Regional Chinese negotiation differences in intra- and international negotiations

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Abstract

As China emerges as a major player on the international business scene, it is becoming increasingly important for Western negotiators to understand how the Chinese negotiate business deals. Existing knowledge regarding the Chinese negotiation style is largely based on considering China as one single country and the Chinese as to negotiate in one homogeneous way. Regional differences in the Chinese negotiation style have traditionally been overlooked in the literature.

Guided by a negotiation analysis approach, this thesis conducts an exploratory study of the diversity of the Chinese negotiation style from a regional sub-cultural perspective. It suggests four characteristics of the Chinese negotiation style based on the frameworks of international business negotiations and the Chinese cultural roots and values. This thesis investigates five research questions, which address the characteristics of regional negotiation styles and the consequences of these different styles in relation to Sino-Western negotiations. A case study research strategy is employed to study four regions in China, including the Northern, the Eastern, the Southern and the Central region. Each case was studied using three research methods: semi-structured interviews, secondary documents, and negotiation experiments. Interview data analysis focuses on the perceptions of the Chinese negotiators, the Chinese government official, and the foreign negotiators regarding regional negotiation styles, whereas the experiments examine the students’ cognitive information on regional differences.

The results confirm that regional negotiation styles exist in China. The findings show that Northern and Central negotiators have “the Chinese negotiation style” in the literature. They place emphasis on relationship and face and show low time-sensitivity and risk-taking propensity. On the contrary, Eastern and Southern negotiators are extremely task-oriented and deal-focused, which means they place little value on relationship and face in negotiations. Differences also exist between the two groups of business-oriented negotiators as Southern negotiators have higher time-sensitivity and risk-taking propensity than Eastern negotiators. Differences in historical and geographical backgrounds are found to be the key drivers in the
forming of these regional negotiation styles. Importantly, the experiment results show that, in contrast to the conventional idea, Western negotiators might find it easier to negotiate with the relationship-focused Chinese than with the deal-focused Chinese. This is because Northern and Central negotiators appear to be cooperative in Sino-Western negotiations, whereas Eastern and Southern negotiators tend to use a competitive approach.

This thesis provides a number of contributions to the existing literature. First, it provides a better understanding of the overall picture of the Chinese negotiation behaviour and fine-tunes the Chinese negotiation style from a regional sub-cultural perspective. This regional approach to the study of culture is not only rare in Sino-Western negotiation studies, but also uncommon in the literature of international business negotiations. Second, this research highlights the fallacious assumption of cultural homogeneity with nations. It calls for academic attention to balance inter-cultural and intra-cultural diversity in the studies of international business. Third, a step is taken towards exploring the regional values and behavioural differences in China. The findings of this research provide directions for future regional studies on other managerial issues.

Keywords: Chinese negotiation style, negotiating, regional differences, intra-cultural diversity, case study, qualitative experiments
Acknowledgements

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I cannot say thank you enough to my parents. My father, who inspires me to begin the journey in the first place, has provided me with invaluable comments and advice on my thesis. My mother, who always teaches me the importance of education, has been giving me infinite love and support along the way. Thank you for giving me life, raising me up, and being proud of me.

Thanks must also go to all my best friends in the UK and in China. I would like to thank Du Yang for encouraging me to apply for the PhD and for his continuous help and support in the past four years. I would also like to thank my best friends in the UK, Angus and Thomas, for sharing the laughter and tear in life; my best friends in China, Su Wenjing and Li Suihua, for being there for me always and for making me feel that our friendship has never changed.

In addition, I would like to thank my 30 interviewees in China, who gave generous time, knowledge and experience for my research; the students in the experiments, for their kind participation and input for my research.

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<th>Description</th>
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<tbody>
<tr>
<td>A-L</td>
<td>Negotiation Case in Study 1</td>
</tr>
<tr>
<td>CCB</td>
<td>Chinese Businessman from the Central Region</td>
</tr>
<tr>
<td>CGO</td>
<td>Chinese Government Official</td>
</tr>
<tr>
<td>D-R</td>
<td>Deal-focused Chinese vs. Relationship-focused Chinese Negotiation Situation</td>
</tr>
<tr>
<td>ECB1 to ECB7</td>
<td>Chinese Businessman from the Eastern Region</td>
</tr>
<tr>
<td>EEP</td>
<td>Expected End Price</td>
</tr>
<tr>
<td>ELoN</td>
<td>Expected Length of Negotiation</td>
</tr>
<tr>
<td>FB1-FB3</td>
<td>Foreign Businessman</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>G1-G8</td>
<td>Negotiation Case in Study 2</td>
</tr>
<tr>
<td>IB</td>
<td>International Business</td>
</tr>
<tr>
<td>IBNs (IBN)</td>
<td>International Business Negotiation (International Business Negotiations)</td>
</tr>
<tr>
<td>IDV</td>
<td>Individualism</td>
</tr>
<tr>
<td>LTO</td>
<td>Long-term Orientation</td>
</tr>
<tr>
<td>MAS</td>
<td>Masculinity</td>
</tr>
<tr>
<td>NCB1-NCB8</td>
<td>Chinese Businessman from the Northern Region</td>
</tr>
<tr>
<td>PDI</td>
<td>Power Distance</td>
</tr>
<tr>
<td>RQ1-5</td>
<td>Research Question 1-5</td>
</tr>
<tr>
<td>RR</td>
<td>Response Rate</td>
</tr>
<tr>
<td>R-R</td>
<td>Relationship-focused Chinese vs. Relationship-focused Chinese Negotiation Situation</td>
</tr>
<tr>
<td>SCB1-SCB10</td>
<td>Chinese Businessman from the Southern Region</td>
</tr>
<tr>
<td>UAI</td>
<td>Uncertainty Avoidance</td>
</tr>
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</table>

*Note: The abbreviations are listed in alphabetical order for easy reference.*
Chapter 1 Introduction

The Chinaman exists only as a general abstraction in our minds. … At closer range the abstract notion of a Chinaman disappears and breaks up into a picture of a variety of races, different in their stature, temperament and mental make-up. It is only when we try to put a southern commander over northern soldiers that we are abruptly reminded of the existing difference.—*My Country and My People* (Lin Yutang, 1935: 17-18)

Mr. Lin Yutang’s book is perhaps the first English publication, which, from a Chinese perspective, introduces the Chinese history, philosophy, mindset and characteristics to the Western readers. In his book, the scholarly writer preludes the regional differences in China, reminding his readers of the diverse characteristics of the Chinese people. Decades after the book was published, the Western world still seems to hold “a general abstraction” of the Chinese. When studying the Chinese business behaviour, the Western academic community tends to assume that every Chinese holds the same values and behaves in a homogenous way (Fang, 2005; Kwon, 2012). Such an assumption is dangerous as it ignores the fact that regionalism is a widely acknowledged factor in Chinese social and economic life (Child and Stewart, 1996). The present thesis seeks to address this misconception in the literature. It conducts an exploratory study to investigate the intra-cultural diversity in China, which is directed towards regional negotiation styles in the country. This introductory chapter explains the motivation and justification behind the choice of the topic and outlines the research questions, the methods, as well as the structure of the thesis.

1.1 Background

*Why international business negotiations?* In international business (IB), the survival and growth of global companies depends heavily on the effectiveness of business negotiations (Reynolds, Simintiras, and Vlachou, 2003). The stakes involved in international business negotiations (IBNs) are high and, despite the goal of negotiating parties to achieve positive outcomes, negotiation failure rates stand at an alarmingly high level (Tung, 1988). Over the
past few decades, researchers have devoted considerable attention to international business negotiations, and particularly to the role of culture and how it affects negotiations. These research efforts are useful as they provide insights into cross-cultural negotiations. However, there is a focus on national cultures and an assumption of homogeneous negotiation behaviours within nations. Few studies have empirically examined the layers of culture and their effects, particularly the regional subcultures within a country (Tung, Worm, and Fang, 2008). Regional sub-cultural differences within nations can be as significant as national cultural differences (Rudd and Lawson, 2007). Such an assumption is risky as it might lead to misunderstandings and costly mistakes in international business negotiations (Rudd and Lawson, 2007). With this in mind, the present thesis intends to address this limitation and advance the knowledge in the field.

Why China? As the world’s largest emerging market with more than one billion consumers, the Western business world has been attracted to China ever since the start of the open door policy in 1978. According to China’s Ministry of Commerce, foreign direct investment (FDI) in the country rose by 32.9% from 2010 to 2011, reaching $12.52 billion. In the same year, China overtook Japan as the second largest economy in the world. Apart from the impressive growth, China presents a difficult and risky market for Western firms to operate in. These features make China a unique case in the global market, which calls for outstanding academic and managerial attention. Besides this, Sino-Western business negotiation is a key component of the Sino-Western business relationship (Fang, 1999). Knowledge about the Chinese negotiating practices will generate insights into the Chinese business mindset, increase the success rate of Western business with China, and ultimately strengthen Sino-Western business relationships.

More importantly, China, as a vast land, contains many regional subcultures (Cui and Liu, 2000; Fang, 2005; Littrell, Alon and Chan, 2012). Pervious researchers suggest that one can observe sub-cultural differences from historical precedents, geographic location, economic

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development, educational level, as well as technological sophistication (Ralston et al. 1996; Child and Stewart 1997; Cui and Liu 2000). Regional subcultures and their differences are also widely acknowledged among the Chinese (Tung, Worm and Fang, 2008). A number of scholars have come to realise that there are many “kingdoms” within the Middle Kingdom, and there is a variety of Chinese among the Chinese people. Fang (2005) and Lam and Graham (2007) suggest that it is better think of China as a group of regions rather than a single country. Swanson (1989) and Cui and Liu (2000) also stress that foreign companies should adapt to the regional conditions and devise sustainable strategies because of the rather different environments in different regions. This unique feature of China has made the country a particularly suitable case to explore intra-cultural diversity.

Why regional negotiation styles in China? Existing knowledge of the Chinese negotiation style is based on the perception of China as one single homogeneous land and the Chinese as negotiating in one “Chinese negotiation style” (Buttery and Leung, 1998; Woo and Prud’homme, 1999; Tung, Worm and Fang, 2008). This “one China one style” paradigm has its advantages when Western negotiators encounter Chinese negotiators for the first time. However, it does not seem to cope well with the variety of “Chineseness” in the country. As Littrell, Alon and Chan (2012: 319) note, “any monolithic description of the Chinese people will be in error”. The diverse patterns of Chinese business behaviour within the country pose a challenging issue to Western management. Given the status of China in today’s world economy, it is time to adopt a regional sub-cultural approach when it comes to studying Chinese negotiation behaviour and enhancing the understanding of Sino-Western negotiations.

1.2 Research Questions and Objectives

The research on the Chinese negotiation style tends to draw from the field of International Business Negotiations and the study of the Chinese culture. With regards to regional differences in China, many scholars have found behavioural and value differences when it
comes to business issues such as managerial values, work ethics and joint-venture management (e.g. Huo and Randall, 1991; Ralston et al., 1996; Child and Stewart, 1997; Redfern and Crawford, 2010; Kwon, 2012). These studies emphasise that regional subcultures in China exert considerable influence on people’s value and behaviours. There are, however, some sceptical views regarding regional negotiation behaviours. Scholars such as Blackman (1997) and Woo and Prud’homme (1999), question the necessity of conducting relevant research on this issue. However, it is crucial to note that these scholars have observed Chinese negotiators and reported “the Chinese negotiation style” from a Western perspective. How do Chinese negotiators perceive this “Chinese negotiation style”? Do they perceive differences in negotiation behaviours between regions? To find out the answers to these questions, this thesis intends to investigate Chinese negotiators’ perceptions regarding the existence of regional negotiation behaviour. Thus, the first research question is,

*Research question 1: Are there regional negotiation styles in China?*

Previous researchers have revealed the Chinese cultural values and beliefs, which distinguish the Chinese from the West. The present thesis follows intends to identify whether these values and beliefs distinguish between the Chinese regions. The next research question is, if regional negotiation styles exist,

*Research question 2: How are cultural values and beliefs different in different regions of China?*

The literature suggests four characteristics of the Chinese negotiation style. First, Chinese negotiators are *relationship-oriented*. They behave in a way, which emphasises mutual relationships rather than negotiation tasks (Pye, 1982; Blackman, 1997). Second, Chinese negotiators are *insensitive toward time*. They regard time as an endless resource and devote a large amount of time to relationship-building (Fang, 2000; Shi and Westwood, 2000). Third, Chinese negotiators are *face-conscious*. They are highly sensitive in terms of giving and maintaining face during business negotiations. Last but not least, Chinese negotiators are
risk-averse. They are unwilling to take risks and are afraid of uncertain situations in business negotiations (Moran and Stripp, 1991; Salacuse, 1999). These characteristics, however, are based on the comparison between Chinese and Western negotiators. It is thus another objective of the present research to examine these four characteristics from the Chinese perspective. The following research question is proposed:

Research question 3: How do negotiators from different regions of China perceive

- the importance of relationship
- time
- the importance of face
- risk

in negotiations?

In addition, this research aims to ascertain the explanations behind regional negotiation behaviour. Thus, the next research question is:

Research question 4: Why do the differences exist between regions?

This research intends to generate more insights into the Chinese mindset, thereby enhancing Western negotiators’ understanding of the Chinese negotiation behaviour. To achieve this, it is crucial to gauge the relation between regional differences and Sino-Western negotiations. Thus, the final research question is,

Research question 5: How do different Chinese negotiation styles affect Sino-Western negotiations?

