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Author(s): Nancy J. Adler, Richard Brahm and John L. Graham

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STRATEGY IMPLEMENTATION: A COMPARISON OF FACE-TO-FACE NEGOTIATIONS IN THE PEOPLE'S REPUBLIC OF CHINA AND THE UNITED STATES

NANCY J. ADLER
Faculty of Management, McGill University, Montreal, Quebec, Canada

RICHARD BRAHM
Graduate School of Management, University of California, Irvine, California, U.S.A.

JOHN L. GRAHAM
Graduate School of Management, University of California, Irvine, California, U.S.A.

Crucial to every business alliance are the face-to-face negotiations that occur during the formulation and maintenance of the commercial relationship. Our study of American and Chinese businesspeople in simulated intracultural *negotiations suggests both similarities and differences in style. For example, negotiators in both cultures were more successful when taking a problem-solving approach. Alternatively, the Chinese negotiators tended to ask many more questions and to interrupt one another more frequently than their American counterparts. Such subtle differences in style may cause problems in Sino-American negotiations, which may, in turn, sour otherwise fruitful commercial alliances.*

Interfirm alliances are daunting even when the managers in charge are from the same national culture. In spite of the difficulties, firms are increasingly forming *international* partnerships as a response to industrial globalization (Astley and Brahm, 1989; Harrigan, 1984, 1985; Morris and Hergert, 1987; Ohmae, 1985; Perlmutter and Heenan, 1986). And the evidence indicates that these ventures frequently turn out to be far less successful than expected (Franko, 1971; Hamel, Doz and Prahalad, 1989; Reich and Mankin, 1986; Young and Bradford, 1977).[1] While many scholars have stressed the importance of relational processes between parties for maintaining the goodwill and teamwork vital to the success of cooperative ventures, particularly when the national cultures of the participating firms differ significantly (Davidson, 1987; Graham, 1987; Hall, 1985; Koot, 1988; Lorange, 1987), the processes themselves have received little empirical examination.

This study focuses on one of the key processes affecting relations between international business partners: face-to-face commercial negotiations. The results of our studies provide insight into the kinds of cultural problems which may

Key words: Negotiation, Peoples' Republic of China, cross-cultural management, strategy implementation

[1] It does not take companies with radically different nationalities to have 'clash of cultures' in a joint venture. Most of the cross-border mergers that took place in Europe during the 1970s have resulted in divorce or in a takeover by one of the two partners. In Japan, mergers between Japanese companies—Dai-Ichi Kangyo Bank and Taiyo Kobe Bank, for example—have journalists gossiping about personal conflicts at the top between, say, ex-Kangyo and ex-Dai-Ichi factions lingering on for 10 years and more. (Ohmae, 1989: 154).

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surface during any face-to-face meeting between executives of different countries and/or cultures. Such problems can occur not only when companies court one another, but also long after contracts are signed and agreements implemented.

Here we examine the particular case of business negotiations between executives in The People's Republic of China (PRC) and then make comparisons to negotiation processes involving Americans.[2] The comparisons provide information about potential 'cultural' problems between managers of firms in these two countries; countries that have been developing a pattern of increasing trade and numerous forms of cooperative business ventures (Goldberg, 1988; Lawson, 1988). The PRC is an important case because, despite recent political setbacks associated with Tian An Men Square, prospects for penetrating one of the world's largest markets continue to burgeon (see, among others, Frankenstein, 1986; Grow, 1987; Holton, 1985; Tung, 1982a; Vernon-Wortzel and Wortzel, 1987). Moreover, as many have come to appreciate,

> Trading with the Chinese is difficult, even for the initiated. Not only is there the difference in the organization of trade that exists between a planned and a market economy, but also there is a host of other dissimilarities which arise from the gulf between the cultures of East and West! (Macdougall, 1980: 13).

While there is no lack of anecdotal and descriptive evidence confirming East/West differences and the difficulties Westerners have in negotiating with the Chinese, little research exists documenting the actual processes of Chinese business negotiations.[3] Before Westerners can begin to decipher their own patterns of interaction with the Chinese, they need more reliable data on how Chinese negotiate among themselves. The purpose of this study is to take the first step of comparing the negotiation behaviors of Chinese with those of Americans. Based upon such comparisons of *intra*cultural negotiations, future studies of *inter*cultural negotiations will be better conceived.

A face-to-face buyer–seller negotiation is perhaps the most fundamental business process. All commercial exchanges involve two-way communication between buyers and sellers, even though they may not talk with each other directly (cf. Malinowski, 1926). It is our proposition that a clear understanding of face-to-face buyer-seller negotiations in their basic forms is requisite for a deeper understanding of today's more complex and protracted negotiations among the Chinese and between the Chinese and the rest of the world community. Beyond this practical purpose of producing knowledge regarding management behaviors in the most populous country in the world, choosing the Chinese/American comparison is important theoretically as well. This study tests the robustness of American management theories in a setting that is both culturally and politically isolated and disparate from the United States.

Briefly, 40 Chinese businesspeople and 134 American businesspeople participated in simulated intracultural, two-person, buyer-seller negotiations. All participants completed questionnaires after the negotiation sessions. Three each of the Chinese and American negotiations were videotaped for a more detailed, exploratory analysis of the negotiation processes. Following a presentation of the theory and hypotheses, the methods and results are reported in two phases below: (1) analyses of the questionnaire data, and (2) analyses of the videotapes. The final section of the paper discusses and integrates both phases of the study.

THEORETICAL PERSPECTIVE

The basic theoretical perspective underlying all hypotheses in the first phase of the study is drawn from social psychological (cf. Rubin and Brown, 1975; Sawyer and Guetzkow, 1965; Thibaut and Kelley, 1959) and exchange (cf. Bagozzi, 1978; Homans, 1974) theories.[4] Briefly, three classes of constructs—the negotiation pro-

[2] For stylistic brevity, citizens of the United States of America are referred to as Americans, while the country is referred to as the United States. Similarly, in this paper, citizens of the PRC are referred to as the Chinese.

[3] Among the pioneering and extremely helpful studies on Chinese negotiating behavior are those of Depauw, 1981; Kirkbride, Tang and Westwood, 1988; Lee and Lo, 1988; Paloheima and Lee, 1988; Pye, 1982; Pye, 1986; Shekar and Ronen, 1987; Tung, 1982b; Warrington and McCall, 1983.

