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Business Negotiations with the Chinese

The Swedish Perspective

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ABSTRACT

The Chinese market is rapidly increasing and yet its full potential is, by far, not reached. Foreign companies are competing for the opportunity to be a part of the development of China and Swedish companies are no exception. Sweden is a country that, to a large extent, is dependent on international trade and due to this fact China is a very important emerging market. We believe that its size and potential will attract more and more Swedish companies in the coming years. A crucial success factor when doing business internationally is the art of negotiation. According to Graham and Lam (2003) negotiating business deals in China will be one of the most daunting and interesting challenges facing Western executives during the next few decades.

In this thesis we study Chinese business negotiations from Swedish managers' perspective and we analyze their experience within this area. We have chosen to focus on the Chinese negotiation process, the influence of Chinese culture on negotiations and Chinese negotiation tactics.

This study shows that a Chinese negotiation is a time-consuming process that requires patience and trust on a personal level between the parties. Furthermore, the study points out the importance of the concept of face and that one of the most commonly used Chinese negotiation tactics is to constantly claim that the price is too high.

SAMMANFATTNING

Den kinesiska marknaden växer med hög hastighet men trots detta så är den framtida marknadspotentialen ansenlig. Utländska företag konkurerar om att få ta del av utvecklingen av Kina och svenska företag är inget undantag. Sverige är ett land som till stor del är beroende av internationell handel och på grund av detta faktum så är Kina en mycket viktig tillväxtmarknad. Vi tror att dess storlek och potential kommer att attrahera allt fler svenska företag de kommande åren. En avgörande framgångsfaktor vid internationella affärer är konsten att förhandla. Enligt Graham och Lam (2003) så kommer en av de mest bekymmersamma och intressanta utmaningarna för västerländska direktörer, de kommande årtiondena, att vara att genomföra affärsförhandlingar i Kina.

I den här avhandlingen studerar vi kinesiska affärsförhandlingar från svenska chefers perspektiv och vi analyserar deras erfarenheter inom detta område. Vi har valt att fokusera på den kinesiska förhandlingsprocessen, den kinesiska kulturens påverkan på förhandlingar samt kinesisk förhandlingstaktik.

Denna studie visar att den kinesiska förhandlingen är en tidskonsumerande process som kräver tålamod och tillit, på ett personligt plan, mellan parterna. Dessutom så visar den här studien på vikten av begreppet ”ansikte” och att en av de mest använda kinesiska förhandlingsteknikerna är att ständigt påstå att priset är för högt.

ACKNOWLEDGEMENTS

This thesis was written, during the fall of 2004, at the Division of Industrial Marketing at Luleå University of Technology. Throughout the process of writing we have found out that there is much knowledge to be gained from studying Chinese business negotiations from the perspective of a Swedish manager. We have discovered that this is an interesting area of profession in which we might consider working.

We would like to thank the persons that have contributed with their knowledge and guidance and helped us make this thesis possible. First of all we want to thank our supervisor, Associate Professor Mr. Manucher Farhang, for the valuable guidance, criticism and support he has provided. Furthermore, we want to confer our sincere gratitude to Mr. Stefan Montan, Sales Manager of China Mobile at Ericsson and the Vice President of Volvo NAP, Mr. Ulf Norman who devoted time and effort in providing us with valuable information and their real life experience of Chinese business negotiations.

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John Åström David Måttgård

TABLE OF CONTENTS

LIST OF FIGURES AND TABLES

1 INTRODUCTION

In this chapter we provide an introduction to the subject of our thesis. The background gives a brief overview of the area of research, which is then narrowed down in the problem discussion. The chapter ends with the purpose of the thesis, which in turn is divided into three research questions.

1.1 Background

International business comprises a large and increasing portion of the world's total trade. The growth of international business has accelerated faster than previously recorded, outstripping domestic business. International markets, it is believed, offer companies opportunities to market their products and services on a worldwide scale and reap the benefits of the particularly high stakes involved (Simintras and Thomas, 1998). In pursuing global opportunities, managers are increasingly engaging themselves in international business negotiations (Reynolds, Simintras and Vlachou, 2003).

Companies involved in international business, deal with sales transactions or negotiations, which span national and cultural boundaries. That means, sales negotiators interact with individuals from unfamiliar cultures that exhibit different negotiation styles, behaviors and expectations about the normal process of negotiation. This presents several potential culture-related obstacles that confront the international negotiator and failure to anticipate, understand and effectively remove these obstacles can lead to a failure in international negotiations (Simintras and Thomas, 1998). When one takes the seemingly simple process of negotiations into an international context, it becomes even more complex and complications tend to grow exponentially. It is naive indeed to venture into international negotiation with the belief that "after all people are pretty much alike everywhere and behave much as we do" (Gulbro and Herbig, 1997). More than two-thirds of all negotiations efforts fail in spite of the fact that both sides want to reach a successful business agreement. A lack of knowledge concerning the culture and the expectations of the other side hinders effective negotiation with those from another culture (Herbig and Gulbro, 1996). Hence, competence in international negotiation is one of the most important and indispensable skills in all kinds of international business (Simintras and Thomas, 1998).

International negotiations are one of the most demanding tasks in business and managers may spend more than 50 percent of their time negotiating (Reynolds, Simintras and Vlachou, 2003). Negotiations precede all international business transactions, irrespective if they comprise the sale of a product to a foreign buyer, the formation of a joint venture between two companies of different nationalities to share distribution channels in a third country, an acquisition of a company by a foreign company, or the licensing of a technology by a company to a foreign producer. It is inevitable that negotiations between two or more sides will take place whenever a certain objective is impossible to obtain unilaterally without incurring unacceptable political, legal, or economic consequences (Phatak and Mohammed, 1996).

Many authors' definition of negotiation concurs to a large extent; Gulbro and Herbig (1997) define negotiation as: "…the process by which at least two parties try to reach an agreement on matters of mutual interest". Hodgetts and Luthans' (2003) definition is quite similar:

"negotiation is the process of bargaining with one or more parties to arrive at a solution that is acceptable to all". In comparison to domestic negotiations the unique characteristic of international negotiations is the influence of cultural differences on the both negotiators and the process of negotiation (Nilsson Molnár and Molnár, 2000).

There are many more challenges in a cross-cultural environment than in a mono-cultural setting. Cross-cultural negotiations[1] are negotiations where the negotiating parties belong to different cultures and do not share the same ways of thinking, feeling and behaving. The international negotiation process is generally more complex than the domestic negotiation process because it encompasses unconscious forces of the different cultural norms that may undermine effective communication (Woo and Prud'homme, 1999).

According to Ghauri (1996) the process of international business negotiation consists of three stages: pre-negotiation, face-to-face negotiation and post-negotiation. In the pre-negotiation stage, parties attempt to understand each other's needs and demands, which is done through information gathering and informal meetings. The negotiation stage refers to face-to-face negotiations and the post-negotiation stage refers to the stage when the parties have agreed to most of the issues and are to agree on contract language and format and finally signing the contract. Deresky's (2003) model of the cross-cultural negotiation process differs somewhat from Ghauri's model, consisting of five stages; (1) preparation, (2) relationship building, (3) the exchange of task-related information, (4) persuasion and (5) concessions and agreement.

Often barriers to a successful agreement are of a cultural nature rather than on an economic or legal basis. Since each side perceives the other from its own ethnocentric background and experience, often neither side fully comprehends why the negotiations failed. It is precisely this lack of knowledge concerning the culture and the "alien" and "unnatural" expectations of the other side that hinders effective negotiation with those from another culture (Gulbro and Herbig, 1997). Cultural differences can influence business negotiations in significant and unexpected ways (Sebenius, 2002). Different cultural systems can produce divergent negotiating styles – styles shaped by each nation's culture, geography, history, and political system. Unless you see the world through the other's eyes (no matter how similar they appear to you), you may not be seeing nor hearing the same. No one can usually avoid bringing along his cultural assumptions, images, and prejudices or other attitudinal baggage into any negotiating situation (Gulbro and Herbig, 1997). According to Ghauri and Usunier (1996) the most important cultural factors that influence a negotiation are: *time, individual vs. collective behavior, pattern of communication* and *emphasis on personal relations.*

Several factors influence successful negotiations. These include personality, style, strategies, tactics, cultural orientation, and the nature of issues in contention and relationships between parties. Among these, strategies and tactics are especially important factors. A negotiation strategy is the broad plan or technique used to achieve the desired objectives of the negotiation and the resultant agreement. Tactics are generally defined as the components of a strategy. They are the communicative behaviors that operationalize strategies in the bargaining process (Lim, 1998).

1.2 Problem discussion

The Swedish economy depends on international trading and therefore it is important for Swedish businessmen to find new and/or develop old markets in order to improve Swedish

[1] In this thesis the terms "cross-cultural" and "international" are used interchangeably.

competitiveness in the global marketplace. To be able to meet these challenges, the companies need to develop knowledge and skills regarding the international business process and how to negotiate in different cultures (Nilsson Molnár, 1997). According to Nilsson Molnár (1997) it is possible that Swedish companies sometimes lose international projects due to the negotiators limited knowledge and information about foreign markets and cultural differences. An important measure for Swedish companies is therefore to gain the necessary knowledge about foreign cultures in order to do well in international business.

To negotiate more effectively and develop long lasting relationships with international partners more research that compares negotiation behavior in different cultures is necessary (Nilsson Molnár, 1997). Cross-cultural negotiations is a field of great interest in this age of global economy. Many are the authors that have written books or articles regarding how to negotiate with another culture. The cultures that are the most frequently discussed are Japan, Russia and China (Lim, 1998).

In China, the world has witnessed one of the most breathtaking economic transformations of the twentieth century (Woo and Prud'homme, 1999). There is evidence to suggest that over the last century China has indeed undergone dramatic economic modernization (Woo, Wilson and Liu, 2001). With the fastest growth rate in the last two decades, China has become one of the largest markets for international business (Yang and Lee, 2002). The general trend has been an increase in western investment in China and it is easy for any observer to conclude that a China that carries out its promised economic reforms will have a significant role in shaping the global economy in the future (Woo and Prud'homme, 1999).

More research about negotiation behaviors in other cultures is needed if we are to negotiate effectively and develop long lasting relationships with international partners (Mintu-Wimsatt and Gassenheimer, 1996). Negotiating business deals in China will remain one of the most daunting and interesting challenges facing Western executives during the next few decades (Graham and Lam, 2003). A major problem in this area of research is that there is a lack of a systematic model with which to analyze Chinese business negotiation style in a Chinese socio-cultural aspect (Fang, 1999). China is the world's largest emerging market, the largest Communist bureaucracy and the oldest culture in the world. This unique case in international business requires special academic and managerial attention and there is a need for further studies on Chinese negotiation behavior and studies where the theories can be further tested (Ghauri and Fang, 2001).

Due to the Swedish international dependency and the fact that China is a very important emerging market, we believe that its size and potential will attract more and more Swedish companies in the coming years. The amount of research concerning international business negotiations and cultural differences is rather vast, however, the studies of international business negotiation behavior from a Swedish point of view are very limited (Nilsson Molnár, 1997). In this study we aim to contribute to research in the area and to investigate the specific conditions that pertain to negotiations in a Sino-Swedish setting.

The purpose of this thesis and the subsequent research questions are as follows:

1.3 Purpose and research questions

The purpose of this research is to study Swedish managers' experience of business negotiations with the Chinese.

To serve our purpose we shall address the following research questions:

1. How can the process of business negotiations with the Chinese as experienced by Swedish managers be described?
2. How can Swedish managers' experience of the influence of culture on Chinese business negotiations be described?
3. How can Swedish managers' experience of business tactics used by Chinese negotiators be described?

2 LITERATURE REVIEW

This chapter will present theories pertaining to the stated research questions presented in chapter one. We will present the general theories pertaining to the research questions followed by a more specific discussion about Chinese business negotiations. In the first section of this chapter we will discuss previous research concerning the international negotiation process followed by the cultural influence on international negotiations and in the third section negotiation tactics will be discussed. These theories are presented in order to facilitate an overview of general international negotiation theories, however, this study will be based on the last section of this chapter that concerns previous research in the area of Chinese business negotiations.

2.1 The negotiation process

Here relevant theories pertaining to research question one will be presented. It starts off with Ghauri's (1996) three-stage negotiation process, which is only one part of a comprehensive overall framework for international business negotiation. This framework consists of: background factors, atmosphere, strategic factors, cultural factors and process. For research question one only the process part will be dealt with, as only this part is relevant for this research question. Furthermore, Deresky's (2003) five-stage international negotiation process will be presented and finally Mead's (1990) negotiation process with five topic areas.

2.1.1 Ghauri and Usunier (1996) on the international negotiation process

The process of international business negotiation presented here is divided into three different stages. A stage of the process refers to a specific part of the process and includes all actions and communications by any party pertaining to negotiations made during that part. Parties communicate with each other to exchange information within each stage. A particular stage ends where parties decide to proceed further on to the next stage or decide to abandon the communication if they see no point in further negotiations. In the pre-negotiation stage, parties attempt to understand each other's needs and demands, which is done through information gathering and informal meetings. The negotiation stage refers to face-to-face negotiations and the post-negotiation stage refers to the stage when parties have agreed to a majority of the issues and are to agree on contract language and format and signing the contract.

Stage I: Pre-negotiation

The pre-negotiation stage begins with the first contact between parties in which an interest in doing business with each other is shown. During this stage, some negotiations take place and tentative offers are made. The dynamism of the process can be observed at this early stage where parties begin to understand each other's needs and evaluate the benefits of entering into the process of negotiation.

The parties gather as much relevant information as possible on each other, the operating environment, the involvement of other third parties, influences, competitors and the infrastructure. Parties need to be aware that their relative power relationship can be altered at any time by such events as the repositioning of competitors or movements in exchange rates. As Ghauri and Usunier define the negotiation process as being of a problem-solving nature, the main issue here is to define the problem to be solved. It is important to define the problem jointly, as it will not only reflect each other's expectations but is also necessary to acquire commitment from both parties. The parties should, therefore, truly and openly discuss each other's objectives and expectations in order to achieve a positive problem-solving situation.

Informal meetings take place as the parties examine each other's position. Whether the parties continue to the next stage of the negotiation process depends on the perceived level of cooperation or conflict, of power or dependence and the expected benefits of the relationship. The process often ends in failure if excessive conflict is sensed or if a successful future relationship seems doubtful. The parties should truly see how they are going to cooperate, examine whether it is realistic to expect to achieve the objectives of both sides and to identify the obstacles that have to be overcome to achieve these objectives.

The pre-negotiation stage is often more important than the formal negotiations in an international business relationship. Social, informal relationships developed between negotiators at this stage can be of great help. Trust and confidence gained from these relationships increase the chances of agreement. One method of establishing such contacts is to invite individuals from the other side to visit your office/country in an attempt to develop trust. The prime objective here is to get to each other's priorities. The parties need to understand the interests and fears of the other party.

Parties also begin to formulate their strategy for face-to-face negotiation. By strategy Ghauri and Usunier means a complete plan regarding problems, the solutions available and preferred choices, relative to the other party's choices and preferences. Parties try to build up their relative power. They compare the alternatives available, make check lists and assign arguments for and against these alternatives. They also decide on possible points of concession and their extent.

Parties try to foresee and take precautions against predictable events. Remittance of funds, taxes and import duties and work permits are just some examples of the rules and regulations of the particular country that must be researched at this stage. An understanding of the infrastructure of the country and the company is also critical at this point. In some countries, especially when the public sector is the buyer, purchasing organizations issue a "letter of award" (also called letter of intent/acceptance) after the first stage. The negotiators from Western countries often perceive this letter of award as a grant of contract. However, this is an incorrect assumption, the letter merely indicates the other party's intention to negotiate further.

Parties to international business negotiations should have an initial strategy, which is dependent on the information attained so far and the expectations. The negotiators should list the problems and issues, especially the conflicting issues and form strategies and choices for all possible solutions they or the other party could suggest. These solutions should be ranked in terms such as preferred, desired, expected and not acceptable. If not acceptable, a solution that could be acceptable to the other party should be suggested. It is, accordingly, important to have several solutions for each problem or issue.

Stage II: Face-to-face negotiation

The basic issue at this stage is that parties believe that they can work together to find a solution to a joint problem. The parties should also be aware that each side views the situation, the matter under discussion, in its own way. Not only that it has a different perception of the process but it has different expectations for the outcome. It is therefore, important to start face-to-face negotiation with an open mind and to have several alternatives.

At this stage, as the process continues, the parties should evaluate the alternatives presented by the other party and select those that are compatible with their own expectations. The best way is to determine criteria for judging the alternatives and then rank order each alternative, one's own as well as those presented by the other party, against these criteria. Here the parties can even help each other in evaluating these alternatives and can discuss the criteria for judgment. The main issue is to explore the differences in preferences and expectations and to come closer to each other.

Experience shows that the negotiation process is controlled by the partner who arranges the agenda, since he can emphasize his own strengths and the other party's weaknesses, thus putting the other party on the defensive. However, the agenda may reveal the preparing party's position in advance and hence permit the other side to prepare its own counter-arguments on conflicting issues. Some negotiators prefer to start negotiations by discussing and agreeing on broad principles for the relationship. Another way to ensure success at this stage is to negotiate the contract step by step — discussing both conflicting issues and those of common interest. In particular, an initial discussion on items of common interest can create an atmosphere of cooperation between parties. The choice of strategy depends upon the customer or supplier with whom one is negotiating. It is helpful to anticipate the other party's strategy as early as possible and then to choose a strategy to match or complement it.

It is often suggested that the negotiator should not agree to a settlement at once, even if there is considerable overlap of his position with that of the other party. The negotiator may obtain further concessions by prolonging the negotiation process. A number of studies have revealed that negotiators who directly submit a "final offer" can be at a disadvantage. In view of the diverse cultural and business traditions prevailing in different countries, international negotiations inherently involve a discussion of differences. It is very difficult for parties to comprehend or adjust to each other's culture or traditions, however, it is important to be aware of these differences. Social contacts developed between parties are far more significant than the technical and economic specifications in many emerging markets.

A balance between firmness and credibility is important in all types of negotiation. It is important to give and take signals of readiness to move from the initial stage without making concessions. Negotiators having prior dealings with each other can easily send and receive signals, but it is very difficult for those meeting for the first time. Negotiators often send conditional signals such as "We cannot accept your offer as it stands" or "We appreciate that your equipment is quite suitable for us but not at the price you mentioned".

It is also common that the party perceiving greater relative power makes fewer concessions and that the weaker party yields more, often to create a better atmosphere. Maintaining flexibility between parties and issues is of great importance in this stage. These usually occur after both parties have tested the level of commitment and have sent and received signals to move on. For example, the price can be reduced if the party offers better terms of payment. Other elements can be traded off but there may not be a way to evaluate them in accounting terms. For example, an entry into a huge protected market may be strategically more important than obtaining handsome profits on the present deal.

Stage III: Post-negotiation
At this stage, all the terms have been agreed upon. The contract is being drawn up and is ready to be signed. Experience has shown that writing the contract and the language used can be a negotiation process in itself, as meaning and values may differ between the two parties. In several cases involving Western companies and emerging-country parties, the language used and the recording of issues previously agreed upon took considerable time. This stage can lead to renewed face-to-face negotiation if there is negative feedback from background factors and atmosphere. Discussion should be summarized after negotiations to avoid unnecessary delays in the process. Both parties should read the terms agreed-upon after concessions are exchanged and discussions held, by keeping minutes of meetings, for example. This will help test the understanding of the contract, as parties may have perceived issues or discussions differently. This not only applies to writing and signing the contract but also to its implementation. Trouble may arise later during the implementation of the contract if parties are too eager to reach an agreement and do not pay enough attention to details. The best way to solve this problem is to confirm that both sides thoroughly understand what they have agreed upon before leaving the negotiating table. A skilled negotiator will summarize and test understanding: "Do we understand correctly that if we agree to your terms of payment and repay the credit within three years from the date of the contract, you will reduce the price by 7 percent?"

2.1.2 Deresky (2003) on the international negotiation process

Deresky states that the negotiation process comprises five stages, the ordering of which may vary according to the cultural norms; for most people relationship building is part of a continuous process of preparation in any event: (1) preparation, (2) relationship building, (3) the exchange of task-related information, (4) persuasion, and (5) concessions and agreement. Of course, in reality these are seldom-distinct stages, but rather tend to overlap; negotiators may also revert to an earlier stage temporarily. With that in mind, it is useful to break down the negotiation process into stages to discuss the issues relevant to each stage and what international managers might expect, so that they might more successfully manage this process.

Stage one: Preparation
The importance of careful preparation for cross-cultural negotiations cannot be overstated. To the extent that time permits, a distinct advantage can be gained if negotiators familiarize themselves with the entire context and background of their counterparts (no matter where the meetings will take place) in addition to the specific subjects to be negotiated. Because most negotiation problems are caused by differences in culture, language, and environment, hours or days of tactical preparation for negotiation can be wasted if these factors are not carefully considered.

To understand cultural differences in negotiating styles, managers first need to understand their own styles and then determine how their style differs from the norm in other countries. They can do this by comparing profiles of those perceived to be successful negotiators in different countries. Such profiles reflect the value system, attitudes, and expected behaviors inherent in a given society.

Stage two: Relationship building
The process of relationship building is regarded with much more significance in most parts of the world than it is in the United States. American negotiators are, generally speaking, objective about the specific matter at hand and usually want to waste no time in getting down

to business and making progress. This approach, well understood in the United States, can be disastrous if the foreign negotiators want to take enough time to build trust and respect as a basis for negotiating contracts. In such cases, American efficiency interferes with the patient development of a mutually trusting relationship — the very cornerstone of an Asian business agreement.

In many countries, such as Mexico and China, personal commitments to individuals, rather than the legal system, form the basis for the enforcement of contracts. Effective negotiators allow plenty of time in their schedule for such relationship building with bargaining partners. This process usually takes the form of social events, tours, and ceremonies, along with much light conversation, or non-task sounding, while both sides get to know one another. In such cultures, one patiently waits for the other party to start actual business negotiations, aware that relationship building is, in fact, the first phase of negotiations. It is usually recommended that managers new to such scenarios use an intermediary — someone who already has the trust and respect of the foreign managers and who therefore acts as a "relationship bridge". Middle Easterners, in particular, prefer to negotiate through a trusted intermediary, and for them as well, initial meetings are only for the purpose of getting acquainted. Arabs do business with the person, not the company, and therefore mutual trust must be established. As a bridge to the more formal stages of negotiations, such relationship building is followed by posturing — that is, general discussion that sets the tone for the meetings. This phase should result in a spirit of cooperation. To help ensure this result, negotiators must use words like respect and mutual benefit rather than language that would suggest arrogance, superiority, or urgency.

Stage three: Exchanging task-related information

In the next stage, exchanging task-related information, each side typically makes a presentation and states its position; a question-and-answer session usually ensues, and alternatives are discussed. From an American perspective, this represents a straightforward, objective, efficient, and understandable stage. However, negotiators from other countries continue to take a more indirect approach at this stage. Mexican negotiators are usually suspicious and indirect, presenting little substantive material and more lengthy, evasive conversation. French negotiators enjoy debate and conflict and will often interrupt presentations to argue about an issue even if it has little relevance to the topic being presented. The Chinese also ask many questions of their counterparts, and they delve specifically and repeatedly into the details at hand; conversely, the Chinese presentations contain only vague and ambiguous material. For instance, after about 20 Boeing officials spent 6 weeks presenting masses of literature and technical demonstrations to the Chinese, the Chinese said, "Thank you for your introduction."

The Russians also enter negotiations well prepared and well versed in the specific details of the matter being presented. To answer their (or any other side's) questions, it is generally a good idea to bring along someone with expertise to answer any grueling technical inquiries. Russians also put a lot of emphasis on protocol and expect to deal only with top executives.
Negotiators should focus not only on presenting their situation and needs but also on showing an understanding of their opponents' viewpoint. Focusing on the entire situation confronting each party encourages the negotiators to assess a wider range of alternatives for resolution, rather than limiting themselves to their preconceived, static positions.

Stage four: Persuasion

In the next phase of negotiations, persuasion, the hard bargaining starts. Typically, both parties try to persuade the other to accept more of their position and to give up some of their own. Often, some persuasion has already taken place beforehand in social settings and through mutual contacts. In the Far East, details are likely to be worked out ahead of time through the backdoor approach (houmani). For the most part, however, the majority of the persuasion takes place over one or more negotiating sessions. International managers usually find that this process of bargaining and making concessions is fraught with difficulties because of the different uses and interpretations of verbal and nonverbal behaviors. Although variations in such behaviors influence every stage of the negotiation process, they can play a particularly powerful role in persuasion, especially if they are not anticipated.

Although persuasion is discussed as if it were always a distinct stage, it is really the primary purpose underlying all stages of the negotiation process. In particular, persuasion is an integral part of the process of making concessions and arriving at an agreement.

Stage five: Concessions and agreement
In the last stage of negotiation, concessions and agreement, tactics vary greatly across cultures. Well-prepared negotiators are aware of various concession strategies and have decided ahead of time what their own concession strategy will be. Familiar with the typical initial positions that various parties are likely to take, they know that the Russians and the Chinese generally open their bargaining with extreme positions, asking for more than they hope to gain, whereas the Swedes usually start with what they are prepared to accept.

Research in the United States indicates that better end results are attained by starting with extreme positions. With this approach, the process of reaching an agreement involves careful timing of the disclosure information and of concessions. Most people who have studied negotiations believe that negotiators should disclose only the information that is necessary at a given point and that they should try to obtain information piece by piece to get the whole picture gradually without giving away their goals or concession strategy. These guidelines will not always work in intercultural negotiations because the American process of addressing issues one at a time, in a linear fashion, is not common in other countries or cultures. Negotiators in the Far East, for example, approach issues in a holistic manner, deciding on the whole deal at the end, rather than making incremental concessions.

Again, at the final stage of agreement and contract, cultural values determine how these agreements will be honored. Whereas Americans take contracts very seriously, Russians often renege on their contracts. The Japanese, on the other hand, consider a formal contract to be somewhat of an insult and a waste of time and money in legal costs, since they prefer to operate on the basis of understanding and social trust.

2.2 Cultural factors influencing the negotiation process

As previously mentioned, Ghauri and Usunier's framework for international business negotiation consists of: background factors, atmosphere, strategic factors, cultural factors and process. For research question one only the process part was discussed. For research question two only the cultural factors will be considered.

2.2.1 Ghauri and Usunier (1996) on cultural factors

As is apparent from the above discussion, cultural factors play an important role in international business negotiations. We have chosen to use the following factors that are most important in this respect:

Time
Time has different meaning and importance in different cultures. While "time is money" in the Western culture, it has no such value attached to it in many cultures in Asia, Latin America and Africa. This influences the pace of negotiations and the punctuality in meetings. For negotiators, it is important to have advance information on the opposite party's behavior regarding time. This will help them to plan their time as well as to have patience and not to get irritated during the process.

Individual vs. collective behavior
These are rather clear behavioral aspects in different cultures. As indicated by Hofstede's study of 69 countries, we can place different countries on different scales. Even countries in Western Europe have clear differences in this respect. In cases of negotiation, it is important to have knowledge of this cultural attribute, as it will help us to understand the behavior of the other party and to formulate an effective strategy. Knowing whether the opposite party is looking for a collective solution or an individual benefit will help in formulation of arguments and presentations.