In investigating the above five research questions, this study seeks to address various gaps in the literature of international business, international business negotiations, as well as the studies on Sino-Western negotiations. It intends to contribute in several ways to the academic development of research in these areas. The next chapter on the theoretical underpinning
discusses the literature, compares the frameworks, develops research questions, and emphasises gaps and contributions in more detail. Furthermore, the investigation of these five research questions leads to recommendations for researchers and practitioners, discussed in the concluding chapter.

1.3 Research Methods and Sources

This study employs a case study approach using three research methods as the research design. The complex and potentially sensitive nature of the subject of business negotiation, the limited knowledge of regional differences in the literature, and the exploratory nature of this research favour the use of this research approach. The present research investigates four regions in China: the Northern, the Eastern, the Southern, and the Central region. Each region includes a cluster of provinces, which are geographically close to each other. These provinces are grouped according to the perceptions of the Chinese negotiators in this research. The following table shows these clusters of provinces in accordance with the respondents’ perceptions.

<table>
<thead>
<tr>
<th>Region</th>
<th>Provinces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern</td>
<td>Beijing, Shandong, Tianjin, Jilin, Liaoning, Heilongjiang, Hebei, Henan, Shanxi, Shaanxi, Neimenggu</td>
</tr>
<tr>
<td>Eastern</td>
<td>Shanghai, Zhejiang, Jiangsu</td>
</tr>
<tr>
<td>Southern</td>
<td>Guangdong, Fujian, Hong Kong</td>
</tr>
<tr>
<td>Central</td>
<td>Sichuan, Hunan, Hubei, Anhui, Jiangxi, Guizhou, Guangxi, Yunan</td>
</tr>
</tbody>
</table>

This research treated each region as a case and studied each case using semi-structured interviews, secondary materials and negotiation experiments.

The initial data collection stage involved conducting interviews and gathering secondary
materials. The 30 interviewees included 26 Chinese businessmen, 1 Chinese government official, and 3 foreign negotiators. These interviewees all provided their understanding regarding regional negotiation behaviours in the country. The respondents’ answers were triangulated so that they could be cross-checked in order to enhance the validity of the findings. The secondary data came from sources including books, articles, and other documents concerning regional characteristics and sub-cultural differences. Convergent results were pursued between these two methods. At this stage, the first four research questions were examined.

Following the initial stage, this research conducted two sets of negotiation experiments. These experiments used student data to look for cognitive information on regional negotiation behaviour. The findings of the experiments were used to complement the results of the interviews. The first experiment examined regional negotiation styles in an intra-cultural context. In this experiment, 22 Chinese students used emails to negotiate with each other. The second experiment pursued cognitive information in a cross-cultural negotiation context with 16 students, whereby 8 Chinese students negotiated with 8 Western students via email. Among the Chinese participants, 6 of them also negotiated in the first experiment. This ensured that differences between intra-cultural and cross-cultural negotiations could be identified. Each negotiation dyad was treated as a single case. Individual case analysis and cross-case analysis were performed. The experiment data analysis was mainly qualitative in nature due to consideration of the research objectives. The methodology chapter and the concluding chapters will provide further discussion regarding the use of the experiment data. The findings of the second experiment answered the final research question.

1.4 Organisation of the Thesis

This thesis consists of six chapters. The next chapter presents the literature background, the study context, and the theoretical framework, whilst Chapter 3 proposes the methodology of this research. Together these two chapters provide the basis for the following two chapters (4
and 5), which analyse and discuss the findings. Chapter 6 concludes the thesis.

The theoretical underpinning in Chapter 2 includes the literature on negotiation, international business negotiations, as well as the research on the Chinese culture and the Chinese negotiation style. It points out that this research adopts a negotiation analysis approach to guide the study. The chapter reviews the frameworks of international business negotiations and applies these frameworks to study the Chinese negotiation behaviour. The following section identifies and discusses the gaps in the literature. It emphasises the importance of understanding intra-national diversity in cross-cultural phenomena and employing a regional approach to study the Chinese negotiation behaviour. Research questions are then synthesised on the basis of the literature review.

Chapter 3 proposes the methodology for this research, i.e. the case study approach and multiple methods as the research tool, as well as the instruments and sources used. In addition to providing an in depth discussion of the data collection, it also introduces the tools used for analysis and considers the validity and reliability of the study.

The analysis Chapters 4 and 5 are structured around the research questions. Chapter 4 examines the first three research questions in a triangulating manner. It focuses on the regional differences between three regions, including the Northern, the Eastern and the Southern region. The Central region is omitted from this chapter due to insufficient data generated from the interviews. Using the secondary materials, this chapter also answers the fourth research question. It seeks to provide explanations regarding the regional differences by comparing and discussing the sub-cultural background of the three regions. Chapter 5 presents the findings of the experiments, and also re-examines the findings highlighted in Chapter 4. Convergent results will be pursued. This chapter then answers the final research question using the results of the second experiment. Based on the results of the two experiments, together with the interview and the secondary data, this chapter discusses the negotiation style in the Central region.
Chapter 6 revisits the five research questions and summarises the findings. In doing so, it also revisits the foundational chapters in light of the analysis in Chapters 4 and 5 in order to point out contributions and reflections. The following section discusses the limitations of the study and provides directions for further research. This chapter ends with concluding remarks.
Chapter 2 Theoretical Underpinning

The theoretical underpinning of negotiations draws upon different disciplines and has been well-researched; nevertheless, there are areas which require attention. The first section deals with the pillars of negotiation research and argues why this thesis adopts a negotiation analysis approach to guide the study. It then provides the basic definition and the components of a negotiation in general. The second section introduces the concept of culture. It focuses on the notion and the levels of culture, as well as its relationships with international business and international business negotiations. This section also introduces the theoretical underpinning of international business negotiations. The third section introduces the literature of Sino-Western negotiations. It lays out the emic and etic aspects of the Chinese culture and discusses how the Chinese culture influences Sino-Western negotiations. This section then summarises the Chinese negotiation style. The final section identifies the gaps in the existing knowledge of international business negotiations and Sino-Western negotiations. It also develops the research questions, which conclude the chapter.

2.1 The Theoretical Pillars of Negotiation Research

2.1.1 Disciplines and Research Approaches in Negotiation Research

The negotiation literature is influenced by different methodological and theoretical backgrounds, such as psychology, economics, decision theory and game theory. In his seminal work of *The Art and Science of Negotiation*, Raiffa (1983) establishes *negotiation analysis* as a field of inquiry. This approach blends decision theory, game theory and psychology to concoct a powerful perspective, which in turn helps to understand negotiation and offers prescriptive advice for decision making in negotiations. In their book of *Negotiation Analysis: The Science and Art of Collaborative Decision Making*, Raiffa, Richardson and Metcalfe (2002) extend Raiffa’s (1983) earlier classic by incorporating three additional supporting strands of inquiry: decision analysis, behavioural decision making and game theory. These authors suggest that researchers and practitioners normally concentrate
on one or two of these approaches in the study of negotiation.

1. **Decision analysis.** This is a prescriptive approach, which considers how an analytically inclined individual should and could make wise decisions (Raiffa, Richardson and Metcalfe, 2002). Adopting this approach, researchers focus on offering a set of prescriptions to the unitary decision makers in negotiations. These prescriptions are helpful for individuals to make critical decisions when facing different negotiation situations.

2. **Behavioural decision making.** This descriptive approach, also known as the psychological approach, concentrates on the psychology of how ordinary individuals do make decisions (Raiffa, Richardson and Metcalfe, 2002). Behavioural decision making researchers argue that people may not always have the skills and knowledge to negotiate (Rubin, 1991). Thus, they instead focus on studying the deviations, such as behavioural errors, biases, anomalies, and traps, which frequently occur in negotiations. These researchers believe that people might change their negotiating behaviours by learning these deviations, and they would also be able to exploit the faulty behaviour of others (Raiffa, Richardson and Metcalfe, 2002).

3. **Game Theory** is a normative approach, which studies how individuals ought to behave when their separate choices interact to produce payoffs to each player (Raiffa, Richardson and Metcalfe, 2002). Game theorists study the thoughts and likely actions of negotiating parties, and provide suggestions on how to respond and what to expect during negotiations. Game theory assumes full game-theoretical rationality in negotiations, which is a common criticism concerning this approach (Siebe, 1991; Sebenius, 1992).

4. **Negotiation analysis** considers how groups of individuals should and could make joint, collaborative decisions in negotiations (Raiffa, Richardson and Metcalfe, 2002). Researchers who adopt this approach seek to understand or advise one party given predictions of how the other will behave (Sebenius, 1992). Differing perceptions and the results of different modes of perception are the primary concern of negotiation analysts (Sebenius, 1991).
The objective of this research is to explore the negotiation behaviours in different regions of China. Since this study explores whether or not there are regional differences in negotiation behaviours, the decision analysis approach, which only concentrates on the individual level of decision-making, is not adequate. Second, this research does not seek to study the rational behaviours in negotiations. Thus, game theory is not relevant to this study. Third, the study does not look into errors, biases, or anomalies of negotiation behaviour, but more importantly intends to explore negotiation behaviour. We, therefore, eliminate the behavioural decision-making approach for the deviation, but will nevertheless be open for the exploration of regional differences in negotiation behaviour. The primary focus of this research is to investigate people’s perceptions on the regional negotiation approaches in China. This requires a research approach, which offers the opportunity to study culture’s effects on negotiation behaviour. Based on these considerations, this thesis adopts a negotiation analysis perspective to study the subject. In order to do so, it is necessary to consider the definition of negotiation and its components at the beginning of the study.

2.1.2 Negotiation Definition

Negotiation, as Walton and McKersie (1965: 3) succinctly suggest, is “the deliberate interaction of two or more complex social units which are attempting to define or redefine the terms of their interdependence”. Negotiation scholars have often used the term bargaining in negotiation research. These two terms are, however, different. Gulliver (1979: 71) defines bargaining as “the presentation and exchange of more or less specific proposals for the terms of agreement on particular issues”. Lewicki et al. (1992) suggest that negotiation applies not only to individuals, but also to social units such as groups and organisations. Thus, it is a wider process than bargaining. Ghauri (2003a) distinguishes between negotiation and bargaining by claiming that negotiation is a problem-solving approach in which the two parties view the negotiation as a process through which to find a solution to a common problem. In order to do so, both parties would engage in a cooperative exchange of information. It is thus also called integrative bargaining. On the other hand, Ghauri (2003a) characterises bargaining by a competitive spirit where the objective of the two parties is to
maximise their individual gains at the expense of the other party. It can be referred to as competitive bargaining or distributive bargaining. Manrai and Manrai (2010) suggest that nowadays researchers and practitioners use *negotiation* as an overall umbrella term and only employ *bargaining* for selective issues such as labour management. Based on these definitions, this thesis only employs the term *negotiation* during its research.

_Business negotiations_ refer to the negotiations which take place in the business context and which deal with business relationships. They may be understood as interactions between firms (or economic organisations) with the purpose of reaching agreements to provide economic benefits (Weiss, 1993). Ghauri (2003a: 3) considers a business negotiation as “a voluntary process of give and take where both parties modify their offers and expectations in order to come closer to each other”. It is voluntary because negotiating parties can, at any time, leave the negotiation table. These negotiating parties participate in business negotiations because they share common business interests. They expect to achieve a better outcome through negotiation rather than by simply accepting or rejecting what the other party has to offer (Ghauri, 2003a). Many authors consider business negotiation as being “integrative bargaining” (Pruitt, 1983; Fisher and Ury, 1991; Lewicki _et al._ 2003).

In the pursuit of business opportunities in the global context, managers increasingly engage themselves in international business negotiations. Combining Walton and McKersie’s (1965) definition of negotiation, Weiss (1993: 270) defines *international business negotiations* as “the deliberate interactions of two or more social units (at least one of them a business entity), originating from different nations that are attempting to define or redefine their interdependence in a business matter”. This definition includes international business negotiations which take place between company and company, company and government, and between solely interpersonal negotiations over business matters such as sales, licensing, joint ventures, and acquisitions (Weiss, 1993).

In the literature of international business negotiations, researchers tend to use *negotiation style* as an overall summary term to describe the negotiation behaviours of a particular
country or region, such as the American negotiation style (Lewicki et al. 2003), the Japanese negotiation style (Martin and Herbig, 1999), and the Chinese negotiation style (Blackman, 1997). As Salacuse (1999: 222) suggests, negotiation style is “the way persons from different cultures conduct themselves in negotiating sessions”. Negotiation behaviour, on the other hand, refers to a particular behaviour, such as direct/indirect communicating behaviour and high/low risk-taking behaviour, occur in negotiations (Salacuse, 1999). This study, therefore, follows this distinction and uses “style” to refer to the negotiation behaviours of a particular culture and “behaviour” to describe a specific conduct in negotiations.

2.1.3 Components of Negotiations

The profile of negotiation processes may vary considerably, depending on the people involved, the nature of the issue at stake, and the contextual factors of the negotiation. In spite of the real-life differences, Faure and Sjöstedt (1993) suggest that all negotiations include five key components: actors, structure, strategy, process and outcome. The following figure illustrates these components.