[4] Note that these theories, as with most psychological research, are based primarily on the characteristics and behaviors of Americans.

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cess, situational constraints, and bargainer characteristics—are thought to determine negotiation outcomes.

Negotiation outcomes

In the hundreds of bargaining experiments conducted prior to this research, a commonly used measure of negotiation outcomes is profits (both individual and joint) attained by bargainers in negotiation simulations (cf. Rubin and Brown, 1975; e.g., Clopton, 1984; Dwyer and Walker, 1981). Rather than a traditional focus on joint profits, our view is that individuals should (and usually will) try to maximize their own economic rewards while attempting to keep partners satisfied. That is, negotiators really are involved in a difficult balancing act between maximizing *their own profits* and *the satisfaction of their clients*.[5]

Negotiation process variables

Problem-solving approach

The problem-solving approach (hereafter PSA) to business negotiations is defined as a set of negotiation behaviors that are cooperative, integrative, and information exchange-oriented. PSA involves an emphasis on questions and getting information from clients about their needs and preferences. The focus is on cooperation and an integrative approach, whereby the needs of both parties are discussed honestly and eventually satisfied. Such strategies tend to maximize the number of alternative solutions considered, thus allowing negotiators to optimize outcomes.

The relationship of a problem-solving approach to negotiation outcomes has been investigated frequently during the last 20 years. Researchers have used different labels for the PSA concept,[6] but findings have been relatively consistent. Generally, researchers have found PSA positively influences *joint* negotiation outcomes.

Graham (1986) investigated relationships between PSA and negotiators' *individual* profit and their bargaining partners' satisfaction. Consistent with several studies reviewed by Rubin and Brown (1975), statistically significant relationships were discovered between a negotiator's PSA and the partner's satisfaction with the negotiation and between the partner's PSA and the negotiator's own profit. Our study is in part a replication (with Chinese negotiators) of that research and, therefore, the following hypotheses are proposed:

> *H1: Negotiator's individual profits are positively related to their bargaining partner's problem-solving approach.*

> *H2: Partner's satisfaction is positively related to the negotiator's problem-solving approach.*

In both cases, bargainers who encourage partners to provide information about themselves and their needs and preferences are expected to achieve more favorable negotiation outcomes. Findings consistent with Hypotheses 1 and 2 are reported by Adler *et al.* (1987) for Anglophone and Francophone Canadian bargainers. Results consistent with Hypothesis 2 are reported by Campbell *et al.* (1988) for German negotiators and by Graham *et al.* (1988) for American and Korean negotiators. Please see Figure 1 for the complete theoretical model studied here.

Similarly, the influence of the negotiator's approach (i.e., behavior and attitudes) on his or her partner's negotiation approach is also investigated. Rubin and Brown (1975) and Weitz (1978) suggest the importance of adjusting one's own bargaining tactics according to one's impressions of the partner's negotiation style. Specifically, Weitz reports that adaptive behavior (i.e., when salespeople adjust their communication behaviors *in response* to the behaviors of their clients) enhances bargaining effectiveness. Rubin and Brown posit that high adaptability coupled with cooperativeness favor higher negotiation outcomes. The following hypothesis is suggested:

> *H3: Negotiator's problem-solving negotiation strategies are positively related to their partner's problem-solving negotiation strategies*

Pruitt and Kimmel (1977) describe the mecha-

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[5] Such a view of key negotiation outcomes is consistent with the views of several authors (e.g., Fisher and Ury, 1981; Graham, 1986; Weitz, 1978).

[6] Terms used include: integrative bargaining strategies (Walton and McKersie, 1965); cooperative orientation (Rubin and Brown, 1975); problem-solving orientation (Pruitt and Lewis, 1975; Menkel-Meadow, 1984); representational bargaining strategies (Angelmar and Stern, 1978); direct/open influence tactics (Weitz, 1981).

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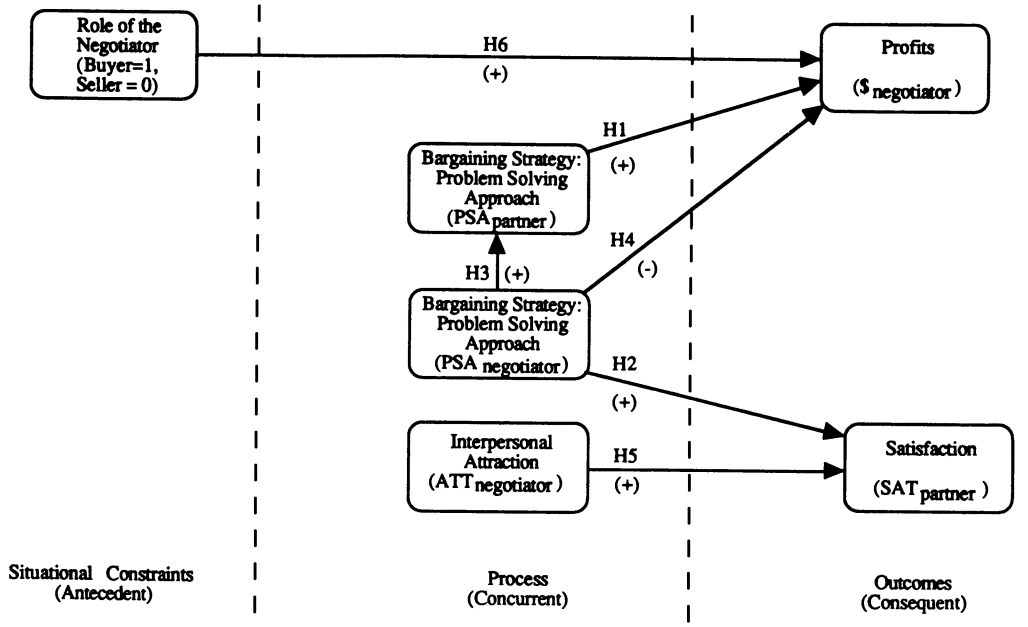

Figure 1. A model of business negotiations.

nism involved in Hypothesis 3 as reciprocation. When negotiators give information about needs and preferences, their partners are likely to reciprocate. Gouldner (1960) explains that a 'reciprocity norm' establishes a stable set of mutual rewards that guides interactions such as negotiations. Pruitt (1981), Putnam and Jones (1982), and Walton and McKersie (1965) are among the researchers who describe a tendency of negotiators to imitate or match one another's bargaining strategies. Findings consistent with Hypothesis 3 are reported for negotiators from Japan, Korea, and the United States (Graham *et al.*, 1988), and from Canada (Anglophones only) and Mexico (Adler *et al.*, 1987).