Pattern of communication
Different cultures have different communication patterns as regards direct vs. indirect and explicit vs. implicit communication. These are related to culture as well as the contextual background of languages. Some languages are traditionally vague and people from outside find it difficult to communicate with people with such language backgrounds. Indicators such as "maybe", "perhaps", "rather", "I'll consider it" and "inconvenient" are some examples of ambiguity in international communication and conversation. "Maybe" and "inconvenient" can mean impossible in some cultures. In some cultures even "yes" means "may be" and "perhaps" means "no". Some languages, for example some Arabic and some Asian languages, traditionally contain exaggerations, fantastic metaphors and repetition, which can be misleading for foreigners. It is, therefore, important to be aware of these aspects and read between the lines. This is even more important in non-verbal communication, the personal space, handshakes, ways of greeting each other, communication between males and females, signs of irritation, etc., are important aspects of communication patterns, and knowledge of these can improve the negotiation process and effectiveness.

Emphasis on personal relations
Different cultures give different importance to personal relations in negotiations. In many countries in the West, the negotiators are more concerned with the issue at hand and the future relationship between the organizations, irrespective of who is representing these firms, while in some cultures, the personality of the negotiator is more important than the organization he is representing or the importance of an issue. So the emphasis on personal relations can be different in different negotiations.

2.3 Graham (1985) on negotiation tactics
Under this heading a number of negotiation tactics, concerning research question three, as stated by Graham (1985) (referred by Jackson 1993) will be described. Graham derives these tactics from a study where he investigated the negotiation tactics of American, Japanese and Brazilian negotiators.

Promise. This is a conditional, positive statement, which promises a concession in exchange for a concession in return, such that you will lower the price if they will order more units. Brazilians seem to use this tactic less than Japanese or Americans.

Threat. This is a conditional negative which promises a negative response if you refuse to make a concession, such that you will walk out if they do not lower the price of the goods. Brazilians seem to use this less than the other two nationalities.

Recommendation. This is a recommendation that if you do something, then a third party will respond to this in a positive way, such that your government will sanction further deals if they are able to offer your developing country a special concession on price. American negotiators seem to use this less than Japanese negotiators.

Warning. This is a negative warning that a third party will do something you do not desire if you now do something I do not wish - so that if you do not concede on this issue, your national press will get hold of the story telling the nation what a disservice you have done for your country.

Reward. This is an unconditional offer, usually as a reward for previous co-operation, for example offering to meet tomorrow on their premises.

Punishment. This is again an unconditional offer, but a negative one, stating that you will give them something they do not want, such as your refusing to listen to them any more. The Japanese seem to use this less often that the Americans or Brazilians.

Normative appeal. This is appealing to a societal norm, such as suggesting that their competitors have all got this same technology. The Japanese seem to use this more than the other two nationalities.

Commitment. This is an unconditional commitment to do something positive such as making delivery by a certain date. This seems to be used less frequently by Brazilians.

Self-disclosure. This involves providing information about yourself or your company's position, and is used extensively by all three nationalities researched by Graham (1985).

Question. This involves asking a question in order to get more information and is used frequently by all three nationalities.

Command. This is an order to do something, such as demanding that you lower the price. Brazilians use it more often than the other two nationalities in the above study. Graham (1985) also studies the non-verbal tactics used by these three different nationalities. Silences are used most frequently by Japanese negotiators, and hardly at all by Brazilians who tend to argue and make more concessions in response to silences. Americans tend to interpret Japanese silences as a rejection of their proposals, as they do with non-native speakers of English, and tend to jump in with a compromise.

"Conversation overlaps" happen when two or more people are speaking at the same time. Brazilians interrupt each other more readily than do American or Japanese negotiators, frequently speaking simultaneously. When Japanese or American speakers are interrupted one will normally stop speaking. The Brazilian practice may be interpreted as rudeness by the other two cultures.

Facial gazing involves direct eye contact. This is common with Brazilian negotiators, less common with Americans, and is mostly avoided by Japanese negotiators. Frequent and held eye contact may be viewed as over intimate in some cultures, and in the studies reported above, makes American and Japanese negotiators feel uncomfortable. Touching behavior (not including handshaking) during negotiations also depends on culture, with Brazilian negotiators touching each other on average five times per half hour, whereas there was no contact between American or Japanese negotiators in these studies. Too much touching for American, Japanese and other cultures shows too much intimacy and therefore would make them feel uncomfortable.

Finally, Graham refers to some "dirty tricks" in negotiation tactics of which one should be aware of.

2.3.1 Dirty tricks

Ambiguous authority. You are told by the other party that they are unable to make a decision on the current proposal and that they will have to adjourn the meeting and refer it to their boss tomorrow. It is still early in the afternoon.

Stressful situation. You are negotiating in the other party's company offices. The room is too hot, there is no private place to talk, and there is too much touching.

Personal attacks. You were kept waiting before you entered the negotiation rooms. There has been little eye contact throughout. Members of the other party seem not to be listening. They keep interrupting with other business. They challenge your status. They keep asking you to repeat things and make suggestions about you intelligence, and about your personal appearance, asking you if you have been up all night.

Extreme demands. You know the proposal is worth only £50,000, but they keep asking for £200,000.

Refusal to negotiate. You tell them that you are prepared to pay £50,000 and that the £200,000 they propose is far too high. They refuse to negotiate further.

Escalating demands. You finally agree on £75,000. Later they ask for penalties on late delivery. You say you are not happy with this, and so they ask a further increase in the price of the original proposals. They go through a process of making concessions and then adding new demands, and reopening old demands.

Locking-in tactics. Prior to the start of the negotiation, the other party released a press statement committing themselves to a coarse of action in the project which had not been agreed to by your party.

Waiting for your deadline. The other party knows that you have a deadline for the negotiations, which runs out this evening. You think the deal is almost concluded. They then put up another demand, which will substantially reduce your profit margins.

2.4 Previous research on Chinese negotiation

In this section we will present the Chinese way of conducting business negotiations and also the influencing factors as to why they behave as they do. The section begins with theories concerning research question one; the Chinese negotiation process by Ghauri and Fang (2001) and Fang (1999), which comprises almost every aspect of Chinese negotiation behavior and the Chinese negotiation process by Frankenstein (1986) is presented. We will present theories concerning research question two by discussing Woo and Prud'homme's (1999) and Graham and Lam's (2003) Chinese cultural factors that have an impact on Chinese business negotiations. Lastly a discussion pertaining to research question three about the 36 Chinese stratagems based on Fang (1999) will be presented.

With over 6000 years of history and tradition spread throughout many provinces and cities, the Chinese business approach within the country can be expected to differ depending on where in China the business is conducted. Woo and Prud'homme (1999) suggest that although there might be differences concerning business approaches these may eventually only contribute to minor variations in the overall Chinese approach to negotiating. Negotiating in China is rarely an easy matter and business people departing for China are commonly advised that the Chinese value harmony, good relationships and politeness (Woo and Prud'homme, 1999). However, when the foreign business people reach China and enter a negotiation, they are confronted with fierce adversarial bargaining that appears to lack the politeness and consideration they expected (ibid.). Of the several aspects of Chinese business practice, the negotiation style has attracted the most attention in the academic and business literature. All of the literature and descriptions of Chinese negotiations point out the indirect and bureaucratic nature of Chinese practice (Frankenstein, 1986).

2.4.1 Ghauri and Fang (2001) and Fang (1999) on the Chinese business negotiation process – The "Ping-Pong" model

The model is based on a number of previous studies of international business negotiation and Chinese business negotiating style. The model comprises two major constructs: (1) stages of the Sino-Western business negotiation process and (2) dimensions of Chinese business culture. Using the "Ping-Pong" (table-tennis game) metaphor, it is intended to emphasize the continuous back and forth bargaining feature (the Chinese ping-pong style) in the Chinese negotiating style and the Sino-Western business negotiation process.

A negotiation process is usually divided into several stages and the structure of the international business negotiation process is often defined in terms of the pre-negotiation, negotiation, and post-negotiation stages. These three stages are influenced by factors such as culture, strategy, background, and atmosphere. Combining the Chinese business negotiation process models with Western negotiation process, the outcome can be divided into three stages from the Western marketers' perspective: (1) pre-negotiation (lobbying, presentation, informal discussion, and trust building); (2) formal negotiation (task-related exchange of information, persuasion, concessions and agreement); and (3) post-negotiation (implementation and new rounds of negotiations).

Furthermore, Chinese business culture framework consists of three distinctive and interrelated components: the *PRC*[2] *condition*, *Confucianism*, and *Chinese stratagems.*

[2] People's Republic of China (PRC)

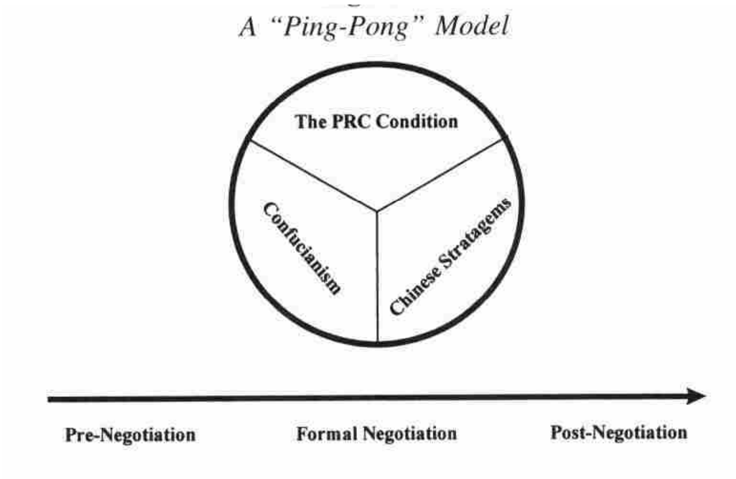

Figure 1: The Ping-Pong Model
Source: Ghauri and Fang, 2001.

The PRC Condition
The PRC condition (guoqing) is a contemporary social and institutional factor influencing the PRC. It is comprised of eight variables.

(1) Politics. Chinese politics has an all-pervasive influence on every aspect of Chinese life; Chinese business and politics can hardly be separated under the current Chinese social system. (2) Economic planning. Chinese economic structure is rather centralized, which is characterized by strong state planning and government control. (3) Legal framework. China's legal system is still young, unstable; law is invariably subjected to ideology and influenced by a great deal of human factors. (4) Technology. China is short of modern technology (5) Great size. China's population is the world's largest one. (6) Backwardness. China is still a relatively poor country with some 300 million people living under the U.N.-poverty level (one U.S. dollar per day). (7) Rapid change. Reform and importation of foreign technology have brought about great changes in Chinese society. (8) Chinese bureaucracy. At the center of the PRC condition lies the theme of Chinese bureaucracy. Chinese negotiators follow the Chinese government's policies and plans when doing business.

Confucianism
Confucianism is a 2500-year-old Chinese philosophical tradition that has exerted a fundamental influence on the Chinese and East Asian modes of thinking and ways of behaving. The influence of Confucianism on the Chinese style of business can be studied from the six basic Confucian values. (1) Moral cultivation. Confucianism emphasizes people's self-moral cultivation and lifelong learning. Trust and sincerity are among the most important qualities for being human. (2) Importance of interpersonal relationships. Confucianism is a practical teaching of interpersonal relationships and conducts. Guanxi (the Chinese term for relationships, connections, or contacts) is a major mechanism in the Chinese social psychology. (3) Family and group orientation. In the Chinese society, family is the most basic and important social unit. (4) Respect for age and hierarchy. In the Confucian tradition, age is wisdom and must be respected. Hierarchy is honored through ordered relationships in which every person does his duty to contribute to social harmony and stability. (5) Avoidance of conflict and need for harmony. Confucianism stresses the need to achieve harmony in society through moral conduct in all kinds of relationships. (6) The concept of Chinese face (mianzi, lian). Although face is a universal human nature, it is particularly salient for the Chinese culture.

From the Confucian perspective, the Chinese negotiators are "Confucian gentlemen" who look more for long-term working relationships to solve problems that may come up at any time in than for a one-off legal deal. However, given the family centered Confucian tradition, the "Confucian gentlemen" may also appear to be formidable negotiators, when they bargain for the interest and face of their "family" or "group."

Chinese stratagems

Chinese stratagems, or *ji* in Chinese, refer to a long-lasting Chinese cultural tradition that shapes the strategic Chinese business behavior. *Ji* is probably the single most important word in the world's earliest treatise on military strategy--Art of War--written 2300 years ago by the most famous ancient Chinese military strategist Sun Tzu. Chinese stratagems can be understood as carefully devised Chinese schemes that deal with various kinds of situations and gain psychological and material advantage over one's adversary. Hence, the Chinese believe in the superiority of using human wisdom rather than engaging in pitched battles to conquer the opponent.

There are 36 Chinese stratagems and all appear in the popular form of Chinese idioms. These stratagems provide vivid examples of how the Chinese "subdue the enemy without fighting." The Chinese can use Chinese stratagems intentionally or unintentionally given the great influence of the stratagem culture on the Chinese socialization process.

The 36 Chinese stratagems provide a useful guide for Western business people to diagnose Chinese negotiating tactics. Linking the concept of Chinese stratagems with the Chinese business negotiating style there is an amazing fit between the patterns of Chinese negotiating tactics and the recipes of the 36 Chinese stratagems. Fang (1999) provides the following examples: Stratagem 2, Identify and attacking the adversary's vulnerabilities in either his position or his personality; Stratagem 4, Relax and preserve your strength while watching the enemy exhaust himself. Stratagem 10, Hide a strong will under a compliant appearance, win the opponent's trust and act only after his guard is down. Stratagem 31, Use women, temptation and espionage to overpower the enemy: Attach importance to espionage, intelligence and information collecting. Stratagem 3, Make use of outside resources for one's own gain. A complete list of the 36 Chinese stratagems is provided in Appendix A. The way the 36 stratagems are interpreted in the appendix is taken from "Chinese Business Negotiation Style by Fang (1999).

People with experience in international business negotiations will notice that many Chinese negotiating tactics listed in Appendix A are not a monopoly of the Chinese but apply to negotiations between Western firms as well. The traditional Chinese wisdom of ji plays an important part in helping the Chinese negotiators deal with Chinese-culture outsiders. Different cultures may have shared some universal concepts and phenomena; often, the difference in their intensity, frequency, and flavor can be found in the indigenous vocabulary of a culture. Given the distinctiveness of *ji* as a strategic component of Chinese culture, there is reason to assume that the frequency and intensity with which the Chinese adopt the negotiating tactics in Appendix A will be higher than those of other cultures.

Trust is a prime indicator showing which role the Chinese are going to play. When mutual trust between the business partners is high, the Chinese will negotiate as "gentlemen"; when it is low, they will negotiate as strategists! The PRC negotiators also negotiate as "bureaucrats," particularly so when the political wind blows.

The Sino-Western Business Negotiation Process (the process part of the Ping-Pong model)

Stage one: Pre-negotiation

The Chinese negotiation process starts with early contacts with the Chinese government authorities. The Chinese show keen interests in getting to know the other party during these initial contacts. They try to ascertain whether or not the foreign firm has (1) the most advanced technology required for the project; (2) the willingness to sell or transfer it to the Chinese side; and (3) the capacity of delivering the products on time

1. *Lobbying*

Lobbying before the Chinese government authorities is one of the most important marketing activities facing foreign firms that want to sell large industrial projects in Chinese key industries like telecommunications. Foreign firms must convince the Chinese that they have cutting-edge technologies that suit Chinese government's priorities, that they have long-term commitment to the Chinese market, and that they are financially strong. They must present a highly reliable image before the Chinese, making them feel safe to do business with them.

2. *Presentation*

Giving attractive and reliable presentations to let potential Chinese partners know the company, products and negotiating team members, is an important step toward formal negotiation sessions. Presentations aim to convince the Chinese of the sincerity of the company in doing business with China and show the Chinese that the company's products utilize advanced technology with high quality and reasonable price. Foreign firms need to present themselves and their technologies to a number of authorities. Very often one has to endlessly repeat the same things to different negotiators who may suddenly, without explanation, be replaced by another team

3. *Informal discussions*

Initial and informal discussions with Chinese organizations often occur directly after the presentations. At this early stage, the Chinese already show a keen concern for technology and price. For example, they can be interested in not only the price but also in comparing the price with competitors.

4. *Trust building*

The Chinese attach great importance to trust building in business negotiations. One Chinese negotiator has said: "They [Western firms] want to come and sign the contract quickly and do not know that [if] we do not understand each other . . . there is no business relationship. First, we have to know and trust each other, and then we sign the contract." Nevertheless, it can be rather difficult to develop close social relationships with the Chinese since studies has shown that the Chinese seldom invite foreigners to their homes.

In Chinese culture, trust is high within but low outside family and kinship borders. The Chinese constantly find themselves in such a quandary: business can only be done between people who have a high level of mutual respect and trust; however, business partners cannot always be immediate or extended family members.

Stage two: Formal negotiation

1. *Task-related exchange of information*

Formal negotiation starts when the Chinese show a strong interest in "further discussions" and both parties sign a "letter of intent." The Chinese tend to send a formal document, informing the foreign party of the composition of the Chinese team and ideas for future meetings. Five major contentious issues are often raised during the formal negotiation session: equity share, contribution of each party, management control, technology, price and other financial issues.

2. *Persuasion*

The Chinese use a variety of negotiating tactics to persuade the other party to do business their way during the formal negotiation sessions: flattery, identifying the opponent's problems, shaming, deception and pitting competing foreign companies against one another. But you must be firm on your offer and build credibility. This can be done in the sessions and also in between sessions.

3. *Concessions and agreement*

The formal negotiation ends with an agreement by the negotiating parties through their concessions or compromise. In this stage, the Chinese show a strong inclination to settle all suspending issues in a "package deal." The Chinese make concessions too; however, their concessions are often turned out to be a disguised gesture devised to attract the counterpart into making real concessions.

When drafting the contract, the Chinese weight the words meticulously when it comes to the clauses that affect the Chinese, while treating issues of concern to the foreign party as general as possible. Agreement is almost always signed in the presence of high-ranking officials from the government authorities and is followed by a series of lavish banquets and ceremonies.

Stage three: Post-negotiation

Implementation and new rounds of negotiations

Empirical findings reveal that problems in negotiating with China also exist after the formal negotiations are finished, that is, during the phase of implementation of the agreement. Generally speaking, the Chinese honor their contract; however, cases of Chinese non-fulfillment of their obligations do occur.

2.4.2 Frankenstein (1986) on the Spiral model of Chinese negotiation process

A spiral model of the negotiation process

Of the several aspects of Chinese business practice, negotiating style has attracted the most attention in the academic and business literature. All of the descriptions point out the indirect and bureaucratic nature of Chinese practice. The Chinese emphasis on personal relations, sincerity, and mutual feelings; the importance of being "an old friend"; a striving for consensus and group process; problems of face, decision making, and overlapping bureaucratic authority; the use of shaming techniques; and a certain off-handedness about time. The more perceptive descriptions also point out the importance, if not primacy, afforded political and bureaucratic goals. And they all suggest a rather roundabout process that proceeds at a leisurely pace through the following phases:

In the first phase, *opening moves*, the two sides reach a general agreement on intentions, mutual goals, and relationship building. Often, much of what transpires at this stage is mistakenly regarded by the non-Chinese side as "mere rhetoric" and unimportant. But for the Chinese side, these declarations are an important step; they establish a framework for the negotiations

The second phase, *assessment*, involves the bulk of the negotiations. Here the Chinese demonstrate their mastery of negotiating technique and begin to show how they can manipulate the negotiating environment. Once again, the pace is leisurely and the approach usually indirect. There may be an emphasis on what some American negotiators call the "soft" or peripheral issues—training, warranty provisions, documentation, and other service items. These are not trivial, as the Chinese see them as a demonstration of the good will and sincerity the foreign side brings to the table.

The third phase, *end-game,* can come rather suddenly. Having reached bureaucratic consensus and obtained the necessary clearances, the Chinese now focus on the "hard" items—price and delivery schedule. In addition, the pace may accelerate.

Finally, the negotiations concluded, the business arrangement moves to the *implementation* phase. Rather than a straightforward realization of the contract, there is a continuing process of adjustment and discussion. Sometimes, the research suggests, the Chinese side tries to expand the scope of the agreement; they refer back to the general principles agreed to at the onset of talks and base their demands on the requirements of mutual equality and friendship. Indeed, the division between negotiations and implementation is false; the same operating principles apply across the continuum of business practice. Everyday life in China, after all, is a series of negotiations about everything. The end is not the end. A spiral is one way to visualize and summarize this general model.

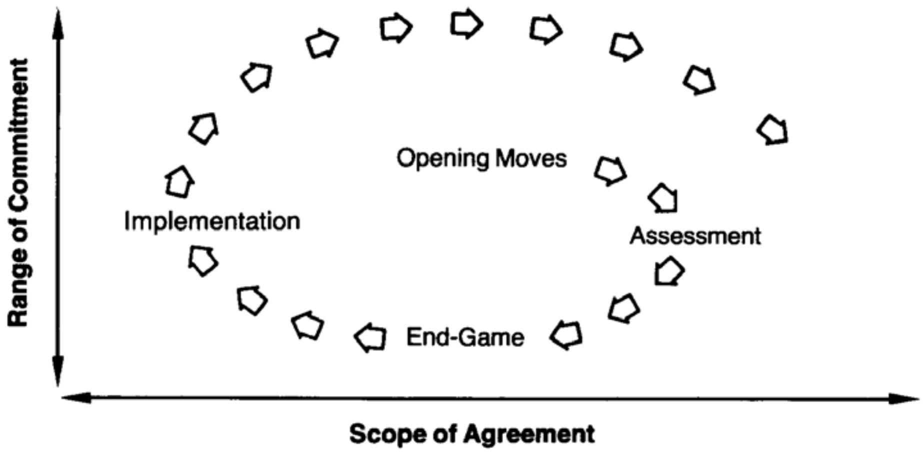

Figure 2: A spiral model of Chinese business practices and negotiating styles
Source: Frankenstein (1986)

2.4.3 Woo and Prud'homme (1999) on Chinese cultural factors that impact business negotiations

The following Chinese cultural traits apparent in the findings are general observations about the Chinese-style negotiation. The validity of these observations may vary according to the negotiators, since negotiation itself is very much an interpersonal exercise, and much depends on the interpersonal dynamics involved. The key Chinese cultural traits that prevail in Chinese business negotiation are: *status, face, trust, friendship, Guanxi networks, ambiguity, patience* and *Chinese protocols.*

Status

The Chinese are conscious of, and place a high degree of importance on, status and the respect of hierarchy. In contrast with the other cultural traits, the sense of hierarchy is strongly visible in Chinese business meetings.

- Commonly the Chinese will only agree to work and negotiate with the same or higher hierarchical level person and the status of a person is given by his or her role and position within a company.
- Prior to the negotiation meeting, it is important to list all members of the delegation in order of rank and submit the list to the Chinese negotiators.
- The Chinese expect the leader of the foreign negotiation team to enter the meeting room first, doing otherwise will cause confusion as to the identity of the leader. Any interpreter should follow closely.
- The way people are seated around a meeting table is organized to keep this hierarchy. The leader of the foreign negotiation team is always seated directly in front of the Chinese negotiation team.
- Interpreters have low status, and although they sit next to the principals of the negotiating teams, this is merely to facilitate the discussion. Thus, it is important to look at the principal when speaking, and not the interpreter.

Face

The Chinese are preoccupied with the concept of face and are very sensitive to having and maintaining face in all aspects of social and business life. Having face means having high status and prestige in the eyes of one's peers, and it is a mark of personal dignity. To the Chinese, face can be compared with a prized commodity, something that can be given, earned, taken away, or lost. Much can be gained by helping the Chinese to win face.

- In a business transaction, a person's face is not only his own, but that of the organization he represents.
- It is important to preserve the face of the other party to maintain dignity and harmony, especially in front of other people.
- The easiest way to make someone lose face is to be critical of him in front of other people.
- Always treat people with proper respect. For example, treating people as junior in rank when their official status in an organization is higher can cause them to lose face.
- Giving someone face earns respect and loyalty and should be done whenever the situation allows for it. However, care must be taken not to over-praise someone as this can appear insincere.
- Being polite and courteous can also be regarded as giving face. Politeness not only prevails in business dealings but is an important dimension of Chinese behavior.

Trust

The Chinese place high value on the notion of trust and this is a cultural as well as a business feature. Trust implies a person's reputation for trustworthiness on both a professional and personal level as well as credibility in a business situation. Without trust, the Chinese find it difficult to envisage how the business partner is going to operate.

- Trust is the basis of successful negotiation and the notion of trust is often tied with the information gathering. The business agreement will only proceed when it is obvious for the Chinese party that it would bring common interests.

- Never ask questions that may be interpreted as mistrusting or questioning the trustworthiness of the Chinese negotiators. Asking too many questions on issues that have already been responded to can also be interpreted as mistrust.
- Providing reference points, for example previous relationships with other organizations or reference to contracts signed, can help with gaining trust.
- To avoid relationship breakdowns, it is important to reconcile with the Chinese by showing a common interest that can be used to bind each other.
- It is important to project an appearance of trustworthiness. The character of the foreign negotiator should be direct, honest, straightforward and negotiations should be conducted without hidden agendas.
- The importance of trust as expressed by the Chinese does not mean that every Chinese negotiator is trustworthy and above suspicion.

Friendship
Implicit in the concept of trust is friendship. These two traits are prominent in successful negotiations. It is usual for the Chinese to refuse to agree in a negotiation if the foreign negotiators do not display friendship and trust. The findings revealed the importance of establishing friendships or personal-level relationships before entering into any business dealings.

- Always attempt to establish and cultivate friendship because friendship is a key to successful business dealings with the Chinese.
- The Chinese will only negotiate seriously with foreign organizations and individuals that they are familiar with and whom they trust and respect.
- It is important to look for any possible connections with Chinese counterparts which would act as an initial catalyst for developing trust. The Chinese dislike being taken by surprise, and they feel more comfortable and at ease if they deal with people to whom they can relate.
- Friendship is often associated with social tiers or hierarchy and understanding this structure is important to avoid offending the Chinese. For example, due respect must be accorded to an older business friend. Treating all Chinese, irrespective of age, as equal must be avoided.

Guanxi networks
Guanxi is relationship or connection. Guanxi binds people through the exchange or reciprocity of favors rather than through expressions of sympathy and friendship. Findings point out the importance of the Guanxi system as a cultural feature of Chinese business style:

- To succeed in China, it is necessary to cultivate close personal relationships with business associates and earn their respect.
- It is essential to be aware of the Chinese Guanxi network connections to understand the ins and outs of a deal.
- The Chinese put considerable effort into constructing Guanxi networks. These networks provide the type of benefit that is often not available through the official system. Connections are also required to “get things done” and pass quickly and smoothly through official channels.
- The importance of Guanxi varies according to the economic advancement and the bureaucratic nature of the different regions of China. In the more advanced economy and less bureaucratic southern regions, Guanxi is generally less important, unlike in the northern regions of China.

- In business negotiations the side that can assemble more Guanxi network will be more formidable.
- As Guanxi also implies reciprocity, its impact on business negotiation is that it requires assistance or favors to be yielded whenever and wherever it is requested by a connection.

Ambiguity
This cultural trait perfectly defines Chinese behavior in negotiation. The Chinese have several ways of saying "Yes", the main reason is that they do not want to offend or embarrass the foreign negotiators. As a result, the Chinese sometimes say "Yes" when they actually mean "No" or "Uncertain". The foreign negotiator has to interpret the real meaning and this can be difficult. This behavior is a result of feeling that it is impolite to reject a request, or to turn someone or something down outright, especially if the request is made in the presence of other people. Such behavior may be linked to the concept of face, of ensuring that the foreign negotiator does not lose face.

