

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/324970930>

Cultural Dimension in Business Negotiations: A Case Study of a Chinese Investment in Nigeria

Preprint · May 2018

DOI: 10.13140/RG.2.2.36646.42564

CITATIONS

0

READS

3,611

1 author:



Adesoji Adesugba

Business Entrepreneurship Skills & Technology Centre, Abuja

20 PUBLICATIONS 21 CITATIONS

[SEE PROFILE](#)

Some of the authors of this publication are also working on these related projects:



Gemstones Artisanal Mining [View project](#)



Journal Publication [View project](#)

Cultural Dimension in Business Negotiations: A Case Study of a Chinese Investment in Nigeria

Introduction

As the world becomes more connected through globalization and advancement in technology, companies continue to negotiate across cultures despite different cultural orientations. A critical success-factor for companies involved in negotiations with other culturally diverse organizations is an understanding of the characteristics of the cultural orientation of those they engage. A Dutch scholar, Geert Hofstede, defined culture as "the collective programming of the mind which distinguishes the members of one group or category of people from another (Hofstede, 1991)."

The importance of understanding how to deal with cultural diversity has led scholars to research the different perspectives of culture and how it relates to differences in styles, leadership, organizations, negotiations, and dimensions. Cultural dimensions have been around as long as the field of intercultural research (i.e., since the early 1960s). They provide concepts and terminology that enable all of us to become aware of, to measure, and to talk knowledgeably about the values and practices found in human culture – and about the similarities and differences among human cultures (Grove, 2005).

Geert Hofstede developed the five dimensions of culture from his interview of IBM staff from 53 countries. Through standard statistical analysis of large datasets, he determined patterns of similarities and differences among the replies. From this data analysis, Hofstede developed five dimensions of culture (Tallin University, 2014). Hofstede's five dimensions of culture include Power-distance; Collectivism vs. Individualism; Femininity vs. Masculinity; Uncertainty avoidance and Long-vs. Short-term orientation.

One other critical study is called the GLOBE project (Acronym for Global Leadership and Organizational Behavior Effectiveness). The GLOBE project was a study of 62 countries involving 172 researchers, with over 17,000 participating managers. The research took more than eleven years to complete. The project investigated how cultural values are related to organizational practices, conceptions of leadership, the economic competitiveness of societies, and the human condition of its members (Tallin University, 2014).

The GLOBE project developed a list of nine basic cultural dimensions which were validated from its statistically. The nine cultural dimensions of the GLOBE project are: Power distance, how much unequal distribution of power should there be in organizations and society? Uncertainty avoidance, how much should people rely on social norms and rules to avoid uncertainty and limit unpredictability? Institutional collectivism.

Also, how much should leaders encourage and reward loyalty to the social unit, as opposed to the pursuit of individual goals? In-group collectivism. How much pride and loyalty should individuals have for their family or organization? ·Gender egalitarianism. How much effort should be put into minimizing gender discrimination and role inequalities? Assertiveness. How confrontational and dominant should individuals be in social relationships? Future orientation. How much should people delay gratification by planning and saving for the future? Performance orientation. How much should individuals be rewarded for improvement and excellence? Humane orientation. How much should society encourage and reward people for being kind, fair, friendly, and generous (Kreitner & Kinicki, 2013).

The adaptation of some of these studies to real-life situations may, however, be overly generalized. For example, most of the studies conducted regard Nigeria as very high on individualism and low on collectivism; this may however not be true. There may be a need for further studies to confirm the veracity of the findings of these studies concerning the cultural orientation of some African countries where you have a multiplicity of ethnicity with different cultural backgrounds and orientation. From my experience, Nigeria being a multicultural country comprising over 200 ethnic cultures with a population of over 180 million people cannot be viewed as a monoculture entity.

An illustration of the different orientations that are present in the Nigerian cultural landscape is from my experience with an inward investment negotiation between a Chinese company and two Nigerian organizations. The two Nigerian organizations were based in two different ethnic and cultural settings of the South Eastern Region of Nigeria with a population of over 25 million homogeneous people and the South Western Region of Nigeria with a population of over 43 homogeneous people. The three parties to this case, having come from different ethnic backgrounds had different orientations, and this affected their perceptions when it came to negotiations.