Walton and McKersie (1965) suggest that the opposite of problem-solving strategies is distributive bargaining strategies, wherein the goal is to change a bargaining partner's attitudes, attributions, or actions. An example of a distributive or instrumental appeal is Angelmar and Stern's (1978) 'threat' content category. Threats are viewed by researchers to subtract from the recipient's utility of a particular alternative, and potentially moves the recipient (partner) closer to the threatener's (negotiator's) more favorable alternatives (Walton and McKersie, 1965). Consequently, bargainers using distributive or instrumental strategies can be expected to achieve higher individual negotiation outcomes. Graham *et al.* (1988) report an inverse relationship between negotiator's profits and problem-solving strategies for Chinese businesspeople in Taiwan, as do Campbell *et al.* (1988) for negotiators from Germany and the United Kingdom, and Adler *et al.* (1987) for negotiators from Mexico and Canada (Francophones only).

H4: Negotiators' individual profits will be inversely related to their own problem-solving negotiation strategies.[7]

Attractiveness of the negotiator

Another important construct is attractiveness of the negotiator. Graham *et al.* (1988) have shown that a negotiator's attractiveness positively influences the partner's satisfaction in simulated negotiations. Simons, Berkowitz, and Moyer (1970: 9) note that 'the relationship between attraction to a source (like–dislike, friendly feelings, etc.) and attitude change has received

[7] Note the antithesis implied in the literature and in the proposed model—Hypotheses 1 and 3 compared to Hypothesis 4.

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scant attention.' Rubin and Brown (1975), in their review of the negotiation literature, conclude that interpersonal attraction generally enhances bargaining outcomes. Therefore, to the extent that a person receives rewards from a relationship with a negotiator whom he or she perceives as attractive, that person will be more satisfied with the negotiation outcome.

> *H5: Partner's satisfaction with the negotiation outcome will be positively related to the negotiator's attractiveness.*

Broad support for Hypothesis 5 has been found across cultural groups. Bargaining partners' satisfaction has been found to be positively related to negotiator's attractiveness for business people from France and Germany (Campbell *et al.*, 1988), from Japan, Korea, Taiwan, and the United States (Graham *et al.*, 1988), and from Canada (Anglophones only) and Mexico (Adler *et al.*, 1987).

Role of the negotiator

Graham *et al.* (1988) found the negotiator's role (i.e., buyer or seller) to be the most important causal factor in negotiations between Japanese. Japanese buyers tend to achieve higher economic rewards than their respective sellers. No such relationship has been found between American buyers and sellers. Hall (1976: 129) provides a rationale for the importance of role constraints. He describes communication *context* to be a crucial dimension of culture: 'In cultures in which people are deeply involved with each other, and cultures such as the American Indian, in which information is widely shared—what we will term high-context cultures—simple messages with deep meaning flow freely' (p. 37). Moreover, Hall specifically states that the importance of context can be generalized to negotiating situations. Warrington and McCall (1983: 5, among others) have clearly characterized the PRC as a *high context* culture, wherein situational factors may be more important determinants of negotiation outcomes than process variables such as explicit communication.

Schmidt (1979) suggests that status is a particularly important factor in negotiations among the Chinese in Taiwan. Similarly, Coates (1968) suggests the importance of role and status hierarchy among the Chinese in Hong Kong.

> It is all but useless for a negotiator, whether diplomatic or commercial, to go to China and expect to discuss matters with his opposite number. Negotiation is the work of underlings, who on the Chinese side will be provided. If the Western negotiator arrives without underlings of his own, he has instantly lowered his status (Coates, 1968: 218).

It is therefore hypothesized that the negotiator's role will be salient for PRC Chinese negotiators and, moreover that, similar to the Japanese, buyers will consistently outperform sellers.

> *H6: In negotiations between Chinese, buyers will achieve higher profits than sellers.*

Differences across groups (culture as a bargainer characteristic)

For the sake of simplicity, culture as a bargainer characteristic is not explicitly modelled in Figure 1. The fundamental hypothesis of this research is the *pervasive* influence of culture across the various relationships among constructs. Although cultural differences may be expected in the measures of the several constructs included in the study, the focus here is upon culture's influence on the relationships among those constructs.

A small amount of information regarding the negotiating behavior of the Chinese exists (see footnote 3). In *Chinese Commercial Negotiating Style*, Pye (1982; see also Pye, 1986) describes Chinese behavior, while warning that one of the three most important general sources of difficulty in commercial relations between Americans and Chinese are the cultural characteristics of both groups. Other authors have emphasized the importance of relationships, the need for patience, the impact of recent history (in particular, the cultural revolution), and the differences in Chinese and Western cognitive maps (see, for example, Bond, 1986; DePauw, 1981; Frankenstein, 1986; Hofstede and Bond, 1988; Redding, 1980; Tung, 1982a and 1982b). Shekar and Ronen (1987: 263) summarize their review of the literature on the cultural context of Chinese negotiations, stating that:

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> Confucian philosophy continues to provide the foundation of Chinese cultural traditions and values, with the tenets of harmony, hierarchy, developing one's moral potential, and kinship affiliation having relevance for interpersonal behavior.

To illustrate the impact of culture on negotiation processes, Shekar and Ronen (1987: 263) cite: '...emotional restraint as basic to communication, an emphasis on social obligations, and the interrelationship of the life domains of work, family, and friendship.' Similarly, Kirkbridge, Tang, and Westwood (1982: 2) cite the following Chinese cultural values as significantly influencing Chinese negotiation and conflict handling behavior: conformity, collectivism, power distance, harmony, face, shame, reciprocity, *Guanxi* (i.e., the importance of connections), and time. Finally, Brunner and Wang (1988) describe in detail the importance of reciprocity in negotiations between Chinese:

> In the Chinese society, one's face is not solely the responsibility of the individual, but is influenced also by the actions of those with whom he is closely associated, and how he is perceived and dealt with by others. The emphasis is upon the reciprocity of obligations, dependence and the protection of the esteem of those involved. The key to an understanding of face dynamics, therefore, is reciprocity and the Chinese emphasize that one should not only protect one's face, but extend face to others. Both are of equal importance (p. 28).