Figure 2.1 Components of Negotiations

Actors refer to individuals or groups of individuals involved in the negotiation process (Faure and Sjöstedt, 1993). This definition covers the actual negotiators as well as groups and organisations participating in the process. In negotiations, different actors have different interests. Interests are a party’s true needs, concerns, or fears, which determine the party’s
position in the negotiation (Fisher, Ury and Patton, 1991). Ghauri (2003a) classifies interests into three groups: common, conflicting, and complementary. Common interests and complementary interests are the reasons for actors to sit around the negotiating table. They usually have positive impacts on negotiations and facilitate negotiation processes (Ghauri, 2003a). Conflicting interests are the issues which these actors must solve in order to create a desirable outcome for both sides. In accordance with Ghauri (2003a), the opportunity for an agreement decreases as conflicting interests dominate a relationship. The negotiation party’s perceived interests are at the centre of a negotiation analytic approach (Sebenius, 1992).

Actors also exert power in negotiations. Power is the capability that an actor has to influence and be influenced by a counterpart, either directly or indirectly (Weiss, 1993). These capabilities could include negotiating skills (Graham, 1983; Weiss and Stripp, 1985), (domestic and/or international) negotiation experience and knowledge (Evans and Beltramini, 1987; Luo, 1999), and disposition and motivations (Rubin and Brown, 1975). Scholars have also suggested other capabilities, such as an actor’s credibility and reputation (e.g. Phatak and Habib, 1996), his or her personality (e.g. Herman and Kogan, 1977; Luo, 1999), and authority (e.g. Pruitt, 1981). Atmosphere, or climate, is the last element of an actor. Ghauri (2003a) defines it as people’s perception of environment around a negotiation. It is concerned with how actors see each other’s behaviours, and the properties of the process. Yan and Gray (1994) and Luo (1999) find that personal traits could exert a considerable impact on the atmosphere of a negotiation, whether cooperative or confrontational. Ghauri (2003b) suggests that the magnitude of cooperation or conflict in the atmosphere also depends on the objectives, or goal, of the negotiating parties. Since negotiation is a dynamic and interactive process, an actor’s interests and power, together with the negotiation atmosphere are constantly changing, depending on the actual negotiation (Ghauri, 2003a).

The structure of a negotiation refers to the external constraints within which negotiations take place (Faure and Sjöstedt, 1993). Researchers have studied various internal structural factors in negotiations. These factors include the number of parties involved (two or more) and the number of issues at stake (e.g. Sebenius, 1983), the availability of multiple communication channels (e.g. Carnevale, Pruitt and Seilheimer, 1981), and the distribution of power between
negotiating parties (e.g. Kim, Pinkley and Fragale, 2005). Other structural factors include the level of transparency of the negotiations for nonparticipants such as nongovernmental organisations and the media (e.g. Rubin, 1991), number of negotiators (e.g. Luo, 1999), and the presence of interpreters and third party neutrals (e.g. Fisher, 1980; Friedman and Silberman, 1993). In addition, Faure and Sjöstedt (1993) suggest that the study of these variables cannot be separated from the external context of the negotiation, such as the cultural context, the economic context, the political context, and the legal context.

According to Lewicki et al. (2003: 34), strategy in negotiations refers to the “overall plan to accomplish one’s goals and the actions sequences which will lead to the accomplishment of those goals”. It is a combination of a concept, a form of planning and a guide for implementation (Lewicki et al., 2003). Usunier (2003a) suggests two basic strategies in negotiation: distributive and integrative. Distributive strategy is also known as “competition” (Thomas, 1976), “claiming value” (Lax and Sebenius, 1986), or “win-lose strategy” (Ghauri, 2003a). This strategy suggests that the negotiation outcome is a fixed pie and the gain of one side would lead to the loss of the other. Negotiators who adopt a distributive strategy always try to maximise their own outcome relative to their opponents’ outcome (Usunier, 2003a). This is particularly the case when knowledge of the other person’s payoffs is available (Lax and Sebenius, 1986). Integrative strategy, on the other hand, assumes that the size of the pie (joint-gain of the negotiation) can be increased if both parties adopt a co-operative attitude toward negotiation (Usunier, 2003a). This strategy, also called “collaboration” (Thomas, 1976), “creating value” (Lax and Sebenius, 1986) or “win-win strategy” (Ghauri, 2003a), is highly cooperative and information-exchange oriented. Guided by this strategy, negotiators recognise and define a problem, search for possible solutions, evaluate them and select the one which maximises joint gain (Usunier, 2003a). In addition, they will seek to minimise the use of any deleterious influence tactics in the negotiation (Lewicki et al., 2003). Research suggests that a willingness to share information, open communication, mutual concessionary behaviours, and mutual respect for individual goals are the key components of this strategy (Campbell et al., 1988; Fisher, Ury and Patton, 1991; Lewicki et al., 1992). Based on the dual concern model for conflict management, Pruitt and Rubin (1986) propose an alternative
strategic choice model of negotiation. These authors suggest that actors must, at every point in time, choose from four basic strategies for moving toward agreement. These four strategies include “contending” (similar to distributive strategy), “problem solving” (similar to integrative strategy), “yielding” (compromising one’s own interests in order to reduce the distance between the two parties’ demand), and “avoiding” (do nothing in negotiation).

Although the negotiation process as a concept is ever present in the literature, there is no single way to define it (Dupont and Faure, 1991). Scholars have defined it according to several different key factors, such as the sequential nature of the negotiating activities (e.g. Douglas, 1962; Gulliver, 1979), the power/dependence relation between the negotiating parties (e.g. Bacharach and Lawler, 1981), and the “persuasive debate” nature of negotiation (e.g. Dupont and Faure, 1991). This study adopts the definition from Bartos (1974), who considers the negotiation process as a series of sequences. During this process, negotiators propose joint strategies, representing demands and offers, proposals and counter-proposals, tending typically to converge as a result of an exchange of concessions. This approach implies that negotiation, like communication in problem-solving groups and other forms of ritualistic social interaction, proceeds through distinct stages or phases (Douglas, 1962; Gulliver, 1979; Graham, 1996; Ghauri, 2003a). Ghauri (2003a: 8) defines a negotiation stage as “a specific part of the process and includes all actions and communications by any party pertaining to negotiations made during that part”. Scholars have proposed various negotiation stage models in recent years, ranging from three (Salacuse, 1991; Ghauri, 2003a) to twelve stages (Gulliver, 1979). This thesis uses Ghauri’s (2003a) model and considers that a negotiation process consists of three stages: pre-negotiation, face-to-face negotiation, and post-negotiation stage. The first stage includes activities such as information-gathering, informal meetings, relationship-building, and strategy formulation. The second stage involves the actual negotiation and involves negotiators using various strategies and tactics to influence their counterparts. The negotiation proceeds to the final stage when parties have agreed on most of the issues and are to agree on contract language and format and signing the contract.
The outcome is the culmination of the negotiation process (Faure and Sjöstedt, 1993). It could be either an agreement or a negotiation break down (Ghauri, 2003a). In business negotiations, the agreement is normally a contract. When negotiating parties reach an agreement, they summarise discussions of concessions and put them into the contract in order to avoid misunderstandings and trouble at the implementation stage. It is, therefore, crucial to confirm that the negotiating parties thoroughly understand what they have agreed upon before ending the negotiation (Faure and Sjöstedt, 1993). The language and terminology used in the contract must be comprehensible and clear so that both parties can refer to it when problems arise (Rudd and Lawson, 2007).

2.2 Culture and International Business Negotiations

Although some researchers have sceptical views regarding the influence of culture on international business negotiations (e.g. Zartman, 1993), there is much empirical support for the view that cultural differences exert profound impact on business negotiations (Graham et al, 1994; Leung, 1997; Brett and Okumura, 1998; Bazerman et al, 2000; Adair et al, 2001; Adler, 2002; Adair and Brett, 2005; Ma and Jaeger, 2010). Those practitioners who actually participate in international business negotiations, such as Foster (1995), Cohen (1997), Martin and Herbig (1999), Schuster and Copeland (1999) and Graham and Lam (2007) also support this claim. Both researchers and practitioners emphasise that, when negotiating internationally, one needs cultural knowledge and skills in order to conduct successful negotiations. This section introduces the construct of culture for international business negotiations.

2.2.1 The Notion of Culture

The exploration of the concept of culture has been a long and on-going process, and no single unified definition of culture has been agreed on so far. In their book Culture: A critical review of concepts and definitions, Kroeber and Kluckhohn (1963) collected over 160 different definitions of culture. Some scholars emphasise that culture is adopted to describe groups.
The anthropologist Coutu (cited in Kroeber and Kluckhohn, 1963: 119), for example, suggests that, “culture is to a population aggregate what personality is to the individual; and the ethos is the core of most probable behaviours”. Hofstede (1980, 1991, 2001) describes culture as the collective programming of the mind that distinguishes the members of one society from another. Salacuse (1999: 218) also notes that culture is “the socially transmitted behaviour patterns, norms, beliefs and values of a given community”.

Other definitions concentrate on the features of culture. The Swedish writer Selma Lagerlöf defines culture as “what remains when that which has been learned is entirely forgotten” (cited in Usunier, 2003a: 99). This definition offers two important features of culture, that is, culture is learned and forgotten. “Learned” emphasises that children learn and adopt collective behaviours at an early age, whereas “forgotten” indicates that culture is mostly unconsciously embedded in individual and collective behaviour. By learning and forgetting about it, culture permeates individuals, linking them to the collective whole through unconscious thoughts and actions. It is via this collective unconscious process that individuals share and transmit aspects of the group’s culture to other group members. Faure and Rubin (1993: 3), on the other hand, explicit culture as “a set of shared and enduring meanings, values and beliefs that characterise national, ethnic, or other groups and orient their behaviour”. Similarly, Goodenough (1971) considers culture as a set of belief or standards that help individuals of a group to help decide what is, what can be, how one feels about it, what to do and how to go about doing it. These definitions offer another feature of culture, that is, culture helps people interpret their surroundings and guide their interactions with others.

Salacuse (1999) considers that there are four elements of culture: behaviours, attitudes, norms, and values. The scholar compares these four elements to the layers of an onion, with behaviours as the outer most layer of the onion and values as the inner most layer—the core—of the onion. According to the author, the outer layers of culture, i.e. behaviours, attitudes and norms, are determined by values, which are the most fundamental component of culture and are the reasons one culture differs from another.
2.2.2 The Levels of Culture

The diverse definitions illustrate the richness and multi-level nature of culture. Previous scholars suggest that culture operates at different levels, which include national, regional, and organisational culture.

National Culture

National culture, as the name implies, is the culture of a country. Hofstede (1980) suggests that each country has one national culture, and this national culture is the component of one’s mental programming which he shares with his compatriots, as opposed to citizens of other countries.

One of the earliest researches on national cultural differences was conducted by Hall (1979), who suggests that cultures can vary from high to low context in terms of how contextual information is viewed and interpreted. In high-context cultures, people emphasise the physical context in the person rather than the coded, explicit, transmitted part of the message (Hall, 1979). Reading between lines is a common practice. In low-context cultures, people directly and tend to ignore the context of the interaction. Reading between lines is not typically practiced. Hall (1983) also categorises cultures into mono-chronic time-oriented (M-Time) and poly-chronic time-oriented (P-Time) cultures. Mono-chronic cultures relate to time in a linear fashion. Individuals from these cultures tend to do one thing at a time and are more task-oriented. Interpersonal relations are viewed as subordinate to time schedule, and work time is clearly separated from personal time in these cultures. In contrast, poly-chronic cultures do not perceive time to be as important in directing their activities as mono-chronic cultures. Individuals from these cultures tend to handle multiple tasks at one time. They consider interpersonal relations as superior to present schedule. Work time and personal time are not clearly separated.

The differences between national cultures have been measured in international comparative
research projects. Such projects use samples of people from different countries as respondents on value questions. These projects include Hofstede’s Cultural Dimensions (1980, 1991, 2000), Trompenaars’ Cultural Dichotomies (Trompenaars and Hampden-Turner, 1993, 1997), and the GLOBE study (House et al., 2004).

Hofstede examined data on values that had been gathered from over 100,000 IBM employees from around the world. Statistical analysis of this data suggests that four dimensions could be used to describe the important differences among the cultures in the study. Hofstede defines these four dimensions as follows (Hofstede and Usunier, 2003: 140-141). Power Distance (PDI) is “the extent to which the less powerful members of institutions and organisations accept that power is distributed unequally”. Uncertainty Avoidance (UAI) describes “the extent to which a culture programs its members to feel either uncomfortable or comfortable in unstructured situations”. Individualism/Collectivism (IDV) describes “the degree to which the individuals are integrated into groups”. Last but not least, Masculinity/Femininity (MAS) refers to the extent to which different cultures hold values that are traditionally perceived as masculine (“assertiveness, the acquisition of money and things, and not caring for others, the quality of life, or people”) or feminine (“concern for relationships, nurturing, and quality of life”). Hofstede, with Bond (1988), subsequently added a fifth dimension, which they called Long-term vs. short-term orientation (LTO). The new dimension was found in the answers of student samples from 23 countries around 1985 to the Chinese Value Survey, an instrument developed in Hong Kong from values suggested by Chinese scholars. Values associated with long-term orientation are thrift, perseverance, and ordering relationships by status; values associated with short-term orientation are respect for tradition, fulfilling social obligations, and protecting one’s “face”.

Looking at Hall’s and Hofstede’s works results in some similarities to Trompenaars’ work. Trompenaars, with Hampden-Turner, defines Neutral/Affective (high/low context) and Sequence/Synchronisation (Monochronic/Polychronic) as two of their seven cultural dimensions. Among the other five dimensions, Achievement/Ascription resembles PDI, Individualism/Communitarianism is similar to IDV, and Universalism/Particularism relates
to UAI. The remaining two dimensions deal with the level and depth of involvement in relationships (*Specific/Diffuse*) and the level of internal or external control a culture perceives itself as having over the environment (*Inner-directed/Outer-directed*).