The Parties were the Xinguang Group of Guangdong (XGG), China, the Imo State Investment Company (ISIC) from South Eastern Nigeria and the Ogun State Property Development Company (OPIC) from the South Western part of Nigeria. The Xinguang Group came to Nigeria to undertake various projects including the development of a Free Trade Zone in Nigeria. The Chinese project was to be under the trade and investment portfolio of the Company with a project value of about \$1 billion.

A worldwide survey of 30,000 managers by Trompenaars and Hampden- Turner, who prefer the term communitarianism to collectivism, found the highest degree of individualism in Israel, Romania, Nigeria, Canada, and the United States. Countries which ranked lowest in individualism--thus qualifying as collectivism cultures--were Egypt, Nepal, Mexico, India, and Japan. Brazil, China, and France also ended up toward the collectivist end of the scale (Kreitner & Kinicki, 2013).

The Igbo Culture in Nigeria can be said to be individualistic in Nature. Individualistic cultures characterized as "I" and "me" cultures; give priority to individual freedom and choice. Accordingly, they emphasize personal responsibility for one's affairs. An opposite to the notion of individualistic culture will be collectivist culture. Collectivism is oppositely called "we" and "us" cultures, the rank shared goals higher than individual desires and goals. People in collectivist cultures are expected to subordinate their wishes and goals to those of the relevant social unit (Kreitner & Kinicki, 2013). The Chinese culture leans more towards collectivism, and negotiators should note that in some cases, it is difficult to ascertain the nature of some cultures which had shown traits of collectivism but had because of globalization and assimilation of other cultures tend to become more individualistic.

The Chinese and the Nigerian Dispute

The Imo State Investment Company (ISIC) is a company wholly owned by the Imo State Government of Nigeria. It is mainly to invest in different sectors of the economy on behalf of the Imo State Government. Its areas of investments include infrastructures such as roads, construction, energy, oil and gas, property and the stock exchange. Upon arrival in Nigeria, the Xinguang Group were led to Imo State government by an Imo State indigene. The parties entered into negotiations with the Imo State Government and land was allocated to the Chinese

company together with an initial memorandum of understanding. The parties signed a framework agreement, while a project site located within Eziama Amala Nti and Ikem autonomous communities in Ngor Okpala Local Government Area of Imo State was allocated to the Guangdong group for the construction of "Imo Guangdong Free Trade Zone." The framework agreement indicated that upon the allocation of the land, the Xinguang group would invest the sum of \$500,000,000 in the construction and management of the Imo Guangdong Free Trade Zone, a project in which the Imo State Investment Company will own 20% of the stakes.

The Dispute

Shortly after the commencement of the project, a dispute arose between the parties and the Guangdong group decided to leave the project soon after which it was discovered to be due to cultural differences relating to decision making and an issue of brokerage. The Chinese on their part cited the state of security as a major concern after the kidnap incidence involving two Chinese nationals in Nnewi, South East Nigeria. They further cited the delicate situation in the Niger Delta and stated that they were advised by their embassy to wait until the volatile situation in the Niger Delta abates and when it will be safe for them return. However, the Imo State Government stated that the Guangdong group had abandoned the project, citing the commencement of the similar project in Ogun State by the group as a clear indication of the said action. They proceeded to file a case at the High Court of Imo State to obtain an interim injunction against the defendants (the Guangdong Group), asking for the following reliefs:

- a. A declaration that by their abandonment of the Imo Guangdong Free trade zone at Eziama Amala Nti and Ikem autonomous communities in Ngor Okpala Local Government Area of Imo State, the defendants have caused a breach of Contract and/or termination of the framework agreement made between them and the Government of Imo State.
- b. An order restraining the defendants by themselves and their privies from investing in or promoting any other free trade zone in Nigeria.
- c. The sum of N700,000,000:00 being general damages for breach of contract.

The national cultural background of the partners

National cultures can be described according to the analysis of Geert Hofstede. These ideas were first based on a large research project into national culture differences across subsidiaries of a multinational corporation (IBM) in 64 countries. Subsequent studies by others covered students in 23 countries, elites in 19 countries, commercial airline pilots in 23 countries, up-market consumers in 15 countries, and civil service managers in 14 countries. Together these studies identified and validated four independent dimensions of national culture differences, with a fifth dimension added later. The defined five dimensions to assist in differentiating cultures are:

- Individualism/collectivism
- Long-term Orientation/short-term Orientation
- Power distance
- Uncertainty Avoidance
- Masculinity/Feminity

Nigeria is a country of about 140 million people and consists of three major ethnic groups, that is, the Yorubas to the South West, the Igbos to the East and the Hausas to the North. The characteristics of these three tribes as well as their cultures differ to the extent that a businessperson from the Eastern part of Nigeria can easily be identified the attitude towards his business or during the time of negotiations. The Easterner is known to be adept negotiators and have a deep knowledge of local and international trade and investments. While some of the ethnic groups in Nigeria have some similarities with the Chinese in areas, such as collectivism, long-term orientation, power distance and uncertainty avoidance, others differ greatly in all these respects from the Chinese company.