From these and other studies on Chinese culture and its impact on contemporary business behavior, it is clear that it would be inappropriate not to include culture as a variable. Cross-cultural similarity between the Chinese and the Americans—as well as other cultures—may be an empirically based conclusion; it should not be an *a priori* assumption.

Indeed, there are several indications that despite the aforementioned cultural differences, the theoretical relationships presented in Figure 1 will fit the Chinese data as well as the American. The traditional Chinese cultural emphasis on relationship (see Bond and Wang, 1983; Brunner and Wang, 1988; Pye, 1968; Shekar and Ronen, 1987, among others) makes the importance of attractiveness (H5) self-evident. Similarly, both the traditional Confucian roots of the Chinese and their contemporary emphasis on long-term relationships, including for commercial relationships, render highly probable the positive influence of a problem-solving approach on negotiators' profits (H1), on partners' satisfaction (H2), and on partners' reciprocated problem-solving approach (H3).

Finally, it should also be noted that while many scholars have suggested that all Chinese cultures (i.e., Hong Kong, Singapore, Taiwan, PRC, etc.) can be clustered (e.g., Eberhard, 1971; Hofstede, 1980; Metzger, 1977; Redding, 1976; Shekar and Ronen, 1987), primarily due to similar cultural roots (Dawson, Law, Leung and Whitney, 1977), this study focuses only on the negotiating behavior of *PRC* Chinese.

PHASE I—METHODS

In this first phase of the study, we test the hypotheses separately for Chinese and American negotiators.

Participants

The 40 Chinese participants in the simulation are businesspeople from the PRC. All were attending a management seminar sponsored by the U.S. Commerce Department in conjunction with the State Economic Commission of the PRC. Most of the Chinese held middle level management positions. Their average age was 36, with a range from 24 to 53. Twenty percent were women, a considerably larger number than in most European or North American management programs (Adler, 1984). They came from 17 different cities and represented 24 industries. Details are summarized in Table 1.

The American participants were somewhat younger, with an average age of 32. All were at least 25 and all had at least two years work experience in the United States. The American data were collected in five groups over a five-year period. The first (n = 30), second (n = 36) and third (n = 36) groups consisted of MBA students at two major West Coast universities. The fourth group (n = 20) included middle managers participating in a management development program. The final group (n = 20) was composed of sales representatives from a West

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Table 1. Variables in the study of PRC negotiators compared with American data

Category	Variable	Symbol	Description and measure	Mean/sd (range) PRC Chinese (n = 40)	Mean/sd (range) American (n = 134)
Negotiation outcomes	Negotiator's profits	$\$_n$	Negotiator's individual profit level associated with final agreement in Kelley's (1966) negotiation game, range = 28–80	46.1/8.6 (10–70)	45.9/10.2 (13–65)
	Partner's satisfaction	SAT_p	Partners satisfaction with the outcome of the negotiation, 4 items range = 4–20, Cronbach α = 0.82	16.1/3.3 (8–20)	14.9/2.8 (5–20)
Process variables	Problem-solving approach (strategies)	PSA_n	Negotiator's and partner's rating of negotiator's bargaining strategies along PSA continuum, 6 items, range = 6–30, Cronbach α = 0.74	24.3/4.5 (12–30)	19.2/4.4 (9–29)
	Interpersonal attraction	ATT_n	Ratings of interpersonal attraction, 3 items, range = 3–15, Cronbach α = 0.74	12.7/2.0 (6–15)	11.9/2.3 (6–15)
Situational constraint	Role of negotiator	B/S	Role of the negotiator in the experiment, either buyer = 1 or seller = 0	–	–
Bargainer characteristics	Age	Age	Negotiator's age, years	35.6/8.6 (25–53)	31.8/8.1 (25–60)
	Experience	EXP/IC	Interorganizational contact—percentage of work involving contact outside the participant's company	55.6/23.8 (10–90)	47.6/30.0 (0–90)

Coast printing firm. No cross-group differences were discovered among the American participants.

The reader may question the comparability of the two cultural groups. Both groups consist of experienced businesspeople in their thirties. This is a substantial improvement over most published studies of negotiation behavior wherein undergraduate students (with no experience in business negotiations) are often used as subjects. How well the Chinese or American participants represent all PRC Chinese or American managers is a separate issue. The generality of our findings can only be determined in subsequent studies using other groups of Chinese and Americans and other methods.

Laboratory setting

The simulation, developed by Kelley (1966), involves negotiating the prices for three products. Each bargainer received an instruction sheet, including a price list with associated profits for each price level. The participants were then allowed 15 minutes to read the instructions (i.e., either a buyer or seller position sheet and appropriate payoff matrix) and to plan negotiation strategies. The participants were seated across from one another at a table, given final verbal instructions, and left alone. When either an agreement was reached or one hour had elapsed, participants were given the post-game questionnaire. See Graham (1986) for complete details regarding the exercise.

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Operationalization of study variables

All negotiations and simulation instructions were conducted in the respective native languages. The Chinese translation of the materials and post-game questionnaire was verified by having it translated back into English by a second translator, and then comparing the two English versions and resolving all translation discrepancies.

Two negotiation outcome variables were included in this study. Negotiator's individual profits ($\$_n$) were taken directly from the bargaining solution agreed to by the negotiators. Partner's satisfaction (SAT_p) with the negotiation was measured using a four-item scale included in the partners' post-game questionnaires. All scales were developed specifically for this research program.

Two process-related measures were derived from post-game questionnaires. Participants each rated their own personal bargaining strategy and that of their partner on several items. The scales for problem-solving bargaining strategies (PSA_n) combine three items from the negotiator's questionnaire and three items from his or her partner's questionnaire for a total of six items. Then, partners rated the interpersonal attractiveness (ATT_n) of negotiators—also a three-item scale. See Table 1 for more details.

PHASE I—RESULTS

Hypotheses tests

Table 1 presents each of the key variables. Means, standard deviations, and ranges are given for both the Chinese and American negotiators.