Last but not least, the GLOBE study (House *et al.* 2004) collected data from more than 17,000 middle managers in 951 organisations across three industries. It distinguishes nine cultural dimensions encompassing both actual society practices (“As Is”) and values (“Should Be”) in different cultural settings. The results of the GLOBE study share many similarities with Hofstede’s work, although some researchers emphasise the differences between these two models (e.g. Venaik, Zhu, and Brewer, 2013). Among these nine dimensions, three of them, *Power Distance*, *Uncertainty Avoidance*, and *Future orientation* (*LTO* in Hofstede’s work) overlap with Hofstede’s dimensions. Two dimensions in GLOBE, *Gender Egalitarianism* and *Assertiveness*, represent Hofstede’s *MAS* dimension. Similarly, Hofstede’s *IDV* dimension is represented by *Institutional Collectivism* and *In-Group Collectivism* in the GLOBE. Two additional dimensions, *Performance Orientation* and *Humane Orientation*, are included in GLOBE, but not in Hofstede. According to House *et al.* (2004), *Performance Orientation* is the degree to which individuals are rewarded for performance improvements, whereas *Humane Orientation* refers to the degree to which individuals are rewarded for being fair, altruistic, friendly, and kind.

**Regional Culture**

In addition to the above *inter*-national cross-cultural studies, scholars have conducted research focusing on the *intra*-national or regional studies within nations. These studies focus on large and geographically diverse countries such as the U.S. (Peppas, 2001, 2002; Chan, Makino, and Isobe, 2010; Macnab, Worthley, and Jenner, 2010; Bertsch, 2013), China (Ralston *et al.*, 1996; Chan, Makino, and Isobe, 2010; Cho, Jin, and Cho, 2010; Kwon, 2012; Li *et al.*, 2013), Nigeria (Azolukwam and Perkins, 2009) and Canada (Kanungo and Bhatnagar; 1978).

The within-country studies suggest that those studied countries are not culturally homogeneous but contain many regional subcultural differences. These differences have
direct impact on issues such as work values, foreign affiliate performance, consumer behaviours, marketing strategy, and leadership effectiveness between regions. Kanungo and Bhatnagar’s (1978) study, for example, reveals significant differences in achievement orientation and work values between Anglophones (English-speaking Canadians) and Francophones (French-speaking Canadians). Peppas (2001, 2002), who has empirically tested the core cultural values in the U.S., discovers that significant differences exist between African Americans and Euro Americans. Littrell, Alon, and Chan (2010) found similarities and differences in preferred managerial leader behaviours as an effect of geographic regions inside China. Another example is Azolukwam and Perkins (2009), who reveal that sub-cultural differences continue to produce value diversity amongst developing and fully industrialised regions in Nigeria.

Although some researchers have found value differences between regions with the help of established frameworks (e.g. Hofstede’s Cultural Dimensions), Ralston et al. (1996) argue that these frameworks are not sufficient to address the uniqueness of a within-country study. These authors proposed to use a materialistic approach to study regional differences. This approach, established by Harris (1979), suggests that a culture consists of three components: an ideological superstructure, a social structure, and material infrastructure. Values, attitudes, and norms that are shared by the members of a society make up the superstructure of that society, while the social structure is composed of the behavioural patterns and activities of the people. Both the superstructure and the social structure are determined by the infrastructure, which is the most basic component of a society (Harris, 1979). Thus, in order to study regional differences with a nation, one needs to identify the infrastructure differences between regions. Ralston et al. (1996) identified five infrastructure factors for comparing differences between regions in China. These factors include historic precedents, geographic location, economic development, educational level, and technological sophistication.

Similarly, Bertsch (2013) proposed to study regional differences in the U.S. using cultural predictors, which include population and population density, wealth, climate and latitude, along with religion and social programmes. Although some factors, such as geography and
wealth, are consistent in both Ralston et al. and Bertsch’s frameworks, other factors seem to be country-specific. For example, Kwon (2012) suggests that religious activities in China are largely regulated by the Chinese government. Thus, religion is unlikely to have an impact on regional cultural differences within China as they do in the U.S.

The issue of exploring regional subcultural differences within nations, although critical, has received little attention in the literature of international business. Scholars, such as Leung et al. (2005), Tung (2007) and Bertsch (2013), thus call for the need to conduct more intra-cultural studies in order to truly understand cross-cultural phenomena. As the focus of this study, this gap in the literature will be addressed in more detail later.

Organisational Culture

Organisational culture is a frequently studied construct in business and management research. Organisational culture is defined as “the pattern of shared values and beliefs that help individuals understand organisational functioning and thus provide them with the norms for behaviours in the organisation” (Deshpande and Webster, 1989: 4). Each organisation has its own unique culture as a result of its history (Detert, Schroeder and Mauriel, 2000) and its members (Trice and Beyer, 1993). It affects the development of its employees’ values and attitudes regarding business, as well as the strategic development and operation of the business itself. Organisational culture has been studied in relation to issues, such as organisational performance (Rashid, Sambasivan, and Johari, 2003), creativity and innovation (Martins and Terblanche, 2003), know-sharing (Suppiah and Sandhu, 2011), job satisfaction (Lund, 2003), and supply chain performance (Cadden, Marshall, and Cao, 2013).

Similar to national cultural dimension approach, researchers have defined the dimensions of organisational culture. For example, Hofstede et al. (1991) specified dimensions of organisational culture as process/results, employee/job oriented, parochial/professional, open systems/closed system, loose/tight control and normative/pragmatic. Cunha and Cooper (2002) identified four dimensions of organisational culture, which include organisational orientation, performance orientation, people orientation and market orientation. Similar attempts have
been made by other researchers such as Reynolds (1986) and MacIntosh and Doherty (2010). A criticism regarding these models is that they are context specific and cannot be applied to different organisations (Khan et al., 2010).

2.2.3 Culture and International Business

In order to achieve the organisational goal to conquer and to preserve markets in the global context, firms’ international operations are directly influenced by culture and its daily manifestations. Páromo (2009) suggests that culture has an impact on at least six aspects of international business: consumer behaviour, marketing mix, strategic positioning, subsidiaries and branches, workforce, and negotiation styles.

**Consumer behaviour**: Culture has been used to understand consumers’ behaviours and their consumption choices in different countries (Páromo, 2009). As Lukosius (2004) suggests, culture and consumer behaviour are intimately knotted together and “untying the rope” is almost an impossible task. Zhu, Quan, and Kuang (2006), for example, study the influence of Sino-Western cultural differences on IT product consumption. The results show that group-oriented Chinese consumers tend to follow their friends and purchase similar IT products, while American consumers are not afraid to be “myself”. Seock and Lin (2011) show that cultural differences also exist in deciding retail stores, as they demonstrate that U.S. consumers consider customer care, service delivery, and convenience as the most important factors, whereas Taiwanese tend to shop in friends-suggested shops. Efforts have also been made to study the impact of regional subcultures on consumer behaviours in different regions of a country, such as China (Cui and Liu, 2000; Wei et al., 2013).

**Marketing mix**: As consumers’ behaviours differ across cultures, marketing mix needs to be implemented in response to those differences (Lukosius, 2004). In a general view, Cojocaru (2010) shows how cultural environments could influence product, distribution, pricing, and promotional activities in international marketing activities. Other scholars focus on studying one specific subject, including product standardisation and adaptation across cultures (Poulis
and Poulis, 2013), differences in pricing strategies in different countries (Lee and Van, 2009), and consumer’s response to promotions in different markets (Huff and Alden, 1998).

**Strategic positioning.** Along with the adaptation in marketing mix, companies also need to make their strategic positioning decisions with careful consideration of the prevailing cultural patterns of each foreign market. Standardisation is not feasible, as it is limited by the influence of culture (Páromo, 2009). Research in this field includes studies such as strategic positioning of human resource management (Thite, 2004), organisational effectiveness (Roth and O’Donnell, 1996), and strategic planning and leadership (Vera and Crossan, 2004).

**Subsidiaries and branches.** Given that the reason to conduct international business activities is to achieve organisational goals and sustain growth in a long term, firms also need to create and support subsidiaries and branches in the international area. It requires multinational companies to explore the forms of organisation in each culture and the impact of national cultural values on these organisation forms.

**Workforce.** Along with establishing new subsidiaries and branches, how to manage the workforce in different countries is also an issue for firms. These two aspects of the business concern the relationship between culture and organisational culture (Naor, Linderman, and Schroeder, 2010), mergers and acquisitions (Cartwright and Schoenberg, 2006), international operations and sustainable development (Vachon, 2010), and international human resource management (Marks and Mirvis, 2011; Dartey-Baah, 2013).

**Negotiation styles.** As a result of establishing business ties with people of different cultural backgrounds, it is crucial to understand the negotiation styles of other cultures (Páromo, 2009). Negotiating across cultures is a difficult task, as different cultural values and traditions can hinder negotiation processes (Volkema, 2012). It is also a crucial part of international business because it affects the survival and growth of international firms (Reynolds, Simintiras, and Vlachou, 2003). As the focus of this study, the following sections are devoted to explaining the relationship between culture and international business negotiations, as well
as presenting the frameworks that have been developed to study cross-cultural negotiations.

### 2.2.4 Culture and Its Relationship with International Business Negotiations

Regarding the link between culture and negotiation, D’Andrade (1987) considers a cultural model as “a cognitive schema which is inter-subjectively shared by a social group”, and “this cognitive schema of a negotiation situation includes an initial price, a series of offers and counter offers, and possibly an agreement” (cited in Ott, 2011: 428). This observation for international negotiation theory suggests that the negotiation process is embedded in deep-rooted cultural patterns (Ott, 2011). Hofstede and Usunier (2003a: 137) also state that “national cultural programming leads to patterns of thinking, feeling and acting that may differ from one party in an international negotiation to another”. Salacuse (1999: 217) furthers this view and states, explicitly, that “culture profoundly influences how people think, communicate and behave, and it also affects the kinds of deals they make and the way they make them”. Besides, culture also shapes a negotiator’s basic concept of the negotiation process, expectations concerning aspects of interaction with his counterpart, and their actual behaviour (Weiss and Stripp, 1985).

As Salacuse (1999) and Weiss and Stripp (1985) suggest, culture influences negotiations in many ways. For example, culture can create misunderstanding in communication. Based on Hall’s (1979) high/low context of culture, a high-context negotiator might say “it’s difficult”, an indirect way of communication, instead of “no”, a direct way of communication, to reject his counterpart’s proposal. Yet this rejection might be misunderstood by his low-context counterpart, who might interpret “it’s difficult” as “it’s difficult but not impossible” and therefore continue to negotiate on the basis of this proposal. Culture also influences conflict resolution and decision-making processes in negotiations. Using Hofstede’s (1980, 1991, 2000) Power Distance dimension, Leung (1998: 650-653) shows that, in low power distance countries, subordinates will have a stronger tendency to resolve disputes on their own than in high power distance societies. Meanwhile, Hofstede and Usunier (2003) expect that larger power distance will lead to a more centralised control and decision-making situation, in
which subordinates have to frequently consult their superiors before making the call. When it comes to planning, Cai (1998) demonstrates that negotiators from a more collectivist culture spend more time planning for long-term goals, while negotiators from a more individualistic culture spend more time planning for short-term goals. These cultural differences could create distrust, misunderstandings, and unpleasant feelings that hinder international negotiations. As Usunier (2003: 97-98) distinctly points out, “negotiation is not only based on legal and business matters…but also on the quality of human and social relations”. The study of culture and its influence on negotiations is, therefore, of the utmost importance in an international encounter.

2.2.5 Cross-Cultural Frameworks of International Business Negotiations

Previous researchers have developed many frameworks to study culture’s effects on international business negotiations. According to Weiss (2007), these frameworks are developed on the basis of two paradigms, namely, “macro-strategic” and “micro-behavioural”. The first paradigm concentrates on how cultural differences, external or environmental differences, as well as internal or organisation related factors, affect the outcomes of international business negotiations (e.g. Tung, 1988; Phatak and Habib, 1996; Luo, 1999). The second paradigm, on the other hand, focuses solely on the role of culture and its effects on international business negotiations. Since this research seeks to study the Chinese culture and its effects on the Chinese negotiation style, this section will focus on the discussion of the “micro-behavioural”, or cross-cultural, frameworks and respective empirical studies.

By drawing upon the different theoretical pillars of negotiation research and the components of negotiations, scholars have proposed several cross-cultural frameworks in the literature of international business negotiations. The works of decision-analytical, behavioural and game theoretical frameworks are rare in international business negotiations. Their insights, however, are important, and they contribute to the international business frameworks below. A recent application of these three pillars to international business negotiations was made by Ott (2011), for example. She developed an intercultural bargaining framework with which to
provide prescriptions on cooperation and conflict in intercultural negotiations. Considering that Ott’s work follows a game theoretical approach, a rational assumption for this thesis would lead into a formal analysis, which is not intended. This section concentrates solely on those frameworks which place emphasis on the negotiation-analytical approach, such as Sawyer and Guetzkow (1965), Graham (1987), Weiss and Stripp (1985, 1998), Salacuse (1991, 1999), Foster (1992), and Ghauri (2003a).