Individualism vs. Collectivism

The Igbo Culture is an individualistic one; children are taught to think regarding self-achievement while generally, attainment measures the standing of the man in the community's view. The Igbo experience after the Nigerian civil war of the mid-1960s further meant that the average Easterner measures success by the amount of individual wealth or educational attainment one gathers. The Chinese, on the other hand, are known to be collectivist, children learn to think regarding "we" and people grow up in groups and are protected by them in exchange for loyalty. Collective interests prevail over individual interests, and ideology of equality prevails. Individuals in the Chinese company are integrated into the organization to fulfil the organizational needs while harmony and consensus in society are ultimate goals, there is more of team spirit.

In this case during negotiations, the Chief Executive of the ISIC had insisted on being paid a brokerage fee to fast-track the negotiations. The Chinese negotiator who saw the need to showcase to his home office a successful closing of an important deal would rather deal with the success of his negotiations and the company in mind. The issues led to differences in approach as the Chinese refused to consent to the brokerage deal and eventually found some other excuses to renege on earlier agreements.

Long-term Orientation vs. Short-term orientation

The Chinese have long-term orientation and sustained efforts towards slow results and in negotiating for this transaction showed extreme patience whereas the ISIC officials showed tendencies of wanting to produce quick results. Even when negotiations almost fully broke down, the Chinese kept the doors open by requesting a third party the Nigerian Investment Promotion Commission (NIPC) to wade in as well as inviting the management team to China to meet with the top management of XGG. The Chinese were to spend a long period in Nigeria and looked towards the long term while the ISIC officials were more interested in their short-term financial benefits.

Power Distance

Power distance is the extent to which the less powerful members of organizations, institutions, and families accept and expect that power is distributed unequally. There is a larger power distance with the Chinese than the Igbo people. Chinese parents teach their children obedience while Igbo treat children as equals and a child will have to prove himself by his achievements. Respect for parents and older relatives amongst the Chinese are a basic lifelong virtue while children in Igbo land treat parents and older relatives as equals. For the Chinese, centralization is power while the Igbos view centralization as popular. The Chinese subordinates

expect to be told what to do while the Igbos expect to be consulted. For the Chinese, power is based on tradition or family, charisma and ability to use force while for the Igbos power is based on formal position, expertise, and ability to motivate.

Uncertainty Avoidance

The uncertainty avoidance index deals with a society's tolerance for uncertainty and ambiguity. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. In this situation, the Chinese negotiators expressed high stress and high anxiety as closing the transaction meant he would be viewed favourably by his bosses while a failure to close the deal may indicate a sign of failure. To the ISIC officials, successful closing of the deal was not as paramount as their quest for short-term financial benefits: so, they had little stress and low anxiety.

Masculinity vs. Femininity

Masculinity versus femininity refers to the distribution of roles between the genders, which is another fundamental issue in society. The IBM studies showed different values between the two genders as well as from country to country. For this case study, both companies showed traces of masculinity. While the Chinese negotiators only utilized women interpreters, there was no single woman in the negotiating team for the Igbos.

The Challenges

The major challenges from the two parties due to cultural differences was the lack of understanding on the part of the ISIC officials of the basic structure of the Chinese power base as well as the collectivism tendency of the Chinese. The Chinese resilient and the need to close the deal over time was also not taken into consideration as most of the ISIC officials who were political appointees were mostly thinking of closing, successful or otherwise, the deal during their term in office to be able to earn some brokerage.

Overcoming the Challenges

Meeting at NIPC

When the Nigerian Investment Promotion Commission (NIPC) decided to act as mediators in the matter, several meetings were held to resolve the matter. NIPC convened an initial meeting chaired by the Executive Secretary of the Commission in August 2007. The meeting had in attendance the two parties. At this meeting, the parties addressed the issues of concern and were consequently encouraged by the NIPC to resolve all issues amicably and proceed with the execution of the project.

