed business in order to reach an agreement that is acceptable to both parties. This is frequently referred to as international business negotiation. Negotiation is a critical component of our international company operations. Business negotiation is an essential component of business operations, and culture plays a crucial role in facilitating successful outcomes [1]. Negotiation includes the content, pricing, obligations and responsibilities, and other terms of the project collaboration or transaction, all of which must be negotiated. Both parties’ agreement established through dialogue is legally enforceable and cannot be readily modified. The conclusion of the negotiation will have a direct impact on both parties’
interests. International commercial negotiations, on the other hand, all take place against a cross-cultural backdrop. Thus, summarizing the expertise and lessons of international business negotiations against a cross-cultural backdrop, studying the principles of international business negotiations, debating the effective usage of negotiation skills, and properly resolving various issues during negotiations are critical components of our ability to execute the policy of external opening and conduct international business activities.

2. Overview of International Business Negotiation and Cultural Differences

International business negotiation combines the traits of conventional business negotiation with the particularities of foreign trade activity to produce results that are both effective and efficient.

2.1. International Business Negotiation

Negotiating on an international level is distinct from negotiation on a domestic level. It is a term that refers to negotiations between parties who transcend national boundaries in order to accomplish particular economic objectives and to define reciprocal rights and obligations. Typically, the foreign government, enterprises, or citizens (including enterprises and businessmen in Hong Kong, Macao, and Taiwan Province at this point) are on one side of the negotiation, while the Chinese government, enterprises, or citizens are on the other. International business negotiation plays a critical role in international economic and trade activity. Thus, in foreign commercial and trade activities, how to attain one’s own objectives through negotiation and how to increase negotiation efficiency have become a subject of study, arousing widespread attention. Numerous transactions in today’s global society require regular and complex negotiations. Although many people believe that the success or failure of negotiations is determined by the quality, sophisticated technology, or low cost of the commodities traded on exchanges, the reality is that the success or failure of transactions has been frequently dependent on the success or failure of negotiations to some extent. In developing countries and emerging markets, various stakeholders must consult on issues of mutual concern or interest, coordinate and adjust their respective economic and political interests, and seek a common ground at a certain point in order to reach an agreement under the conditions deemed favourable by both parties. Consequently, international business negotiation is a crucial economic activity that occurs universally in foreign trade and investment activities, and it is a vital element of trying to coordinate and solve the inherent conflict of commercial advantages between government agencies and corporate entities in different countries around the world.

2.2. Cultural Differences

International business negotiation encounter challenges due to cultural differences [2]. The following sections discuss the most significant cultural variations linked with corporate negotiation activities:

Language. A person’s language is the most direct aspect that can be used to determine their cultural component, and it is also the most reliable tool for distinguishing one culture from another. People may tell a lot about a person’s background and other cultural aspects associated with a certain place simply by listening to how they pronounce certain words. Through the use of language, people in foreign nations are frequently able to establish recognition and even a feeling of belongingness. Even among countries that share a common language, language plays a significant role in the development of cultural differences.

Religion. Religions know no boundaries, but each of the world’s main religions has its own distinct geographical region and country. For example, Islam is the main religion in Arab countries,
Christianity is the prominent religion in Europe and North America, Hinduism is the dominant religion in India, and Buddhism is the dominant religion in China, Thailand, and other countries. If a country’s culture includes religion, the impact on negotiators is more significant than one may imagine in international negotiations. It is common in Arab countries to hear the term “the will of God” used in casual conversation.

Orientation toward cultural values. Different cultures have a diverse range of ideas to offer. What is regarded extremely valuable in one culture may be considered unimportant in another. People who are unable to see and appreciate these distinctions in values can be described as “transactional killers” in commercial talks. Sometimes, even before the negotiation began, the deal came to an end, and the parties involved were completely unaware of how things had deteriorated. For example, in Chinese culture, age is frequently regarded as a form of capital, as evidenced by customary behaviours such as seniority, respect according to seniority, and identity assessment based on one’s chronological age. When others are elderly, it is customary in western cultures to “look down upon and detest” them.

Etiquette. The most fundamental rules of etiquette include the following: the amount of physical contact that is permissible; the degree of tangible space that should be left between individuals; and how to greet someone politely. The laws governing the aforementioned components demonstrate how all ethnic groups think. You should begin to comprehend these modes of thought before boarding an aircraft to foreign countries, or you will find yourself in an embarrassing scenario upon initial encounter. For instance, in China, avoid excessive handshakes, particularly with ladies. When you say hello, make a point of remembering the other person’s position and title, as this demonstrates that you recognize and appreciate the other person.