Hypotheses 1 through 5 were tested by calculating partial correlation coefficients controlling for the effects of the role of the negotiator (i.e., buyer or seller). This analysis approach was necessitated by the potentially strong effects of role on negotiation outcomes, as had been evidenced in other Asian negotiators (e.g., see Graham *et al.*, 1988 for role behavior of Japanese, Korean, and Chinese negotiators in Taiwan). The results are reported in Table 2.

A positive relationship between negotiator's profits ($\$_n$) and partner's problem-solving approach (PSA_p), Hypothesis 1, was supported for both groups. The relationship was stronger for the Americans ($r_A = 0.320$, $p < 0.05$) than for the Chinese ($r_C = 0.260$, $p < 0.10$).

Likewise, Hypothesis 2, a positive relationship between negotiators' problem-solving approach (PSA_n) and their partners' satisfaction (SAT_p), was supported for both the American and PRC negotiators. Again, the relationship was stronger for the Americans ($r_A = 0.367$, $p < 0.05$) than for the Chinese ($r_C = 0.246$, $p < 0.10$).

Consistent with Hypothesis 3, a strong positive relationship between negotiators' problem-solving approach (PSA_n) and their partners' problem-solving approach (PSA_p) was discovered for the PRC Chinese negotiators as it had been for the Americans ($r_C = 0.731$, $r_A = 0.560$, both $p < 0.05$).

Hypothesis 4, a relationship between the negotiators' problem-solving approach (PSA_n) and their profits ($\$_n$), was not supported. This is similar to the lack of support for Hypothesis 4 found for American negotiators.

As predicted in Hypothesis 5, a positive relationship between the negotiator's attractiveness (ATT_n) and his/her partner's satisfaction (SAT_p) was found for the PRC Chinese ($r_C = 0.645$, $p < 0.05$). Again, this result is similar to that found for American negotiators ($r_A = 0.202$, $p < 0.05$).

Hypothesis 6 was tested using analysis of variance with role of the negotiator (i.e., buyer or seller) as the effect. For both the Americans and the PRC Chinese, the role of the negotiator had no influence on profits. As shown in Table 3, PRC Chinese *sellers* achieved higher profits ($\$_n$) in the simulation than did their respective buyers, but the results were not statistically significant. Thus Hypothesis 6 is not confirmed for either group.

PHASE II—METHODS

The second phase of the study involves an exploratory comparison of negotiation behaviors using observational measures of communication content and form. Also in this section, observational and survey measures of the problem-solving construct are compared.

Data collection

Of the 174 businesspeople participating in Phase I of the study, six from each culture were

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Table 2. Hypothesis test results, partial correlation coefficients

Hypothesis		PRC Chinese (n = 40)	American (n = 134)
H1: Partner's problem solving approach and negotiator profits	($PSA_p \rightarrow \$_n$)	0.260**	0.320*
H2: Negotiator's problem solving approach and partner satisfaction	($PSA_n \rightarrow SAT_n$)	0.246**	0.367*
H3:[a] Negotiator and partner problem solving approach	($PSA_n \rightarrow PSA_p$)	0.731*	0.560*
H4: Negotiator problem solving approach and negotiator profits	($PSA_n \rightarrow \$_n$)	0.188	0.009
H5: Negotiator attractiveness and partner satisfaction	($ATT_n \rightarrow SAT_p$)	0.645*	0.202*

Note: Results controlled for role (i.e., buyer or seller).
*$p < 0.05$.
**$p < 0.10$.
[a]For Hypothesis 3, the unit of analysis is the dyad. Thus, sample sizes are halved and the influence of role of the negotiator is not partialed out.

Table 3. The influence of role: Hypothesis 6 test results ANOVA, negotiator profits ($\$n$)

Statistics	PRC Chinese (n = 40)	American (n = 134)
Buyers' profits (mean)	45.6	47.6
Sellers' profits (mean)	46.7	44.2
R^2	0.004	0.028

selected, on a voluntary basis, for videotaping. The six interactions were videotaped using a wide-angle perspective to capture postures, body movements, and interpersonal distances.

Communication content

A primary purpose in this exploratory work is to identify and clarify process measures. Consequently, the discussion in the following sections is presented as a 'list' of process measures. Associated with each item on the list are an operational definition, a brief account of the method of measurement, and mention of apparent differences between the cultural groups.

The first step in the measurement and analysis of verbal behaviors during the business negotiations was the transcription of the audio portion of the videotapes. This was a potential source of error in measurement. A complete check of the transcripts did reveal some minor mistakes, and these were corrected. Generally, errors in transcription proved inconsequential. The second step in the measurement and analysis process involved translating the Chinese interactions in which Mandarin was spoken throughout. This posed another potential source of measurement error. Both steps in the process proved to be very time consuming and expensive, thus restricting the number of interactions which might be analyzed.

Content analysis

Angelmar and Stern (1978) have described a content analysis scheme developed specifically for the analysis of bargaining communications in business settings. They classify utterances by participants into twelve categories. Table 4 lists the categories and definitions. Angelmar and Stern report positive results from a reliability and validity assessment of the system applied to written communications. The present study is one of the few to apply the scheme to transcribed *conversations*. Coding transcribed conversations is a more difficult undertaking; spoken words are the only channel of communication. Transcripts do not include information communicated

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Table 4. Content analysis findings (what is said)

Bargaining behaviors and definition	Cultures[a] (units in individual categories as percentage of total units)	
	Chinese (n = 6)	American (n = 6)
PROMISE. A statement in which the negotiator indicated his intention to provide the bargaining partner with a reinforcing consequence which negotiator anticipates bargaining partner will evaluate as pleasant, positive, or rewarding	6	8
THREAT. Same as promise, except that the reinforcing consequences are thought to be noxious, unpleasant, or punishing	1	4
RECOMMENDATION. A statement in which the negotiator predicts that a pleasant environmental consequence will occur to the bargaining partner. Its occurrence is not under the negotiator's control	2	4
WARNING. Same as recommendation, except that the consequences are thought to be unpleasant	1	1
REWARD. A statement by the negotiator that is thought to create pleasant consequences for the bargaining partner	1	2
PUNISHMENT. Same as reward, except that the consequences are thought to be unpleasant	0	3
POSITIVE NORMATIVE APPEAL. A statement in which the negotiator indicates that the bargaining partner's past, present, or future behavior was or will be in conformity with social norms	1	1
NEGATIVE NORMATIVE APPEAL. Same as positive normative appeal, except that the bargaining partner's behavior is in violation of social norms	0	1
COMMITMENT. A statement by the negotiator to the effect that its future bids will not go below or above a certain level	10	13
SELF-DISCLOSURE. A statement in which the negotiator reveals information about itself	36	36
QUESTION. A statement in which the negotiator asks the bargaining partner to reveal information about itself	34	20
COMMAND. A statement in which the negotiator suggests that the bargaining partner perform a certain behavior	7	6

[a]Columns may add up to ±100 because of rounding errors.

through other channels, such as proxemics, prosody, kinesics, or facial expression. As mentioned previously, theory indicates that these channels also may be important for accurate interpretation and measurement of conversational contributions.