- If a request made cannot be met, the Chinese may say it is inconvenient or under consideration. In general, this means "No".
- A request can also be ignored, and assumed that it was never asked. This too, in general means "No".
- In the event where the response to a request is "Yes, but it will be difficult" or "Yes, but it will take some time", these too can mean "No".

Patience
The Chinese have patience in their approach to negotiating and they have a particular affinity with gathering information before entering any deal. They tend to be meticulous with details and look to create long-term relationships before agreeing to move ahead with the negotiation and agreeing terms. This can be very time-consuming and may frustrate the foreign party who is more keen to close the deal as quickly as possible.

- Doing business in China is a lengthy process as it usually takes a long time to get things done. Chinese negotiators tend to appear calm and composed. They usually have no strict deadlines to meet.
- The Chinese have traditionally believed in doing things carefully, and meticulously examine every detail. They strive to clarify every point of discussion.
- It is important to avoid signs of annoyance whenever the process seems lengthy. Furthermore, it is important to restrain from attempting to hurry the process along since the Chinese place considerable emphasis on self-control.
- Time itself is viewed as a cost to the foreigner but not to the Chinese themselves

Chinese protocols
The tradition and history of China has also established numerous protocols of good conduct.

- The introduction process

This process sets the scene for the rest of the negotiation and begins with the shaking of hands, exchange of business cards, and a formal introduction phase. The introduction process should follow the rule of the hierarchy and start with the higher position first. The formal introduction should include the name, the position of the negotiator and his role.

- Eye contact

Direct eye contact should be avoided as the Chinese do not look people straight in the eyes. This is a sign of respect and deference.

- Protocol for formal meetings

These are quite strict in terms of seating positions around the meeting table. For instance, it always takes place in a meeting room especially arranged for the meeting.

- Gifts

Gifts act as expressions of friendship and symbols of hope for good future business. Europeans are advised to go to China with gifts to offer to the Chinese. In fact, gifts are part of the Chinese ritual in business.

- The Chinese banquet

This stage of the negotiation process is important. The banquet is a way to further establish the relationship between the foreigner and the Chinese; it is more relaxed than the formal meeting and allows time to socialize.

- Things to avoid

Avoid all conversation topics that could destroy the relationship. For example, avoid political discussions as these could give rise to conflict. Do not interrupt the Chinese leader even if he is making a mistake in his speech. Instead take note of what is said and refer it back to him later on, preferably outside the meeting room.

2.4.4 Graham and Lam (2003) on Chinese business negotiations and the cultural elements impacting

Graham and Lam (2003) point out the following eight elements to be of considerable importance when encountering Chinese negotiators. *Guanxi, the intermediary, social status, interpersonal harmony, holistic thinking, thrift, face* and *endurance (relentlessness).*

We have made the assessment that Guanxi, social status, face, interpersonal harmony and endurance are factors that already have been brought up in section 2.4.3 and hence, we will not discuss them any further.

The intermediary (Zhongjian Ren)

Business deals for Western negotiators in China do not have a chance without the zhongjian ren, the intermediary. In China, suspicion and distrust characterize all meetings with strangers. In business, trust can not be earned because business relationships can not even be formed without it. Instead, trust must be transmitted via Guanxi. That is, a trusted business associate of yours must pass you along to his trusted business associates. In China, the crucial first step in this phase of negotiation, called "non-task sounding," is finding the personal links to your target organization or executive. Those links can be hometown, family, school, or previous business ties.

Holistic thinking (Zhengti Guannian)

The Chinese think in terms of the whole and not sequentially and individualistically, i.e. breaking up complex negotiation tasks into a series of smaller issues: price, quantity, warranty, delivery, and so forth. Chinese negotiators tend to talk about those issues all at once, skipping among them, and, from a Western point of view, seemingly never settling anything. Those Chinese negotiators who practice *zhengti guannian* want long descriptions of background and context and will ask a thousand questions. This difference in style can frustrate Westerners accustomed to measuring progress in a linear way; "You are halfway through the negotiation when you have discussed half the issues."

Thrift (Jiejian)

China's long history of economic and political instability has taught its people to save their money, a practice known as *jiejian*. According to market research firm Euromonitor International, mainland Chinese save nearly four times as much of their household income as Americans do. The focus on savings results, in business negotiations, in a lot of bargaining over price usually through haggling. Chinese negotiators will pad their offers with more room to maneuver than most Westerners are used to, and they will make concessions on price with great reluctance and only after lengthy discussions.

3 CONCEPTUALIZATION AND EMERGED CONCEPTUAL FRAMEWORK

The purpose of this chapter is to display the conceptualization that will allow us to answer the research questions of this thesis. The reader will also be provided with a frame of reference, which has emerged from the conceptualization and will be presented in the end of the chapter.

The purpose of the conceptual framework is to clarify the main things, which are going to be studied, either graphically or narratively (Miles and Huberman, 1994). In order to collect relevant data for our research questions we have conceptualized the literature discussed in chapter two. We will, first of all, motivate why we have chosen to exclude some parts of the literature review.

We will not collect data based on the sections 2.1- 2.3 in the literature review since these sections provide a general understanding of the area of study and previous research. Due to the fact that our research concerns Chinese business negotiations we will only focus on section 2.4.

We have chosen to employ the following theories since it brings up all the important issues that we want to investigate. This conceptualization is chiefly based on the Ping-Pong model by Ghauri and Fang (2001) however; it is also supplemented by the theories of Graham and Lam (2003), Woo and Prud'homme (1999) and Fang (1999).

3.1 Chinese business negotiation process

Concerning research question one we will base the study on the different stages and the belonging features to each stage stated by Ghauri and Fang (2001) supplemented by Frankenstein (1986).

Stage one: Pre-Negotiation

- *Lobbying*
- *Presentation*
- *Informal Discussion*
- *Trust Building*

Stage two: Formal Negotiation

- *Task-Related Exchange of Information*
- *Persuasion*
- *Concessions and Agreement*

Stage three: Post-Negotiation

- *Implementation and new rounds of negotiations*
- *Chinese attempts to expand the scope of the agreement (Frankenstein, 1986)*

3.2 The influence of culture on Chinese business negotiations

Concerning research question two we want to investigate the role of Chinese culture in negotiations based on the factors presented by Woo and Prud'homme (1999) and Graham and Lam (2003).

- *Status*
- *Face*
- *Trust and friendship*
- *Guanxi networks*
- *Ambiguity*
- *Patience*
- *Chinese protocols*
    i. The introduction process
    ii. Eye contact
    iii. Protocol for formal meetings
    iv. Gifts
    v. The Chinese banquet

Graham and Lam (2003) point out the following factors in addition to the above mentioned:

- *The Intermediary (Zhongjian Ren)*
- *Holistic thinking (Zhengti Guannian)*
- *Thrift (Jiejian)*

3.3 Business negotiation tactics employed by the Chinese

We have chosen to base the conceptualization of research question three on the theory concerning Chinese stratagems presented by Ghauri and Fang (2001) and Fang (1999).

Chinese Stratagems

There are 36 Chinese stratagems and all appear in the popular form of Chinese idioms. These stratagems provide vivid examples of how the Chinese "subdue the enemy without fighting." The Chinese can use Chinese stratagems intentionally or unintentionally given the great influence of the stratagem culture on the Chinese socialization process.

The 36 Chinese stratagems provide a useful guide for Western business people to diagnose Chinese negotiating tactics. Linking the concept of Chinese stratagems with the Chinese business negotiating style there is an amazing fit between the patterns of Chinese negotiating tactics and the recipes of the 36 Chinese stratagems.

A few examples (Fang, 1999):

- *Stratagem 2*: Identify and attacking the adversary's vulnerabilities in either his position or his personality;
- *Stratagem 3*: Make use of outside resources for one's own gain.
- *Stratagem 4*: Relax and preserve your strength while watching the enemy exhaust himself.
- *Stratagem 10*: Hide a strong will under a compliant appearance, win the opponent's trust and act only after his guard is down.
- *Stratagem 31*: Use women, temptation and espionage to overpower the enemy: Attach importance to espionage, intelligence and information collecting.

In our investigation we will try to find out if Swedish negotiators have experienced any Chinese negotiation tactics that correspond to the ancient stratagems. Due to this reason, we will base our analysis, concerning research question three, on a selection of the complete list of the 36 Chinese stratagems and the way they are interpreted as presented in Appendix A. The selection of stratagems consists of number 7, 8, 13, 15, 17, 22, 25, 27, 29, 34.

3.4 Emerged conceptual framework

In order to clarify the perspective from which this thesis focuses on and to show how the research questions are connected to each other we now present a broad outline of the emerged conceptual framework.

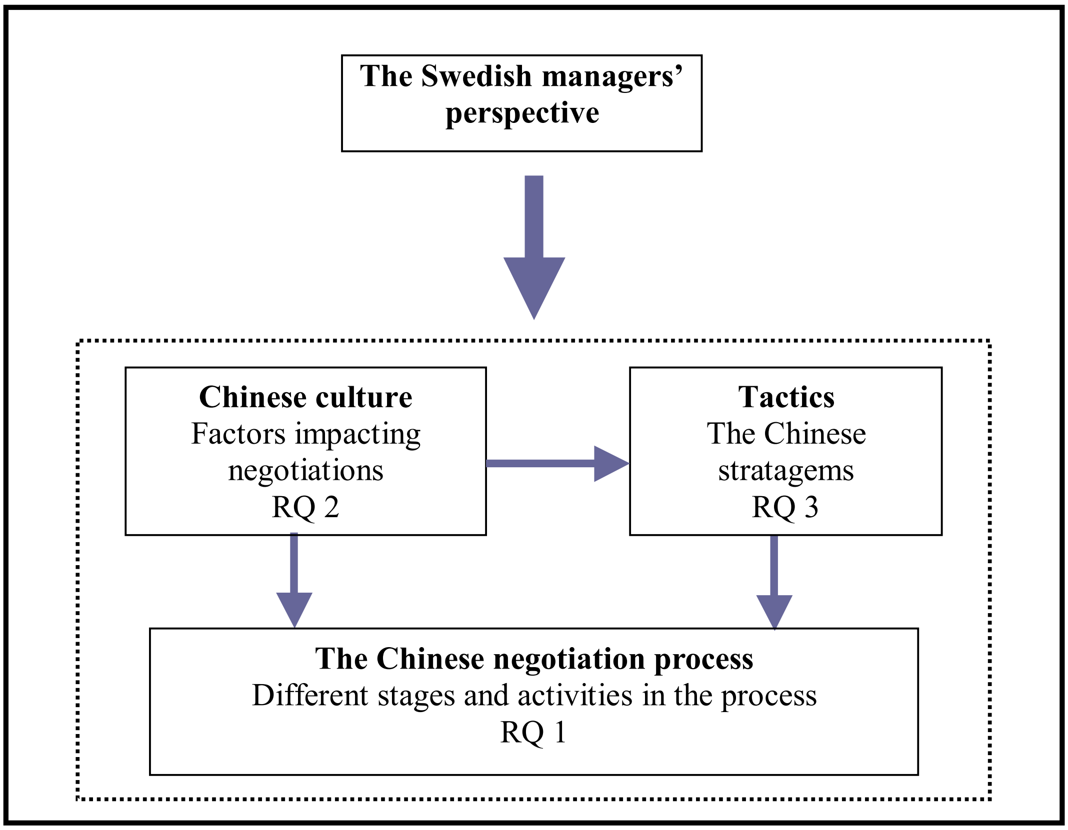

Figure 3: Emerged conceptual framework
Source: Author's own

As the above figure illustrates, this study focuses on Chinese business negotiations from Swedish companies' perspective and their experience of negotiating with Chinese counterparts. The model depicts three key elements of business negotiations; 1. The deeply ingrained Chinese culture can impact both the negotiation process as well as the tactics used during a negotiation. 2. The tactics used during the negotiation can influence the structure of the process. 3. The stages of the negotiation process can be affected by both culture and tactics.

4. METHODOLOGY

In this chapter the methodology of the study will be presented. The chapter consists of: research purpose, research approach, research strategy, data collection method, sample selection, data analysis and methodology problems consisting of validity and reliability.

4.1 Research Purpose

According to Yin (2003) research can be classified as exploratory, explanatory or descriptive. Saunders, Lewis and Thornhill (2000) state that "*exploratory* studies are a valuable means of finding out what is happening; to seek new insights; to ask questions and to assess phenomena in a new light." Furthermore, they claim that this approach is especially useful if you aim to clarify your understanding of a problem. Studies that attempt to establish causal relationships between variables can be called *explanatory* (Saunders et. al., 2000). This type of study accentuates the study of a problem or a situation in order to explain the relationships between variables. Research is considered to be *descriptive* when studying a problem area with already existing information (Reynolds, 1971). This can sometimes be an extension of, or a precursor to, an explanatory study (Saunders, Lewis and Thornhill, 2000). The objective of a descriptive research is to "portray an accurate profile of persons, events or situations" (ibid.).

Our aim is to study Swedish managers' experience of business negotiations with the Chinese. The research purpose and research questions are of a mainly descriptive nature however, we also find influences of an exploratory approach since we have not been able to find studies that focus on the exact same problem, the Swedish perspective, as we have chosen to emphasize in this thesis.

4.2 Research approach

When conducting research there are two ways to go about it, the *inductive* and the *deductive* approach. Using an inductive method means to begin with research, through observations, and then develop theory (Wiedersheim-Paul and Eriksson, 1997). The approach employed in this thesis is, however, of a deductive character since we will base our study on already existing theories.

According to Holme and Solvang (1997) there are two types of research methods, quantitative and qualitative. The *quantitative* method is formalized and structured and is to a far greater extent characterized by scientific control than the qualitative method. The quantitative method is the kind of method that measures how much and how many and statistical measurements play a central role in the analysis of quantitative data.

Qualitative methods primarily aim to demonstrate that by collecting data in different ways one can partly acquire a deeper understanding of the studied problem and partly describe the context of the problem in its entirety. The data is collected abundantly in order to investigate several variables from a few number of entities. One qualitative research method is conducted through interviews where no set of alternatives of answers is being offered. The approach is characterized by the closeness to the source from which one gathers the information (Holme and Solvang, 1997). An important part of the qualitative researcher's reflections is about trying to identify patterns, processes, common traits and differences (Denscombe, 2000).

According to Yin (2003) the best approach to use for a study depends on the purpose of the study and the accompanying research questions. The chosen research method of this study is of a qualitative nature. We find it suitable to choose this method since we need to obtain detailed information about Swedish managers' experience of Chinese negotiations. As the data that will be collected only can be expressed in words, and due to the complexity of the study, we do not consider a quantitative approach to be appropriate for this thesis.

4.3 Research strategy

Yin (2003) discusses five major research strategies in the social sciences. These five are: *experiments, surveys, archival analyses, histories* and *case studies*.

According to Yin (2003), a *case study* can be either a single-case study or a multiple-case study. When making a single case study there is no possibility to make comparisons or generalize. Multiple case studies on the other hand give the researchers the opportunity to compare the data gathered from the different cases. A case study is used when investigating contemporary events and when relevant behaviors cannot be manipulated (ibid.). The case study approach has a considerable ability to generate answers to the "why" as well as "what" and "how" questions (Saunders et. al, 2000).

Although a case study can feel "unscientific", Saunders et. al. (2000) argue that a case study can be a very worthwhile way of exploring existing theory and it can also provide source of new hypotheses. A major distinction can be made between the design of a single-case and that of a multiple-case. The evidence from multiple cases is often considered as more compelling and the overall study is hence regarded as more robust (Yin, 2003). For this thesis we have employed the research strategy of a multiple-case study. This choice is based on the fact that we want to conduct an in-depth investigation with focus on individual experiences.

4.4 Data collection method

Yin (2003) claims that there are six major sources of evidence: *documentation, archival records, interviews, direct observations, participant-observations* and *physical artifacts*.

The nature of the approach to research can impact the choice of data collection method. Where it is necessary for you to understand the reasons for the decisions, which your research participants have taken, or to understand their attitudes and opinions, it will be necessary for you to conduct an in-depth interview (Saunders et. al, 2000). Semi-structured and in-depth interviews provide the opportunity to "probe" answers, if you want the interviewees to explain, or build on, their responses. An advantage with interviews is that the respondents might use words or ideas in a particular way, which can enable an opportunity to probe these meanings and by that possibly add significance and depth to the obtained data (ibid.).

Saunders el. al. (1997) state that managers are more likely to agree to be interviewed, rather than complete a questionnaire, especially where the interview topic is seen to be interesting and relevant to their own current work. An interview provides them with the opportunity to reflect on events without needing to write anything down. For this thesis we have utilized interviews and documentation as the two sources of evidence. Concerning the interviews, there are two reasons as to why we chose semi-structured interviews: (1) we did not want the interview to be too structured because of the risk of influencing the result (2) we wished to conduct somewhat open-ended interviews in order to enable a conversation with the respondents so that they got the opportunity to more freely describe their experience of negotiations with the Chinese. The documentation consisted of annual reports and websites.

We conducted two telephone interviews in Swedish since this is the mother tongue of the respondents as well as that of the researchers. An interview guide was sent in advance to both respondents so that they had the opportunity to prepare and hopefully provide more accurate answers. A tape recorder was used throughout the interviews in order to more correctly register the empirical data. In addition to the tape recorder, notes were taken during the interviews to a certain degree and, additionally, e-mail was used to get clarifications and to answer some follow up questions.

4.5 Sample selection

The idea of this section is to explain and clarify how and why we selected the companies we did to serve the purpose of this thesis. First of all we needed information about which Swedish companies that have business activities in China. In order to gain that information we turned to the Swedish Trade Council who provided us with a list of companies. From that list we made arbitrary choices of 17, larger and to us known, companies and contacted them with the intention to find persons that would be suitable to interview. We did not select companies from specific industries for this study since we are not interested in the product/service sold or purchased, but only in the negotiation between the two parties.

We gave a more detailed description of the aim of the thesis to those companies who responded that they were interested in helping us. In turn, they passed on the information to the most appropriate person available within the organization and also gave us the necessary contact information to that person. We decided to perform the first telephone interview with Mr. Stefan Montan, Sales Manager at China Mobile Ericsson AB who gained this experience when living in China between 1998 and 2003, working with sales and marketing. The second interview was conducted with Mr. Ulf Norman, Vice President of Volvo NAP. Mr. Norman's experience in negotiating with a Chinese counterpart started 1993 and went on for eight years to 2001. During these years Mr. Norman was seated in Beijing as the CEO for Volvo Trucks in China, Taiwan and Hong Kong. The reason to why we chose Ericsson and Volvo as research samples is that they are large corporations with vast experience of the Chinese market.

4.6 Data analysis

Data analysis usually involves reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques (Cooper and Schindler, 1998). The ultimate goal with the data analysis is to treat the evidence fairly, to produce compelling analytic conclusions, and to rule out alternative interpretations. The data analysis stage comprises the most probable source of logic leaps and false assumptions (Saunders et. al., 2000).

Holme and Solvang (1997) have a recommendation on how to do a systematic analysis, beginning with a within case analysis and followed by a cross-case analysis. We followed this recommendation and began with the within-case analysis, in which we compared the collected data from each of the companies with our frame of reference. We continued with the cross-case analysis where the data from the two companies were compared with each other.

4.7 Methodology problems

An essential question to pose is whether our data is trustworthy or not. We will therefore discuss this matter in detail. To determine the trustworthiness and the quality of the gathered data there are two factors that have to be taken into consideration, reliability and validity. Thurén (1991) defines reliability as measurements done in a correct way. He states that the validity, of a study, questions whether you really have investigated what you wanted to investigate and nothing else.

According to Yin (2003), the quality of an empirical research can be judged by performing four specific tests. Since our study is of empirical nature, these four tests can be applied when judging the quality of our research. The four different tests are summarized below:

- ✓ *Construct validity*: establishing correct operational measures for the concepts being studied.
- ✓ *Internal validity*: establishing causal relationships whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships.
- ✓ *External validity*: establishing the domain to which a study’s findings can be generalized.
- ✓ *Reliability*: demonstrating that the operations of a study can be repeated with the same results.

4.7.1 Validity

The *construct validity* of this thesis relies on semi-structured interviews and documentation, such as annual reports. We decided that interviews would the most suitable choice in order to gather primary data and the documentation was only used when presenting the company background. To further improve the validity we constructed an interview guide that reflected the purpose of the thesis. By basing the interview questions on existing theories we tried to enhance the validity of the research even more. The interview guide was sent to the respondents in advance for preparation purposes, which gave the respondents the opportunity to provide us with more accurate answers. When conducting the interview we utilized probing to acquire the in-depth information that we required for our study. If the respondent did not answer immediately we probed with theoretical examples in order to refresh the memory of the respondent. We are aware of the risk that the interviewer might influence the interviewee when employing this probing technique, but on the other hand it can provide more detailed and clarified answers. In order to avoid this methodological pitfall we gave non-leading examples, such as: “Do the Chinese discuss all matters at the same time or do they negotiate them in a sequential order?” We attempted to ensure that we interviewed the person with the most expertise pertaining to the field of Chinese negotiations. Additionally, to increase the validity even more, we used e-mail in order to get answers to some follow-up questions and to get a clearer view of certain issues.

Internal validity is only a concern for casual or explanatory case studies, in which the investigator is trying to determine whether event *x* led to event *y* (Yin, 2003). Due to the fact that our thesis is of descriptive nature internal validity will not be discussed.

Concerning the *external validity* and to what extent the findings can be generalized, we have performed case studies of two companies, which might be considered to give a better support for generalization than a single-case study. However, the aim of this study is not to draw general conclusions, and the aim is not to be able to generalize the results to other countries but still, some theoretically connected inferences can be draw. According to Saunders et. al.

(2000) as long as you do not claim that your results, conclusions or theory can be generalized, then there is no problem. However, findings from this study can perhaps provide indications and guidelines with respect to issues that are pertinent to study and analyze in other similar settings.

4.7.2 Reliability

Yin (2003) refers to that the goal of *reliability* is to minimize the errors and biases in a study. We increased the reliability by using a tape recorder, which the respondent was kindly disposed towards, so that we could go back to the actual interviews if we wanted to re-check facts. The respondent's answers cannot automatically be assumed to be accurate. We tried to avoid this by posing the questions in the most neutral way possible and by explaining some difficult and special terminology. Although, our attempt to utilize a neutral approach does not guarantee that the respondent gave us correct information and could therefore be considered a method problem. If our investigation was to be repeated with the same interview guide and respondents it might still not lead to the exact same results, as personal interviews always involves subjectivity. Unfortunately, this is something we cannot completely control, and therefore it could have affected the reliability of this study. An effort to increase the reliability of the collected data was made by sending the respondents the data chapter, for a review, before we proceeded with the data analysis .

5. EMPIRICAL DATA

In this chapter we will present the empirical data that was collected for this research. The data is gathered in the form of interviews from two companies:

Case one: Ericsson
Case two: Volvo

To begin with, the first section of this chapter gives a general introduction of Ericsson in China followed by the relevant data belonging to this case. After that, general information and the empirical data concerning Volvo is presented. Throughout the chapter, the data pertaining to each case is presented in connection to each one of the research questions. In this study the respondents have two different roles 1) as the company's representative, 2) as individual Swedish businessmen viewing international negotiations from their own perspective.

5.1 Case One: Ericsson negotiating with the Chinese

Company background

Ericsson is the largest supplier of mobile systems in the world and supports all major standards for wireless communication. The company drives the telecom industry and is shaping the future. The world's 10 largest mobile operators are among Ericsson's customers and some 40% of all mobile calls are made through the company's systems. The company has been active worldwide since 1876 and it is today present in more than 140 countries with more than 50,000 employees. The headquarters are located in Stockholm, Sweden. Ericsson provides total solutions - from systems and applications to services and core technology for mobile handsets. With Sony Ericsson the company is also a top supplier of complete mobile multi-media products. Ericsson is one of the largest foreign telecom companies in China. It began selling telephone sets in Shanghai in 1892. In 1985, Ericsson opened its first sales office in China and formed a holding company in 1994. To date, Ericsson has invested more than $600 million in China; including ten joint ventures, four wholly owned subsidiaries and 26 sales offices. Ericsson has 4,500 employees in China, about 15% of them are in R&D. Revenue for 2003 was 15.8 billion yuan ($1.9 billion), export 7.4 billion yuan ($890 million). China is the single largest market for Ericsson and one of its three global supply bases. In 2001, Ericsson and Sony formed a joint venture for handset development, which is very active in China.

The respondent

In order to collect data in this case we interviewed Mr. Stefan Montan, the Sales Manager of China Mobile. Mr. Montan has five years of experience of negotiating with the Chinese. He gained this experience when living in China between 1998 and 2003, working with sales and marketing. Mr. Montan has negotiated different kinds of telecommunication-systems such as IP-solutions, GSM systems, and broadband-solutions as well as a fair amount of services. He has negotiated in Central China, from east to west, but neither in the north of China around Beijing nor in the south around Hong Kong.

The future of the Chinese market from Ericsson's perspective
Mr. Montan believes that the Chinese market will become increasingly important in many aspects. It is hard to tell if the Chinese market, in the short run, will provide a higher turnover but in the long run this ought to be the case, having the size of the market in mind. China's increasing importance can also be viewed from the perspective that; much of Ericsson's production and distribution is controlled from China and, the fact that the company's R&D investments are increasing in this area.

5.1.1 The process of Chinese business negotiations
The process is composed in a way that starts from a lower level in the organization and then you work your way up to higher levels. The closer to the end of the process the higher the hierarchical level you will reach. Normally, it starts with a technical negotiation where the scope of the deal is determined, that is size, quantity and what to be included in the contract. After that, the commercial part starts where, according to Mr. Montan's experience, e.g. contract violation, software rights, terms of delivery, are discussed. Last of all, in the commercial part, the price is discussed. This is the process that the Chinese counterpart prefers while Ericsson, on the other hand, would like to discuss all aspects of the issues pertaining to the commercial part at the same time. This is the negotiation process in general.

Lobbying
Lobbying takes place all the time because it is an integrated part of the negotiation and in comparison with many other markets then perhaps lobbying is more distinct in China. The persons you lobby before are, of course, those who you know make the final decisions. For example, if you are discussing technology then you can lobby before the persons influencing the customer's decisions. The manager of the customer might not be a part of the negotiation yet but still you lobby before him/her anyway by describing your work. This is something that takes place the whole time during a negotiation.

Often lobbying can take the form of meetings where you explain your intentions and what you mean because oftentimes lobbying or negotiating is about explaining what you mean. Due to the complexity of the systems that Ericsson sells it can be difficult to explain the advantages of a product or a certain solution with pictures and/or a short text. Since the Chinese government owns the telecom companies, lobbying before them is a crucial activity. Additionally, telecom is important to the development of the Chinese society and hence attracts a lot of interest from the politicians. On this level the lobbying has to be in Chinese therefore Mr. Montan does not participate very much in this part of the process. As a manager he joins the process as soon as the customer's manager is ready to meet.

Presentation
One important thing to consider when preparing a presentation is to gather the right persons for the presentation (i.e. right persons from, especially, the Chinese counterpart). Due to the fact that often when you arrange a presentation, you believe that the right persons will be there but in the end a key-person was not able to come or did not want to come. Then you have to appoint a meeting with that person on a separate occasion because you can not presuppose that the other participants convey the information to that person. Therefore, the business idea is preferably presented on several occasions so that the customer gets a chance to understand and consider the product. One has to remember that the buyer is probably being flooded with information from five or six other competitors. To deliver your messages you simply have to do a lot of talking. As in all presentations, perhaps not exclusively for China, the practice employed when presenting is important. It is all about doing a convincing and

understandable presentation that makes the customer buy the idea. One thing to consider when doing presentations in China is that it is often more effective to have a smaller number of listeners because the more people the fewer the questions asked. There is also a risk that only the managers ask questions and they might not be familiar with the details. Mr. Montan prefers to have very few persons, maybe one or two, of the customer's personnel if he or another key person is about to do a presentation. In this respect he believes that there is a difference between China and the US or Europe.