Society. Government procedures, corporate organizational charts, the proclivity of individuals to engage in organizations, and the manner in which these institutions are managed can all be indicative of a culture’s decision-making process. In international business negotiations, negotiators represent not only themselves but also their respective cultures. They embody the values, norms, and traditions of their country, acting as cultural ambassadors in the negotiation process [3].

3. Cultural Differences in International Business Negotiation

Nowadays, the world is home to numerous different countries, nationalities, races and ethnicities, and tribes. They gradually developed their own distinct cultural qualities and ethnic customs as human history progressed.

3.1. Differences in Values

Western society has experienced a bourgeois revolution aiming at achieving equality, liberty, and power, and a sense of equality pervades everyone’s heart. Countries like the United States and the United Kingdom of America adhere to egalitarian values and the concepts of justice and reasonableness when conducting international business [4]. They believe that both parties should reach an agreement, regardless of whether party is more profitable. Westerners introduce situations in unique ways, preferring to speak with data in particular. While Americans prioritize practical benefits, they rarely demand extravagant costs, and their quotation and offer criteria are more objective. When it comes to purchasing and selling, American sellers frequently see purchasers as equals, and their profit division is more equitable than that of the Japanese. Numerous American managers believe that the equitable distribution of profits is more essential than the amount of profit. Orientals are profoundly influenced by the concept of hierarchy, and their feeling of equality in business is less developed than that of Americans and other Westerners. They place greater emphasis on interpersonal communication and collaboration [5]. The Japanese, for example, are
adept at creating large cakes, but their method of splitting them is less than equitable. Customers are revered like gods in Japan. Sellers frequently adhere to the demands and aspirations of customers. As a result, the buyer benefits from a more advantageous profit distribution. Now, China has developed its market economy system. Chinese entrepreneurs frequently exhibit features of the early stages of the Western market economy, and they frequently employ a “single-win” strategy in business talks [6]. When it comes to economic interests, we prioritize our own over the interests of others. However, industrialized countries’ market economy is quite established. European and American negotiators generally consider the genuine interests of both sides and favour a “win-win” strategy.

3.2. Differences in Way of Thinking

Due to the objective variations in their modes of thought, negotiators from diverse cultural backgrounds would make disparate judgments, resulting in a clash between the sequential and overall decision-making methods [7]. When confronted with a difficult negotiation task, Westerners, particularly those from the United Kingdom and the United States who use the sequential decision-making process, prefer to begin with specifics, believing that details represent the essence of the problem. If they believe they have an advantage and can take the initiative on a particular topic, they will discuss that contents first, but they are more flexible in principle and are not constrained by the principal framework. The terms and conditions of their contracts are more precise and explicit than those from the Orientals. However, Orientals who follow the approach of overall decision-making place a premium on the comprehensive discussion of all topics. There is no discernible order. When they negotiate, they should first establish a fundamental framework of principles, such as discuss broad issues first, work out the details of the negotiations, frequently arrange the specific contents to be settled in the final negotiations in the belief that this will facilitate future bargaining. Once established, the idea will be hard and unyielding, but yet demonstrating considerable flexibility to deal with unique details.

3.3. Differences in Way of Thinking

Owing to linguistic and social differences, there was uncertainty on the use of the term “no” by Japanese and American merchants. Japanese merchants feared embarrassment if they responded bluntly during negotiations, and hence avoided doing so. The American businessman does not comprehend this, and as long as he believes he has not received a clear response, he will continue to speak. When an American says “yes,” he or she typically indicates “I accept this point of view.” However, in many Asian countries, “yes” has four distinct meanings: first, it indicates that one party is aware that the other party is speaking to him, but does not necessarily fully comprehend of the conversation; second, it indicates that the other party’s statement is comprehensible and clear; third, it indicates that the other party’s suggestion has been understood; and fourth, it indicates complete agreement. When dealing with business people from these Asian countries, it is vital to determine the genuine meaning of “yes” based on the context of the conversation and, if required, to seek reassurance from the other side.