Meeting at Imo State Government House

At the instance of Messrs Joint Heirs, lawyers to the XGGAs, a follow-up meeting was held at the Imo State Government House. The Chinese delegation together with the representatives of the Nigerian Export Processing Zones Authority and members of the State Executive Council of the Imo State Government with the erstwhile State Governor were in attendance. This meeting ended in a stalemate; the parties retreated to the Government lodge while the Chinese Delegation had a closed-door meeting with the Governor of Imo State.

Meeting at Guangzhou, China

The Governor of Imo State was invited to the Guangdong Xinghua Headquarters in Guangzhou China under the platform of the 6th Nigeria China Investment Summit organized by the Nigeria Investment Promotion Commission in September 2007. Various meetings and negotiations were conducted, but no agreement was reached as all concerned parties maintained their stand. The Imo State Government insisted that the team return to Imo State immediately while the Guangdong group was of the opinion that there was no going back on the Ogun State project until the security concerns in Imo State is addressed. However, the Chinese company promised to send a delegation of Chinese businesspeople to Imo State to look into other possible areas of investments in the State.

The Dispute at the High Court Owerri

The Attorney General of Imo State sought and obtained an order of the court restraining the Guangdong International from investing in Ogun State and any other part of Nigeria pending the determination of the Case. The restraint was done vide an interim injunction restraining the defendants from negotiating or signing any agreement with anybody, person or state in Nigeria, particularly Ogun State to establish a free trade zone in that State. The court fixed the substantive application for hearing for the 10th July 2008. The Guangdong Group challenged this order contending through a preliminary objection that the suit was improper, as the proper parties are not before the court and challenging the jurisdiction of the court to hear and entertain the matter. Arguments from both parties were taken at the various court sittings.

In his ruling on the 11th April 2008, the learned Judge granted the plaintiff's application as follows:

- i. An interlocutory injunction restraining the respondents, their agents and privies from negotiating or signing any agreement with anybody, person or state in Nigeria particularly Ogun State to establish a free trade zone in that state pending the hearing and determination of the substantive suit.
- ii. An interlocutory injunction restraining the respondent, their agents or privies from establishing a free trade zone in any state in Nigeria particularly Ogun state pending the determination of the substantive suit.
- iii. The plaintiff is to file a written undertaking that he will indemnify the respondent of any damages that they may suffer as a result of the granting of the order of interlocutory injunction against the respondents. The written undertaking shall be filed in court within seven days thereof.

The case was adjourned to the 27th of May 2008 for hearing. However, the Guangdong group being unsatisfied with the ruling filed an appeal at the Court of Appeal.

Conclusion

There is the need to have an understanding of the cultural dimensions of the other party whenever a negotiation is to take place. It is apparent that most people that deal with Nigeria assume that the country is a mono-cultural entity. However, Nigeria comprises of over 250

different ethnic nationalities with different cultural dimensions and orientations. In the case studied, the NIPC resolved that to encourage the inward flow of investments from China, there was the need to resolve the conflicts between the parties, and thus decided to meet separately with the officials of the ISIC where some concessions were discussed to resolve the matter.

The concessions include a need for the understanding and a respect for the Chinese culture and a withdrawal of the case in court to ensure trust from the Chinese. Also, an assurance for security for the Chinese businessmen, a resolution on the issue of brokerage and a government guarantee of the safety of the investments from the Chinese Group was agreed. The NIPC management agreed to visit headquarters of ISIC in China to show friendliness, trust, and commitment to the project. Though the officials of the Nigerian Investment Promotion Commission (NIPC) met with the Chinese, negotiations broke down with the effect of the State Government losing the inflow of over \$500,000,000 investments.

References

- Grove , C. N. (2005). *Professional Knowledge Center*. Retrieved November 24, 2014, from Grovewell LLC Website: <http://www.grovewell.com/pub-GLOBE-dimensions.html>
- Hofstede, G. (1991). *Cultures and organizations: Software of the mind*. London: McGraw-Hill.
- Kreitner, R., & Kinicki, A. (2013). *Organisational Behavior* (10th Edition ed.). New York: McGraw-hill/Irwin.
- Tallin University. (2014). *Leadership Dimensions: Culture and Leadership*. Retrieved November 24, 2014, from Tallin University Website: Geert Hofstede, a widely known Dutch researcher of culture, has defined culture as "the collective programming of the mind which distinguishes the members of one group or category of people from another." (1991, p.5).