Informal discussions
According to Mr. Montan, business agreements are reached during informal discussions. Generally, the informal discussions are far more important than the formal ones. The formal discussions are merely an activity where a contract is formed on the basis of informal agreements. Informal discussions can take place during dinners, but dinners are usually an opportunity to socialize and not suitable for business discussions. However, informal discussions can occur before and/or after a dinner or in connection to a presentation where business matters can be discussed over a cup of tea.

Trust building and friendship
It is extremely important with trust and one can almost talk about friendship. Without trust there is no business or it will take longer time to reach an agreement, at least until the parties know each other or have created a certain friendship or trust. Therefore it is important with a local commitment, local knowledge and that you have a long-term view on business. One cannot just go there, negotiate, and then return home. That is not how it works; one must have long-term intentions and create trust, especially on a personal level. The importance of trust is mainly due to the fact that the institutions supporting businesses, in China, are quite weak e.g. the legal system is tricky and difficult to understand. People do not want to rely too much on contracts and what a trial would mean if the obligations of the contract were not fulfilled.

Task-related exchange of information and letter of intent
It is fairly common with a letter of intent, at least when it comes to large business deals or when companies have intentions of collaborating but are not ready to sign a contract yet because e.g. they do not know exactly what to deliver or how much. Once you sign a contract it has to be very detailed concerning what to deliver and when. When you do not have all the details then it can be useful to utilize a letter of intent, stating the type of technology, the approximated price-level and a roughly estimated quantity. More concrete negotiations can evolve on the basis of a letter of intent. Ericsson utilizes letters of intent every now and then, however, it is not necessary to use every time but it can be seen as preferable when dealing with a new customer or a new type of product. In those cases one might want to establish a connection with the customer before a contract can be signed. In most of Ericsson's business deals, however, a letter of intent is not required, instead Ericsson and the Chinese counterpart proceed directly to the negotiations.

In this stage, that can be called the commercial part, task-related exchange of information can take the form of discussions concerning contract violation, software rights and terms of delivery. Last of all the price is discussed.

Persuasion
Persuasion lies in the nature of negotiations, the goal is to try to persuade the counterpart with reference to the advantages of your viewpoint. Mr. Montan says that it is quite difficult to estimate to what extent the Chinese employ persuasion, especially in comparison with others,

but in general, they use persuasion to a very high degree. On the other hand, he believes that everyone in a negotiation use persuasion to a high degree and hence it is not a unique characteristic of the Chinese.

Concessions and agreement
The Chinese are flexible and with good arguments it is possible to get it the way you want it, but at the same time you might have to make a concession in exchange. The attitude of the Chinese, from the beginning, is to make as few concessions as possible. Mr. Montan says that he has not experienced the Chinese negotiators as particularly obstinate, demanding things in a certain way and if the demands are not met there is no deal. That is not the situation at all. One can almost state the opposite since the Chinese are very skillful in ”keeping the door open” while Westerners might have a tendency to box themselves into a corner. The Chinese seem to blow hot and cold about decisions and if you realize that the discussion is not getting any further then perhaps it is better to talk about something else for a while. Normally, it is disadvantageous to start a fierce argumentation in too early a stage of the formal negotiation. Both parties must agree, otherwise it is not possible to build a long-term business relationship.

Mr. Montan's experience of the Chinese is that they are very detailed when it comes to constructing a contract.

Implementation and new rounds of negotiations
Mr. Montan states that, generally speaking, the Chinese fulfill their contractual obligations to a very high degree. Though, he believes that the industry of telecommunication is privileged in this respect, mainly due to the extensive and large business deals involved but also due to the fact of the support from both the provincial administration and the Chinese government. Furthermore he believes that since Ericsson is a very large corporation there is a high degree of professionalism in keeping an agreement. “-If you would ask a small or medium-sized company then I am pretty sure that they would present a different view, because there is a totally different culture concerning small business deals”, Mr. Montan says.

Chinese attempts to expand the scope of the agreement
The general attitude concerning contracts and what is written in contracts is that a contract is required. As soon as the contract is signed, however, both parties try to solve problems that arise in good faith without referring too much to the contract. It is not very popular to refer to the contract and say “-we agreed about this”, the Chinese are pragmatic and problems are preferably solved in a friendly manner.

Most important negotiation activities
According to Mr. Montan the most important activity, in order to negotiate successfully with a Chinese counterpart, is to build trust and confidence between the negotiation managers. Being friends is almost a prerequisite if a negotiation shall proceed and end in an agreement. The second most important activity, according to Mr. Montan, is the informal discussion that can take place at almost any time.

5.1.2 The influence of culture on Chinese business negotiations
Status
The Chinese feel that hierarchy is something very important and thus the manager makes all decisions. Usually, a diminutive amount of authority and decision-making power is delegated down in the organization since hierarchy is extremely important.

It is very important that the Chinese know that the persons they are negotiating with have the authority to make the relevant decisions. More often than not, Ericsson use negotiators who have the authority to make decisions and answer the customer's questions while the negotiating counterpart perhaps has to confer with a superior before a decision can be made.

Another important thing to consider is the way people are seated around a meeting table. The highest manager sits in the center and the rest of the group is placed in hierarchical order alongside him/her. The Ericsson team position themselves in the same manner in order to facilitate the understanding of who is in charge.

Face

Mr. Montan states that face is always enormously important. What makes a Chinese lose face is for example if you say "no" straight out to a suggestion of theirs and, basically, that is enough to make the Chinese lose face. Of course, there are other matters that can make them lose face, generally speaking, that is everything that makes them feel that they are in an inferior position. Mr. Montan says that the phenomenon of face is not only applicable to the Chinese but also to the staff at Ericsson, however, it is probably of more importance to the Chinese.

A situation where a Chinese person loses face can be aggravated if his/her colleagues or managers are present. If such a situation occurs then it can take a while before you are back on speaking terms with that person and in a worst-case scenario the persons involved might have to be replaced. Mr. Montan states that situations like this are very rare but still they occur. Furthermore, he suggests that a reason as to why face is a more sensitive issue in China than it is in Sweden might be derived from the fact that if one loses face in China then that person's Guanxi is negatively affected. If person "X" loses face or gets an unfavorable reputation, then this can have a negative effect on the persons that know or have a connection to person "X". There is a Guanxi network behind every higher ranked individual and a change in that persons face has a "contagious" effect, positive or negative, on the entire network. Additionally a person's face can be enhanced if you praise that person in front of his/her personnel or colleagues.

Trust and friendship

Trust is very important when doing business in China because the Chinese do not conduct business with someone they are not familiar with. You want to understand each other on a personal level and that is crucial if an agreement is to be reached or not. The fact that you want to trust your business counterpart is, most likely, very common in every major business deal around the world. A basic trust between two companies is a good foundation but in China it is necessary to have trust on a personal level in order to do business.

Trust with a Chinese counterpart is gained through extensive socializing, before the actual negotiation, in terms of e.g. dinners or parties. For ten years ago drinking, partying and dinners was a very common activity among Chinese business people and it still is an important trust-building factor. Mr. Montan says that these activities are more common in the northern provinces of China while the south is more business-oriented, viewed from a Westerner's perspective.

When it comes to the case of Ericsson, Mr. Montan explains, one has to remember that they have worked with their customers for about ten years and hence they know them and the customers know Ericsson. If a new company wants to establish business in China it will probably take a while before any negotiations can start. This is due to the fact that you have to get to know the counterpart, their organization and, of course, identify which key-persons to contact when it is time to negotiate. A major part of the trust- and friendship building activities take place long before the actual negotiation starts.

It is very important to Ericsson to have a long-term view and to be “a good corporate citizen”, meaning that the company gives something back to the community. Examples include: treating its Chinese personnel well and giving them possibilities of improving their competence and giving them a chance to be promoted for management positions. Other ways for Ericsson to be a good corporate citizen are by: sponsoring different events in China, donating money to schools and even building of schools, donations to support endangered species and environmental projects. Thus, by showing that the company cares about China and that it wants to be part of the development of the country is a very good and important way of creating trust. Ericsson will continue to operate in China for a long time to come and by having that intent the Chinese understand that the company is not there to trick the Chinese or do things that they will regret in six months. If, on the other hand, you give the impression that you are in China to make fast money and do not show any interest in operating in China for years to come, then you will not gain the trust that is necessary when negotiating.

Guanxi networks and the intermediary
Having mutual acquaintances facilitates matters greatly due to the fact that it is a shortcut for creating trust. For example: “-If my previous boss knows my client’s brother or a high-level politician in the province since many years, then it immediately creates a sense of trust; this is a person that can be trusted”, Mr. Montan says. Hence, Guanxi is very important, however, it does not mean that it is impossible to contact the client directly and create the contact on your own, though it takes longer time.

What the connection is between the company and the client depends entirely on the context; sometimes the connection can be on a completely private level, e.g. a colleague that knows someone in the province (where the client lives) that has done military service with the client in question. There is no simple answer to what the connection looks like. It is a skill of Ericsson’s sales force to find, create and then utilize these connections in a positive way.

Mr. Montan can not say for certain if the need for a Guanxi-network varies depending on where in China you negotiate, however, he believes that the further to the south of China you get the less important Guanxi becomes. This is due to the fact that there are heavy influences from Hong Kong and a business culture that is more based on a judicial system. Though, he stresses that it is still important with Guanxi in Hong Kong, but not to the same degree as in the northern parts of China.

Ambiguity
When a Chinese says “yes” in a negotiation it does not necessarily have to mean “yes”, however it does not mean “no”. “Yes” often means “it seems reasonable, let’s what we can do”, however a “yes” probably means just a “yes”. The word “no” is rarely used. Instead of saying “no” in a direct manner you have to show that you are attentive and understand their situation, their demands and why they want to do things in a certain manner. An example of conveying a “no” in an appropriate manner is to say “it is very hard for us to do so and so in this way, but let me see what I can do to solve this and then I will get back to you on this issue”. By expressing yourself in that way the Chinese more or less understand that you mean “no”. In other words, it is more about showing that you want to consider their demands but

that you are unable to do so. Mr. Montan thinks that this kind of approach is good to employ in all types of negotiations, because it is much easier to continue the discussion if you do not brusquely put someone off with a distinct “no”.

Patience

It is important to have a great deal of patience and refrain from becoming irritated when negotiating with the Chinese. The source of irritation to a Swede is chiefly due to the fact that even if the Chinese often are very flexible and can solve issues rapidly (issues that would have taken much longer time to solve in Sweden), a very simple issue (from a Swedish perspective), on the other hand, could take ages to solve.

Sometimes the Chinese want to give the appearance that something is in a terrible hurry and that matters have to be dealt with quickly. Generally speaking, however, when it comes to deadlines the Chinese are very flexible. Deadlines are something that is commonly used as a tactic.

Chinese protocol

If you meet someone that you have not met before it is very important that you greet that person with a handshake and exchange business cards with both your hands. You should give your business card to the other person with a certain reverence and conversely when you receive his/her business card you should accept it with reverence. Mr. Montan contrasts this to Swedish conditions where you sometimes see persons who practically throw their business card across the meeting table. In China you respect the name of the person you are talking to in a different way; you really look at the other persons’ business card, look at the title and explicitly show that you read what it says on the card. It is important to look another person in the eyes, just as in Sweden.

Seating positions are always important at negotiations and dinners. At a dinner the person responsible for paying the bill should be seated at the back of the room and usually be turned towards the doorway. This is not something that should be neglected, as it is quite an important tradition.

Gifts are always given to each other at dinners, but not at negotiations. Examples of gifts include: a small collection of stamps, candlesticks in crystal or a crystal bowl. Thus, there are no expensive gifts involved, rather they have a symbolic value. Usually, the gifts are not usable (like telephones and watches), but rather souvenirs from the other party’s native country. Mr. Montan states that he can not think of anything that you should not give to the Chinese.

Banquets are more formal than dinners and can take place when e.g. a contract is signed or when the Chinese New Year is celebrated. Normally a banquet involves a vast number of people and many courses are served. Although a dinner is less formal than a banquet it usually has a higher trust-building value, since it enables you to talk in smaller groups.

Being blunt, trying to call the shots and being loud are some behaviors that the Chinese dislike in particular. The Chinese are usually fairly low-voiced and have a hard time with the “American” approach of being very straightforward, since the Chinese culture is much more indirect in its manner; e.g. the Chinese often use pictures, metaphors and proverbs when talking.

Holistic thinking
Usually things are discussed in the order they are outlined in the contract. Mr. Montan believes that the Chinese has a preference for the quite well-known negotiation technique where the buyer wants to discuss and decide on every clause separately since you can then negotiate a low price in every issue, which is something that Ericsson wants to avoid. Ericsson does not mind discussing item by item, but when it comes to deciding on the different issues the company wants to do that in conjunction with the other issues in order to form a package deal. For example, Ericsson will tell the Chinese counterpart that they are willing to give them X but then Ericsson wants Y in return, hence the company prefers a certain reciprocity. If you decided on issue by issue separately, it is easy to get into a situation where you feel forced to cave in on every issue. Consequently, it is the Swedish company, Ericsson that prefers a holistic thinking in this type of situation, not the Chinese.

Thrift
Whether the Chinese counterpart is price focused or not varies quite a lot, however, in general you can say that discussions are rather focused on price where the Chinese often want a reduced price. A common argument is that China is poor and that they can not afford the high prices asked by Ericsson.

On the whole, it seems that the Chinese have difficulty comprehending why products such as software and services should merit a high price. The price of hardware, on the other hand, they can more easily accept. Mr. Montan emphasizes that the Chinese attitude towards price has changed in a short period of time, as the situation was completely different only ten years ago.

5.1.3 Chinese negotiation tactics
"The price is too high"-tactic
As just mentioned under the heading "Thrift" the Chinese are quite focused on price when negotiating and, according to Mr. Montan they constantly complain that the price is too high.

Sudden demands and changes
Sudden demands and unexpected changes happen all the time, which is one of the reasons that you have to have a good portion of patience. The agenda may change and some persons in the Chinese negotiation team may suddenly decide to do something else. Many people change their priorities all the time and on the whole much in the Chinese society is fluid. The days are always fully booked in China, but a week or two ahead their calendar is usually quite empty. The whole way of working is built around the premise that things constantly change, which is also the case when it comes to negotiations.

Silence
Mr. Montan believes that the Chinese utilize silence better than what the Swedes do. Westerners are more interested in directly getting to a discussion and presenting their case. In this area Mr. Montan believes that the Chinese are a bit more astute salespeople, as the Chinese do not mind listening and then do the talking. However, he believes that making effective use of silence is chiefly an issue negotiating tactics. Silence can be a very effective way of selling, as a good salesperson does not have a particularly big mouth but rather big ears. According to Mr. Montan this is what you learn in sales training also in Sweden.

Showing anger
It is correct that the Chinese show anger in order to get what they want. Mr. Montan has only experienced this a few times, but he is well aware that it is a negotiating tactic that is quite extensively employed by the Chinese. Primarily when mangers below him negotiate at their level the discussion can be a lot harsher.

At the beginning of a negotiation it can happen that the Chinese counterpart will thoroughly scold Ericsson because the last delivery was late or because of poor service or quality. This tactic of beginning a meeting by scolding your counterpart is quite common. For the most part this anger is just about playing to the crowd with the intention of increasing their own gain. It is possible that they are genuinely angry to some extent, but they act out the situation to its fullest extent – an attestation of how theatrical the Chinese can be.

Once you have experienced this tactic a few times, as a Swede, you are not especially influenced by it, as you know that it is only play to the crowd. However, if you come unprepared to a meeting lacking the experience of the "angry-tactic," it could probably have a certain effect, according to Mr. Montan.

Controlling negotiation schedule and location
The Chinese counterpart decides the negotiation schedule and location, however, that is something that all other clients of Ericsson's also decide, irrespective of which country a deal is negotiated in. Mr. Montan believes that this behavior is not particularly characterizing of the Chinese.

The double standard tactic
If the Chinese counterpart is allowed to author too many ideas regarding the design of the contract they will make it very biased to their advantage. A contract should preferably be balanced in such a way that both parties feel that their demands have been reasonably met, says Mr. Montan. Contract proposals from the Chinese counterpart are very often unbalanced; most of the responsibility is on Ericsson whereas the Chinese counterpart is allowed much greater freedom.

Mr. Montan is somewhat hesitant of calling this behavior a double standard, in his view it is more a reflection of Chinese culture that dictates that the customer is always right in a very distinct way – "I am the buyer and therefore I decide to 99% what this contract should look like".

According to Mr. Montan, the conditions in the telecommunications industry are still positive. The Chinese understand that Ericsson needs to earn money and that both parties have concerns of their own. There is a certain comprehension of the situation of the counterpart, however, the Chinese are not shy when it comes to making sure that they will gain handsomely themselves. He thinks that it would probably feel strange for a Swedish company to suggest a contract that is very unbalanced.

Asking the foreign counterparts, upon arrival, the date and time of their departure flight
Since Mr. Montan lived in Shanghai and traveled to many provinces to negotiate, the Chinese learned after a while that he could leave and come back a day later, thus rendering the tactic ineffective. However, Mr. Montan has heard of this tactic being used, where the Chinese use the time so that the most important questions are saved until the end.

Switching of negotiators and changing the terms of the deal even after a long period of discussion
It is a common tactic to change negotiator quite often. Ericsson themselves employ this technique to a certain degree, however, the Chinese counterpart utilizes it to a greater extent. Usually when the negotiation is stuck and you are getting nowhere it might be a wise decision to change a certain person in the negotiating team. This often means that you advance one step in the hierarchy and the manager of the counterpart then enters the negotiation.

It is crucial that the right person is present from the beginning of a negotiation when the formal discussions commence so that you know where the people in the Chinese team stand in different issues, otherwise you can completely have your head turned. You might have agreed on something with one person believing that "we agreed on that yesterday", but then the manager of that person (or some other manager) enters the discussion and begins talking about what you decided yesterday and if you then say "but we agreed on that yesterday" then that manager might say "but that was not me, it was my colleague". According to Mr. Montan this reflects a part of how matters are bound to individuals in relationships with Chinese people. When he negotiates it is as a representative of Ericsson, not what he personally is prepared to agree on. A member of the Chinese negotiating team, on the contrary, is of the opinion that "this is what I think" and then another person might say, "that's what he said, I think it should be this way".

Pretending to be an "ignorant" or absentminded negotiator
Mr. Montan has no experience of the Chinese counterpart playing ignorant or absentminded.

Use of "external force"
The use of an external force such as"government approval" in order to gain bargaining power is a rather common tactic employed by the Chinese. However, it is also a tactic that Ericsson themselves utilize in situations where they want to avoid saying "no" and then it is easier to blame someone else such as the headquarters.

The "we are very poor, indeed"-tactic
It is foremost in poor provinces that the "we are very poor, indeed"-tactic is frequently utilized – a tactic that is usually rewarding. It is not so much about giving the counterpart a guilty conscience in order to persuade them, as it is frequently a reality that the Chinese are really poor. Ericsson usually counters this "tactic" by delivering equipment that is a bit different than the standard equipment, a product that e.g. is not as advanced and in that way the company tailors the offer to fit the budget of the customer. Ericsson tries to avoid offering them lower prices just because they say that it is too expensive, instead the company delivers a less advanced product.

5.2 Case Two: Volvo negotiating with the Chinese

Company background
Founded in 1927, Volvo is one of the world's leading manufacturers of heavy commercial vehicles and diesel engines. The Volvo Group also offers a comprehensive range of customized solutions in financing, leasing, insurance and service, as well as complete transportation systems for urban traffic. Volvo consists of eight different business areas: Volvo Trucks, Mack Trucks, Renault Trucks, Volvo Buses, Volvo Construction Equipment, Volvo Penta, Volvo Aero and Volvo Financial Services. Several business units provide additional manufacturing development or logistical support. The largest business units are

Volvo Powertrain, Volvo 3P, Volvo IT, Volvo Logistics and Volvo Parts. Volvo has approximately 72,000 employees, production in 25 countries and operates in more than 185 markets. The annual turnover of the Volvo Group is about 173 billion SEK, of which the Chinese market comprises approximately 4 billion SEK.

Volvo NAP

Volvo Group NAP (Non-Automotive Purchasing) is the global purchasing organization of the Volvo Group, sourcing goods and services, which are not part of the final Volvo Group products. The aim of Volvo Group NAP is to create significant cost level reductions for the customers in all entities of the Volvo Group. Volvo NAP's mandate is to leverage the Group's consolidated purchasing power, minimize the supplier base and drive standardization of products and services. On behalf of AB Volvo, NAP will deliver global, regional and local procurement solutions.

Volvo has sold trucks to the Chinese market since 1972. Starting in 1972 Volvo sold approximately 50-150 trucks annually to the Chinese market. In 1993 the sales increased substantially with a bus joint venture. In six months, which is probably some kind of record in the automotive industry, this joint venture was created. After that another bus joint venture was created and in 1999 Volvo Penta developed a joint venture concerning the production of engines. Additionally, Volvo has a factory that produces excavators and since 2003 there is also a truck joint venture. The main reason as to why the truck joint venture took so long to create was, according to Mr. Norman, that the financial situation of Volvo's partner was weak and the company was in the middle of a crisis. Even if Volvo desired to call off the negotiations, and find another more suitable partner, the Chinese government had the opinion that Volvo should "help" the Chinese company to get back in business.

The respondent

The empirical data about Volvo was collected through an interview with Mr. Ulf Norman, the Vice President of Volvo Group NAP. His experience in negotiating with a Chinese counterpart started 1994 and went on for eight years until 2001. During these years Mr. Norman was seated in Beijing as the CEO for the business area Volvo Trucks in China, Taiwan and Hong Kong. Mr. Norman's main task, in China, was to establish a joint venture with China National Heavy Truck Corporation (CNHTC) with the purpose of creating a truck assembly plant. He led the negotiations for the creation of this joint venture and an agreement was settled in 2003, nine years from the start.

Negotiating with the Chinese

According to Mr. Norman it requires a large portion of patience to negotiate with the Chinese and occasionally it is very demanding. Back home in Sweden they want to see progress and results and if the negotiations continue for years, as in his case, then perhaps the company gets a little impatient, he continues. In Volvo's case, concerning the truck joint venture, it took nine years from the initial negotiations until an agreement was achieved. However, it should be noted that the Chinese willingly cooperates with Swedish companies since Sweden is not a major political force. There is a huge pressure, on China, from powerful countries such as Germany, England, France, Japan and the U.S., while Sweden is a bit outside of the political focus of China. This fact gives an advantage for the Scandinavian countries and a subject that was often brought up was the fact that Sweden was the first, non-eastern block country, to approve China as a republic when it was proclaimed, says Mr. Norman.

The future of the Chinese market from Volvo's perspective

Mr. Norman states that from Volvo's perspective the Chinese market will grow substantially in the future. The primary reason as to why Volvo's turnover increases in China is that the Chinese economy grows at approximately 7-8 % a year. Additionally, China is making considerable investments in infrastructure, such as freeways and similar activities that make products such as Volvo's more sought after. The trucks and buses, produced by Volvo, are at least twice as expensive as a domestically produced truck or bus. Nevertheless, as modern infrastructure is growing the need for fast and safe transportation increases and consequently the demand for modern vehicles will increase as well. Volvo's annual sales of trucks, in the Chinese market, have increased from 300 to 1500 trucks the past four years.

5.2.1 The process of Chinese business negotiations

A negotiation process in China is always formal. It is a process that goes back and forth with changing conditions due to the fact that the Chinese counterpart constantly needs approvals from the authorities. In the case of Volvo, which was a major project, approvals were required from both those in power in the province as well as from the Chinese government. Mr. Norman says that this can result in a situation where you think that you are close to an agreement, with the negotiating counterpart, but when they check with their authorities new conditions can arise and the negotiation has to start all over again.

The process comprises a few distinctive stages. The first stage is to get a preliminary study approved by the Chinese authorities. This is an official act where a signed document is sent for approval and once it is approved the negotiations can continue. Mr. Norman states that it is a major progress in the negotiation process to have the preliminary study approved.

After the approval of the preliminary study the negotiation becomes markedly more serious with a more concrete discussion concerning details such as investments and technology. In this stage the documents necessary for, in this case, creating a joint venture are prepared.

Once the rights for creating a joint venture is received the negotiation proceeds with practical issues and due diligence; is the prospective partner really what they say they are and do they have the required resources and technology? Managerial issues and number of employees are also discussed in this part of the process. Eventually, when an agreement is settled a company is formed and the parties contribute with the agreed capital. Usually, the foreign party contributes with "cash" while the Chinese party adds resources such as real estate, machinery and land.

Lobbying

According to Mr. Norman it is necessary for a foreign company, unless they have very long experience and knowledge of China, to have a person or persons that work as lobbyists before the Chinese government. This is due to the fact that the Chinese government still has a major decision making role when it comes to negotiating new establishments in China. The automotive industry is one of the most governmentally regulated industries in China. In other industries you might not even need a Chinese partner in order to do business in China. It is not possible to generalize and say that one would encounter the same problematical issues when starting e.g. a small telephone factory, which would be less complicated. Because of the high degree of authority involvement it is necessary to employ a Chinese person with good contacts within the authorities that can mediate between the company and the authorities. Lobbying takes place all the time throughout the process. Mr. Norman suggests that lobbying is almost like intelligence activities besides the actual negotiation.

Presentation
The presentation is, above all, an initial activity and important to consider when presenting is to talk about technology and investments, because that is of the most interest to the Chinese. Another important part of the presentation is to invite the Chinese to Sweden, in this case to visit Volvo's facilities. The Chinese want to see, with their own eyes, how the technology works and that their future partner is a financially strong company.

Informal discussions
To conduct informal discussions was very difficult according to Mr. Norman, at least in the beginning, because none of the Chinese managers knew how to speak English so everything had to go via interpreters. During the last years of negotiations the Chinese had a vice president that knew how to speak English and he and Mr. Norman became very good friends. They could talk more informally to each other, bring up sensitive issues and more openly discuss problems that might not be appropriate to argue about in a meeting room. One can accomplish a lot through these kinds of informal negotiations/discussions. In this specific case of Volvo it took five years before there were any informal discussions to talk about, simply due to the fact that that was when an English speaking manager was appointed in the Chinese company.

Trust building
It is very important for the Chinese to trust their counterpart in a negotiation and therefore a considerable amount of social activities and dinners are included in the negotiation process. To the Chinese it is important to find out how much alcohol a person can cope. One thing that can make the Chinese frustrated is the fact that Westerners rather often change jobs and assignments, approximately every third year, and that means that a new person arrives and the trust-building activities has to start all over again. Generally speaking, Westerners are a bit nonchalant regarding this issue but a saving grace is that China itself is rapidly changing. Mr. Norman remarks that the negotiations in China 1993, when he started, are incomparable to the negotiations of today. Nowadays many Chinese know how to speak English, the Chinese government has loosened up the control and the Chinese has also gained experience in negotiating with foreign companies.

Task-related exchange of information and letter of intent
When it comes to the automotive industry the ownership of a joint venture is solved in a very early stage because the foreign party can presently not control more than 50 % of the joint venture. Management-, technology- and price issues, on the contrary, can require long periods of negotiations to solve. These issues, however, are not discussed continually because when the preliminary study is presented management, technology and price should, in broad terms, be determined.