Along with spoken expressions, non-verbal expressions are frequently utilized in international business discussions. In a non-verbal, more implicit manner, negotiators convey and receive messages that are more essential than spoken messages. These are all unconscious actions. As a result, when negotiators convey distinct non-verbal cues, negotiators from diverse cultural backgrounds may readily misread these signals without noticing the errors. If left unaddressed, this type of unconscious personal friction will have a detrimental effect on the natural growth of corporate relationships. Chinese people frequently demonstrate their courtesy and respect by being
silent or approving, expressing their views on a particular problem or disagreeing with a certain clause. This is quite difficult for Americans who are silent and hold unfavourable ideas to accept, as silence is viewed as rejection. While “laughing” is generally associated with enjoyment, Chinese people occasionally use it to communicate powerlessness and disapproval, which is difficult for Americans to comprehend. Americans will stretch out their hands and shrug their shoulders, expressing helplessness by stating “I don’t know”, “I can’t do anything”, “There is no hope for this circumstance”, and so on [8]. Chinese folks typically shake their heads or wave their hands while expressing the preceding meaning. Occasionally, Chinese negotiators enjoy performing this move, but they are in the misunderstanding of neither fish nor fowl due to their lack of comprehension of its significance. When Chinese people say “I’m sorry,” they do so with a faint smile. Americans may erroneously interpret “laughing” as an apology for being false. As a result, if you lack an acute awareness of cross-cultural communication, you will feel perplexed and even misunderstood.

3.4. Differences in Negotiation Styles

The term “negotiation style” refers primarily to the characteristics of negotiators’ demeanours, methods of operation, habits, and hobbies during the negotiation period. Due to their disparate cultural origins, negotiators from various countries and regions employ a variety of bargaining approaches.

American businessmen’s negotiation approach is unique in the globe. The majority of Americans are outgoing, cheerful, and easy-going. Soon after meeting someone, Americans demonstrate intimacy through confidants and acquaintances. When American businesses negotiate, they like to debate one issue after another until the entire contract or agreement is completed, which is referred to as a vertical negotiation approach. In general, American businessmen have minimal bargaining power during discussions, as the majority of the contract provisions they propose are established by the company’s legal counsel, and those operating on behalf of the board generally lack the ability to amend the contract’s terms. They enjoy conversing over meals. In general, it is preferable to begin the negotiation over breakfast. Additionally, when American businesses bargain, they want to speak plainly, which frequently leaves others feeling gruff. While both the United Kingdom and the United States are English-speaking countries, major cultural differences exist. British businessmen are known for their friendliness, politeness, and sociability. When it comes to interpersonal connections, they like to maintain a distance at first and then gradually approach. They are often not in a hurry when bargaining, and there is space for price negotiation. They like to establish the contract’s fundamental principles and structure first, resolve critical issues, and then debate other issues within those principles and framework.

4. Influence of Cultural Differences on International Business Negotiation

Inter-continental negotiation is not only about economic exchange and cooperation, but it is also about conflict and interaction among countries.

4.1. Influence of Cultural Differences on Negotiating Organizations

Different cultures make a great impact on the organizational structure of negotiators [9]. A variety of factors influence which negotiators are chosen by different countries across the world, including the conditions under which they will be employed, their number, and the division of labour among negotiators. If you look at American corporations, for example, eloquence, professional level, and logical reasoning are all important factors to consider when hiring negotiators. However, these factors have little to do with the position of negotiators within the
organization. Status is extremely essential in Japanese society, and the concept of hierarchy is well ingrained. Because of this, the negotiators chosen by Japanese companies must hold a specific position and rank inside the company or industry, as well as possess certain social skills and a certain level of professional expertise. China and the West have fundamentally different values, which will undoubtedly impact the behaviour of negotiators in the coming negotiations. Negotiators in the East or in China are often cautious when it comes to the composition of the negotiation team, and this is understandable. They have a strong sense of their own social rank. They must have an irreplaceable person who absolutely violates the Western notion of equality, and the division of duties in the negotiation organization must be very careful. If you do not have a sufficient understanding of this issue during the negotiation, it is likely that both parties will have negative feelings at the outset of the negotiation, and that the negotiation will be unable to continue [10].

4.2. Influence of Cultural Differences on Negotiation Style

The term “negotiation style” refers to the behaviours, habits, and ways of conducting agreements that negotiators exhibit. In corporate negotiation, culture not only shapes the moral standards of negotiators, but also their conduct. Due to the fact that both parties to a negotiation have distinct cultural features, negotiators from disparate cultural backgrounds will have a direct impact on the final negotiation results. The negotiation process imposes a negotiating style, which can have a substantial impact on the negotiation’s outcome. Westerners, for example, are accustomed to summarizing conclusions from detailed research, emphasizing details over principles, and believing that details are the essence and principles are merely forms; Chinese people, on the other hand, are accustomed to devoting the entire mountain to details, highlighting the principle over the details. Europeans and Americans will break the large goal into multiple smaller ones and then solve them gradually during negotiations. The Chinese place a higher premium on the overall discussion of the negotiation’s subject matter. Differences in values and modes of thought between Chinese and Western cultures will have a significant impact on both parties’ negotiation techniques. If the negotiators are unable to grasp this, they will be unable to negotiate. Additionally, Chinese people value collaboration, and other members of the negotiation team will fully support the speeches and opinions of the principal negotiators, whereas Westerners value individuality, team members respect one another’s thinking, and negotiators can express their own opinions and demonstrate their independent personalities.