Sawyer and Guetzkow (1965) developed the earliest model, the social-psychological model of international negotiations, in the field. Following this, other scholars have extensively applied this model to the study of international business negotiations. This model includes two antecedent factors, participants’ “background” and “goals”; two concurrent factors, negotiation “process” and “conditions”; and one consequent factor, negotiation “outcome”. Importantly, the authors conceptualised the relationships of these five constructs. They are of the opinion that negotiation “background” affects “goals” and “conditions”, “goals” and “conditions” affect “process”, and “process” affects “outcome”. On the other hand, Graham (1987) conceptualised four categories of constructs in international business negotiations. These constructs include 1) negotiators characteristics, such as culture; 2) situational characteristics, such as the role of the negotiator (buyer/seller); 3) processes, such as information exchange; and 4) outcomes, such as profits. In his framework, the negotiator characteristics and the situational characteristics are the antecedent factors, which influence “process”, the concurrent factor, and in turn “process” affects “outcome”, the consequent factor. Graham and his colleagues have applied this model to a substantial body of research and tested the links between the four constructs (Graham, 1983, 1985, 1993, 2002; Graham et al., 1988; Graham, Evenko, and Rajan, 1992; Graham, Mintu and Rodgers, 1994; Alder, Graham and Schwartz-Gerkhe, 1987; Alder, Brahm and Graham, 1992; Campbell et al., 1988).

Graham’s (1987) model shares many similarities with the Sawyer and Guetzkow (1965) model. The antecedent factors in Graham’s model relate to the “background” in Sawyer and Guetzkow’s model while the concurrent and consequent factors are the same in the two
models. These two frameworks have covered the essential factors and their interrelationships in international business negotiations, although the authors termed them differently. Importantly, these two models have established the relationships of the negotiation components in international business negotiations. The following figure shows these relationships.

Figure 2.2 Relationships between Negotiation Components in International Business Negotiations

![Diagram showing relationships between Culture, Actors, Process, and Outcome]

The “culture” here is the “background” factor and refers specifically to the cultural background of a negotiator. In terms of the “structure” factor, since the “micro-behavioural” frameworks exclude the discussion of the other external structural factors in international business negotiations, “structure” is replaced by “culture” in this study. Meanwhile, the “actors” construct includes a “strategy” component because it is actors who employ strategies in negotiations.

While the previous models focus on the relationships between the constructs of international business negotiations, Weiss and Stripp (1985) propose an analytical framework which addresses the implication of cultural differences in negotiation variables. This model breaks down negotiation into twelve behavioural variables which can influence the success or failure of negotiations across cultures. The authors classify these twelve variables into five categories: 1) general model of the negotiation process; 2) role of the individual; 3) interaction disposition; 4) interaction process; and 5) outcome. Two variables fall into the “general model” category, including basic concept of the negotiation process and the most significant type of issue. The second group of “role of the individual” consists of three dimensions: selection of negotiators, individual’s aspirations, and decision making in groups. The “interaction disposition” includes three variables, namely, orientation toward time, risk-taking propensity, and basis of trust. The “interaction process” contains concern with
protocol, communication complexity, and nature of persuasion. Finally, the “outcome” concerns the form of satisfactory agreement. In their subsequent work, Weiss and Stripp (1998) reformulated this model, making the relationship culture→actors→process→outcome explicit.

The Weiss and Stripp framework influenced several subsequent conceptual developments in the field. These include the works of Salacuse (1991, 1999) and Foster (1992). Salacuse (1991) identifies a set of ten factors which relate to the negotiation process on which the negotiating styles varied across cultures. In his subsequent work, the author empirically examined these ten factors in twelve countries (Salacuse, 1999). The participants’ cultural responses consist of a self-assessment of their negotiation styles and approaches in relation to each of the ten factors along a 5-point bipolar scale. These ten factors and their bipolar labels (1-5) include: 1) Goal: Contract or Relationship; 2) Attitude: Win/Win or Win/Lose; 3) Personal Style: Informal or Formal; 4) Communications: Direct or Indirect; 5) Time Sensitivity: High or Low; 6) Emotionalism: High or Low; 7) Agreement Form: Specific or General; 8) Agreement Building: Bottom Up or Top Down; 9) Team Organisation: One Leader or Consensus; and 10) Risk-taking: High or Low. On the other hand, Foster (1992) studied the cultural influences in international business negotiation styles referring to Hōstede’s (1980, 1991, 2001) four cultural dimensions. In his framework, Foster (1992) identifies nine factors of international negotiation styles. The author adopted most of these factors from Weiss and Stripp (1985). These factors include: 1) the basic concept of the negotiation; 2) the selection of the negotiators; 3) the importance of protocol; 4) the type of communication; 5) the value of time; 6) the propensity to take risk; 7) groups versus individual orientation; 8) decision-making systems; and 9) the nature of agreements. A similar drawback of the Salacuse and the Foster models is that both authors failed to provide further explanations in terms of the interrelationships between these factors.

There are many similarities between the three frameworks. Table 2.1 shows the overlaps. According to the table, five factors are quite consistent across the three frameworks. They are time, agreement form, team organisation, risk-taking propensity, and protocol. The remaining
factors are more or less the same, depending on the classification of negotiation issues. The first two factors in Weiss and Stripp and Salacuse are the same, although Foster put them into one group, labelling this group “basic concept of negotiation”. The two factors “emotionalism” and “agreement building” in the Salacuse framework cover issues which are combined in the dimension of “nature of persuasion” in the Weiss and Stripp framework. Foster, on the other hand, used “the type of communication” to include all of these issues. In addition, Salacuse failed to integrate two dimensions, “selection of negotiators” and “individual versus group”, into his model, whereas the other authors consider them as indispensable.

Table 2.1 Comparison between Weiss and Stripp, Salacuse, and Foster

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<td>Basic concept of negotiation</td>
<td>Attitude</td>
<td>The value of time</td>
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<td>Orientation toward time</td>
<td>Time sensitivity</td>
<td>The nature of agreements</td>
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<td>Form of agreement</td>
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<td>Decision-making systems</td>
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<td>Internal decision-making process</td>
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<td>Risk-taking propensity</td>
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<td>The propensity to take risk</td>
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<td>Concern with protocol</td>
<td>Personal Style</td>
<td>The importance of protocol</td>
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<td>Nature of persuasion</td>
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Based on the earlier work of Ghauri and his colleagues (Ghauri, 1996; Cavusgil and Ghauri, 1990), Ghauri (2003a) proposed a conceptual model of international business negotiations. In his model, Ghauri considers international business negotiations as comprising three groups of variables: background factors, atmosphere, and process. The “background factors” include objectives, environment, third parties, and negotiators while the “atmosphere” includes conflict/cooperation, power/dependence, and expectations. The “process”, according to
Ghauri (2003a), consists of three dimensions. In addition to the three stages of negotiation (pre, during, and post), this construct also includes a cultural dimension (time, individualism versus collectivism, patterns of communication, and emphasis on personal relations), and a strategic dimension (presentation, strategy, decision making, and need for an agent). Ghauri (2003a) conceptualised these two dimensions to be present in each of the three negotiation stages. The relationships between these three constructs include the effects of “background factors” on “atmosphere”, and the effects of “background factors” and “atmosphere” on “process”. In addition, “process” may in turn influence “background factors” because, as Ghauri (2003a: 5) claims, “the negotiation process is inherently dynamic”. Although the author classifies negotiation factors into different constructs, this framework emphasises that culture has a strong influence on actors, process and outcome in international business negotiations. Since this study concentrates on culture’s influence on negotiation, the “process” and the “cultural factors” are more relevant to this study than the other constructs.

2.3 Sino-Western Negotiations and the Chinese Negotiation Style

Since the early 1980s, a substantial body of research has been gradually developed in the literature. This research deals with the international business negotiations between the Westerners2 and the Chinese. This research can be categorised into five distinctive groups:

2. Case studies which are considered to be highly typical (Webber, 1989; Hakam and Chan, 1990; Shapiro et al., 1991; Chen and Faure, 1995; Blackman, 1997; Zhu, McKenna and Sun, 2007; Kumar and Worm, 2011);
3. Studies focusing on more cognitive aspects that introduce basic characteristics of

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2Westerners here refer to businessmen from North America, Western Europe, Australia and New Zealand.
Chinese negotiators as they can be deduced from field observations (Moran and Stripp, 1991; Faure, 1995; Woo and Prud’homme, 1999; Shi and Westwood, 2000; Graham and Lam, 2003; Ma and Jaeger, 2005; Fang, Worm, and Tung, 2008);

4. Analytical descriptions of techniques and stratagems most frequently used by Chinese negotiators (Pye, 1982, 1986, 1992; Stewart and Keown, 1989; Adler, Brahm, and Graham, 1992; Faure, 1998; Zhao, 2000; Ghauri and Fang, 2001); and

5. Developments on particular aspects of negotiations with the Chinese, such as face concerns, importance of relationship and trust, and management of time (Kirkbride and Tang, 1980; Frankenstein, 1986; Tse, Francis, and Walls, 1994; Chen and Faure, 1995; Li and Labig, 2001).

At the centre of these directions of research is the notion that the Chinese negotiation style is hugely different from those in the West (Pye, 1982; Frankenstein, 1986; Ghauri and Fang, 2001). What is the Chinese negotiation style? This question has attracted much attention in academia. Research suggests that an understanding of the Chinese culture is critical to the study of the Chinese negotiation style and that a lack of understanding when it comes to the Chinese culture is the reason many Western negotiators find it difficult to negotiate with the Chinese (Kirkbride and Tang, 1980; Tung, 1982, 1989; Woo and Prud’homme, 1999). Drawing upon the research and knowledge of international business negotiations and culture, this part of the chapter seeks to establish exactly what the Chinese negotiation style is. Before that, it is essential to understand what the Chinese culture is and how it influences Sino-Western negotiations.

2.3.1 The Chinese Culture

In the literature of business and management, scholars have adopted either an emic or an etic approach, or both, to understand the culture and its implications on different management issues. According to Triandis (1994), etic approaches to research are studies conducted cross-culturally in order to extract common elements. The works of Hall (1979, 1983), Hofstede (1980, 1991, 2000), Trompenaars and Hampden-Turner (1997), and the GLOBE
study (House et al. 2004) are all prime examples of an etic approach to cross-cultural research. This approach has the advantage of making broader and culturally sweeping conclusions that are beyond the scope of only one culture or identified nation. *Emic* approaches to research, on the other hand, are studies conducted within a cultural system and they represent only that culture. This approach is particularly useful for identifying the values that are specific to the culture of focus. As such, both aspects are used to introduce the Chinese culture for the purpose of this study.

2.3.1.1 The Etic Aspects of the Chinese Culture

Hall (1976) places the American culture at the low-context end of the scale, whereas the Chinese culture is on the high-context end. This feature of the Chinese culture suggests that, the Chinese would be more indirect in expressing their needs, preferences, or priorities and sharing information than the Americans, who prefer outward, explicit expressions (Lin and Miller, 2003). Gao, Ting-Toomey, and Gudykunst (1996) argue that, in the Chinese culture, the primary purpose of communication is to maintain harmonious relationships among individuals and to reinforce role and status differences. For this purpose, the Chinese culture emphasise implicit communication. Thus, previous research finds that the Chinese tend to avoid conflicts (Darling, Keefe, and Olney, 2005), have difficulty in initiating negotiations (Volkema, 2012), and are comfortable with long silence and nonverbal communication (Gesteland, 2002).

On the other hand, Gesteland (2002) and Volkema (2012) consider China as having a poly-chronic time orientation. This characteristic of the Chinese culture suggests that the Chinese do not perceive time to be as important in directing their activities as people in mono-chronic cultures do. People and relationships are prioritised over business issues, and activities occur in their own pace rather according to predetermined schedules. This dimension is linked to Hofstede’s IDV and LTO dimensions.

In terms of Hofstede’s Cultural Dimensions, the following table compares the scores of China
As the table indicates, China shares a similar score with the other three countries on the MAS dimension, indicating medium-high masculinity in the Chinese society (Hofstede, 2001; Volkema, 2012). This score suggests that work, self-achievement and assertiveness are emphasised in the Chinese culture. Apart from the MAS dimension, the table shows that the Chinese culture differentiates from the three Western cultures in the other four dimensions. China is significantly higher on PDI and LTO (i.e. low on short-term orientation) and is significantly lower on IDV (i.e. high on Collectivism) and considerably lower on UAI. Shi and Wang’s (2011) study on cultural distance between China and the U.S. across Hofstede’s model and the GLOBE study yield consistent results.

First, China has a particularly high score on PDI (Hofstede, 2001; Shi and Wang, 2011). The score suggests that the Chinese are “comfortable with hierarchical structure, clear lines of authority and the right to use power with discretion” (Volkema, 2012: 628). Status is respected in the country, and all of the important decisions will have to be finalised by the leader (Fan and Zhang, 2004). This high PDI has been shown to influence a formalised top down approach in knowledge-sharing in Chinese organisations (McAdam, Moffet, and Peng, 2012), a heavy reliance on supervisors’ support to carry out decision-making among Chinese frontline employees (Humborstad et al., 2008), and an emphasis on work values of status and power among Chinese employees (Jaw et al., 2007). These findings support that China
differentiates from the Western countries, where personal equality is valued and decision-making is decentralised (Hofstede, 2001; Jaw et al., 2007).