Persuasion
Mr. Norman states that persuasion is probably employed more by the Western part due to the fact that Volvo had to educate the Chinese within certain areas and explain to them why specific issues are important. In situations like that the Western part are trying to be persuasive while the Chinese can be regarded as a little more stubborn, they do not use arguments to the same extent, they just declare "-this is the way it is".

Concessions and agreement
The Chinese are well aware of the “rules” of a negotiation, that one has to give and take. There are certain matters that the Chinese persist in holding on to but they also know that concessions are necessary in a negotiation. However, the Chinese concessions are generally not very valuable to the counterpart. Westerners are more honest than the Chinese in a negotiation e.g. as Mr. Norman states “-if we offer them a price we do not add an enormous margin but the Chinese can come up with shamelessly exaggerated figures because they know that we are not going to accept them. This is a cultural difference that one has to be aware of when negotiating in China”.

Implementation and new rounds of negotiations
Generally, the Chinese fulfill their obligations according to the contract but situations that can be interpreted in different ways always occur, even in the most detailed contracts. In fact it is rather common that, despite a detailed contract, the two parties have divergent opinions about the contents. The Chinese do not violate a contract on purpose, as a matter of fact they are almost meticulous when establishing a contract, clarifying it as much as possible in order to avoid future conflicts but still matters of interpretation can arise.

Chinese attempts to expand the scope of the agreement
Negotiating with the Chinese is a process of constant adjustments and discussions. Mr. Norman says, “-I remember that it was rather annoying to report to the headquarters in Sweden that an agreement was achieved and then by the next meeting with the Chinese realize that this was not the case”. By that time the Chinese could have changed their opinions and the negotiation had to take a step backwards and start all over again. Though, Mr. Norman states, if this situation occurs it is before a contract is signed, once the contract is signed there are mostly matters of interpretation to discuss.

Most important negotiation activities
According to Mr. Norman the most important activities in order to negotiate successfully with a Chinese counterpart are patience and honesty. Even though the Chinese try to bluff every now and then, once they realize that you are trustworthy and do not exaggerate information they will respect you all the more. Moreover, one should not get angry or start yelling but simply keep one’s head cool and behave correctly by being a mannered person.

5.2.2 The influence of culture on Chinese business negotiations

Status
To the Chinese hierarchy is very important and apparent. They are unbelievably disciplined and are often given a very limited negotiating authority, hence they frequently have to ask higher-level decision-makers. When negotiating in the automotive industry both the company manager and the governmental authorities has to approve and this makes it rather a problematic process. Mr. Norman says, “-I could make relevant decisions immediately which, apparently in many cases, the Chinese negotiators are unauthorized to do. Sometimes the Chinese did not understand that it was possible, or believe in, that important decisions could be decided in such a short notice, during a session of negotiation”.

The Chinese definitely want to know the hierarchical positions or status of their negotiating counterpart. Mr. Norman claims that it was especially important when deciding places around a dinner table.

One example of how the Chinese express status/hierarchy is the way people are seated around a meeting table. When Volvo negotiated in China, the Chinese with the highest rank sat in the middle and was flanked by lower rank personnel in a sequential order. The only exception is the interpreters who could sit just about anywhere.

Face

Although Mr. Norman believes that the importance of face is declining it is still a crucial factor to considerate when negotiating in China. In negotiations with the Chinese it is best to not carry matters to extremes and instead perhaps wait and give the counterpart time for consideration and a chance to change their opinion without losing face. Mr. Norman gives the following example: "-Sometimes we could not understand the Chinese party's interpreters. If you are about to criticize an interpreter you have to wait until the meeting is over and then in a nice manner, perhaps via a lobbyist, tell the Chinese that they should consider changing interpreters". Overall, it is okay to criticize but one should avoid criticizing individuals in front of others because then they lose face. To criticize a group or a company can be more acceptable but the Chinese are very concerned about personal status and being judicious.

Chinese gain face if you praise them, you always have to acclaim them. Mr. Norman explains, "-I can wake up in the middle of the night and declaim how good they are and how impressive their work is". This easily becomes a play to the crowd but it is very important to do, especially if a governor or comparable persons are present at a dinner. Overstated speeches are very common in China due to the fact that they have lived a long time in a governmental business structure where every company exaggerates their results. For example, they purposely rapport that they have sold more trucks than they actually have and because of this it becomes a huge problem to calculate the Gross Domestic Product (GDP) or the production results. The Chinese planned economy was/is so demanding that no one dares to fail in achieving the production goals. The companies reported that the goals where attained regardless of the truthfulness of that information.

Trust and friendship

Trust is very important to the Chinese, both on a personal level as well as they have to know that the foreign company is in it for the long run. It is almost a prerequisite that there is trust between the two negotiating parties if the negotiations shall proceed. The more trust the faster the process of negotiation.

Mistrust can arise if the Chinese party sense that you are dishonest or if you give them false information. If a mistrust-situation occurs it can be a major obstacle, it could even mean that the negotiation breaks off. If the Chinese counterpart has a strong position they will probably have a tougher negotiation approach and most likely they will have alternative partners to cooperate with.

Success in achieving real friendship is very valuable because it means that when you negotiate you can focus more on tough core issues, where there are real differences in perception between the parties. Without this type of friendship there is risk that the negotiation will revolve around less essential matters. Mr. Norman also mentions that the Chinese value having foreign friends, which they view as an enhancement of their status.

Guanxi networks and the intermediary

It is important to have Guanxi, to be able to refer to certain people e.g. within the authorities as it commands a great amount of respect. That is why you need someone assisting you in creating these types of relationships. When Mr. Norman was in China Volvo always used a Chinese-Swedish person with very good relations to high-level government officials. This enabled Volvo to meet many political decision-makers, which greatly impresses the Chinese business partner.

The intermediaries also functioned as advisors, especially in the beginning, when there could be many practical issues that needed to be dealt with. The connection between Volvo and the intermediaries was strictly financial; Volvo paid them to help. The problem with that arrangement was that those intermediaries were not especially motivated to close a business deal as soon as possible since they made more money the longer it took to settle a deal.

Mr. Norman believes that the importance of Guanxi is approximately the same in all regions of China. Guanxi was established in China due to insufficient legislation to protect the individual. That is why people establish contacts that could be of value and work as a protection. Due to this fact it is important to have friends or persons who owe you something. The Chinese love doing someone a favor since that person will then owe something in return.

Mr. Norman says that he thinks that there is a connection between face and Guanxi, because if a person loses face it will also affect his/her company, friends and family.

Ambiguity

In the beginning of negotiations there can be a certain amount of ambiguity in the answers of the Chinese counterpart. However, this is something that can be quickly solved. They can say “yes” but they do not mean, “yes”, instead they mean that they have understood what you are saying. This is, however, merely a problem in the beginning.

Patience

As previously mentioned, it is crucial to have a great deal of patience when negotiating with the Chinese. At the core you notice that the Chinese are not at all as rushed nor do they experience the lack of time as Swedes do, since they view everything in a thousand year perspective. The only time of the year when a deadline is important to them is before the Chinese New Year. The reason for this fact is that they want to have had some success before the New Year, assuring that the previous year is finished in a successful manner. This is something that a Swedish/Western company can take some advantage of, the fact that they want to have achieved something before the end of January.

Chinese protocol

Exchange of business cards and handshakes are of course important, but otherwise the Chinese are not very formal. Mr. Norman explains that he has negotiated with Japanese and Korean people and contrasting them to the Chinese he thinks that the Chinese are much more forgiving and they do not think that etiquette is as important. You can kid with the Chinese if you do something wrong as they do not take it that seriously. Business cards and gifts should be given with both your hands and then there are rules on e.g. how to toast with a superior, but those rules are not important in the same way as they are in Japan and Korea. According to Mr. Norman there is no difference in the importance of eye contact whether you are in China or somewhere else in the world to do business; it is important no matter where you are. Seating position is especially important if a governor or a minister is present. In such cases hours can be spent making sure the seating positions are correct.

Mr. Norman states that in the beginning of the relationship with the Chinese the amount of gifts that they brought from Sweden to China was considerable. Finally the parties agreed to stop giving each other gifts. Often the gifts are in the form of inexpensive souvenirs that are officially handed over when e.g. a dinner is over, which is quite good because then you know when the dinner is really over. Examples of such gifts could be that the Volvo delegation gives the Chinese counterpart an item from Orrefors and in return they receive a shawl of silk or a vase. It could be a bit different when the Chinese delegation came to Sweden for a visit since they might expect quite expensive gifts such as winter clothes if they came in the middle of the winter. The Chinese are not shy when it comes to telling what they expect and what they want. It does not necessarily have to be material things, it could be a snowmobile safari in Kiruna and other, to them, exotic experiences that they can brag about when they return home.

In the beginning of a negotiation process there are a lot of banquets and dinners because in that stage there are a lot of politicians involved in the process, thus the level of alcohol consumption is very high in the beginning. This is especially true in the northern parts of China as the drinking of alcohol is much more moderate in the south. The reason for that could probably be compared to the culture of drinking between north and south of Europe; in the north it is more common with liquor and in the south wine is more prevalent. The drinking is diminishing in Beijing, but when you get out on the countryside, on a factory visit or something similar, you are expected to imbibe a considerable amount of alcohol. The Chinese are experts in pretending to drink; as soon as you turn your head away they pour water into their glasses or they will "accidentally" spill the contents of their glass on the floor when toasting.

When it comes to behaviors that should be avoided when dealing with the Chinese, Mr. Norman mentions that you should not lose your temper as it disappoints and hurts the Chinese. Even if one thinks that things are progressing slowly or that the Chinese behave in an odd fashion, you must not lose your temper.

In speaking of the Chinese culture you need to differentiate between two things; on the one hand there is the genuine Asian culture concerning how to behave, face etc. On the other hand there is the cultural aspect that the Chinese have a completely different view on running a business since they come from state owned companies governed by a planned economy. This is beginning to change however, as China is becoming more and more market oriented. According to Mr. Norman, this was almost a more problematic difference, the fact that Volvo comes from a market economy and the Chinese from a planned economy. Hence, there are two large cultural differences: 1. The Chinese history and culture 2. How to run a business and defining what is important in running a company. It could be very trying when you talk about matters that you yourself think are obvious, such as working to get the company to perform optimally profit wise, while the Chinese would think that there were more important things than to make sure that the company would produce a profit, Mr. Norman states.

Holistic thinking
Discussions take place in a certain order due to the fact that there are models for how e.g. a joint venture contract should look like, there is a template provided by the authorities that need to be followed. Regarding details: you go through the template, chapter by chapter, and then it happens sometimes that you get stuck on a certain chapter and then you might have to leave it and give the Chinese the possibility of talking to their superiors. The next time you

meet you can then go back and take off where you left. The authorities need to have this template even though Swedes/Westerners may think that many items are very strange.

There is actually very little difference in the methodology of the negotiation between negotiations between Swedish counterparts versus negotiations with Chinese counterparts. However, considering that there are often quite a few issues that you will not settle directly when negotiating with a Chinese counterpart you will frequently have to go back and again discuss certain issues.

Thrift
The Chinese are skilled at negotiating price and therefore it is important to utilize an added marginal on your price since haggling is very common. The marginal does not always have to consist of money, it can also be other things that can be added into a package deal. You can hide the price of a product by adding something else to the package, e.g. education.

5.2.3 Chinese negotiation tactics

"The price is too high"-tactic
Mr. Norman is well aware of this tactic. The Chinese always make sure there is bargaining room concerning the price. The Chinese are much better at haggling than what Swedes are since haggling is an everyday activity to the Chinese.

Sudden demands and changes
Mr. Norman thinks that sudden demands and changes are not especially common in the Chinese negotiation process. Considering the negotiating process that he was involved in, which lasted for many years, he thinks that it would be odd if there would not be some changes during the course of process.

Silence
Mr. Norman has not experienced that the Chinese utilize silence as a tactic, however, they sometimes avoid talking about certain things and then you afterwards have to make use of your intermediary in order to find out what the problem was. In situations like that you must not demand that the Chinese counterpart answers because there is probably a reason as to why they are silent.

Showing anger
Mr. Norman has never experienced that the Chinese show anger.

Controlling negotiation schedule and location
The Chinese do not control the location of negotiation that much, it is the negotiation schedule that is far more important to them. Mr. Norman tells that if a proposal for the negotiation schedule were to be made it was always bothersome to decide who would outline the negotiation schedule; Volvo or the Chinese counterpart.

The double standard tactic
It is completely correct that the Chinese try to get as clear and detailed as possible in all matters that concern them and then try to make things as fuzzy as possible for the foreign counterpart. When it came to the final contract Volvo had hired lawyers who were well versed in the Chinese judicial system, hence they were Chinese citizens. Then there was the problem that the Chinese counterpart did not have the financial resources to hire lawyers that

were as skilled as Volvo's lawyers. Since the lawyers were at different levels it created a bit of a fuss.

Asking the foreign counterparts, upon arrival, the date and time of their departure flight
The Volvo delegation learned not to tell the Chinese counterpart when they had planned to leave. If they told them, then nothing would happen negotiation wise until the Friday that they would leave and then the Chinese would take advantage of the fact that the Swedes would become stressed and thereby agree to things that were not part of the original plan. In order to avoid this situation, you should clearly state to the Chinese counterpart that you will not leave until all matters have been dealt with.

Switching of negotiators and changing the terms of the deal even after a long period of discussion
In the beginning, primarily, there was a lot of changing of negotiators in the Chinese team. This could very well have been a deliberate tactic on their side in order to disturb the negotiation.

Pretending to be an "ignorant" or absentminded negotiator
According to Mr. Norman it is not at all correct that a Chinese would pretend to be ignorant because then that person would lose face, thus he has never experienced this tactic

Use of "external force"
Sometimes the Chinese tried to bluff by telling the Volvo team "-This issue requires government approval, it is no use to even discuss it". In those cases Volvo had to check if it was really true and if it showed to be a bluff then Volvo would say something like "-You can interpret this in the following way also..." – many times the Chinese would accept that argument. Another "counter-tactic" is to find a similar issue in another case (a Sino-Western agreement) and then refer to that contract that has already been approved.

The "we are very poor, indeed"- tactic
Mr. Norman has never experienced this tactic because the fact that the Chinese is poor is something that they, to a greater or lesser extent, refuse to acknowledge. They never beg since it is against their nature. Mr. Norman also states that he has never heard any of his colleagues (who has worked in other provinces than he has) mention this tactic.

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6 DATA ANALYSIS

In this chapter the reader is introduced to our analysis that is based on the empirical data from the previous chapter and the theories found in the conceptual framework of this thesis. We start by conducting a within-case analysis for each case where we compare the theories with the empirical data and carry out a pattern matching analysis, in order to identify similarities or differences between theory and data. After that a cross-case analysis between the two cases is presented.

6.1 Within-case analysis of Ericsson

In this section the within-case analysis of Ericsson is presented where the data regarding this case is compared to the theory in the conceptual framework. The analysis begins with research question one followed by two and three.

6.1.1 The process of Chinese business negotiations

Research question one deals with the Chinese negotiation process. We aim to identify characteristics and activities experienced by Ericsson and compare those with the theoretical framework mainly based on Ghauri and Fang (2001) but also Frankenstein (1986).

Stage one: Pre-negotiation

Lobbying

According to Ericsson lobbying takes place all the time, throughout the process, because it is an integrated part of the negotiation. In comparison with many other markets then perhaps lobbying is more distinct in China. The persons Ericsson lobby before are, of course, those who make the final decisions and in Ericsson's case that means government officials and politicians. Lobbying usually is about explaining the product to the customer so they have a chance to understand and consider the business proposal. Concerning lobbying, the empirical data match the theoretical framework quite well. Ghauri and Fang (2001) state that lobbying, especially before the Chinese government is one of the most important activities facing a foreign firm that want to sell large industrial projects in Chinese key industries like telecommunications.

The data points out the importance of commitment, local knowledge and that you have a long-term view on business. This is in accordance with the theory that claims that the foreign firm must convince the Chinese about their long-term commitment, financial stability and reliability.

The data claims that lobbying occur all the time throughout the process. Ghauri and Fang (2001) are not clear on if they suggest that lobbying only takes place in this early stage of the process, but since it is only mentioned during the pre-negotiation stage we will assume that it is the only time that lobbying takes place according to the theory. Consequently, data and theory only comply partially in this respect.

Presentation

The gathered data points out the importance of gathering the right Chinese key persons for the presentation. It is all about doing a convincing and understandable presentation that makes the customer buy the idea. The theory stated by Ghauri and Fang (2001) concerning giving convincing and attractive presentations before potential Chinese partners and authorities matches the data well.

One thing that Ericsson considers when presenting a new product in China is that it is often more effective to have a smaller number of listeners because the more people the fewer the questions asked. Larger groups of Chinese listeners can lead to a situation where only the Chinese managers ask questions and they might not be familiar with the details. Ghauri and Fang (2001) do not say anything about a preferable Chinese group arrangement when presenting. Ericsson prefers to present the business idea on several occasions and thereby repeat the message and that complies with the theoretical framework.

Informal discussions
When it comes to informal discussions between Ericsson and the Chinese party the data declare that the formal negotiations are merely an activity where a contract is formed on the basis of informal agreements. Ghauri and Fang (2001) state that at the stage of informal discussions the Chinese show a keen interest in technology and price and we cannot say that the gathered data disagree with this statement. Though, as we see it, the data points out the significance of informal discussions to a larger extent than what the theory does. The informal discussions conducted by Ericsson usually took place before and/or after a dinner or in connection to a presentation, which is in accordance with Ghauri and Fang (2001).

Trust building
Trust and friendship with the Chinese counterpart is a crucial factor when doing business in China, according to Mr. Montan. The empirical findings state that trust is very important when doing business in China because the Chinese do not conduct business with someone they are not familiar with. Concerning trust and friendship we have been able to identify several similarities between data and theory. First, as stated by Ghauri and Fang (2001), the great importance of trust in Chinese business negotiations and, secondly, the fact that the Chinese have an aversion to do business with people they do not have any kind of relationship to.

The data states that "one can not just go there, negotiate, and then return home" and that almost perfectly matches what the theory suggests. Conversely, Ghauri and Fang (2001) claim that it can be rather difficult to develop close relationships with the Chinese but we could not find any indications that Ericsson had such experiences.

<u>*Stage two: Formal negotiation*</u>

Task-related exchange of information and letter of intent
It is quite common that Ericsson utilizes a letter of intent when it comes to a new or major business deal, which is in accordance with Ghauri and Fang (2001). At this stage, which Ericsson prefers to call "the commercial part" of the process, contract violation, software rights, terms of delivery and price etc. is discussed. Theory claims that this stage usually involves discussions about five major issues: equity share, contribution of each party, management control, technology, price and other financial issues. However, it should be noted that the theory is more focused on e.g. joint venture negotiations and hence the major issues of discussion might diverge from those presented in the data. Nevertheless, as we see it Ericsson does have a stage of task-related exchange of information that complies with the theory.

Persuasion
Mr. Montan's experience Chinese negotiations and persuasion is that the Chinese, in general, use persuasion to a very high degree. However, the data implies that that everyone in a negotiation use persuasion to a high degree and hence it is not a unique characteristic of the Chinese. Corresponding to the data, the theory claims that the Chinese commonly use different persuasion tactics. Yet, the use of flattery, identifying the opponent's problems, shaming and deception as suggested by Ghauri and Fang (2001) is not indicated in the empirical findings.

Concessions and agreement
In this case, the respondent's experience of the Chinese is that they are flexible when it comes to concessions although the attitude, from the beginning, towards concessions is to make as few as possible. According to the data the Chinese are not particularly stubborn but instead, as previously mentioned, they are rather flexible. In correspondence with the data, Ghauri and Fang (2001) say that the Chinese make concessions too. Furthermore, the theory states that the Chinese concessions are often turned out to be a disguised gesture devised to attract the counterpart into making real concessions but we could not find any evidential support to that statement in the empirical data.

The data states that if the Chinese counterpart is allowed to control too much of the design of the contract it will be very biased to their advantage. Contract proposals from the Chinese counterpart are very often unbalanced; most of the responsibility is on Ericsson whereas the Chinese counterpart is allowed much greater freedom. This empirical finding complies to some extent to the theoretical statement that the Chinese are meticulous concerning contractual clauses that concerns them and as general as possible concerning the foreign party's issues.

Stage three: Post-negotiation

Implementation and new rounds of negotiations
The data supports the theoretical statement that the Chinese honor their contracts, however, cases of Chinese non-fulfillment of their obligations do occur but it is not common. In the case of Ericsson the respondent considered the industry of telecommunication as privileged in this respect, mainly due to the extensive and large business deals involved but also due to the fact of the support from both the provincial administration and the Chinese government.

Chinese attempts to expand the scope of the agreement
The general attitude concerning contracts and what is written in contracts is that a contract is required but as soon as the contract is signed both parties try to solve problems that arise in good faith without referring too much to the contract. The Chinese are pragmatic and problems are preferably solved in a friendly manner. This empirical finding does not correspond to Frankenstein (1986) who states that the Chinese have a tendency to try to expand the scope of the agreement.

A condensed comparison between the theoretical framework for the stages and activities in the negotiation process and the empirical data concerning this research question is presented in table 6.1

Table 6. 1: Activities in the Chinese negotiation process as experienced by Ericsson

The stages and activities of the negotiation process by Ghauri and Fang (2001) and Frankenstein (1986)	Data comply with theory?
Stage one: Pre-Negotiation	
Lobbying	Partially[1]
Presentation	Yes[2]
Informal discussions	Yes
Trust building	Yes
Stage two: Formal negotiation	
Task-related exchange of information	Partially[3]
Persuasion	Partially[4]
Concessions and agreement	Partially[5]
Stage three: Post-negotiation	
Implementation and new rounds of negotiations	Yes
Chinese attempts to expand the scope of the agreement (Frankenstein, 1986)	No

Source: Authors' own

1 *Lobbying is an important ingredient throughout the process and not only in the pre-negotiation stage.*
2 *The theory does not say anything about a preferable Chinese group arrangement when presenting as suggested in the data.*
3 *Evidently there is a task-related exchange of information but in this case the exchanged information does not comply with the information suggested in the theory.*
4 *The Chinese use persuasion in negotiations but the data and the theory disagree concerning the persuasive tactics.*
5 *The Chinese do make concessions but the theory characterizes them differently than the data. Regarding agreements we were able to draw parallels between the data and the theory.*

6.1.2 The influence of Chinese culture on business negotiations

Research question two concerns the influence of Chinese culture on business negotiations. We compare the gathered data with the conceptual framework based on theories by Woo and Prud'homme (1999) and Graham and Lam (2003).

Status

Mr. Montan's experience of the Chinese view on status and hierarchy, when negotiating, is that it is of great importance. According to him, the Chinese are very concerned with status and hierarchy both within the Chinese organization and the foreign firm's company. A clear parallel between the data and the theory can be drawn when discussing status and hierarchy. Furthermore, Woo and Prud'homme (1999) also claim that status influence the procedures in a meeting room, e.g. the way people are seated etc, and the data supports that statement to a very high degree.

Face

The empirical data agree with Woo and Prud'homme (1999) almost perfectly concerning the notion of face in Chinese negotiations. Both data and theory stress the importance of face and that a person's face is not only his/her own, but that of the organization he/she represents. Additional statements that correspond are: A Chinese lose face if you criticize him/her in front others, if someone closely related to the Chinese lose face then it has a negative effect on him/her, and a person's face can be enhanced if you praise that person in front of his/her personnel or colleagues. However, the data implies that face is important to the foreign firm as well, but it is probably a more crucial issue to the Chinese.

Trust and friendship

The empirical findings suggest that trust is one of the most important factors in successful negotiations with a Chinese counterpart. The Chinese do not conduct business with someone they are not familiar with, trust or have some kind of personal relationship with. The Chinese must feel that the foreign firm is trustworthy and are committed to the business deal and to China as a whole e.g. sponsoring of events and donations. In China personal trust and friendship is essential when doing business. On this point the theory suggests that the notion of trust, both as a cultural as well as a business feature, is highly valued in China. The foreign negotiator should be direct, honest and negotiations should be conducted without hidden agendas (Woo and Prud'homme, 1999). As we see it, the data complies very well to the conceptual framework in terms of trust and friendship.

Guanxi networks and the intermediary

Having mutual acquaintances facilitates matters greatly due to the fact that it is a shortcut for creating trust. Hence, Guanxi is very important, however, it does not mean that it is impossible to contact the client directly and create the contact by your own, though it takes longer time. The gathered data emphasizes the importance of Guanxi networks in accordance with almost all of the theoretical statements and findings pointed out by Woo and Prud'homme (1999). However, the data does not indicate that the side that can assemble more Guanxi will be more formidable than the other. The data implies that it is possible to succeed in China without an intermediary, however it will take longer time before an agreement can be settled. Graham and Lam (2003) claim that Western negotiators do not have a chance in China without the intermediary, the personal link between the two negotiating parties. Hence, the data and the theory do not comply in this regard.

Ambiguity

The respondent was very clear on the point that when a Chinese says, "yes" in a negotiation it does not necessarily have to mean "yes", however it does not mean "no". "Yes" often means "it seems reasonable, let's what we can do", however a "yes" probably means just a "yes". The word "no" is rarely used, an example of conveying a "no" in an appropriate manner is to say "it is very hard for us to do so and so in this way, but let me see what I can do to solve this and then I will get back to you on this issue". By expressing yourself in that way the Chinese more or less understand that you mean "no". Correspondingly, the theory declares that this cultural trait perfectly defines Chinese behavior in a negotiation. The only dissimilarity between the data and the theory by Woo and Prud'homme (1999) is the fact that our findings states that the Chinese never say "yes" when they mean "no".

Patience

Our empirical findings point out the necessity of having a great deal of patience and refrain from becoming irritated when negotiating with the Chinese. The Chinese can be very flexible and solve certain issues rapidly but very simple issues (from a Swedish perspective) could take ages to solve. According to Woo and Prud'homme (1999) negotiating with the Chinese can be a very lengthy and time-consuming process and they emphasize the importance of avoiding signs of annoyance whenever the process seems prolonged. The data comply with theory when it comes to deadlines. To the Chinese deadlines are flexible and usually they have no strict deadlines to meet.

Chinese protocols

i. The introduction process

The introduction process, as experienced by Mr. Montan, complies with theory to a large extent. The process involves handshaking, exchanging of business cards and a presentation of each one of the negotiators. Both the data and Woo and Prud'homme's (1999) theoretical statement imply that this process is conducted with great reverence.

ii. Eye contact

A great contradiction between the data and the theory concerning eye contact can be found. The empirical findings indicate that it is important to look another person (the Chinese) in the eyes, just as in Sweden, while the theory declare the opposite, that direct eye contact should be avoided as the Chinese do not look people straight in the eyes (Woo and Prud'homme, 1999).

iii. Protocol for formal meetings

Seating positions are always important and it is quite strict at negotiations and dinners. This empirical statement matches the theory stated by Woo and Prud'homme (1999) very well.

iv. Gifts

In the case of Ericsson gifts are always given to each other at dinners, but not at negotiations. Examples of gifts include: a small collection of stamps, candlesticks in crystal or a crystal bowl. Thus, there are no expensive gifts involved, rather they have a symbolic. In accordance with the theory, gifts act as expressions of friendship and symbols of hope for good future business and gifts are a part of the Chinese ritual in business (Woo and Prud'homme, 1999).

v. The Chinese banquet

Even though both the data and the theory indicate that a banquet can further enhance the relationship between the parties, the Chinese banquet is, according to the data, rather formal and dinners are preferred when socializing. The theory does not oppose that but says that banquets are more relaxed than formal meetings. Hence, this question is quite difficult to analyze but in this case we make the judgment that the data and the theory presented by Woo and Prud'homme (1999) are not similar enough to be regarded as matching.