Two coders classified segments of the conversation into the twelve bargaining categories. One of the authors coded all six interactions, and a research assistant (ignorant of the theory and hypotheses involved in the study) coded two interactions (one from each culture) to provide a reliability check. The authors are cognizant of the possible biases involved in using coders informed about the theory applied in the research. However, resource constraints necessitated this less-than-ideal process. Significantly, analysis of discrepancies in coding between the two coders revealed this source of bias to be minimal. Intercoder reliability was 69 percent, comparable to Angelmar and Stern (1978), who reported 66 percent agreement for coding *written* negotiations. The content analysis provides another look at the problem-solving construct. Angelmar and Stern (1978) categorize questions and self-disclosures as representational behaviors—the equivalent of a problem-solving approach. Instrumental behaviors, the opposite of representational behaviors in their scheme, consist of threats, promises, commitments, rewards, and punishments. So we might expect survey measures of PSA to coincide with higher frequencies of

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questions and self-disclosures and lower frequencies of the instrumental behaviors listed above.

Communication form

Content analysis and the problem-solving approach construct were developed primarily by social psychologists and principally refer to the verbal content of conversations. Alternatively, linguistic theory holds that focusing only on verbal *content* yields an inadequate understanding of interpersonal interactions. Sociolinguists emphasize the importance of the *form* of communication. The dimensions of form focused upon are nonverbal and structural aspects of language which provide necessary ancillary information for accurately interpreting the *content* of conversations.

Simply stated, the *content* of conversation is *what* is said, while the *form* is *how* it is said. The distinction, both theoretically and practically, is a 'fuzzy' one. Several researchers have developed schemes for categorizing the *what* aspects of negotiations (e.g., Angelmar and Stern, 1978; Bales, 1950; Bonoma and Felder, 1977; Pennington, 1968; Pruitt and Lewis, 1975; Walton and McKersie, 1965). They have used these schemes to analyze the verbal content of bargaining interactions.

The *how* of meaning has also been analyzed. Ethnomethodologists emphasize that communication must be considered as an integrated whole made up of content and form. Unfortunately, previous negotiation studies have often taken form for granted.[8] The present study considers both content and style.

'No' and 'You'

Graham (1985) suggests that the simple counting of these two words may shed light on subtle differences in cultural styles of persuasion. He found substantial differences between the frequency of the use of the word 'no' by Brazilian bargainers as compared with Americans and Japanese. Several authors (e.g., Nakane, 1970; Ueda, 1974; Van Zandt, 1970) indicate that Japanese negotiators seldom use the word 'no' during negotiations. Graham (1985) also notes a Brazilian propensity to speak more frequently in the second person using the pronoun 'you'. Linguists also report use of the second person in speech to be of theoretical and practical salience (cf. Neu, 1985).

Conversational coordination

Communication theory suggests that when two people are effectively sharing ideas, their communication behaviors—both verbal and nonverbal—will be rhythmically coordinated (Condon, 1968; Erickson, 1976; Gumperz, 1979). Here two measures of conversational coordination, 'silent periods' and 'conversational overlaps', are operationally defined, and findings are reported below.

Silent periods are defined as gaps in conversations of ten seconds or more duration. The ten-second time period, while somewhat arbitrary, is a long enough silence to appear unnatural to most American observers. The tapes were searched for gaps in conversations of ten seconds or more, and these gaps were noted on the transcripts and tallied (see Table 5).

Conversational overlaps. The concept of 'interactional synchrony'—the unconscious coordination of verbal and nonverbal behaviors of two or more participants in a conversation—is discussed at length by Adler and Graham (1989). One possible measure of this construct is the number of conversational overlaps or interruptions during a conversation. Conversational overlaps are defined here as periods when both parties are talking simultaneously, or when the conversational contribution of one speaker overlaps that of the other. Identification of such overlaps is independent of the verbal content of the interactions. In the present work, the videotapes were searched for overlaps, and such interruptions in the flow of conversation were noted on the transcripts. The number of overlaps (interruptions) by each participant was totaled and divided by the duration of the negotiation to arrive at values which may be compared across interactions.

[8] Yet authors in other fields emphasize the importance of communication form. For example, Bonoma and Felder (1977) and Soldow and Thomas (1984) offer alternative definitions of form—nonverbal behaviors and relations communication, respectively.

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Table 5. Findings regarding communication form (how things are said)

Bargaining behaviors and definition	Cultures: Chinese (n = 6)	Cultures: American (n = 6)
STRUCTURAL ASPECTS		
'No's'. The average number of times the word 'no' was used by each negotiator per 30 minutes of negotiation	1.5	4.5[a]
'You's'. The average number of times the word 'you' was used by each negotiator per 30 minutes of negotiation	26.8	54.1
NONVERBAL BEHAVIORS		
Silent periods. The average number of conversational gaps initiated by each negotiator, 10 seconds or greater, per half hour	2.3	1.7[a]
Conversational overlaps. The average number of interruptions by each negotiator per half hour	17.1	5.1[a]
Facial gazing. The average number of minutes each negotiator looks at partner's face, per 10-minute period	3.7 min	3.3 min
Touching. The average incidents of each negotiator touching partner per half-hour (not including beginning and ending handshaking)	0	0

[a]These data are in disagreement with Graham (1985). The latter results were reported in error.

Facial gazing

The third nonverbal variable considered in this part of the study is facial gazing. Other researchers have found significant relationships between facial gazing and outcomes of negotiations (Lewis and Fry, 1977). Moreover, several authors have suggested differences in facial gazing behavior across cultures (Argyle and Cook, 1976).