4.3. Influence of Cultural Differences on Negotiation Method

Chinese people’s normal spiral thinking method is mostly motivated by courtesy. China will negotiate with the distinctions in status in mind and will strive to preserve a harmonious partnership throughout the process. Since olden history, Chinese businesses have disliked direct and abrasive statements. When two parties have divergent objectives, Chinese businesses frequently give evasive responses to one another’s requirement or shift the focus to find some common ground while reserving disagreements. Typically, they do not outright reject one another; instead, they appraise the other side’s face, fearful that if the connection deteriorates, the negotiation would become much more impossible. Chinese people, in general, like to build friends before discussing business. They believe that mutual respect and a cordial relationship between the two parties prior to negotiation is a necessary condition for a successful negotiation and transaction, as well as the foundation for long-term cooperation. Westerners converse relatively casually and generally pay little regard to both parties’ position and interpersonal relationships. They have simple conversational habits, and at the outset of talks, they want to discuss specific terms immediately. Additionally, they place a higher emphasis on real substance and issues, but not on cosmetic details. When dealing with
westerners, they will appreciate it more if you use more forthright negotiators. Furthermore, during the negotiation process, some nonverbal body motions made by delegates unconsciously should be thoroughly understood, as well as the cultural importance of these acts in the opposing party’s cultural background. Ignoring these motions may also result in communication breakdowns during the negotiation period.

4.4. Influence of Cultural Differences on Negotiation Process

The Chinese people, during the negotiation process, admire group consciousness and collective value, and if they pursue personal development in an excessively competitive manner, they will be viewed as “competitive.” Despite the fact that this type of consciousness obviously inhibits personal development, it can help people deal with a wide range of relationships effectively, particularly when it comes to coordinating interpersonal relationships and achieving collective harmony. Due to Chinese representatives’ reluctance to directly oppose each other’s position in order to avoid major differences and power struggles, and in order to reflect collective wisdom and unity while avoiding individual responsibility, the final decision of negotiations should be made jointly by all negotiators in many cases. Western representatives have a headache during negotiations on this point. In addition to increasing the length of the negotiation process, the western representatives’ ability to negotiate smoothly and manage the relationship between the two sides will be hampered by this situation.

5. Countermeasures for International Business Negotiation under Cultural Differences

In foreign commercial talks, it is undeniable that there are cultural differences. It is essential that we learn about, comprehend, and work with cultural differences in order to be successful. Furthermore, we must approach them in a dialectical manner.

5.1. Face up to Cultural Differences

All cultures are the result of human material and spiritual endeavours, and their development reflects the evolution of human civilization. Disparities in cultural practices reflect a history of conflict between countries over universal cultures, natural and geographical environments. Cultural differences, according to Richard and Lewis’ “culture shock” idea, can be classified into three categories: own culture, friendly culture, and wholly different culture. The majority of people demonstrate approbation and acceptance for their own culture; adaptation and coordination for a friendly culture; and opposition and hostility for a wholly different culture. Cultural variations exist objectively in international business negotiations. As a result, when confronted with cultural differences, negotiators must adjust to new cultural disparities and learn to integrate with many cultures, values, and ways of thinking. We must approach the negotiation with an open mind and an inclusive attitude, demonstrating knowledge and respect for the cultural diversity of other countries rather than exhibiting astonishment, boredom, or even contempt. We must seek common ground while keeping the right to disagree. This means that we must acknowledge cultural diversity and refrain from excluding civilizations that are not indigenous to our country. Accept cultural differences with a good and sincere attitude, rather than simply tolerating or ignoring them.

5.2. Build Cross-Cultural Negotiation Awareness

According to Andre Laurent, a French cultural researcher, “our own culture has become ingrained in us to the point where we are unable to notice it, which leads us to believe that other
people’s cultures are identical to ours.” When the conduct of persons influenced by other cultures differs from our own, we frequently express surprise or even frustration. This remark eloquently demonstrates how frequently international business negotiators are unaware of the extent to which their behaviour is impacted by cultural norms and values. They frequently utilize their own standards to describe and criticize the cultures of other nations in international commercial talks, whether purposefully or unwittingly. Assuming that the conduct of others is identical to their own, this type of “cultural blindness” can easily lead negotiators to make incorrect moves. In international commercial negotiations, we must develop cross-cultural awareness and an understanding of the demands, motivations, and beliefs of negotiators from many cultural backgrounds. Additionally, it is critical to have an understanding of, acceptance of, and respect for other cultures. We should approach the problem from the other party’s perspective, gain an understanding of the other party’s way of thinking and logical patterns, and adapt our negotiation style to accommodate various cultural forms of negotiation.