Holistic thinking

Our empirical data implies that the Chinese seem to like the quite well known negotiation technique where the buyer wants to discuss and decide on every clause separately since you can then negotiate a low price in every issue, which is something that Ericsson wants to avoid. Consequently, it is Ericsson that prefers a holistic thinking in this type of situation, not the Chinese. This data does not comply at all with the conceptual framework, which rather states the opposite. Graham and Lam (2003) state that the Chinese think in terms of the whole and not sequentially, i.e. breaking up complex negotiation tasks into a series of smaller issues, which we found no support for in the data.

Thrift

When Ericsson conducts business in China the discussions are, generally speaking, rather focused on price where the Chinese often want a reduced price. Mr. Montan is also of the opinion that a common argument is that China is poor and that they cannot afford the high prices. The theory argues that China's long history of economic and political instability has taught its people to save their money. The focus on savings results, in business negotiations, in a lot of bargaining over price usually through haggling (Graham and Lam, 2003). Considering both data and theory one can quite easily see the correspondence concerning these statements.

A condensed comparison between the empirical data and the theoretical framework concerning research question two is presented in table 6.2

Table 6. 2: Chinese culture factors influencing business negotiations experienced by Ericsson

Chinese cultural factors influencing business negotiations, presented by Woo and Prud'homme (1999) and Graham and Lam (2003)	Data comply with theory?
Status (WP)	Yes
Face (WP)	Yes
Trust and friendship (WP)	Yes
Guanxi networks and the intermediary (WP) (GL)	Partially
Ambiguity (WP)	Partially
Patience (WP)	Yes
Chinese protocols (WP)	
i. The introduction process	Yes
ii. Eye contact	No
iii. Protocol for formal meetings	Yes
iv. Gifts	Yes
v. The Chinese banquet	No
Holistic thinking (GL)	No
Thrift (GL)	Yes

Source: Author's own

Note: (Woo and Prud'homme (1999) = WP. Graham and Lam (2003) = GL.)

6.1.3 Chinese negotiation tactics

Research question three concern the business tactics used by Chinese negotiators. The theoretical framework that we compare the data with is based on Fang's (1999) compilation and interpretation of the 36 Chinese stratagems. When analyzing the tactics we will not discuss every single one the 36 stratagems since we found that many of them are quite similar to one another. Basically, we will analyze those stratagems, discussed in theory, that we found where frequently appearing and possible to interpret, both to the respondent and to us.

"The price is too high"-tactic

As already discussed under the heading "Thrift" the Chinese are quite focused on price when negotiating and in accordance with Fang (1999) the Chinese constantly complain that the price is too high.

Sudden demands and changes

In the case of Ericsson sudden demands and unexpected changes happened all the time, which is one of the reasons that you have to have a good portion of patience. The agenda may change and some persons in the Chinese negotiation team may suddenly decide to do something else. The whole way of working is built around the premise that things constantly change, which is also the case when it comes to negotiations. Correspondingly, Fang (1999) states that Chinese negotiation is full of surprises, the Chinese tend to make sudden demands and changes.

Silence

The respondent believes that the Chinese utilize silence better than what Swedes do and that Westerners are more interested in directly getting to a discussion and presenting their case. Silence can be a very effective way of selling, as a good salesperson does not have a particularly big mouth but rather big ears. According to the respondent this is what you learn in sales training also in Sweden. The theory states, "keep silent: it is fundamental to the Chinese negotiating style to insist that the other party reveal its interests first while the Chinese mask their interests and priorities" (Fang, 1999). As we see it, the empirical findings comply quite well with the Chinese stratagem of keeping silent.

Showing anger

It is correct that the Chinese show anger in order to get what they want. The respondent has only experienced this a few times, but he is well aware that it is a negotiating tactic that is quite extensively employed by the Chinese. They use anger with the intention of increasing their own gain and they act out the situation to its fullest extent – an attestation of how theatrical the Chinese can be. By using "shaming" techniques and show anger the Chinese will attempt to embarrass one into doing things their way (Fang, 1999) and hence, this stratagem match the data quite well.

Controlling negotiation schedule and location

The Chinese counterpart decides the negotiation schedule and location, however, that is something that all other clients of Ericsson's also decide, irrespective of which country a deal is negotiated in. Thus, the data and the theory comply but it should be noted that the data suggests that it is not a tactic that is characterizing for the Chinese.

The double standard tactic

As discussed before, if the Chinese counterpart is allowed to author too many ideas regarding the design of the contract they will make it very biased to their advantage. Contract proposals from the Chinese counterpart are very often unbalanced; most of the responsibility is on Ericsson whereas the Chinese counterpart is allowed much greater freedom. The data states, in accordance with Fang (1999), that the Chinese tend to be specific and deal with concrete matters only if they affect the Chinese, whereas issues of concern to foreigners are dealt with at a more general level. However, the respondent is somewhat hesitant of calling this behavior a double standard, in his view it is more a reflection of the Chinese culture.

Asking the foreign counterparts, upon arrival, the date and time of their departure flight

Since the respondent lived in Shanghai and traveled to many provinces to negotiate, the Chinese learned that he could leave and come back a day later, thus rendering the tactic ineffective. However, the respondent has heard of this tactic being used, where the Chinese use the time so that the most important questions are saved until the end. Fang (1999) asserts that a common tactic used by the Chinese is to manipulate the schedule so that the most important issues are being discussed right before you are supposed to go home. Although our empirical data did not indicate that Ericsson had been exposed to this tactic, the respondent had heard of this tactic being used. Thus, we consider that the data do comply with the theory, however with a small remark.

Switching of negotiators and changing the terms of the deal even after a long period of discussion

It is a common tactic to change negotiator quite often. Ericsson themselves employ this technique to a certain degree, however, the Chinese counterpart utilizes it to a greater extent.

It is not uncommon for the Chinese to switch negotiators and to change the terms of deal even after a long period of time (Fang, 1999).

Pretending to be an "ignorant" or absentminded negotiator
According to Fang (1999) the Chinese can pretend to be ignorant or absentminded when negotiating but that is something that our respondent has never experienced.

Use of "external force"
The use of an external force such "government approval" in order to gain bargaining power is, according to our data, a rather common tactic employed by the Chinese. Hence, a clear parallel can be drawn between the stratagem presented by Fang (1999) and the empirical findings of this study. However, it should be mentioned that this is a tactic that Ericsson themselves utilize in situations where they want to avoid saying "no" and when it is easier to blame someone else such as the headquarters.

The "we are very poor, indeed"- tactic
According to Mr. Montan's experience it is foremost in poor provinces that the "we are very poor, indeed"-tactic is frequently utilized – a tactic that, in his experience, is usually rewarding. This data is supported by Fang (1999) who says that China use the fact of being a poor country as a means to gain a bargaining advantage.

In table 6.3 an overview of the analysis concerning research question three is presented

Table 6. 3: Business negotiation tactics employed by the Chinese as experienced by Ericsson

Business negotiation tactics employed by the Chinese, theory by Fang (1999)	Data comply with theory?
"The price is too high"-tactic	Yes
Sudden demands and changes	Yes
Silence	Yes
Showing anger	Yes
Controlling negotiation schedule and location	Yes
The double standard tactic	Yes[1]
Asking the foreign counterparts, upon arrival, the date and time of their departure flight	Yes[2]
Switching of negotiators and changing the terms of the deal even after a long period of discussion	Yes
Pretending to be an "ignorant" or absentminded negotiator	No
Use of "external force"	Yes
The "we are very poor, indeed" tactic	Yes

Source: Authors' own

[1] *From the respondent's point of view this tactic is more a reflection of the Chinese culture than a double standard.*
[2] *We would like to remark that since the respondent was stationed in Shanghai this was never an issue but he knew that the Chinese frequently employed this tactic.*

6.2 Within-case analysis of Volvo

In this section the within-case analysis of Volvo is presented where the data regarding this case is compared to the theory in the conceptual framework. The analysis begins with research question one followed by two and three.

6.2.1 The process of Chinese business negotiations

Research question one deals with the Chinese negotiation process. We aim to identify characteristics and activities experienced by Volvo and compare those with a theoretical framework mainly based on Ghauri and Fang (2001) but also Frankenstein (1986).

Stage one: Pre-negotiation

Lobbying

According to the data, Volvo emphasizes the importance of lobbying, especially, as in their case, when forming a joint venture with a Chinese company in the automotive industry. This data corresponds well to the theory by Ghauri and Fang (2001). The theory states that lobbying before Chinese government authorities is one of the most important marketing activities facing foreign firms that want to sell large industrial projects in Chinese key industries.

The data states that lobbying takes place all the time throughout the process. Ghauri and Fang (2001) are not totally clear on if they suggest that lobbying only takes place in the pre-negotiation stage, however, since it is only mentioned during the pre-negotiation stage we will assume that it is the only time that lobbying takes place according to the theory. Concomitantly, data and theory do not seem to fully comply in this respect.

Presentation

According to the data the presentation is, above all, an initial activity. This complies quite well with the theory of Ghauri and Fang (2001) and Fang (1999) that list “presentation” as the second activity in the negotiation process.

The data asserts that what is important to consider when presenting is to talk about technology and investments, because that is of most interest to the Chinese. This complies quite well with the theory, which states that presentations aim to convince the Chinese of the sincerity of the company in doing business with China and show the Chinese that the company's products utilize advanced technology with high quality and reasonable price. According to Mr. Norman, it is also of importance, as a part of the presentation, to invite the Chinese counterpart to the facilities of the foreign partner. This is something that is not mentioned in the theory.

Informal discussions

Mr. Norman states that it took five years until the Chinese counterpart appointed an English speaking manager and therefore no informal discussions could take place as all discussions had to go through interpreters. According to the theory, informal discussions often occur directly after the presentations. Obviously, this was not the case with Volvo. However, when the English-speaking manager became involved in the negotiation, informal discussions started to occur and hence data and theory comply in that respect.

Trust building
The respondent states that it is very important for the Chinese to trust their counterpart in a negotiation. This statement complies exactly with the theory that states that the Chinese attach great importance to trust building in business negotiations.

Stage two: formal negotiation

Task-related exchange of information and letter of intent
According to the data, when it comes to the automotive industry the ownership of a joint venture is solved in a very early stage because the foreign party can never control more than 50 % of the joint venture. Management-, technology- and price issues, on the contrary, can require long periods of negotiations to solve. The theory states that five major contentious issues are often raised during the formal negotiation session: equity share, contribution of each party, management control, technology, price and other financial issues. Hence, concerning equity share the data and the theory does not comply. When it comes to management-, technology- and price issues the data and the theory seem to comply.

Persuasion
The empirical findings suggest that persuasion is probably employed more by the Western part due to the fact that Volvo had to educate the Chinese within certain areas and explain to them why specific issues are important. In situations like that the Western part are trying to be persuasive while the Chinese can be regarded as a little more stubborn, they do not use arguments to the same extent, they just declare "-this is the way it is". The theory states that the Chinese use a variety of negotiating tactics to persuade the other party to do business their way during the formal negotiation sessions: flattery, identifying the opponent's problems, shaming, deception and pitting competing foreign companies against one another. Hence, the data and the theory do not comply very well since, according the data, the Chinese do not emphasize persuasion that much and the Chinese utilizes none of the tactics mentioned in the theory.

Concessions and agreements
The data states that the Chinese are well aware of the "rules" of a negotiation that one has to give and take. There are certain matters that the Chinese persist in holding on to but they also know that concessions are necessary in a negotiation. However, the Chinese concessions are generally not very valuable to the counterpart. This is in accordance with Ghauri and Fang (2001) that claim that the Chinese make concessions too; however, their concessions are often turned out to be a disguised gesture devised to attract the counterpart into making real concessions.

The empirical findings states that the Chinese try to get as clear and detailed as possible in all matters that concern them and then try to make things as fuzzy as possible for the foreign counterpart. This complies with the theory that suggests that when drafting the contract, the Chinese weigh the words meticulously when it comes to the clauses that affect them, while treating issues of concern to the foreign party as general as possible.

Stage three: Post-negotiation

Implementation and new rounds of negotiations

Mr. Norman claims that in general, the Chinese fulfill their obligations according to the contract. This corresponds well to the Ghauri and Fang (2001) that state that generally speaking, the Chinese honor their contract; however, cases of Chinese non-fulfillment of their obligations do occur.

The data suggests that even if the Chinese fulfill their obligations, situations that can be interpreted in different ways always occur, even in the most detailed contracts. In fact it is rather common that, despite a detailed contract, the two parties have divergent opinions about the contents. This data is also in accordance with the theory that states that empirical findings reveal that problems in negotiating with China also exist after the formal negotiations are finished, that is, during the phase of implementation of the agreement.

Chinese attempts to expand the scope of the agreement
Mr. Norman states that negotiating with the Chinese is a process of constant adjustments and discussions. However, these adjustments and hence the following discussions occur *before* the contract is signed, once the contract is signed there are mostly matters of interpretation to discuss. This data does not correspond to Frankenstein (1986) who states that the Chinese side tries to expand the scope of the agreement *after* the contract is signed.

A condensed comparison between the theoretical framework for the stages and activities in the negotiation process and the empirical data concerning this research question is presented in table 6.4

Table 6. 4: Activities in the Chinese negotiation process experienced by Volvo

The stages and activities of the negotiation process by Ghauri and Fang (2001) and Frankenstein (1986)	Data comply with theory?
Stage one: Pre-negotiation	
Lobbying	Partially[1]
Presentation	Yes
Informal discussions	Yes[2]
Trust building	Yes
Stage two: Formal negotiation	
Task-related exchange of information	Yes[3]
Persuasion	No
Concessions and agreement	Yes
Stage three: Post-negotiation	
Implementation and new rounds of negotiations	Yes
Chinese attempts to expand the scope of the agreement (Frankenstein, 1986)	No

Source: Authors' own

1. Lobbying is an important ingredient throughout the process and not only in the pre-negotiation stage.
2. Since the Chinese counterpart did not appoint an English-speaking manager until after five years of negotiation no informal discussions took place until then.
3. Data and theory comply regarding management-, technology- and price issues, however, there is no compliance regarding equity share.

6.2.2 The influence of Chinese culture on business negotiations

Research question two deals with the influence of Chinese culture on business negotiations. We will compare the gathered data with conceptual framework based on theories by Woo and Prud'homme (1999) and Graham and Lam (2003).

Status

Mr. Norman claims that hierarchy to the Chinese is very important and apparent. This complies with Woo and Prud'homme (1999) that state that the Chinese are conscious of, and place a high degree of importance on, status and the respect of hierarchy. According to the data, the Chinese definitely want to know the hierarchical positions or status of their negotiating counterpart. This corresponds to the theory, which asserts that usually the Chinese will only agree to work and negotiate with the same or a higher-level person.

One example of how the Chinese express status/hierarchy is the way people are seated around a meeting table. When Volvo negotiated in China, the Chinese with the highest rank sat in the middle and was flanked by lower rank personnel in a sequential order. This is supported by Woo and Prud'homme (1999) that claim that the way people are seated around a meeting table is organized to keep this hierarchy. The leader of the foreign negotiation team is always seated directly in front of the Chinese negotiation team. The data states that the only exception is the interpreters who could sit just about anywhere. This matches the theory quite well that states that interpreters have low status, and although they sit next to the principals of the negotiating teams, this is merely to facilitate the discussion.

Face

Mr. Norman says that he thinks that there is a connection between face and Guanxi, because if a person loses face it will also affect his/her company, friends and family. This complies with Woo and Prud'homme (1999) that claim that in a business transaction, a person's face is not only his own, but that of the organization he represents.

In negotiations with the Chinese it is best to not carry matters to extremes and instead perhaps wait and give the counterpart time for consideration and a chance to change their opinion without losing face. This corresponds to the theory that states that it is important to preserve the face of the other party to maintain dignity and harmony, especially in front of other people.

The data suggests that overall it is okay to criticize, but one should avoid criticizing individuals in front of others because then they lose face. Also here the data and the theory of Woo and Prud'homme (1999) are in accordance.

The data asserts that Chinese gain face if you praise them, you always have to acclaim them. This complies with the theory that states that giving someone face earns respect and loyalty and should be done whenever the situation allows for it. Mr. Norman explains, "-I can wake up in the middle of the night and declaim how good they are and how impressive their work is". This easily becomes a play to the crowd but it is very important to do, especially if a governor or comparable persons are present at a dinner. On this point the data and the theory do not quite match as Woo and Prud'homme (1999) claim that care must be taken not to over-praise someone, as this can appear insincere.

Trust and friendship
Trust is very important to the Chinese, both on a personal level as well as they have to know that the foreign company has a long-term perspective. This corresponds to the theory that states that the Chinese place high value on the notion of trust and this is a cultural as well as a business feature. Trust implies a person's reputation for trustworthiness on both a professional and personal level as well as credibility in a business situation.

According to the data, it is almost a prerequisite that there is trust between the two negotiating parties if the negotiations shall proceed. The more trust the faster the process of negotiation. This data complies well the theory that claims that without trust, the Chinese find it difficult to envisage how the business partner is going to operate.

Mr. Norman states that mistrust can arise if the Chinese party senses that you are dishonest or if you give them false information. This is also what Woo and Prud'homme (1999) suggest; it is important to project an appearance of trustworthiness. The character of the foreign negotiator should be direct, honest, and straightforward and negotiations should be conducted without hidden agendas.

According to Mr. Norman, success in achieving real friendship is very valuable because it means that when you negotiate you can focus more on tough core issues, where there are real differences in perception between the parties. This empirical data corresponds quite well to the theory that states that the Chinese will only negotiate seriously with foreign organizations and individuals that they are familiar with and whom they trust and respect.

Guanxi networks and the intermediary
According to Mr. Norman's experience it is important to have Guanxi, to be able to refer to certain people e.g. within the authorities as it commands a great amount of respect. That is why you need someone assisting you in creating these types of relationships. This corresponds to the theory by Graham and Lam (2003) that states that trust must be transmitted via Guanxi. That is, a trusted business associate of yours must pass you along to his trusted business associates.

Mr. Norman believes that the importance of Guanxi is approximately the same in all regions of China[3]. This data does not comply with Woo and Prud'homme (1999) that suggest that the importance of Guanxi varies according to the economic advancement and the bureaucratic nature of the different regions of China.

Mr. Norman asserts that the Chinese love doing someone a favor since that person will then owe something in return. This is in correspondence with Woo and Prud'homme (1999) that point out that as Guanxi also implies reciprocity, its impact on business negotiation is that it requires assistance or favors to be yielded whenever and wherever it is requested by a connection.

Ambiguity
The data states that in the beginning of negotiations there can be a certain amount of ambiguity in the answers of the Chinese counterpart. However, this is something that can be quickly solved. They can say, "Yes" but they do not mean, "Yes", instead they mean that they have understood what you are saying. This is, however, merely a problem in the beginning.

[3] It should be noted that Mr. Norman was not so sure whether there is a difference or not in the importance of Guanxi in different regions of China, hence the data in this matter may lack some validity.

This does not quite comply with the theory that suggests that the Chinese sometimes say "Yes" when they actually mean "No" or "Uncertain". Also, the theory does not mention that the prevalence of ambiguity is only present at the onset of negotiations. All in all, however, there is some form of ambiguity present according to Mr. Norman, though not quite the way Woo and Prud'homme (1999) put it forth. Ergo, it could be said that the data and the theory partially match.

Patience
The data alleges that the Chinese are meticulous when establishing a contract. This agrees with the theory that states that the Chinese have traditionally believed in doing things carefully and meticulously examine every detail. They strive to clarify every point of discussion.

Mr. Norman states that at the core you notice that the Chinese are not at all as rushed nor do they experience the lack of time as Swedes do, since they view everything in a thousand year perspective. This description fits very well with the theory that asserts that time itself is viewed as a cost to the foreigner but not to the Chinese themselves.

Chinese protocols

i. The introduction process
The data suggests that exchange of business cards and handshakes are important, which complies with the theory.

ii. Eye contact
According to Mr. Norman there is no difference in the importance of eye contact whether you are in China or somewhere else in the world to do business; it is important no matter where you are. This does not comply with Woo and Prud'homme (1999) that claim that direct eye contact should be avoided, as the Chinese do not look people straight in the eyes as this is a sign of respect and deference.

iii. Protocol for formal meetings
Regarding the seating position around a meeting table, both data and theory agree that it is important.

iv. Gifts
Both data and theory correspond concerning the fact that gifts are a quite important part of the negotiation process. However, they seem to diverge on one detail: Mr. Norman claims that when the Chinese come to Sweden they more or less expect (quite expensive) gifts (e.g. winter clothes or a snowmobile safari), which they brag about when they return home. This latter description does not seem to correspond that well with the theory that asserts that gifts act as expressions of friendship and symbols of hope for good future business.

v. The Chinese banquet
The data and the theory match as they both signify the importance of the banquet as a way of socializing.

Holistic thinking
In regards to holistic thinking the data and the theory by Graham and Lam (2003) do not comply. The data states that discussions take place in a certain order due to the fact that there are models for how e.g. a joint venture contract should look like, there is a template from the authorities that need to be followed. Regarding details: you go through the template, chapter by chapter, and sometimes you get stuck on a certain chapter and then you might have to leave it and give the Chinese the possibility of talking to their superiors. This picture does not match the theory, which suggests that the Chinese think in terms of the whole and not sequentially and individualistically, i.e. breaking up complex negotiation tasks into a series of smaller issues: price, quantity, warranty, delivery, and so forth.

Thrift
The data and the theory by Graham and Lam (2003) match concerning the Chinese approach to price negotiation; haggling is very common and Chinese negotiators will pad their offers with more room to maneuver than most Westerners are used to.

A condensed comparison between the empirical data and the theoretical framework concerning research question two is presented in table 6.5.

Table 6. 5: Chinese culture factors influencing business negotiations experienced by Volvo

Chinese cultural factors influencing business negotiations, presented by Woo and Prud'homme (1999) and Graham and Lam (2003)	**Data comply with theory?**
Status (WP)	Yes
Face (WP)	Yes
Trust and friendship (WP)	Yes
Guanxi networks and the intermediary (WP) (GL)	Yes[1]
Ambiguity (WP)	Partially
Patience (WP)	Yes
Chinese protocols (WP)	
i. The introduction process	Yes
ii. Eye contact	No
iii. Protocol for formal meetings	Yes
iv. Gifts	Partially
v. The Chinese banquet	Yes
Holistic thinking (GL)	No
Thrift (GL)	Yes

Source: Authors' own
Note: (Woo and Prud'homme (1999) = WP. Graham and Lam (2003) = GL.)

[1] *Data and theory comply except on the issue of whether the importance of Guanxi varies in different regions of China or not.*

6.1.3 Chinese negotiation tactics
Research question three concerns the business tactics used by Chinese negotiators. The theoretical framework that we compare the data with is based on Fang's (1999) compilation and interpretation of the 36 Chinese stratagems.

"The price is too high"-tactic
According to the data this is a common tactic. The Chinese always make sure there is bargaining room concerning the price. The Chinese are much better at haggling than what Swedes are since haggling is an everyday activity to the Chinese. This corresponds to Fang (1999) that states that the Chinese constantly complain that the price is too high.

Sudden demands and changes
The respondent did not think that sudden demands and changes were that common when negotiating with the Chinese, ergo this tactic does not comply with Fang (1999).

Silence
The use of silence as a tactic is not something that the respondent recognizes and hence it does not comply with the theory that states, "keep silent: It is fundamental to the Chinese negotiating style to insist that the other party reveal its interests first while the Chinese mask their interests and priorities" (Fang, 1999, p. 294).

Showing anger
Mr. Norman has never experienced that the Chinese show anger, which is not in accordance with Fang (1999) that asserts that by using "shaming" techniques and show anger the Chinese will attempt to embarrass one into doing things their way.

Controlling negotiation schedule and location
According to the data the Chinese attempt to control the negotiation schedule whereas the location is of less importance to them. This data partially agrees with Fang (1999) since he claims that the Chinese want to control both the negotiation schedule and the location.

The "double standard"- tactic
The respondent states that it is completely correct that the Chinese try to get as clear and detailed as possible in all matters that concern them and then try to make things as fuzzy as possible for the foreign counterpart. Hence, the data and the theory comply.

Asking the foreign counterparts, upon arrival, the date and time of their departure flight
The Volvo delegation learned not to tell the Chinese counterpart when they had planned to leave. If they told them then nothing would happen negotiation wise until the Friday that they would leave and then the Chinese would take advantage of the fact that the Swedes would become stressed and thereby agree to things that were not part of the original plan. This description agrees with Fang (1999).

Switching of negotiators and changing the terms of the deal even after a long period of discussion
The data states that in the beginning, primarily, there was a lot of changing of negotiators in the Chinese team. This could very well have been a deliberate tactic on their side in order to disturb the negotiation. This does not completely correspond to Fang (1999) that claims that it is not uncommon for the Chinese to switch negotiators and to change the terms of deal even after a long period of time. Thus, data and theory partially comply.

Pretending to be an "ignorant" or absentminded negotiator
According to Mr. Norman it is not at all correct that a Chinese would pretend to be ignorant because then that person would lose face, thus he has never experienced this tactic. Ergo, the data and the theory does not comply.

Use of "external force"
Sometimes the Chinese tried to bluff by telling the Volvo team "-This matter requires government approval, it is no use to even discuss it". This issue corresponds to Fang (1999).

The "we are very poor, indeed" tactic
Mr. Norman has never experienced this tactic because the fact that the Chinese is poor is something that they, to a greater or lesser extent, refuse to acknowledge. Mr. Norman also states that he has never heard any of his colleagues (who has worked in other provinces than he has) mention this tactic. This is not in accordance with Fang (1999) who says that China use the fact of being a poor country as a means to gain a bargaining advantage.

In table 6.6 an overview of the analysis concerning research question three is presented

Table 6. 6: Business negotiation tactics employed by the Chinese as experienced by Volvo

Business negotiation tactics employed by the Chinese, theory by Fang (1999)	Data comply with theory?
"The price is too high"-tactic	Yes
Sudden demands and changes	No
Silence	No
Showing anger	No
Controlling negotiation schedule and location	Partially
The double standard tactic	Yes
Asking the foreign counterparts, upon arrival, the date and time of their departure flight	Yes
Switching of negotiators and changing the terms of the deal even after a long period of discussion	Partially
Pretending to be an "ignorant" or absentminded negotiator	No
Use of "external force"	Yes
The "we are very poor, indeed" tactic	No

Source: Authors' own

6.3 Cross-Case analysis

This section of the thesis includes a cross-case analysis of the two cases, starting with research questions one followed by research question two and three.

6.3.1 The process of Chinese business negotiations

Table 6.4 shows a comparison between Ericsson and Volvo concerning the activities in the negotiation process. In order to facilitate the comprehension of this cross-case analysis we will compare and make short comments on each process activity in a sequential order.

Table 6. 7: A cross-case comparison of the activities in the negotiation process

The stages and activities of the negotiation process by Ghauri and Fang (2001) and Frankenstein (1986)	Ericsson	Volvo
<u>*Stage one: Pre-negotiation*</u>		
Lobbying	Partially	Partially
Presentation	Yes	Yes
Informal discussion	Yes	Yes

Trust building	Yes	Yes
Stage two: Formal negotiation		
Task-related exchange of information	Partially	Yes
Persuasion	Partially	No
Concessions and agreement	Partially	Yes
Stage three: Post-negotiation		
Implementation and new rounds of negotiations	Yes	Yes
Chinese attempts to expand the scope of the agreement (Frankenstein, 1986)	No	No

Source: Authors' own

As can be seen in table 6.7 Ericsson and Volvo comply on most of the suggested activities in the Chinese negotiation process. Both companies agree on that *lobbying* is a very important activity that not only occurs in the initial stage but also is something that has to take place throughout the negotiation process. Concerning the activity *presentation*, the data from Volvo and the data from Ericsson correspond with the small remark that Ericsson suggests a certain preferable composition of the Chinese group one is presenting before.