In this study, facial gazing is defined as the percentage of time a bargainer gazes at the face of his partner. Ten-minute videotape excerpts of each of the six interactions served as data. Using a stopwatch, an observer recorded the time each participant spent gazing at his or her partner's face. The method used was very similar to that reported by Lewis and Fry (1977), except that here videotapes were reviewed rather than real-time interactions.

Touching

Finally, the number of times negotiators touched their partners (excluding beginning and ending handshakes) was recorded for each interaction. Graham (1985) reports that Brazilian businesspeople touch one another during simulated negotiations, while Japanese and Americans do not.

PHASE II—RESULTS

The results from the analyses are presented in Tables 4 and 5. For both the Chinese and American bargainers, the majority of verbal behaviors were problem-solving/information exchange oriented—questions and self-disclosures. However, the Chinese asked a much higher percentage of questions than did their American counterparts—34 percent versus 20 percent, respectively. Another difference becomes apparent when the various instrumental influence behaviors are added together—that is, threats, promises, commitments, punishments and rewards. Eighteen percent of the Chinese statements fell into those categories, compared to 30% for the American negotiators.

The analysis of the structural aspects and nonverbal behavior yielded additional differences in conversational form. The Chinese used the words 'no' and 'you' less frequently than the Americans. Further, the Chinese interrupted one another with three times the frequency of the Americans. Silent periods, facial gazing, and touching behaviors were found to be similar across the two groups.

DISCUSSION AND CONCLUSIONS

Interpretation of results

In Phase I of the study, Hypotheses 1, 2, 3 and 5 were supported for the PRC Chinese, as they had been for the American negotiators. Only Hypotheses 4 and 6 failed to be supported for both groups. Thus, as summarized in Figure 1, it appears that a problem-solving approach was helpful for both the PRC Chinese and the American negotiators. Such an approach, emphasizing the exchange of information, appears to have facilitated partner's satisfaction. At the

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same time, consistent with the comments of Brunner and Wang (1988) and others, negotiator's problem-solving strategies apparently encouraged partners to reciprocate with problem-solving behaviors, which in turn increased the negotiator's own profits. That is, negotiators positively influenced the two crucial negotiation outcomes (i.e., their own profits and their partner's satisfaction) by using a more cooperative, problem-solving approach. However, the mediating role of the partner's behavior should be noted. When the partner did not reciprocate with problem-solving behaviors, the negotiator's economic rewards suffered. In addition, as Rubin and Brown (1975) and others would predict (albeit based on the behavior of Americans), when the PRC Chinese negotiators were positively attracted to partners, they were also more satisfied with negotiation outcomes.

The results do not support the influence of role (i.e., buyer/seller) on the negotiation outcomes for either the Chinese or the Americans. Moreover, it should be noted that PRC Chinese sellers on the average performed slightly better than buyers. This would not be expected in the traditional Confucian, hierarchical society of the Chinese in which one would expect the buyer to dominate (see Bond, 1986; Hofstede and Bond, 1988; Lee and Lo, 1988; Shekar and Ronen, 1987, among others). Negandhi and Prasad (1976) offer a possible explanation in their classic assessment of marketing conditions in developing countries:

> Their drive for industrialization [has resulted in]...an increasing supply of money, a shortage of foreign exchange, increased imports relative to exports, an increase in governmental planning and administrative expenditures and a rigid, cumbersome control apparatus. The combined effect of all these factors seems to have generated a demand for goods and services which is far greater than supply. In other words, this has given rise to what is commonly referred to as a *sellers' market* (p. 206, as cited in Kale, 1986: 388).

This description certainly fits contemporary China and could, therefore, explain the non-significant influence of role rather than the dominance of the buyer role that one would expect based on the traditional Chinese cultural values.

Although both Chinese and American groups appear to use similar problem-solving approaches, it should be remembered that studies of other cultural groups have yielded substantial differences. Negotiators in Taiwan (Graham *et al.*, 1988), Germany and the United Kingdom (Campbell *et al.*, 1988), Mexico, and French-speaking Canada (Adler *et al.*, 1987) all achieved higher individual profits when they used a competitive approach, the opposite of PSA. Role (buyer or seller) proved important in Japan and Korea (Graham *et al.*, 1988), the United Kingdom (Campbell *et al.*, 1988), and English-speaking Canada (Adler *et al.*, 1987). These different results across the several cultures are consistent with the difficulties in cross-cultural ventures reported by Ohmae (1989) and others.

The results of Phase II, of course, are not definitive. The small sample sizes do not warrant tests of statistical significance. How representative the participants are is problematic. They are all experienced businesspeople, which is an improvement over most other business negotiation research in which inexperienced students are used as surrogates for 'real' bargainers. But how well six businesspeople represent a 'cultural style' cannot be determined. The value and strength of the second phase is derived from the observational methods used to measure the negotiation process. Videotaping allows for multiple observers and multiple observations *concurrent* with the bargaining process. Thus, the reliability and validity of the process measures developed does not depend on *a priori* experimental manipulations or *post hoc* participant self-reports. The methods developed in Phase II are time consuming and expensive (translations/transcription), but potentially fruitful, as these findings suggest.

So, the reader must take care to avoid over interpreting the Phase II findings. The Chinese bargainers seem to have placed more emphasis on asking questions than did the Americans. Such a difference in negotiation styles is consistent with the relevant literature (cf. Lee and Lo, 1988)—particularly with the several comments of Pye (1982):

> After just about every session I found out that they had raised all kinds of extraneous questions for which I had to telex to New York to get answers. We were becoming an information service for the Chinese, but that seemed to be the price they expected us to pay for their business (p. 67).

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> The Chinese do attach great importance to accuracy, and hence they will ignore the tone of a meeting and singlemindedly press for clarification, often in a persistent if not rude fashion (p. 79).

The Chinese want to be exactly sure of everything and avoid all possible mistakes (p. 92). The Chinese forbearance regarding instrumental influence behaviors (i.e., promises, threats, commitments, punishments, and rewards) is quite consistent with the requirements of maintaining 'face' so well described by Brunner and Wang (1988).