The high LTO score suggests that the Chinese society places emphasis on long-term values, such as perseverance and thrift. Unlike low LTO countries that emphasise the present and quick results, the Chinese tend to look into the future and have a long-term view on the task at hand. Owing to the influence of LTO, Chinese employees tend to stress stability and securities, work values that are typically associated with long-term orientation, at their workplace (Jaw et al., 2007). Alon and McLntyre (2008) also acknowledge that a long-term success is the driving force in the increasing internationalisation of Chinese firms. Wang (2012), however, observes that at present Chinese businessmen are unwilling to make long-term investment and the business behaviours are more short-term oriented due to the current rule-ridden situation. Similar observation also comes from Faure and Fang (2008), who suggest that the high speed of changes in the society and globalisation have made the people, especially those living in the urban regions, more short-term oriented than they used to be. Leung (2008), therefore, suggests that interpreting the Chinese LTO should be done with caution.

On the other hand, the low IDV score means that China has a collectivistic culture that embodies social unity and cohesion (Shi and Wang, 2011). The Chinese emphasise group goals and interests, and strive to maintain relational harmony (Gesteland, 2002). Relationships are the priority, as opposed to the task-oriented high IDV cultures (Zhu, McKenna and Sun, 2007). Fan and Zhang (2004) reveal that, in business transactions, the Chinese place less importance on contractual safeguards than the Americans. They tend to pay more attention to group harmony and relationship, although this situation has started to change (Jin, Yu, and Kang, 2013). Similarly, Wang (2012) stresses the importance of relationship, stating the indispensable nature and values of relationship for entrepreneurs in China. Owing to the rapid economic development and the influence from the West, some scholars have suggested a shift from collectivism to individualism in the Chinese culture (Meyer and Shen, 2008; Steele and Lynch, 2013). While admitting that the Chinese are
increasingly prioritising individualist factors, Faure and Fang (2008) argue that the influence of group and society still retains its dominating influence in the country.

Lastly, China also has a relatively low UAI score in comparison to the other three countries. It means that the Chinese culture has a risk-averse characteristic (Hofstede, 2001). The Chinese are generally unwilling to take risk, especially if the risk involves new and unknown endeavours (Fan and Zhang, 2004). They are afraid of unstructured situations and tend to prefer clearly defined procedures and use established methods and routines (McAdam, Moffett, and Peng, 2012). This is different from the situation in high UAI cultures, where ambiguous situations are tolerated and rules are less important. Entrepreneurial activities, which typically involve a high level of risk-taking, are found to be more favourable in the U.S (73%) than in China (40%) (Flash Eurobarometer, 2009).

2.3.1.2 The Emic Aspects of the Chinese Culture

The forming and developing of a culture is a complicated and extended process with many forces acting upon, such as historical forces, political construction and geographical situation. Three ideological forces, Confucianism, Taoism, and Buddhism, are particularly important in shaping the Chinese culture. Based on the understanding of these three ideological forces, previous researchers have identified many Chinese values. These values are central to the study of Chinese business and management practice in general (Redding, 1980, 1990; Osland, 1990; Shenkar, 1991; Chen 1995; Fan, 1995; Fan, 2000; Fang, 2005; Qian, Razzaque, and Keng, 2007; Jin, Yu, and Kang, 2013), as well as the Chinese way of negotiating (Frankenstein, 1986; Chen and Faure, 1995; Woo and Prud’homme, 1999; Shi and Westwood, 2000; Ghauri and Fang, 2001; Shi, 2001; Graham and Lam, 2003; Kumar and Worm, 2011). These frameworks share many similarities in terms of the values they identify, although different scholars term and categorise these values differently. This section focuses on the core values that have been frequently discussed in the above frameworks.
**Social Harmony**

Social Harmony is a core value of the Chinese culture (Shi and Westwood, 2000; Graham and Lam, 2003). This cultural trait derives from the Confucian legacy, the Taoist harmonious relationship with nature, as well as the Buddhist value of self-control. Earley (1997) refers harmony as the nature of interpersonal interactions and actions engaged by social actors, combined with a system of social regulation in which social actors behave intentionally to achieve a balance. It describes an idea of “harmony with the environment” rather than “mastery-over” prescribed in the Western culture (Shi and Westwood, 2000: 191). It entails a mindset which focuses on holistic, multi-causal, concrete, synthetic and which is highly sensitive to context (Redding, 1980, 1991; Shi and Westwood, 2000). It is against the abstractive, linear, uni-causal, and analytic mindset in the West (Leung, 1992; Fan, 1995).

**Relationship Orientation**

Relationship orientation is a critical element, as the culture is profoundly relational (Fan, 1995; Shi Wood, 2001). As Osland (1990: 7) states that, “Chinese cultural values are largely formed and created from interpersonal relationships and social orientations”. This value links to the collectivist aspect of the Chinese culture (Hofstede and Bond, 1988; Hofstede, 1991, 2001; Fan, 1995). Relationship Orientation reflects the Confucian concept of Ren, which suggests that individuals’ claims to humanity and personhood are contingent on a demonstrated proper awareness of and engagement with the others (Shi and Westwood, 2000). Relationship orientation relates to the Confucian concepts of Li and Yi as group interests serve as the ethical standard for behaviours. Benefits are first shared with and distributed amongst in-group members. Trust and loyalty rather than adversarial actions smooth relationships between group members (Shi and Westwood, 2000).

**Guanxi and Reciprocity**

Guanxi is probably the most frequently studied value of the Chinese culture (Luo, 2000). The term guanxi can be translated as personal connections or personal relationship. However, these translations cannot justify the complexity of this concept. Alston (1989) classes guanxi as a special relationship which two persons have with each other while Gold (1985) regards it
as a *power relationship* in which one’s control over a valued good or access gives him power over others. Pye (1982), on the other hand, sees guanxi as a friendship with implications of continued exchange of favours. Although these authors define *guanxi* differently, they agree that *guanxi* is a special form of relationship characterised by an implicit rule of reciprocity (Hwang, 1987; Chang and Holt, 1991; Chen, 1994). As stated by Chen (1994), *guanxi* has its roots back in the ancient Chinese social customs in which reciprocity and other modes of social exchange build up and reinforce interpersonal relationships throughout the society. Thus, reciprocity is at the core of the Chinese art of managing *guanxi* (Faure and Fang, 2008). The basis of the reciprocity is qinqing (affection to the loved ones), ganqing (emotion to friends) or renqing (human debt to acquaintances). The Chinese believe that the acts of reciprocity, or huibao, signify one’s honour to others and foster the mutual trust and the relationship between two people. Ignoring reciprocity in China is not just poor manners; it is immoral (Osland, 1990).

Redding (1990: 232) once asserts, “without using the networks of *guanxi*, nothing significant can happen”. Indeed, previous researchers suggest that, in a *guanxi* culture, things can be done by exchanging personal favours instead of relying on one’s competence (Luo, 2000; Fan, 2002). However, China’s economic reform and Western influence have weakened the position of *guanxi* in the country. Guthrie (1998) observes that the importance of *guanxi* is declining, along with an increasing openness in the society. Faure and Fang (2008) also find that *guanxi* and professionalism are both important and meaningful, particularly the developed regions of the country.

**Time Orientation**

Research has suggested that the Chinese have a long-term time orientation in life (Jin, Yu, and Kang, 2013). This feature links to LTO in Hofstede’s Cultural Dimensions and Hall’s theory of poly-chronic time orientation. Redding (1980) suggests that the Chinese conception of time is poly-chronic, non-linear, elastic and episodic, in contrast with the Western mono-chronic, linear, sequential, absolute and discrete orientation. Thus, the Chinese are patient and persevering, qualities which are also rooted in Taoism.
**Face (Mianzi)**

The concept of face exists in many cultures, but Chinese people place particular emphasis on face (Fang, 2005). The Chinese are highly sensitive to having and maintaining face in all aspects of social and business life (Hwang 1987; Earley, 1997; Ghauri and Fang, 2001). The Chinese “face”, also known as “mianzi”, derives from the Confucian legacy of propriety (*Li*) and deals with the social structure (the five relationships) in people’s daily life. To the Chinese, face concerns one’s dignity, respect, status and prestige and defines a person’s place in his/her social network (Osland, 1990). While the Westerners tend to think of prestige and dignity in absolute terms—one either has it, or not—the Chinese think of face in quantitative terms (Graham and Lam, 2003). Sources of face can be wealth, intelligence, skills, position, and good guanxi (Graham and Lam, 2003). Thus, face, like money, can be earned, lost, given, or taken away by others. The Chinese perceive that social and business interactions should occur without anyone losing face (Chen, 1995). Faure and Fang (2008) suggest that the emphasis on face often results in an indirect communication style, which links to the high-context aspect of the Chinese culture.

**Peripheral Value—Risk-averse**

 Apart from the ideological forces, the socio-cultural milieu in China also has an impact on the forming of the Chinese values. Authors, such as Osland (1990), Ghauri and Fang (2001) and Shi (2001), have observed the pervasive influence of the Communist Party on the Chinese culture. Risk-aversion has emerged from this socio-cultural background, which links to the uncertainty-avoiding aspect of the Chinese culture (Hofstede, 1980). The turbulence of China’s recent history has engendered a generalised sense of obeying rules and regulations in people which affects their mindsets and behaviours (Shi and Westwood, 2000). The recent government slogan of a *Hexie Shehui* (harmonious society) furthers this sense of caution by promoting a conflict-free and risk-avoiding society among the citizens. The value of risk-aversion directs the Chinese to follow social rules and norms rigidly and to engage in cautious behaviours which limit the emergence of risks in relationships. It also engenders some avoidance of responsibility and a preference for careful, collective decision-making.
processes that ensure consensus. According to Osland (1990), this dominating influence of the Party is, in some ways, congruent with the traditional Chinese culture because both the Confucian ideology and the Communist value promote stability in the society.

2.3.2 How do Cultural Differences Influence Sino-Western Negotiations?

Based on the understanding of the Chinese cultural values, this section uses Manrai and Manrai’s (2010) work to illustrate how cultural differences influence negotiation constructs in Sino-Western negotiations. Manrai and Manrai (2010) reviewed and positioned the previous frameworks (Sawyer and Guetzkow, 1965; Graham, 1987; Weiss and Stripp, 1985, 1998; Salacuse, 1991, 1999; Foster, 1992; Ghauri, 2003a) to include all the constructs related to the effects of culture. These authors propose six constructs which capture the effects of culture on international business negotiations. These include three Negotiator Characteristics: Negotiator’s Goals, Negotiator’s Inclinations, and Negotiator’s Qualifications; and three Negotiation Behaviours: Nontask Activities, Negotiation Processes, and Negotiation Outcomes. These six constructs have included all the variables identified in the previous frameworks. These constructs and variables are shown in table 2.3.

Manrai and Manrai (2010) identify twelve relationships among the six constructs. These authors suggest that each of the three Negotiator’s Characteristics affect each of the three Negotiation Behaviours. In addition, they conceptualised Nontask Activities and Negotiation Processes to affect Negotiation Outcomes, and Nontask Activities to affect Negotiation Processes. Manrai and Manrai (2010) ground these twelve relationships and the identification of the six constructs in cultural frameworks and theories, including the works of Hall (1959, 1960, 1976, 1979, 1983) and Hofstede (1980, 1991, 2001). Based on their work, the following section discusses how cultural differences influence the actors, the processes, and the outcomes of Sino-Western negotiations. The Americans are used as the primary examples for comparison due to the fact that previous studies on Sino-Western negotiations have focused primarily on U.S. companies and executives (Graham and Lam, 2003).
Table 2.3 The Constructs and Variables in Manrai and Manrai’s (2010) Work

<table>
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<td>Negotiator’s Qualifications</td>
<td>• Time Sensitivity (High or Low)</td>
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<td>Pre-negotiation</td>
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2.3.2.1 Negotiator’s Goal

The construct of Negotiator’s Goals describes “what” negotiators expect to achieve or the ultimate objectives of negotiations (Ghauri, 2003a) as well as “how” they expect to achieve or the expectations of the negotiation process (Foster, 1992).

**Objective**

The cultural differences in negotiation objective have been captured in terms of contract or
relationship (Weiss and Stripp, 1985, 1998; Salacuse, 1991, 1999). Sebenius (2002: 81) describes the differences between deal-focused and relationship-focused cultures as, “in deal-focused cultures, relationships grow out of deals; in relationship-focused cultures, deals arise from already developed relationships”. The negotiation objective reflects an actor’s interests in negotiation deals. In international business negotiations, conflicts arise when parties have different interests in mind. Such differences in interests could create negativity in the atmosphere (Ghauri, 2003b), and result in the failure of negotiations.

American negotiators consider the goal of a business negotiation as a signed contract between negotiating parties. Salacuse (1991, 1999) succinctly sums up their attitude as “a deal is a deal”. Driven by this goal, American negotiators tend to behave in a way which is task-oriented and deal-focused. According to Foster (1992) and Blackman (1997), American negotiators tend to rush through pre-negotiation stages and quickly enter face-to-face negotiation stages. They would tackle negotiating issues using a logical and fact-based approach, and they are comfortable doing business with strangers. When disagreements and disputes arise, American negotiators would take a rather impersonal and legalistic approach, relying heavily on written agreements to resolve conflicts (Salacuse, 1999).