Ericsson and Volvo do not have exactly the same experience regarding *informal discussions.* Mr. Montan (Ericsson), on one hand, says that the informal discussions played a very important role when building trust and reaching agreements. Mr Norman (Volvo), on the other hand, had to use interpreters for many years, hence informal discussions could not begin until the Chinese part appointed an English-speaking negotiator but then informal discussions became an important activity in the negotiation. Both companies consider *trust building* as very important when negotiating and consequently they correspond. The Chinese negotiation processes experienced by Ericsson and Volvo include *task related exchange of information*, however the information exchanged varied between the cases.

A contradiction between the cases can be found under *persuasion.* Mr. Montan (Ericsson) states that the Chinese, in general, employ persuasion to a high degree but does not imply that any specific tactics are being used. According to Mr. Norman (Volvo), no specific persuasion, from the Chinese part, was experienced. Regarding *concessions and agreements* diversity between the cases can be found. Mr. Norman says that the Chinese often make concessions that are not very valuable to Volvo and, furthermore that the Chinese are meticulous concerning clauses in the contract that affects them and more general concerning clauses that affects the foreign firm. Mr. Montan agrees on that the Chinese do make concessions, however not valueless ones, and that contracts many times can be quite unbalanced where most of the responsibility is put on Ericsson.

The discussion about *implementation and new rounds of negotiations* corresponds between the cases. Neither Ericsson nor Volvo has experienced that the *Chinese attempts to expand the scope of the agreement* as suggested by Frankenstein (1986). Both companies state that the Chinese honor the contract and try to fulfill it.

6.3.2 The influence of Chinese culture on business negotiations

In this part of the chapter a cross-case analysis of the empirical findings pertaining to research question two is performed. Table 6.8 displayed below shows a comparison between Ericsson and Volvo's experience of cultural factors influencing Chinese business negotiations.

Table 6. 8: A cross-case comparison of Chinese culture factors influencing business negotiations

Chinese cultural factors influencing business negotiations, presented by Woo and Prud'homme (1999) and Graham and Lam (2003)	Ericsson	Volvo
Status (WP)	Yes	Yes
Face (WP)	Yes	Yes
Trust and friendship (WP)	Yes	Yes
Guanxi networks and the intermediary (WP) (GL)	Partially	Yes
Ambiguity (WP)	Partially	Partially
Patience (WP)	Yes	Yes
Chinese protocols (WP)		
i. The introduction process	Yes	Yes
ii. Eye contact	No	No
iii. Protocol for formal meetings	Yes	Yes
iv. Gifts	Yes	Partially
v. The Chinese banquet	No	Yes
Holistic thinking (GL)	No	No
Thrift (GL)	Yes	Yes

Source: Authors' own

Note: (Woo and Prud'homme (1999) = WP. Graham and Lam (2003) = GL.)

When cross case analyzing the empirical findings that concern research question two we found that the two cases correspond to a very high degree. Both respondents are of the opinion that the notion of *status* and hierarchy is very apparent and important. According to the respondents, the Chinese certainly want to know the hierarchical positions or status of their negotiating counterpart. The same correspondence can be found when discussing *face* and that the face of a person does not only affect the individual but also the company, family and friends of that individual.

The two companies point out *trust and friendship* as one of the most important factors when negotiating with the Chinese since the Chinese are reluctant to do business with people they are not familiar with. Concerning *Guanxi networks and the intermediary* a few disagreements can be found in the case of Ericsson when comparing to the theory, however the corresponding factors are more significant. Since Volvo is more in accordance with the theory on this issue, a slight dissimilarity arises between the two cases. The companies agree on that *ambiguity*, as presented by the theory, only partially comply with their experience of negotiating in China. Our empirical findings concur regarding the necessity of *patience*. Both negotiatiors' opinions about the *introduction process, eye contact* and *protocol for formal meetings* correspond very well. Concerning *gifts* the respondents had somewhat divergent experiences, however in both cases gifts were often exchanged. The respondents did not have the same view upon the *Chinese banquet* and the opportunity of socialization those could provide. Ericsson and Volvo do not comply with what the theory says about *holistic thinking*, hence, the two companies experiences correspond in this matter. As both Ericsson and Volvo think about the Chinese as an economical people, a match between their opinions related to *thrift* is evident.

6.3.3 Chinese negotiation tactics

Table 6.9 displays a comparison between Volvo and Ericsson concerning negotiation tactics used by Chinese negotiators.

Table 6. 9: A cross-case comparison of Chinese negotiation tactics

Chinese negotiation tactics by Fang (1999)	Ericsson	Volvo
The "price is too high"-tactic	Yes	Yes
Sudden demands and changes	Yes	No
Silence	Yes	No
Showing anger	Yes	No
Controlling negotiation schedule and location	Yes	Partially
The "double standard"-tactic	Yes	Yes
Asking the foreign counterparts, upon arrival, the date and time of their departure flight	Yes	Yes
Switching of negotiators and changing the terms of the deal even after a long period of discussion	Yes	Partially
Pretending to be an "ignorant" or absentminded negotiator	No	No
Use of "external force"	Yes	Yes
The "we are very poor, indeed"-tactic	Yes	No

Source: Authors' own

In this cross case analysis of the last research question, merely five of eleven tactics concur. Both negotiators are well aware of the *"price is too high"-tactic* as it seems to be an intrinsic part of the Chinese society. When it comes to *sudden demands and changes,* the experience of the two companies are quite dissimilar as Mr. Montan's (Ericsson) experience is that of constant change while Mr. Norman (Volvo) did not think that the element of change was that common. The tactic of being *silent* was something that Ericsson's negotiator experienced to be more frequently utilized by the Chinese than Swedes whereas Volvo's negotiator did not think that silence was used by the Chinese any more than the Swedes.

Regarding *anger,* one can see that once again Mr. Montan's (Ericsson) experience complies with the theory and then at the same time, Mr. Norman (Volvo) has never experienced that the Chinese show anger in a negotiation. When it comes to c*ontrolling negotiation schedule and location*, the experience of the respondents is partially the same; Ericsson's negotiator says that the Chinese wants to control both the schedule and the location while Volvo's negotiator claims that only controlling of the schedule is of importance to the Chinese.

Both companies agree that the Chinese employ the *"double standard"-tactic* as described by Fang (1999). Both companies also assert that the Chinese utilize the tactic where they *ask the foreign counterparts, upon arrival, the date and time of their departure flight.* Concerning *switching of negotiators and changing the terms of the deal even after a long period of discussion,* Mr. Montan (Ericsson) states that this occur quite often, whereas Mr. Norman (Volvo) says that it was chiefly in the beginning of the negotiations that this happened. *Pretending to be an "ignorant" or absentminded negotiator* is a tactic that neither company recognizes.

Both Ericsson and Volvo have experienced that the Chinese counterpart make *use of "external force"* by referring to the "fact" certain issues need government approval. When it comes to the last tactic, *the "we are very poor, indeed"-tactic,* there is complete disagreement between the two respondents; Mr. Montan (Ericsson) claims that it is a frequently used tactic in, primarily, poor provinces, while on the other hand Mr. Norman (Volvo) asserts that it goes against the very nature of the Chinese to admit that they are poor!

7 CONCLUSIONS AND IMPLICATIONS

In this last chapter of the thesis we first try to answer our research questions, and conclusions are drawn based on the theory and the analyzed data. Our conclusions shall not be seen as the general truth of Chinese negotiations but rather as guidelines or comments that might be helpful to be familiar with when conducting business in China. Secondly, implications for management, theory and future research are presented.

7.1 Conclusions

The underlying reasons for the patterns of similarities and differences found in the analyses will now be presented in the form of conclusions.

7.1.1 How can the process of business negotiations with the Chinese as experienced by Swedish managers be described?

Our research concerning research question one aims to describe how Swedish companies experience the negotiation process when doing business with the Chinese. On the basis of our findings and analyses we have been able to make several conclusions regarding the Chinese negotiation process.

Our research shows that the process of business negotiations with the Chinese can be described in more than one way. However, there are a few characteristics that are more prominent than others: negotiating with the Chinese is often a very time-consuming process that requires patience and trust on a personal level between the parties.

We have come to the conclusion that lobbying is an activity that takes place throughout the whole process. Although our findings point out that China is rapidly changing, still government authorities play a major role in the decision-making process and hence lobbying before high-ranked politicians is very important.

As a natural step after, or almost intertwined with, lobbying comes presentation of the company and the intentions of doing business in China. Ericsson and Volvo agree on that it requires repeated presentations when trying to convince the Chinese about the company's sincerity in doing business in China. Concerning the presentation Mr. Montan (Ericsson) says that the size of the group of Chinese listeners should preferably be small and Mr. Norman (Volvo) adds that discussions should be mostly about technology and investments, because that is what interests the Chinese the most.

An evident trait of Chinese negotiations is the importance of informal discussions, first and foremost as a trust-building social activity but also as opportunities to negotiate on the side of the formal negotiation. Our research implies that it is easier to get to the core matters of the business deal, without making anyone lose face in front of his/her colleagues, during informal discussions.

In the cases investigated for this research we were only interested in the negotiation itself and not the product sold, industry etc. Therefore there is a slight difference between the companies when it comes to task-related exchange of information. Since Ericsson was trying to sell telecommunication systems and Volvo strived to create a truck joint venture, the negotiations did not have the exact same structure. Ericsson discussed contract violation, software rights, terms of delivery and last of all the price, and Volvo talked about ownership-, management-, technology issues and of course they discussed the price as well. Depending on the nature of a negotiation, the task-related exchange of information vary quite a lot except when it comes to price. The Chinese seems to honor agreements and contracts to a large extent, even though the discussions before a contract is signed can take great leaps back and forth.

To better answer research question one we have drawn some specific conclusions on the basis of our investigation. The points displayed below are a summarization of the characteristics of the Chinese negotiation process that we could identify and draw conclusions upon.

As experienced by Swedish companies the Chinese business negotiation process can be described as following:

- It is a time-consuming process that requires patience, and trust on a personal level between the parties.
- It is a process that involves continuous lobbying before government authorities.
- It involves repeated presentations of the company and the scope of the deal.
- It includes informal discussions, both from a trust-building aspect as well as to discuss the business deal.
- The task-related exchange of information can contain various issues depending on the context of the negotiation.
- The Chinese counterpart honors contracts and agreements.

7.1.2 How can Swedish managers' experience of the influence of culture on Chinese business negotiations be described?

Overall, it can be concluded that the data from the two cases are quite unambiguous regarding the influence of Chinese culture on business negotiations – displayed by the fact that they agree on 10 out of 13 factors.

Status is very important to the Chinese; not only are they concerned with the status and hierarchy within their own company, but they also want absolute clarity as to what the status are of the persons in the company of the foreign counterpart.

The concept of face is an intrinsic part of the Chinese culture and, as our research shows, should not be taken lightly. Great consideration should be taken to make sure that the Chinese counterpart do not lose face and, when appropriate, measures should be taken to help the Chinese gain face. Both companies in this study state that praise is a good way of enhancing face of the Chinese counterpart. Quite closely connected to face is Guanxi. Both companies mention that a person's face does not only affect the individual but also the Guanxi network to which the person belongs. We can also conclude that having a Guanxi consisting of important persons is a very effective way of making sure that your business operations will run smoothly. Implicit in the concept of Guanxi is that the Chinese are reluctant to do business with people they do not know, and in that respect it can be concluded that trust and friendship is probably *the* most important factor of all when doing business with the Chinese.

It can be concluded that patience is an essential quality when negotiating with a Chinese counterpart, as they themselves are patient and calm. It seems as if this partly has to do with the fact that the Chinese see things in a much longer perspective than what Swedes do.

In regards to Chinese protocol, both Volvo and Ericsson state that handshaking and exchanging of business cards with both hands are of importance during the introduction process. It can also be concluded that eye contact with the Chinese is indeed important (something that both companies state) – contrary to what Woo and Prud'homme (1999) claim. As previously mentioned, status is very important to the Chinese, which is demonstrated by, among other things, the way people are seated around dinner tables and meeting tables.

Regarding holistic thinking we can conclude that both companies think that it is not a prominent trait among the Chinese negotiators - contrary to what Graham and Lam (2003) claim. Lastly, when it comes to thrift, both of the companies display an unequivocal concordance; the Chinese are very focused on price and haggling seems to be a deeply ingrained trait of the Chinese culture.

The points displayed below are a summarization of the characteristics of the influence of culture on Chinese business negotiation that we could identify and draw conclusions upon.

As experienced by Swedish companies, the influence of culture on Chinese business negotiations can be described as following:

- To know a person's status is important to the Chinese.
- It is very important to maintain face to the Chinese.
- If a person loses face it affects his/her whole Guanxi.
- Guanxi is a very effective "tool" to utilize when conducting business in China.
- Without trust and friendship it will be very hard for the Chinese counterpart to commit to a business venture.
- When negotiating with the Chinese it is important to show an air of patience and poise.
- Handshaking, exchanging of business cards, eye contact and seating positions around a table are important factors belonging to the Chinese protocols.
- In a negotiation setting, the Chinese seem to discuss matters in a fairly sequential order.
- Price focus and haggling are inherent traits to expect when negotiating with the Chinese.

7.1.3 How can Swedish managers' experience of business tactics used by Chinese negotiators be described?

Interesting to note is that out of the eleven tactics discussed in research question three, merely five of them match when you compare them between the two cases. When looking further into the matter it can be found that in Ericsson's case, as much as ten of the eleven tactics are in accordance with the theory. In the case of Volvo, however, only four tactics comply. We can only speculate as to why there are these differences, explanations might include: difference in perception of the both respondents, the difference of the Chinese persons that they have met and negotiated with and what type of deal that has been negotiated (Volvo negotiated a joint venture whereas in Ericsson's case it was "just" about selling). However, it is somewhat odd that regarding e.g. a tactic such as the "we are very poor, indeed"-tactic, the companies depict a diametrically opposed situation. All in all, we cannot offer a simple answer as to why they present such different views.

When it comes to the different tactics the inferences that can be drawn are:

The Chinese are, as stated in the aforementioned conclusions, a very thrifty people and hence it comes as no surprise that the "price is too high"-tactic is frequently employed in business negotiations.

Regarding the "double standard"-tactic, it can be concluded that the Chinese will often attempt to make the contract very biased. In all matters that concern themselves they make it as clear and specific as possible, and then put all responsibility on the foreign counterpart by using fuzzy wording that can be interpreted to the advantage of the Chinese counterpart.

It can be concluded that the tactic of asking the foreign counterparts, upon arrival, the date and time of their departure flight, is a tactic employed by the Chinese in order to make the Swedes concede on issues at the last moment.

Our research shows that pretending to be an "ignorant" or absentminded negotiator is not a tactic that the Chinese use as proposed by Fang (1999).

Finally, one can infer that the tactic of employing an "external force" is a quite common scheme among Chinese negotiators. The most common "external force" seems to be "government approval" i.e. the Chinese counterpart claims that only the government can decide on an issue. This might, however, not strictly be a Chinese tactic as Ericsson themselves describe how they sometimes utilize this tactic.

The points displayed below are a summarization of the Chinese negotiation tactics that we could identify and draw conclusions upon.

As experienced by Swedish companies, business tactics used by Chinese negotiators can be described as following:

- The Chinese counterpart often complains that the price is too high.
- The Chinese counterpart will often make a contract proposal that is heavily biased towards their advantage.
- Knowing the date and time of the Swedish counterpart's departure flight, the Chinese may save the most important issue until last because they know that Swedes may feel pressured as time runs out and hence make [undue] concessions.
- Pretending to be absentminded or "ignorant" does not seem to be a tactic that the Chinese counterpart would use.
- It is fairly common that the Chinese counterpart will refer to the "fact" that certain issues need government approval. This may be a tactic that is not only used by the Chinese but also to some extent by the Swedes.

7.2 Implications

On the basis of the conclusions drawn in the earlier section of this chapter we will in this section present implications for management, theory, and further research.

7.2.1 Implications for management

Our research has shown that there are several factors a Swedish company negotiating in China should consider.

- Management and negotiators have to be aware of the importance of trust between the parties and due to the fact that it can take rather a long time to build trust, hence, patience is a virtue. A company engaging in business in China should be prepared for a time-consuming and costly process.

- Management should consider the use of effective lobbyists since the Chinese negotiation process involves frequent lobbying before e.g. government authorities.

- It is of importance to consider the Chinese attitude towards hierarchy and status and how to behave so that a person does not lose face in the eyes of others. Personal criticism should be avoided and praise should be used lavishly in order to enhance the face of a Chinese.

- On the basis of our research we suggest that when negotiating price with the Chinese one can expect them to utilize a considerable margin, which provides an opportunity for bargaining.

Finally, management ought to consider that the Chinese employ a variation of negotiation tactics and a few counter tactics that can be suggested are:

- Since the Chinese commonly use “the price is always too high”-tactic, one should not make concessions too early in the negotiation. Another counter tactic could be to offer products/services that are difficult to appraise the value of, e.g. education and maintenance.

- The counter tactic when the Chinese ask the foreign counterparts, upon arrival, the date and time of their departure flight, is to say that you will not leave until an agreement has been settled or give a vague answer.

- If the Chinese use the government as an external force when negotiating, make sure that this is not just a subterfuge for the Chinese to have it their way.

7.2.2 Implications for theory

Previous research in the area of negotiations is vast and has been viewed upon in a number of aspects. However, there are always new aspects and angles that can be investigated. In this study we have described Swedish managers’ experience of business negotiations with the Chinese. In order to facilitate the research we divided the purpose into three research question: 1) the process of business negotiations with the Chinese, 2) the influence of culture on Chinese business negotiations, 3) business tactics used by Chinese negotiators.

The theory we use in our conceptual framework is in many aspects reflecting the Chinese negotiations but a theory concerning such a changing area as the Chinese business environment needs to be continuously updated. We do not say that the existing theory necessarily is flawed but perhaps it needs to be adjusted depending on which kind company or industry one is investigating and also due to the fact that China is a rapidly changing market.

Our contribution to theory is based upon an empirical investigation that tests existing theories and gives a Swedish perspective on Chinese business negotiations. The conclusions we provide shall not be interpreted as the general truth but rather as guidelines in order to facilitate the understanding of Chinese negotiations.

7.2.3 Implications for further research

This research has provided an insight into the area of Chinese negotiations. As previously mentioned, the Chinese market is rapidly growing, which results in an increased interest among foreign actors. The Swedish perspective is merely one aspect to investigate and China, with its market potential and cultural inheritance, provides a number of interesting topics to conduct further research about.

Our research has indicated that companies experience Chinese business negotiations in somewhat divergent ways. Therefore it would be of great interest to conduct a study that has a similar problem discussion, as the one we have performed, but with the difference that the data collection method should be a focus group and not focused interviews. This would render the possibility of a discussion where opinions and experiences could be immediately compared to each other and perhaps lead to an even more in-depth investigation.

We think that this study make way for further interesting research opportunities such as:

- Investigate how small and medium sized companies experience business negotiations with the Chinese and perhaps compare the experience of the smaller companies with those of large multinational corporations.
- Conduct research that compares the Chinese negotiation environment between different industries and different geographical areas of China.
- Investigate how the Chinese experience Swedish negotiators in a Chinese business environment.

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Interviews

Interview one (81min): Stefan Montan, Ericsson (10 am, December 1, 2004)
Interview two (74min): Ulf Norman, Volvo. (10 am, December 6, 2004)

Appendix A
The 36 Chinese Stratagems and Chinese Business Negotiating Tactics

Presented by Fang (1999)

Stratagem 1: Cross the Sea without Heaven's Knowledge (Man Tian Guo Had)

Deceive the Emperor (Heaven) into sailing across the sea by inviting him into a seaside city that is in reality a huge camouflaged ship. Hide the deepest secrets in the most obvious situations.

- Deception of investors: Some Chinese state-owned enterprises at tracted "unethically" unwary foreign business people for investment by covering up their dismal internal problems and exaggerating the competitive advantage that their facilities can provide (Chen & Ying, 1994).

- The Chinese may not give an overt indication that negotiation has moved from discussion stage into the final rounds (Seligman, 1990). Frequent misunderstandings and misinterpretations, half truths, or white lies can be found on the part of Chinese negotiators (Knutsson, 1986a, 1986b).

- Using false authority: The Chinese may allude to supposed local practices or government "secret regulations" to push the foreign negotiator to give what they want; what the Chinese say may be based simply on rumor or on the desires of their group (Blackman, 1997).

Stratagem 2: Besiege Wei to Rescue Zhao *(Wei Wei Jiu Zhao)*

Save the state of Zhao by besieging the state of Wei, whose troops are out attacking Zhao. Avoid the strong to attack the weak.

- Identify and attack the adversary's vulnerabilities in either his position or his personality (Kazuo, 1979; Seligman, 1990).

Stratagem 3: Kill With a Borrowed Knife (Jie Dao Sha Ren)

Make use of outside resources for one's own gain.

- Play competitors off against each other: The Chinese have been known to invite several competing suppliers for negotiations at the same time, often in the very same building (Pye, 1982; Schnepp, von Glinow, & Bhambri, 1990; Seligman, 1990).

- Chinese are diabolical note takers, and they consider it fair game to throw your words back in your face whenever it serves their purposes (Seligman, 1990).

- The requirement that all joint venture contracts must be approved by the Ministry of Foreign Relations and Trade gives the Chinese a formidable "government card" to play: The Chinese negotiator can threaten that unless the foreign company accepts the Chinese requests, the transaction in question will not be approved by the government institutions (Chang, 1987).

Stratagem 4: Await Leisurely the Exhausted Enemy *(Yi Yi Dai Lao)*

Relax and preserve your strength while watching the enemy exhaust himself.

- Play home court; important negotiations always take place on Chinese soil (Pye, 1982; Seligman, 1990).
- The Chinese are skilled at controlling the schedule and timing of the negotiation (Pye, 1982; Seligman, 1990).
- The Chinese arbitration organization is impartial: The Chinese insist that disputes be arbitrated in Beijing before the Foreign Economic and Trade Arbitration Commission of the China Council for the Promotion of International Trade (Chang, 1987). The Chinese negotiating team usually outnumbers that of the foreign counterpart (Seligman, 1990).

Stratagem 5: Loot a Burning House *(Chen Huo Da Jie)*

Take advantage of the opponent's trouble or crisis.

- Use the Chinese "fishing" tactic—that is, take advantage of foreign business people's lack of knowledge of the local market (Chen & Ying, 1994).
- Exploit the opponent's uncertainty, inconsistency, and divergent interests.

Stratagem 6: Clamor in the East but Attack in the West (Sheng Dong Ji Xi)

Devise a feint eastward but launch an attack westward.

- Chinese negotiators are frequently less than candid about their actual needs at the initial stage (Seligman, 1990).
- The Chinese deliberately discuss small matters or make unexpected and ridiculous demands, and spend much time arguing about them, thereby drawing the other party off the main course (Blackman, 1997).

Stratagem 7: Create Something out of Nothing (Wu Zhong Sheng You)

Make the unreal seem real. Gain advantage by conjuring illusion.

- "The Chinese negotiator's job was not to evaluate the merits of a particular position and work out solutions. His job was to say no for as long as possible" (Lavin, 1994).
- The "Price is always too high" tactic: The seller's price is always too high.

Stratagem 8: Openly Repair the Walkway but Secretly March to Chen Cang (An Du Chen Cang)

Play overt, predictable, and public maneuvers (the walkway) against covert, surprising, and secretive ones (Chen Cang).

- Chinese negotiation is full of surprises; the Chinese tend to make sudden demands and changes (Stewart & Keown, 1989).
- The Chinese negotiate openly with one supplier but secretly with another (Seligman, 1990).

Stratagem 9: Watch the Fire Burning From Across the River (Ge An Guan Huo)

Master the art of delay. Wait for favorable conditions to emerge.

- The Chinese are masters of the art of stalling while keeping alive the other party's hopes; they freely use stalling tactics and delays (Pye, 1982).
- Time is on the Chinese side. They can use it to wait you out (Seligman, 1990).
- One of the mild bluffs that the Chinese occasionally employ is a posture of "We can wait until the time is ripe" (Kazuo, 1979).

Stratagem 10: Hide a Knife in a Smile (Xiao Li Cang Dao)

Hide a strong will under a compliant appearance, win the opponent's trust, and act only after his guard is down.

- "Foreign friends speak first" (Knutsson, 1986a, 1986b); "You are our old friend" (Blackman, 1997).
- The Chinese notion of friendship and hospitality is a double-edged sword (Worm, 1997); the graciousness and the bountifulness of Chinese hospitality make it awkward on the part of foreign negotiators to be too business-like in starting negotiations (Pye, 1982; see also Stratagem 31).
- Chinese negotiators seem to have a double-sided personality - both obstinate and flexible and both aggressive and conciliatory (Pye; 1982).
- Chinese hospitality causes many foreign business people to make unrealistic promises (Pye, 1982; see also Stratagem 16). The Chinese often use the "friendly" banquet to put one to the test (Dunung, 1995).

Stratagem 11: Let the Plum Tree Wither in Place of the Peach Tree (Li Dai Tao Jiang)

Make a small sacrifice to gain a major profit.

- The frontline Chinese negotiators tend to take a sharper position than that of their superiors, who usually are involved at the beginning and the final phases of negotiations (Pye, 1982).

- The Chinese team is a combination of the "white-face" (good-guy) and "red-face" (bad-guy) people.

- The Chinese have been known to exploit the rotation of new faces on the foreign team. The newcomers on the foreign team may find it very hard to refute the Chinese claims of previously "established understanding" (Chen, 1993).

Stratagem 12: Lead Away a Goat in Passing *(Shun Shou Qian Yang)*

Take advantage of opportunities when they appear.

- "Mooching" is a popular and accepted form of behavior among the Chinese; the Chinese often expect something to be tossed in for free when they buy goods. This expectation of a little something extra extends to international trade (Chu, 1991).

- The following is an example of Chinese trying to get more than originally agreed: After the agreement, the Chinese had gone through every contract signed with the foreign company in any part of China during the previous 7 years and wanted all the items ever given in those contracts included in the current one. They said everything was OK, except that the foreign company should provide four service vans (Blackman, 1997).

- The Chinese frequently reopen negotiations in an attempt to press out additional profit (Eiteman, 1990; Pye, 1982; Schnepp et al., 1990; Seligman, 1990).

- The Chinese view negotiation as an opportunity to elicit as much information as possible and train themselves (Seligman, 1990; War-rington & McCall, 1983).

Stratagem 13: Beat the Grass to Startle the Snake *(Da Cao Jing She)*

Use direct or indirect warning and agitation.

- Keep silent: It is fundamental to the Chinese negotiating style to insist that the other party reveal its interests first while the Chinese mask their interests and priorities (Pye, 1982).

- The Chinese typically do not prepare a Chinese draft until they have received the first one in English (Schnepp et al., 1990).

- Apply pressure to the other party and test the reactions (Seligman, 1990).

- The Chinese often ask many probing questions, encouraging you to tip your hand (Seligman, 1990; Yuann, 1987).