Our findings regarding the structural aspects and nonverbal behaviors suggest that such variables be given attention in future studies. The differences in the usage of the words 'no' and 'you' and conversational overlaps are consistent with those reported by Graham (1985) regarding other cultures. That is, the variation is not only in *what* the businesspeople say during the negotiation simulation, but also, *how* things are said appears to vary substantially across cultures.

Furthermore, the results of the two phases of the study are quite consistent. The problem-solving approach model appears to fit the questionnaire data for both groups. The emphasis of both groups on information exchange bargaining behaviors (i.e., questions and self-disclosures) supports the importance of information exchange in both the PRC and the USA. Indeed, the two measures of problem-solving approach (i.e., survey and observational) appear to coincide in another way as well. That is, the Chinese rated themselves higher on the PSA scales and the results of the content analysis suggests that, in fact, the Chinese bargainers use more representational and less instrumental behaviors than did their American counterparts.

Management implications

Finally, these results are similar in several respects to reports about managing relational processes in commercial alliances between U.S. and Chinese partners. Most importantly, the success of the problem-solving approach among negotiators from both countries would seem to support normative prescriptions regarding the importance of openness and trust-building behaviors among cooperative venture partners in general (Lorange, 1987) and U.S.–China partners in particular (Davidson, 1987). The superiority of the problem-solving approach, with its emphasis on information exchange, also seems fully consistent with Davidson's (1987) prescriptions to U.S. parties to bring a written agreement to initial negotiations with prospective Chinese partners frankly specifying desired terms and plans for the collaborative arrangement (p. 80); to 'embrace but not abuse the role of educators in the negotiation process' (p. 81); and to continue to exchange written records of negotiation processes and outcomes as the venture progresses (p. 83). The finding reported here that Chinese negotiators ask more questions than their American counterparts is also quite consistent with the observations of Webber (1989) and with Davidson's recommendation that American negotiators exercise considerable patience regarding Chinese partners' seemingly interminable inquiries (1987: 81, 83).

Yet this last issue points to a troubling enigma. The success of the problem-solving approach for a negotiator depends upon the partner's response. When partners failed to reciprocate with their own problem-solving behaviors, negotiators' economic returns were diminished. U.S. negotiators uniformly report great frustration with delays and recurring problems in their Chinese ventures (Goldberg, 1988; Mann, 1989; Webber, 1989). How is the negotiator to know when these types of problems require continued perseverance and patience, and when they are symptoms of non-reciprocation? This would seem to be an especially fruitful area for further focused research on U.S.–Chinese commercial alliances.

Conclusions about Chinese negotiations

The primary purpose of this study has been to increase our understanding of Chinese commercial negotiating behavior. The results, not surprisingly, support a picture of PRC Chinese negotiating behavior in which the search for win/win solutions, the exchange of information, and the interpersonal attractiveness of the negotiator lead to better outcomes—that is, they lead to higher profits for the negotiator and greater satisfaction for his or her partner. What is surprising is the similarity between the American and the Chinese negotiator's results. Given the wealth of data on East/West cultural differences, along with the political and economic differences distinguishing

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the two countries, it would appear prudent not to overgeneralize the extent of similarity until future research has proven similarity to be the consistent pattern. Likewise, it is important to view this study as documenting an aspect of *intracultural* negotiating behavior—that is, the patterns of Chinese negotiating with Chinese—and not to assume that such patterns will accurately describe the intercultural negotiating behavior of Chinese negotiating with their foreign trading partners (cf. Adler and Graham, 1989).

Cross-cultural interactions were not explicitly considered here. Adler and Graham (1989) do report findings from such studies. Generally, the findings indicate that such cultural differences in bargaining processes as described above are potential sources for friction and misunderstandings between bargainers which often result in increased transaction costs in international commercial relationships. For example, frequent interruptions of American negotiators by Brazilian counterparts can lead to irritation and to inaccurate attributions of rudeness, when Brazilian executives are really just behaving 'Brazilian'. Likewise, lack of eye contact from Japanese partners during negotiations may lead to Americans' suspicions and attributions of Japanese secrecy or even dishonesty. Such problems can destroy cooperative relationships and preclude otherwise mutually beneficial commercial agreements.

Perhaps the most worrisome of our findings is that differences were related to *how* things were said as well as to *what* was said. Clear contrasts between the Chinese and the Americans were found in aspects of conversational forms. Such differences are generally not consciously perceived by negotiators. Such 'hidden' problems often lead to cross-cultural disharmony, prejudices, and *feelings* of ill will. Indeed, Gumperz and the other sociolinguists might attribute Pye's (1982) comments to the Chinese propensity for more frequent interruptions: '...they will ignore the *tone* of the meeting and singlemindedly press for clarification, often in a persistent if not *rude* fashion' (our emphases) (Pye, 1982: 79).

Future research

Face-to-face negotiations are an integral part of the formation and implementation of all commercial relationships. It is simply not enough to fully comprehend markets and competition. Nor is it enough to select the best business partners. Corporate alliances also require efficient interpersonal communications between executives at all levels in the involved firms. This study and others regarding international business negotiations suggest fundamental differences in approaches and behaviors across cultures. Documenting such differences in comparative studies such as this one is the first crucial step toward understanding and rectifying potential problems. Holton (1989) perhaps put it best:

> An underlying difficulty that has accounted for problems in negotiating Sino-American joint ventures stems from the enormous differences in the backgrounds of the two parties. Briefly put, because of these different backgrounds, the two sides have quite different views of the world. Perhaps equally important, each side knows little about what the other side's view of the world is; but if the two views are different *and* each side is ignorant of the principal features of the other's view of the world, the problem is compounded (p. 233).

Future research must, of course, consider intercultural negotiations. Negotiation simulations combining survey methods and observational methods will be most useful. Complete studies will also consider both communication content and form. Graham and Andrews (1987) describe a novel approach to analyzing intercultural negotiations wherein negotiators are videotaped, then asked to comment while reviewing the tapes of themselves. Tung's (1982b) survey approach deserves replication in other cultures. Weiss' (1987) in-depth case analysis regarding the GM—Toyota joint venture negotiations provides still another crucial perspective to our understanding the face-to-face negotiations required in all international commercial relationship. Clearly, much more work remains to be done. Future studies using a *variety* of methods will provide the clearest answers to the questions raised regarding implementing business strategies in the global context.

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