5.3. Make Adequate Preparations

Prior to negotiating, it is critical to recognize cultural differences. Before the negotiation, make a detailed investigation as much as possible and prepare all kinds of relevant information [11]. Preparation for negotiations comprises establishing the negotiating backdrop, assessing individuals and situations, identifying facts to be verified during the negotiation, identifying issues, developing the best option, and creating a concession plan. The negotiation context includes the location of the negotiation, the layout of the venue, the bargaining department, the number of players, the audience, the channels of communication, and the negotiation time limit. All of these preparations must take cultural differences into account. For instance, cultural disparities in the arrangement of venues might have a detrimental effect on teamwork. In cultures with a strong hierarchy, an improperly and hurriedly set-up room can elicit anxiety and resentment on the other side.

Additionally, bargaining techniques vary by culture. Americans have a natural tendency to “make a contract” with everyone. The Japanese prefer to speak with everyone individually before engaging in a larger conversation on which everyone agrees. The Russians enjoy the accumulation method. They initially speak with one party, establish an agreement, and then invite a third party.

Controlling the negotiation time limit is also critical. Time is conceptualized differently in different cultures. For instance, North American culture places considerable emphasis on time. Time is money for Americans. Middle Eastern and Latin American civilizations, from the other hand, have a weaker understanding of time. They believe that enjoying one’s time is vital. As a result, it is vital to account for discrepancies in time perception during international talks.

5.4. Be Flexible

Partnership requires mutual effort and flexibility. Many laws were erroneous during China’s reform and opening process, and the national system, as well as certain policies and regulations, opposed international conventions. These issues impede and complicate cross-cultural negotiations between Chinese and Western firms. Our negotiators must seek the ultimate objective, work aggressively and creatively, and use flexible attitudes and approaches when dealing with individual challenges, in order to resolve issues that arise throughout the negotiation and reach the negotiation goal easily. At the turn of the twentieth century, a major American corporation invested in China and formed a joint venture. After many specifics, such as technology and business, were agreed upon, the Chinese and Western parties began drafting the contract. There were significant divergences of opinion during this time. The United States requested that the contract clearly states that it was governed by American law. China’s envoy asserted that this section violated China’s international economic regulations and categorically refused to accept it. Thus, the two parties came to a stalemate. The Chinese representative consulted an expert on Chinese and foreign commercial
law and learnt that the US filed the request due to concerns about China’s insufficient intellectual property protection system. In this instance, the Chinese delegate comprehends and recognizes that our laws do indeed require improvement. Thus, on the one hand, the Chinese representative directly contacted the justice minister of the US company’s headquarters to demonstrate China’s positive attitude toward establishing a preferable legal system and protecting technology; on the other hand, it provides a constructive plan for the US side, in that the contract expressly states that the contract is governed by Chinese law and includes several special protection clauses. After this suggestion was advanced, the United States’ delegate firmly agreed, and the deadlock was broken.

6. Conclusions

Each civilization develops a worldview. This worldview denotes a singular view of reality. It embodies distinctive ideas, values, and beliefs. International business negotiation is a sophisticated cross-cultural and transnational economic activity. Negotiating with people who think, feel, and behave differently is a greater challenge than negotiating in a monocultural situation. Thus, in order to increase their level of communication and develop more effective communication skills, negotiators must learn to observe the cultural similarities and contrasts between different countries through a lens other than their own. It is a vital component in developing a deeper understanding of others. Business interactions between countries can run successfully only if negotiators have a basic understanding of cultural differences.

This article discusses the challenges that businesses from diverse cultural backgrounds confront while conducting cross-border business negotiations. Different cultural distinctions are objective, and the attitudes of various individuals or groups significantly influence them. Negative attitudes amplify the difficulties posed by various cultural differences, whereas positive attitudes diminish the barriers produced by various cultural differences. If negotiators can transcend cultural boundaries, comprehend one another, and know how to think from the perspective of others in cross-cultural business negotiations, we may increase mutual understanding and collaboratively establish an economic and cultural climate conducive to both sides’ development.

References