- Use "shaming" technique, showing anger and so on: The Chinese genuinely believe that people will be shattered by the shame of their faults, and they will attempt to use ostensible transgression to embarrass one into doing things their way (Pye, 1982; Seligman, 1990).

Stratagem 14: Borrow a Corpse to Return the Soul *(fie Shi Huan Hun)*

According to popular Chinese myth, the spirit of a deceased may find reincarnation. Revive something "dead" by decorating or expressing it in a new face.

- "Rest on big mountain" tactic: The "dying" Chinese companies view teaming up with a foreign partner in a joint venture as a means to solve their financial, technological, and management problems (Chen, 1996; Chu, 1991).

Stratagem 15: Lure the Tiger to Leave the Mountains *(Diao Hu Li Shan)*

Draw the opponent out of his natural environment from which his source of power comes to make him more vulnerable to attack.

- Control negotiation location, schedule, and use China's ubiquitous standard form contracts (see Stratagems 4 and 22).

- When negotiations take unexpected turns and they need time to sort out their own position, the Chinese can declare a day of rest and send the other party off sightseeing (Seligman, 1990).

Stratagem 16: In Order to Capture, First Let It Go *(Yu Qin Gu Zong)*

The enemy should be given room to retreat so that he is not forced to act out of desperation.

- Chinese hospitality causes foreign business people to make unrealistic promises (Pye, 1982; see also Stratagem 10).

- A Chinese "offensive tactic" is calling the other side's initial concessions or flexibility "a certain progress" and urging him to offer further concessions (Kazuo, 1979).

Stratagem 17: Toss out a Brick to Attract a Piece of Jade *(Pao Zhuan Yin Yu)*

Trade something of minor value for something of major value in exchange.

- The Chinese are extremely price sensitive; price is uppermost in the minds of Chinese negotiators (Frankenstein, 1986; Pye, 1982).

- "Double standard" tactic: The Chinese tend to apply a double standard to contract compliance; they tend to be specific and deal with concrete matters only if they affect the Chinese, whereas issues of concern to foreigners are dealt with at the general level (Frankenstein, 1986). The Chinese are extremely interested in the contract language; in a joint-venture negotiation, the Chinese team may push hard to get one to guarantee to export a "fixed percentage" of the product produced, but for its own part may promise only to make its "best effort" to install the production line at the same factory (Seligman, 1990).

Stratagem 18: To Capture Bandits, First Capture the Ringleader *(Qin Zei Qin Wang)*

Deal with the most important issues first.

- The Chinese deal only with the "best": They do business only with the best firm and buy the most advanced technology (Chu, 1991; Knutsson, 1986a, 1986b; Pye, 1982).

- The Chinese expect to open negotiations with "big guns" - the top foreign business executives (Pye, 1982).

- The Chinese are unwilling to negotiate with opponents who are much younger or have a lower position than that of the Chinese.

Stratagem 19: Remove the Firewood From Under the Cooking Pot *(Fa Di Chou Xin)*

Avoid confronting your opponent's strong points and remove the source of his strength.

- A former Chinese manager in the joint venture set up a rival company across the street and diverted materials from the joint venture to his new company to produce the same products (Roberts, 1997a).

- The "quality versus price" tactic: Attack your price if your quality is high; attack your quality if your price is low.

Stratagem 20: Muddle the Water to Catch the Fish *(Hun Shui Mo Yu)*

Take advantage of the opponent's inability to resist when put in a difficult and complicated situation.

- "Attrition" tactics: Engage a variety of programs and protracted negotiations, causing physical and psychological inconveniences on the part of the opponents; "The Chinese subjected us to verbal and almost physical bashing. They really do work at getting you angry and wearing you down and getting you to agree to what are pretty unreasonable terms" (Blackman, 1997, p. 113).

- "Excessive entertaining in the evening can also take the edge off a foreign negotiator's attentiveness" (Hinkelman, 1994, p. 169).

- A tactic that the Chinese use is to reshuffle elements of the deal in a rapid and complex way so as to confuse you (Knutsson, 1986a, 1986b).

Stratagem 21: The Golden Cicada Sheds Its Shell *(Jin Chan Tuo Qiao)*

Create an illusion by appearing to present the original "shape" to the opponent while secretly withdrawing the real "body" from danger.

- If the Chinese have chosen not to pursue further negotiations with you, they may communicate this only indirectly by putting excessive demands on you, making you the breaching party (Seligman, 1990).

- It is common that after weeks of negotiations, the foreign company receives a telephone call from the so-called "information link" in Hong Kong or China who can offer the inside information and support but asks for commission of 2% or 3% of the contract value. It is believed that the money is shared by the Chinese negotiation team leaders (Leijonhufvud & Engqvist, 1996).

Stratagem 22: Shut the Door to Catch the Thief *(Guan Men Zhuo Zei)*

Create a favorable enveloping environment to encircle the opponent and close off all his escape routes.

- A common tactic that the Chinese use is to ask you, upon arrival, the date and time of your departure flight (Dunung, 1995); if the Chinese know when you intend to leave, they can manipulate the schedule to squeeze you by concentrating the haggling over the most important issues into the last day or two (Seligman, 1990).

- The Chinese propose the negotiation "deadline" by announcing that the signing ceremony and banquet to be attended by high-ranking government officials have already been arranged on a certain date and then time press the opponents.

- "Pre-Christmas Day push": The Chinese invite you to come to China for negotiation one week before Christmas Day.

- The Chinese strategy was to dispute everything and wait until the last minute to make even the smallest concessions (Lavin, 1994).

- Initiate with agreement on general "spirit" or "principles" (e.g., letter of intent). Later, press the counterpart to comply with the spirit or principles (Pye, 1982).

- Foreign firms are often forced to use the ubiquitous standard form contracts or "model contracts" provided by Chinese government authorities and organizations (Chang, 1987; Seligman, 1990).

Stratagem 23: Befriend the Distant States While Attacking the Nearby Ones *(Yuan Jiao Jin Gong)*

Deal with the enemies one by one. After the neighboring state is conquered, one can then attack the distant state.

- The Chinese may try to split a foreign team by befriending subordinate members of the team; they may use information gained from the subordinate members to unsettle the chief negotiator and the foreign team (Blackman, 1997).

Stratagem 24: Borrow the Road to Conquer Guo *(Jia Dao Fa Guo)*

Deal with the enemies one by one. Use the nearby state as a springboard to reach the distant state. Then remove the nearby state.

- In establishing a joint venture, a primary Chinese motivation is to use the foreign partner's proprietary technology and international marketing, sales, and distribution networks to facilitate export from China (Chen, 1996; Farhang, 1994; Mann, 1989).

- The Chinese may be less interested in concluding a deal than in gleaning information that they can put to use in parallel negotiations with the competition (Seligman, 1990).

Stratagem 25: Steal the Beams and Change the Pillars *(Tou Liang Huan Zhu)*

In a broader sense, this stratagem refers to the use of various replacement tactics to achieve one's masked purposes.

- It is not uncommon for the Chinese to switch negotiators and to change the terms of a deal even after a long period of discussion (Dunung, 1995).

- To destabilize the foreign negotiator when discussions are not heading in their favor, the Chinese side will change both negotiators and the location of the negotiation. When a new negotiator is brought in, negotiations start again from the beginning, and former understandings are negated (Blackman, 1997).

- "Water in glass" manipulation.

Stratagem 26: Point at the Mulberry Tree but Curse the Locust Tree *(Zhi Sang Ma Huai)*

Convey one's intention and opinions in an indirect way.

- Feign anger: Chinese negotiators sometimes use displays of temper to try to get what they want. The Chinese may go so far as to pack up their papers with a flourish and storm out of the negotiating room (Chang, 1987; Seligman, 1990).

Stratagem 27: Play a Sober-Minded Fool *(Jia Chi Bu Dian)*

Hide one's ambition to win by total surprise.

- Pretend to be an "ignorant" (Mann, 1989) or absentminded negotiator.

- The Chinese steel themselves against feelings of empathy and are quick to move aggressively if they sense that the other party has problems (Pye, 1982).

- The Chinese can keep five minutes of total silence, making the other party volunteer an answer (Schnepp et al., 1990).

Stratagem 28: Lure the Enemy Onto the Roof, Then Take Away the Ladder *(Shang Wu Chou Ti)*

Lure the enemy into a trap and then cut off his escape route.

- Take advantage of the adversary's time schedule: Squeeze him out and sign the contract shortly before his scheduled departure for the airport (Mann, 1989).

- The Chinese sometimes push you to the brink of terminating the negotiations to determine your true bottom line (Seligman, 1990).

Stratagem 29: Flowers Bloom in the Tree *(Shu Shang Kai Hua)*

One can decorate a flowerless tree with lifelike but artificial flowers attached to it so that it looks like a tree capable of bearing flowers. One who lacks internal strength may resort to external forces to achieve his goal.

- Use the "external force" (e.g., "government approval" and "internal regulation") to gain bargaining power (Chang, 1987; Seligman, 1990).

- The Chinese employ "swaying tactics" (Kazuo, 1979) to undermine the position and prestige of the other negotiators: They will not hesitate to discuss historical, political, and personal issues if they sense that these may be effective (Kazuo, 1979; Seligman, 1990). They also link international political issues with commercial negotiations (Frankenstein, 1986).

- The Chinese insist that to keep good governmental relations the level of business must be increased (March, 1994).

- The Chinese can use interpreters strategically—for example, an English-speaking Chinese negotiator may use the translation process to observe the other party's nonverbal behaviors and to get twice the response time (Graham & Herberger, 1983).

- Borrow the foreign partner's strength to deal with Chinese bureaucracy (Seligman, 1990).

Stratagem 30: The Guest Becomes the Host *(Fan Ke Wei Zhu)*

Turn one's defensive and passive position into an offensive and active one.

- Play the card of "the last big market on the planet"; it is always the foreign business people who are seeking favors from China (Eiteman, 1990; Pye, 1982).

- Use China's economic weakness as a bargaining point: The Chinese try to get a Westerner to understand their problems and then push him for a concession, and they will not hesitate to point out that the foreign company has far greater resources than the Chinese party (Frankenstein, 1986; Seligman, 1990).

Stratagem 31: The Beautiful Woman Stratagem *(Mei Ren Ji)*

Use women, temptation, and espionage to overpower the enemy: Attach importance to espionage, intelligence, and information collecting.

- Capture your feeling of kindness; manipulate friendship and obligation (see Stratagem 10).

- Use social activities (i.e., banquets, sightseeing, karaoke bar, and gifts) to size up the other party.

- Espionage: A Chinese organization will collect all the information it can about a foreign company from other Chinese organizations (Yuann, 1987).

Stratagem 32: The Empty City Stratagem *(Kong Cheng Ji)*

If you have absolutely no means of defense for your city, and you openly display this vulnerable situation to your suspicious enemy by just opening the city gate, he is likely to assume the opposite. A deliberate display of weakness can conceal the true vulnerability and thus confuse the enemy. The stratagem also implies a situation in which the opponent is manipulated with "emptiness" and can also be used to mean something with a grand exterior but a void interior.

- "Your silence means Yes": The Chinese may make use of foreigners' stereotypes about China (e.g., cultural complication and political bureaucracy) to their advantage. They "consciously" misinterpret anything one says and turn things around to their way (Knutsson, 1986a, 1986b).

- The Chinese often say, "If you give us this product at a very low price, your future success in China will be guaranteed" (Knutsson, 1986a, 1986b).

- "Along the way, the Chinese negotiators offered a series of empty concessions" (Lavin, 1994, pp. 19-20).

Stratagem 33: The Counterespionage Stratagem *(Fan Jian Ji)*

When the enemy's spy is detected, do not "beat the grass to startle the snake" but furnish him with false information to sow discord in his camp. Maintain high intelligence and alertness.

- The Chinese do their homework (i.e., planning and information collecting) well (Schnepp et al., 1990).

- The Chinese are suspicious of everything; they seem to always be worried that foreigners are trying to cheat them (Knutsson, 1986a, 1986b).

- Apply calculated pressure to the ethnic Chinese (or Chinese-speaking persons) on the foreign team, making them not an automatic advantage for the opponents; overseas Chinese on the foreign team are far more likely to be pressed for kickbacks from the Chinese side and may be treated poorly when they fail to comply (Chen, 1993; Seligman, 1990).

Stratagem 34: The self-torture Stratagem *(Ku Rou Ji)*

Display one's own suffering to win sympathy from others.

- The "We are very poor, indeed" tactic: "Frank" exposure of China's backwardness (e.g., lack of foreign exchange) to gain a bargaining advantage - China is a very poor country and cannot afford to pay the price foreigners ask (Seligman, 1990).

- The Chinese have every expectation that it is only right for the better off or richer partner to bear the heavier burden without protest (Pye, 1982; Seligman, 1990). The Chinese expect that people are somehow quite naturally going to help them and, equally naturally, want to do it for nothing (Schnepp et al., 1990).

Stratagem 35: The Stratagem of Interrelated Stratagems *(Han Huan Ji)*

This stratagem combines various stratagems into one interconnected arrangement. It is also the deliberate planning of a series of stratagems.

- A number of Chinese stratagems might be at work at the same time; several tactics are systematically used by Chinese negotiators, such as controlling location and schedule, utilizing weaknesses, using the shame technique, pitting competitors against each other, feigning anger, rehashing old issues, and manipulating expectations.

Stratagem 36: Running Away Is the Best Stratagem ***(Zou Wei Shang** Ji)*

"A good fighter flees from the danger of the moment": Run away when all else fails. Endure temporary disgrace and losses to win ultimate victory. Run away to gain bargaining power.

- The Chinese generally try to avoid or postpone direct confrontation (Chen, 1993).

- "The Chinese said, 'You cannot threaten us. This will hurt you more than it will hurt us. We have lived without trade with the United States for five thousand years, and we will do so for five thousand more, etc' " (Lavin, 1994).

- The "everything is in China" perspective or the "long-term" negotiating tactic: The technology will remain in China, and the foreign partner will be gone after a period of years (Seligman, 1990).

- "The real problems don't come in negotiating the deal - the real problems start after you sign the contract" (Hendryx, 1986, p. 75).

Intervjuguide

Allmän information

1. **Företagets namn:**
2. **Affärsområde:**
3. **Namn på respondent:**
4. **Titel/befattning:**
5. **Respondentens arbets-/ansvarsområde:**
6. **Antal år erfarenhet av förhandlingar med kineser:**
7. **Vad förhandlar du (vad har du förhandlat)?**
8. **I vilken/vilka delar av Kina har du förhandlat?**
9. **Företagets årsomsättning:**
10. **Företagets årsomsättning på den kinesiska marknaden:**

Hur kan affärsförhandlingsprocessen med kineser, såsom den upplevs av svenska företag, beskrivas?

1. Finns det några generella steg i förhandlingsprocessen med kineser som kan urskiljas (t.ex. före förhandlingen, formell förhandling och efter förhandlingen)?

2. Kan du beskriva de aktiviteter som äger rum under förhandlingsprocessen? Sker någon av följande aktiviteter under förhandlingsprocessen och *när* i så fall?

   2.1 *Lobbying*. Om lobbying sker, *vem* lobbar ni och *hur* sker det?

   2.2 *Presentation.* Vilka faktorer är viktiga att betänka när man presenterar en affär för kineser?

   2.3 *Informella diskussioner.* Om informella diskussioner sker, vilka ämnen behandlas då?

   2.4 *Skapa förtroende*. Är det viktigt för kineser att ha förtroende för sin motpart in en förhandling?

   2.5 *Uppgiftsrelaterat utbyte av information och avsiktsförklaring* (letter of intent); t.ex.: ägarfördelning, hur mycket vardera part ska bidra med, management-frågor, teknologi, pris och andra finansiella frågor.

   2.6 *Övertalning.* Till vilken grad använder sig kineser av övertalning vid förhandlingar?

   2.7 *Eftergifter och överenskommelser.* Vad har den kinesiska motparten för inställning när det gäller att göra eftergifter för att nå en överenskommelse?

   2.8 *Implementering och nya förhandlingsomgångar.* Uppfyller den kinesiska motparten sina åtaganden enligt det överenskomna kontraktet?

2.9 *Kinesiska försök att utöka omfattningen av kontraktet.* Förverkligas/utförs kontraktet efter det är färdigförhandlat, eller är det en pågående process av justeringar och diskussioner?

3. Finns det några andra aktiviteter, som inte nämnts ovan, som sker under förhandlingsprocessen?

4. Vilka aktiviteter anser du vara den/de viktigaste när det gäller att förhandla framgångsrikt med kineser?

Hur kan man beskriva svenska företags erfarenhet av hur den kinesiska kulturen influerar affärsförhandlingar?

5. Status

5.1 Enligt din erfarenhet, vad är den kinesiska motpartens inställning till hierarki?

5.2 Är det viktigt för den kinesiska motparten att veta statusen på personerna som de förhandlar med?

5.3 På vilket sätt uttrycker den kinesiska motparten status/hierarki under en förhandling (t.ex. visar de det genom sättet folk är placerade runt ett mötesbord?)?

6. Face[4]

6.1 Är begreppet ”face” något som är viktigt för den kinesiska motparten?

6.2 Baserat på din erfarenhet, vad gör att en kines förlorar/tappar ”face” och vad är konsekvenserna av detta när man förhandlar?

6.3 Baserat på din erfarenhet, vad gör att en kines får bättre ”face” och hur påverkar det förhandlingen?

7. Tillit och vänskap

7.1 Hur viktigt är det med tillit för kinesiska motparten när de gör affärer?

7.2 Hur vinner man tillit hos den kinesiska motparten i en affärsförhandling och vad är fördelarna med att vinna deras tillit?

7.3 Hur kan misstro hos den kinesiska motparten uppstå en i affärsförhandling och vad kan det få det för konsekvenser?

7.4 Är det viktigt att etablera vänskap med den kinesiska motparten för att lyckas i affärsförhandlingar? Om så är fallet, på vilket sätt har det en positiv påverkan?

8. Guanxi-nätverk[5]

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[4] Att ha ”face” betyder att man har hög status och prestige i ens grupp, dessutom är det ett tecken på personlig värdighet. För kineserna så kan ”face” liknas vid en prisbelönt handelsvara, något som kan ges, förtjänas, tas ifrån en eller som kan förloras.

8.1 Är det viktigt att ha gemensamma bekanta/kolleger/förmedlare med den kinesiska motparten?

8.2 Om så är fallet, vad är kopplingen mellan dig och förmedlaren, och, förmedlaren och den kinesiska motparten?

8.3 Ut ifrån din erfarenhet, är behovet av Guanxi-nätverk varierande beroende på vilken region i Kina man förhandlar i?

9. Tvetydighet

9.1 Är den kinesiska förhandlingsstilen tvetydig? T.ex. säger de "Ja" och menar "Nej"? Om så är fallet, kan du ge något exempel?

10. Tålamod

10.1 Enligt din åsikt, till vilken grad krävs det tålamod när man förhandlar med en kinesisk motpart?

10.2 Vad är den kinesiska attityden till att skynda på förhandlingsprocessen, detaljer och deadlines?

11. Kinesisk formalia

Vad är din erfarenhet av kinesisk formalia när det gäller:

11.1 Introduktionsprocessen (t.ex. handskakning och utbyte av visitkort)?

11.2 Ögonkontakt?

11.3 Formalia vid formella möten (t.ex. bordsplacering och speciella mötesrum)?

11.4 Gåvor?

11.5 Banketter?

11.6 Finns det något beteende som skulle rekommendera att man undviker när man förhandlar med kineser?

12. Holistiskt tänkande

12.1 Hur diskuterar den kinesiska motparten frågor som pris, kvantitet och garanti? Sker det sekventiellt punkt för punkt eller diskuteras alla frågor mer eller mindre samtidigt?

13. Sparsamhet

[5] Guanxi innebär förhållande eller koppling. Guanxi sammanlänkar personer genom ett ömsesidigt utbyte av tjänster och inte så mycket för att visa sympati eller vänskap.

13.1 I en förhandling med en kinesisk motpart, vad har kineserna för inställning när det gäller att förhandla om pris?

Hur kan man beskriva svenska företags erfarenhet av kinesiska affärsmäns förhandlingstaktik?

14. Ut ifrån din erfarenhet, kan du beskriva den kinesiska motpartens förhandlingstaktik när det gäller nedanstående taktiker. Används dessa taktiker av den kinesiska motparten? Hur vanligt är det i så fall? Kan du ge något exempel?

15.1 ”Priset är alltid för högt” (7).

15.2 Plötsliga krav och förändringar (8).

15.3 Användande av tystnad för att dölja sina intressen och prioriteringar (13).

15.4 Uppvisande av ilska (13).

15.5 Kontrollerande av förhandlingsschema och förhandlingsställe (15).

15.6 Dubbelmoral: kineserna har en dubbelmoral när det gäller utformningen av kontraktet; saker som påverkar dem själva ser de till att det är klart och tydligt definierat, saker som rör den utländska motparten däremot behandlar man på ett generellt och otydligt sätt (17).

15.7 När de utländska motparten anländer frågar kineserna vilken dag och vilken tid som de tänkt att fara hem; om kineserna vet när du ska fara så kan de manipulera schemat för att pressa dig genom att fokusera prutningen om de viktigaste frågorna till den sista eller näst sista dagen (22).

15.8 Byte av förhandlare och förändring av villkoren i affären även när efter en lång period av diskussioner (25).

15.9 Den kinesiska motparten låtsats vara ”okunnig” eller tankspridd (27).

15.10 Användande av ”utomstående makt” (t.ex. ”tillstånd av regeringen”) för att få makt i förhandlingen (29).

15.11 ”Vi är verkligen fattiga”-taktiken; ”uppriktigt” framläggande av Kinas efterblivenhet (t.ex. bristen på utländsk valuta) för att vinna en förhandlingsfördel; Kina är ett väldigt fattigt land och kan inte betala det pris som utlänningar begär (34).

15.12 Finns det någon/några andra taktiker som inte nämnts som du kan berätta om?

Interview guide

General information

1. **Name of the company:**
2. **Business unit:**
3. **Name of the respondent:**
4. **Title/Position of the respondent:**
5. **Operational area of the respondent:**
6. **Years of experience within the field of negotiating with the Chinese:**
7. **What do you negotiate (have you negotiated)?**
8. **In which part of China do you/ have you negotiated:**
9. **The company's annual turnover:**
10. **The company's annual turnover in the Chinese market:**

How can the process of business negotiations with the Chinese as experienced by Swedish managers be described?

1. Are there any general stages in the process that can be distinguished? (e.g. pre-negotiation, formal negotiation, post-negotiation)

2. Can you describe the activities that take place during the negotiation process? Do any of the following activities take place in the process and when in the process do they occur?

    2.1 *Lobbying*. If there is lobbying, *who* do you lobby and *how*?

    2.2 *Presentation*. What factors are important to consider when presenting a business deal to the Chinese?

    2.3 *Informal discussion*. If there are informal discussions, what topics are discussed during these discussions?

    2.4 *Trust Building*. Is it important for the Chinese with trust in business negotiations?

    2.5 *Task-Related Exchange of Information and "letter of intent*". For example: equity share, contribution of each party, management control, technology, price and other financial issues.

    2.6 *Persuasion.* To what degree is persuasion used by the Chinese during the negotiation?

    2.7 *Concessions and agreement.* What is the Chinese attitude towards making concessions in order to reach an agreement?

    2.8 *Implementation and new rounds of negotiations.* Do the Chinese fulfill their obligations according to the contract?

2.9 *Chinese attempts to expand the scope of the agreement.* Is there a straightforward realization of the contract, or a continuing process of adjustment and discussion?

3. Are there any other activities, not mentioned above, that take place during the negotiation process?

4. What activities do you consider to be the most important in order to successfully negotiate with a Chinese counterpart?

How can Swedish managers' experience of the influence of culture on Chinese business negotiations be described?

5. *Status*

   5.1 What is your experience of how the Chinese view hierarchy?

   5.2 Is it important for the Chinese to know the status of the persons they are negotiating with?

   5.3 In what way do the Chinese express status/hierarchy when negotiating (e.g. the way people are seated around a meeting table)?

6. *Face*[6]

   6.1 Is the notion of face important to the Chinese?

   6.2 In your experience, what makes the Chinese lose face and what are the consequences of this when negotiating?

   6.3 In your experience, what makes the Chinese gain face and what are the consequences of this when negotiating?

7. *Trust and friendship*

   7.1 How important is trust to the Chinese when doing business?

   7.2 How is trust gained with a Chinese counterpart in a business negotiation and what are the advantages of trust building?

   7.3 How can mistrust occur in a business negotiation and what consequences do this have on the outcome?

   7.4 Is friendship building an important factor in order to succeed in Chinese business negotiations, and in what way is it influential (or is it not?)?

8. *Guanxi networks*[7]

[6] Having face means having high status and prestige in the eyes of one's peers, and it is a mark of personal dignity. To the Chinese, face can be compared with a prized commodity, something that can be given, earned, taken away, or lost.

8.1 Is it important to have connections with associates/intermediaries of the negotiating counterpart?

8.2 If so, what is the connection between you and the intermediary, the intermediary and negotiation counterpart?

8.3 In your experience, does the need for Guanxi networks vary depending on which region you are negotiating in?

9. *Ambiguity*

9.1 Is the Chinese negotiation style ambiguous (e.g. do they say "Yes" and mean "No"?)? If so, please give examples.

10. *Patience*

10.1 In your opinion, to what degree is patience required when negotiating with the Chinese?

10.2 What is the Chinese attitude towards hurrying the process along, details and meeting deadlines?

11. *Chinese protocols*

What is your experience of Chinese protocol in terms of:

11.1 The introduction process (e.g. handshake, exchange of business cards)?

11.2 Eye contact?

11.3 Protocol for formal meetings (e.g. seating positions, special meeting room)?

11.4 Gifts?

11.5 The Chinese banquet?

11.6 Is there any behavior that you would recommend to be avoided when negotiating with the Chinese?

12. *Holistic thinking*

13.1 Are issues such as price, quantity and warranty discussed by the Chinese sequentially and individualistically or all at once?

13. *Thrift*

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[7] Guanxi is relationship or connection. Guanxi binds people through the exchange or reciprocity of favors rather than through expressions of sympathy and friendship.

14.1 In negotiations, what is the Chinese approach towards price bargaining?

How can Swedish managers' experience of business tactics used by Chinese negotiators be described?

14. Based on your experience, please describe the negotiating tactics used by the Chinese counterpart regarding the tactics mentioned below. Are these tactics used by the Chinese counterpart? If so, how common are they? If possible, please give examples!

15.1 "Price is always too high" (7).

15.2 Sudden demands and changes (8).

15.3 The use of silence to mask their interests and priorities (13).

15.4 Showing anger (13).

15.5 Controlling negotiation schedule and location (15).

15.6 Double standard tactic: The Chinese apply a double standard to contract compliance; being specific and dealing with concrete matters only if they affect the Chinese, whereas issues of concern to foreigners are dealt with at the general level (17).

15.7 Asking the foreign counterparts, upon arrival, the date and time of their departure flight; if the Chinese know when you intend to leave, they can manipulate the schedule to squeeze you by concentrating the haggling over the most important issues into the last day or two (22).

15.8 Switching of negotiators and changing the terms of the deal even after a long period of discussion (25).

15.9 Pretending to be an "ignorant" or absentminded negotiator (27).

15.10 Use of "external force" (e.g. "government approval) to gain bargaining power (29).

15.11 The "we are very poor, indeed" tactic: "Frank" exposure of China's backwardness (e.g. lack of foreign exchange) to gain a bargaining advantage- China is a very poor country and can not afford to pay the price foreigners ask (34).

15.12 Is there any other tactic, not mentioned above, that you could tell about?