In contrast, Chinese negotiators see the goal of a negotiation as the creation of a relationship between two sides. To the Chinese, personal relationship is the essence of a deal. They perceive signing a contract as opening a relationship (Pye, 1982, 1986). Driven by this goal, Chinese negotiators are extremely relationship-focused (Shi and Westwood, 2000; Kumar and Worm, 2011). They prefer to deal with family, friends and people or groups well known to them (Osland, 1990). They feel uncomfortable doing business with strangers, and thus tend to devote a large amount of time to developing relationships and trust with their counterparts (Faure, 1999; Graham and Lam, 2003). The negotiation objective of the Chinese corresponds to the value of group-orientation in the Chinese culture (Hofstede, 1991, 2001). Hofstede and Usunier (2003) suggest that the value of group-orientation will result in an emphasis on stable relationships because negotiations are carried out among individuals who are familiar with each other.
**Attitude**

The negotiator’s attitude (Salacuse, 1991, 1999) essentially relates to the strategy an actor adopts in negotiations. Actors who adopt an integrative strategy perceive cooperation between negotiating parties and tend to hold a win-win attitude in negotiations. On the contrary, actors with a distributive strategy perceive conflict in deals and tend to have a win-lose approach to negotiations. This difference in negotiation attitude/strategy preference could influence the perceived view of a negotiation process (Ghauri, 2003b), thereby affecting the atmosphere of the negotiation.

Regarding the differences on preferred strategy between Chinese and American negotiators, previous research has shown conflicting results. Leung (1997) suggests that, in a number of studies comparing Chinese and American negotiators, the Chinese tend to use yielding and avoiding strategies, but also score high on contending. Other scholars (Druckman *et al.*, 1976; Campbell *et al.*, 1988; Tinsley and Pillutla, 1998) support Leung’s findings and claim that American negotiators have a stronger tendency towards a problem-solving and integrative strategy than Chinese negotiators. Tinsley and Pillutla’s (1998) research, in particular, indicates that the American negotiators display a stronger preference for joint-problem solving than the Hong Kong Chinese. Usunier (2003a) relates this difference to Hall’s (1960, 1976) theory of High and Low Cultural Context. He suggests that American negotiators prefer explicit and direct communication style. They thus appreciate open information exchange, an essential component of the integrative strategy. Chinese negotiators, on the other hand, prefer an implicit and indirect communication style, and thus are less problem-solving in negotiations than the Americans.

In contrast with the above results, research by Graham and Meissner (1986) reveals that the American negotiators choose intermediate strategies which are more distributive. Graham, Mintu and Rodgers (1994) have supported this result and claimed that American negotiators are more competitive rather than problem solving oriented. Morris *et al.* (1998) also report a study comparing the Americans and the Chinese, in which the Americans tend to rely more
on a competing negotiation style than the Chinese. In addition, Salacuse’s (1999) study reveals that the Chinese have a stronger attitude of win-win negotiation than the Americans.

Addressing the conflicting results of the Chinese preferred negotiation strategy, Fang (2006a) explains that Chinese negotiation strategy is a mix of the two generic strategies. The author calls it the “coop-comp” strategy, which indicates that Chinese negotiators can negotiate both cooperatively and competitively. He further points out that trust between negotiating parties determines the choice of the strategy. When mutual trust is high, Chinese negotiators tend to negotiate cooperatively; when mutual trust is low, Chinese negotiators would take the competitive approach to negotiations.

2.3.2.2 Negotiator’s Inclinations

This construct covers the personal traits of negotiators related to a wide range of subjects dealing with negotiation interactions (Manrai and Manrai, 2010). Weiss and Stripp (1985, 1998) group three factors into this category, including time sensitivity, risk-taking propensity, and basis of trust. The basis of trust falls into the dimension of negotiation objective, in which deal-focused negotiators gain trust from law and negotiation agreement whereas relationship-focused negotiators’ trust is based upon friendship and mutual affection (Moran and Stripp, 1991). Thus, this section only discusses the other two factors.

Time Sensitivity

Previous research has shown that American negotiators have high sensitivity toward time in negotiations (Salacuse, 1999). They are concerned about not wasting the time of other people. They feel “faster” is better than “slower” because it symbolises high efficiency (Lewicki et al., 2003). Salacuse (1999: 228) suggests that negotiators with high sensitivity toward time often try to “dispense with the preliminaries” and “get down to cases” in order to make a deal as quickly as possible. In addition, they consider interpersonal relations as subordinate to present schedule, and spending too much time on non-task related issues is unacceptable (Usunier, 2003b). In contrast, Chinese negotiators have low sensitivity toward time (Salacuse,
They consider the focus of a negotiation as the interactions with others rather than the task (Blackman, 1997). Thus, they would spend as much time as necessary to interact with their counterparts on a personal level. “Not wasting time” has little meaning to them (Usunier, 2003b). This difference in time sensitivity is in line with Hall’s (1983) theory of mono-chronic and poly-chronic time systems (Usunier, 2003b).

One of the consequences of the difference in time sensitivity is that American negotiators sometimes assume that pre-negotiations with their Chinese counterparts have passed face-to-face negotiation stages, but the Chinese have not yet decided whether or not to proceed to the next stage (Stark et al., 2005; Zhu, McKenna and Sun, 2007). The Americans may appear as always to be in a rush, flitting from one task to another while the Chinese may be perceived as having low efficiency and wasting time (Osland, 1990). These perceptions of each other could create frustration and distrust (Usunier, 2003b), which will influence the atmosphere of the negotiation. In addition, many authors, such as Pye (1982) and Stark et al. (2005), report how the Chinese use the Americans’ impatience to their advantage, and consequently increase their negotiation power and force the Americans to concede.

**Risk-taking Propensity**

Negotiators of different cultural backgrounds have different propensities to take risks. Salacuse’s (1999) research shows that American negotiators consider themselves as risk takers in negotiations. They would try new methods and bear uncertainties in a proposed course of action. Lewicki et al. (2003) suggest that American negotiators are willing to move early on a deal and will take more chances. They tend to be entrepreneurial and are willing to act on incomplete information. On the contrary, Chinese negotiators have low risk-taking propensity (Eiteman, 1990; Blackman, 1997). Blackman (1997) reports that Chinese negotiators tend to devote attention to proposing rules which will reduce the apparent risks in negotiation deals. When information is incomplete, they are likely to require further information and take a wait-and-see stance (Graham and Lam, 2003). In addition, Pye (1982) claims that Chinese negotiators tend to reject unexpected proposals as they are afraid of the uncertainty embedded in the offers. Tse, Francis and Walls (1994) confirm this tendency in
the case of the Chinese executives who tended to consult their superior significantly more often than the Canadian executives. Manrai and Manrai (2010) conclude that relationship-focused and high-context cultures are less inclined to take risks than deal-focused and low-context cultures.

The difference in risk-taking orientation between cultures will have a significant effect on what is negotiated and on the content of a negotiation outcome. Moran and Stripp (1991) suggest that if a negotiator is aware of the areas in which his counterpart is willing to take risks, there is an improved chance of developing satisfactory and innovative proposals. Salacuse (1999) also advises that a negotiator should focus efforts on proposing rules and mechanisms which will reduce the apparent risks in a deal if he senses his counterpart is risk-averse. These statements suggest the possibility that a negotiator could increase his/her negotiation power and influence negotiation atmosphere in a negotiation deal.

2.3.2.3 Negotiator’s Qualifications

This construct deals with the selection of negotiators in international business negotiations. It deals with the sources of negotiators’ power in negotiations. Foster (1992) identifies various criteria which different cultures use to select negotiators. These criteria include abilities such as education, knowledge, experience and skills; demographics such as age and gender, and social factors such as family background and network connections in government and business. Manrai and Manrai (2010) point out that the differences between cultures in negotiator selection are essentially the contrast between abilities and status. The Americans select their negotiators on the basis of their education, knowledge, skills, and experience (Moran and Stripp, 1991). They perceive those negotiators who possess these capabilities as having higher negotiation power than those who do not. In contrast, the Chinese select their negotiators according to attributes such as seniority, age, gender, family background and connections (Moran and Stripp, 1991). Put differently, they feel that negotiation power comes from one’s social status. This contrast is in line with the relationship-orientated cultures who select their negotiators on the basis of status whereas the business-oriented cultures use
abilities as the criteria.

2.3.2.4 Nontask Activities

This construct includes two main subject areas, rapport building activities and concern for protocols, in a pre-negotiation stage (Manrai and Manrai, 2010).

Rapport Building Activities

Graham (1981) finds that rapport-building activities differed significantly across cultures. American negotiators have little concern for rapport-building at pre-negotiation stages as they are reluctant to waste time on nonbusiness issues (Graham, 1981; Hodgson, Sano, and Graham, 2000). The Chinese, on the other hand, consider rapport-building activities as extremely important, and they could spend days on ritual events to build rapport (Blackman, 1997). Frankenstein (1986) considers these activities as the “opening moves” of the Chinese negotiators, which reflect their relationship-building goals in negotiations. Zhu, McKenna and Sun (2007) conducted a research study focused specifically on the pre-negotiation stages in Sino-Western negotiations. They find that successful rapport-building at initial meetings with the Chinese determined the outcomes of the negotiations. Pye (1982) and Blackman (1997) argue that such rapport-building activities form the basis of a long-term relationship, and that they yield cooperative behaviours from the Chinese. Graham and Lam (2003) warn American negotiators that, in China, any attempt to do business without having established rapport is rude, and the Chinese can force the issue when necessary. Again, rapport-building links to the relationship orientation of the Chinese culture.

Concern for Protocols

Protocols, according to Weiss and Stripp (1985), refer to negotiators’ emphasis on the existence and observation of rules for acceptable self-preservation and social behaviour. They include a wide range of activities, such as greetings, addressing, business cards, dressing, gift-giving, eye contact, body language, expression of emotions, and so on (Manrai and Manrai, 2010). Cavusgil and Ghauri (1990) consider protocols as the non-verbal
communication in negotiations while Ghauri (2003b) stresses that ignorance of these non-verbal aspects of negotiations may create misunderstandings and a negative atmosphere which can disturb face-to-face negotiation processes.

Cultures vary substantially in negotiators’ attitudes and behaviours toward observation of protocols (Manrai and Manrai, 2010). Foster (1992) characterises the Americans as “notoriously” casual about their use of first names, titles and dresses while Salacuse (1999) considers the Americans as having an informal negotiation approach. According to Rudd and Lawson (2007), Americans negotiators pay little attention to protocols because they regard them as barriers to communication. In contrast, Chinese negotiators have a formal approach (Salacuse, 1999). They prefer what Hofstede (1989: 200) calls “highly structured and ritualistic procedures” during negotiations. Shi and Westwood (2000) suggest that Chinese negotiators emphasise adherence to strict and detailed rules that govern manners and conduct, and they attach importance to explicit displays of courtesy.

Owing to the cultural differences attached to protocols, tensions may occur in Sino-U.S. negotiations. For example, when American negotiators address their Chinese counterparts by their first names, the Chinese might consider this perceived friendly and personal style as a lack of respect or even insulting. More seriously, it may result in the negotiation break down at an immature stage (Blackman, 1997).

2.3.2.5 Negotiation Processes

The “Negotiation Processes” construct deals with negotiators’ emotions, communication styles and nature of persuasions in negotiations. In terms of emotions, Salacuse’s (1991, 1999) high/low emotionalism dimension considers negotiators’ displays of emotions during negotiations. Weiss and Stripp (1985, 1998) and Foster (1992) all consider it as part of the communication style in negotiations. On the other hand, Usunier (2003a) describes two types of emotions, positive and negative, in negotiations. Bazerman et al. (2000) find that positive or negative emotions could influence negotiators’ perceived negotiation processes while
Kumar’s (1997) research shows that positive and negative emotions affect the atmosphere of negotiations. This thesis treats emotions as part of the atmosphere of the negotiations, which are influenced by factors such as communication styles, nontask activities, and time management. Thus, this section will discuss only the behavioural differences on the remaining two factors.

Salacuse (1991, 1999) suggests that communication in international business negotiations can be viewed in two main styles: direct and indirect communication. Direct communication style links to Hall’s (1960, 1979) low-context culture. Coming from a low-context culture, the Americans appreciate frankness and directness in negotiations (Salacuse, 1999). They are explicit, precise, and legalistic, sometimes even appearing as blunt to the other party (Usunier, 2003a). Adair, Okumura, and Brett (2001: 380) observe that,

The U.S. negotiators relied on direct information to learn about each other’s preferences and priorities and to integrate this information to generate joint gains. They were comfortable sharing information about priorities, comparing and contrasting their preferences with those of the other party, and giving specific feedback to offers and proposals.

Regarding persuasions, Glenn, Witmeyer, and Stevenson (1977) and Simintiras and Thomas (1998) suggest that American negotiators have a factual-inductive persuasion style which appeals to rationality. Drake (1995) and Metcalf and Bird (2004) support this result in their research and claim that American negotiators tend to use analytic statements and rely on logical reasoning to persuade.

Comparing the Americans and the Chinese, Adler, Brahm, and Graham (1992) suggest that the Americans used more no’s, a direct form of information exchange, than the Chinese. Osland (1990) confirms this and claims that Chinese negotiators, with a high-context cultural background, rely heavily on indirect and complex methods for communication. Salacuse (1999) also suggests that reactions to proposals from the Chinese may need to be gained by interpreting seemingly indefinite comments, gestures, and other signs. Blackman (1997) also
reported vague expressions such as “it is OK in principle” and “I will try my best” from the Chinese instead of directly saying “no”. Information-sharing is implicit from the Chinese (Adair, Okumura and Brett, 2001). In addition, Chinese negotiators adopt an influence strategy which is geared toward affective influence (Simintiras and Thomas, 1998; Adair and Brett, 2004; Metcalf and Bird, 2004). Drake (1995) finds that Taiwanese Chinese negotiators tend to use normative statements and rely on social roles and relationships to persuade. Adler, Brahm, and Graham (1992) also observe that the Chinese negotiators in their research use fewer commitments, a form of rational persuasion, than the American negotiators.

The divide in communication style, as Fisher and Brown (1988) suggest, could create poor communication, which leads to misunderstanding, unhelpful emotions, distrust, sloppy thinking, and poor outcomes in negotiations. Ghauri (2003b) feels that negotiators’ communication style can influence the atmosphere of a negotiation. According to him, negotiators tend to interpret words according to their own perspective, and this tendency could add to the perceptions of negotiating parties about each other’s behaviours. Negotiators may perceive conflicts in the atmosphere when their understandings do not meet the reality. As the perceived conflict escalates, parties become more irrational, and the chance of reaching an agreement decreases (Lewicki et al., 1994).

2.3.2.6 Negotiation Outcomes

The final construct consists of three variables: decision making, process of agreement-building and agreement form.

**Decision Making**

In international business negotiations, it is critical to know how the other side is organised and who has the power to make decisions. Culture affects how executives and lawyers organise themselves to negotiate a deal. Salacuse’s (1999) research shows that American negotiators have lower preference over a one-leader team, and they rely on a group consensus to make decisions. Chinese negotiators, on the other hand, prefer a one-leader team and rely
heavily on their team leader to make decisions (Salacuse, 1999).

**Agreement Building**

American negotiators, according to Salacuse (1999), tend to build an agreement from the bottom up. In other words, they tend to discuss issues, such as price, delivery date, and product quality, one after another, and then sum up these items into a final contract. To them, negotiating a deal is essentially making a series of compromises and trade-offs on a long list of particulars (Salacuse, 1999). In contrast, Chinese negotiators adopt a holistic approach to agreement-building (Graham and Lam, 2003). They would begin a negotiation with the discussion of general principles and leave specific issues to the last minute (Graham and Lam, 2003). Salacuse (1991, 1999) describes this as a “top-down” approach to agreement-building.

**Agreement Form**

The preferred agreement form in negotiations also exhibits cultural differences. American negotiators prefer detailed contracts which include all possible circumstances and eventualities (Salacuse, 1999). They also regard contracts as a definitive set of rights and duties which strictly binds the negotiating parties. When unexpected circumstances arise, both parties should refer to the contract to handle new situations. Once an agreement is signed, it should be implemented with punctuality and timeliness (Usunier, 2003a). Chinese negotiators prefer a gentleman’s agreement, a loosely-worded statement expressing cooperation and trust between negotiating parties, to a formal Western-style contract (Pye, 1986). Thus, a joint venture contract which is several hundred pages long from the Western side can be only ten pages from the Chinese side (Faure, 1999). Blackman (1997) explains that a written agreement to the Chinese is not closing a deal, but instead it sustains a relationship. The details of an agreement are embedded in the relationship. If unexpected circumstances arise, the Chinese feel that the parties should rely on their relationship, rather than the contract, to solve problems. Usunier (2003a) suggests that the preferred agreement form reflects the different bases on which the two cultures build their trusts. In China where relationships are personalised, trust cannot be separated from the person who negotiate the deal. Thus, Chinese negotiators may interpret the Americans’ move to stipulate all
contingencies in the process as a signal of a lack of trust in the stability of the underlying relationship and leave the negotiation table (Blackman, 1997).

2.3.3 Section Summary

This section has introduced the Chinese culture and demonstrated how cultural differences influence Sino-Western negotiations. On the basis of this review, this thesis suggests that the Chinese negotiation style is characterised by four features: relationship-focused, time-insensitive, face-conscious, and risk-averse.

**Relationship-focused**

This characteristic relates to the collectivist aspect of the Chinese culture (Hofstede, 1980, 1991, 2001; House et al., 2004) and the emphasis of relationship orientation, guanxi, and reciprocity in the society. It stresses an inevitable relationship-building process with the Chinese, in which time is spent regardless of its cost. Shi and Westwood (2000) claim that, once relationship is established, the need for more formal, contractual mechanisms to cement agreements diminishes. This cultural trait determines the interest of Chinese negotiators. Meanwhile, this characteristic also influences the indirect communication style of the Chinese. The concepts of guanxi and reciprocity reinforce and extend the significance of building trust and relationship in negotiations with the Chinese. Chinese negotiators view a negotiation as a search for mutuality, in which processes of reciprocation are critical (Osland, 1990; Shi, 2001). A negotiation process may break down if the reciprocity norms are breached. This value has clear implications for the Chinese way of concession-making. It does not mean immediate, American-style reciprocity. To the Chinese, reciprocity is a long-term process. Reciprocal concession is the cornerstone of an enduring personal relationship (Graham and Lam, 2003).

**Time-insensitive**

This characteristic links to the long-term oriented (Hofstede, 1980, 1991, 2001) and poly-chronic orientation (Hall, 1983) of the Chinese culture. It reflects that pre-negotiation
stage is time-consuming with the Chinese, as time is needed to establish relationships. Chinese negotiators will display considerable patience regarding the pace of negotiations, and they expect their counterparts to do the same (Ghauri and Fang, 2001; Shi, 2001). There is an emphasis on the long-term consequences of negotiations rather than the short-term ones (Pye, 1982). Negotiation outcomes may not be considered final and absolute, and negotiation relationships are likely to be perceived as continuing into the future (Blackman, 1997).

**Face-conscious**

The significance of face provides an essential source of explanation to many behavioural variables in the Chinese negotiation style. It emphasises the necessity of conducting ritual events in order to create a congenial atmosphere before negotiations (Zhu, McKenna and Sun, 2007). It has a direct bearing on the development of respect and trust between negotiating parties. In addition, the significance of face explains the use of an indirect communication in negotiations as direct confrontations may damage either party’s face and jeopardise mutual relationship. It also reinforces the high PDI aspect of the Chinese culture, where social hierarchy is emphasised and senior managers bear significant meaning in business negotiations.

**Risk-averse**

This feature reflects the high UAI characteristic of the Chinese culture as well as the social reality that China is a communist country. The Chinese perceive risk-taking behaviours as dangerous because these behaviours may jeopardise a harmonious relationship and make one another lose face. It directs the Chinese to follow social rules and norms rigidly and regulates them to engage in behaviours which limit the emergence of risks in negotiations.
2.4 Gaps in the Literature of International Business Negotiations and the Chinese Negotiation Style

2.4.1 The Fallacious Assumption

Much of the to date empirical literature examining cross-cultural negotiation behaviour has consisted of comparative approaches, which focus on identifying similarities and differences between negotiators of different nationalities. In these studies, the national unit is most often used as a substitute for culture, with purported differences between nation states assumed to be of a cultural nature. In other words, “cross-cultural” equates “cross-national” in these studies. Usunier (2003a: 102) acknowledges this and states that, “nationality is used as a proxy and summary variable for culture”. Many scholars, including Weiss and Stripp (1985), Salacuse (1991), and Foster (1992), have developed their international business negotiations frameworks on the basis of this comparative approach. These scholars place cultural differences on several bipolar continuums and consider cross-cultural behavioural differences in negotiations as an “either-or” phenomenon. For example, negotiators from the same country can only be either relationship-focused or deal-focused, but they cannot be both.

However, this comparative approach to culture suffers from a significant limitation. Huo and Randall (1991) regard this approach as a “compositional” view of culture and claim that it is only useful to provide an overall view of the cultural “forest”. Tung (1996, 2008) argues that such an approach is potentially misleading because it ignores variation within a given national groups for the purpose of comparative studies. This limitation, as she suggests, can be attributed to a fallacious assumption of cultural homogeneity within nations. The population of a nation can be differentiated on many grounds, and sub-cultural differences can result in considerable diversity within nations (McSweeney, 2002; Fang 2006b, 2012). As Naylor (1996: 93) asserts,

Virtually every nation-state of the world is a multicultural one made up of a number of groups.
Even Hofstede once acknowledged that modern nations may be too complex and sub-culturally heterogeneous to depict a national character. He explains,

We tried to relate “culture” to a nation as a whole, but there are, in fact, a whole range of cultures in every single country, and unless we are more specific, statements about “culture” are meaningless (Hofstede, 1972: 79).

In addition, when concluding his book, Hofstede (1980) points out the need to include further differentiation based on subculture in order to complement the analyses of differences in national cultures. As shown earlier, increasing evidence has shown that this ‘one country one culture’ approach is too simple or too narrow. They highlight the need to identify cultural diversity within nations and use specific values to study each sub-cultural group.

In light of these views, Huo and Randall (1991) urge researchers to break down a generalised description of a nation into more meaningful subunits and study culture’s effects at different levels. Similarly, Leung, Bhagat, Buchan, Erez, and Gibson (2005) call for the adoption of a multiple-cultures perspective in understanding international business—that is, the need to view culture as a ‘multi-layer construct’. Tung (2008), on the other hand, encourages researchers to conduct more intra-national studies in order to balance cross-national and intra-national diversity and to truly understand cross-cultural phenomena.

Negotiation researchers have also come to realise the significance of intra-national diversity and the importance of considering culture as a ‘multi-layer construct’ in international business negotiations. Many authors have emphasised the need to incorporate different dimensions of culture into the frameworks of international business negotiations. Weiss (1993) proposes a model of international business negotiations, in which he portrayed culture to have national, organisational, and ethnic dimensions. Kale (2003) identifies that, besides national and organisational cultures, an individual’s personality also affects buyer-seller interactions. Manrai and Manrai (2010), commenting on the limitations of their own work, suggest that future research should focus on understanding cultural influences at four levels: World
Region, National, Organisational, and Individual. However, previous negotiation researchers seem to have overlooked a prominent area of research. As Rudd and Lawson (2007) acknowledge, in many large and regionally diverse countries, regional knowledge is more useful for determining negotiation style and behaviour than nationality. These authors emphasise that knowing national and regional subcultures and being able to distinguish them from one another is critical for global negotiators. This is particularly the case when it comes to China, as previous studies have shown significant regional differences in the country.

2.4.2 Culture as a Multi-Layer Construct—the Case of China

China is an enormous continent with a vast land of almost 10 million square kilometres, a huge population of 1.3 billion inhabitants, and a diverse culture with 56 nationalities and 74 dialects. Goodman (1992) argues that if a society is large and complex, regional subcultures within that society can vary, just as societal cultures can differ. China is clearly a large society that contains many different regional subcultures (Goodman, 1989). Child and Stewart (1997) support this view about the country and suggest that many of China’s provinces are larger and more populous than most countries of Europe. Similarly, Kumar and Worm (2011) advise Western businessmen to be aware of the regions from which their Chinese partners come. Other scholars who study regional sub-cultural differences in China have suggested that these differences are huge, and people can observe these differences from historical precedents, geographic location, economic development, educational level, as well as technological sophistication (Ralston et al., 1996; Child and Stewart, 1997; Cui and Liu, 2000). These regional subcultures, however, have been overlooked in the past because of China’s national boundary. As Gernet (1982: 7) remarks,

The absence in China of national boundaries, which in Europe enable us to distinguish so clearly between Frenchmen, Spaniards, Italians and Romanians, conceals a diversity that is the product of history.

Child and Stewart (1997: 65), on the other hand, warn that,
Any attempt to generalise about China, whether about its economics, geography, culture or ethnic characteristics, faces the difficulty of covering a nation and territory which is the equivalent of many countries.

Similarly, Cui Liu (2000) point out that the lack of sensitivity of regional subcultures in China is dangerous because it is an essential reason why many Western companies have failed in the country. These authors all call for the academic attention to address the differences between regions.

Previous research has found evidence which supports the existence of regional sub-cultural differences in China. On a behavioural level, several scholars have reported regional personalities in the country. For example, Fang (1999: 92) quotes,

Beijing people are straightforward; Shanghai people are clever and farsighted; Tianjin people are capable and seasoned; the people of Guangzhou, Zhejiang, and Anhui are decisive and full of stratagem (…).

Other scholars, such as Wong and Stone (1998) and Vittachi (2000a, b, c), have also reported regional behavioural patterns associated with different provinces and cities. From a marketing perspective, Swanson (1989, 1998) and Cui and Liu (2000) report statistically significant differences across the regional markets of China. These authors also unveil the heterogeneous purchasing behaviours among Chinese consumers. Child Stewart (1996), on the other hand, studied joint-venture management in three regions of China (Beijing, Guangdong, Shanghai). They find that the employees in Guangdong are more likely to accept managerial influence from foreign managers, but the employees in Beijing are less willing to accept such influence. Since behaviours are determined by values, do behavioural differences also suggest value differences between regions?

Indeed, previous research reveals significant sub-cultural value differences across Chinese regions. Huo and Randall (1991) empirically tested Hofstede's cultural dimensions in four Chinese cities (Taiwan, Beijing, Hong Kong, and Wuhan) and found strong sub-cultural differences on these four dimensions. Importantly, these authors underline that,
the variance of values scores within China is not always smaller than the ones between China and other countries (Huo and Randall, 1991: 164).

Likewise, Kwon (2012) tested Hofstede’s cultural dimensions in the Southern city of Shenzhen and the Northern city of Taiyuan. His study finds that Shenzhen scores higher than Taiyuan on individualism and uncertainty avoidance while Taiyuan scores higher than Shenzhen on long-term orientation. The author thus questions the assertion that China has only one culture. On the other hand, Ralston et al. (1996) investigated work value differences across six cities (Guangzhou, Shanghai, Beijing, Dalian, Chengdu and Lanzhou) in the country. Their research shows that the Chinese managers in coastal areas are more Western-oriented than those in inland cities. Meanwhile, the Chinese managers from the highly industrialised cities have more Western values than those from the less industrialised regions. Based on the results, these scholars suggest that Confucian values and modern Western values coexist in China. This view is supported by Fang’s (2005) research, which suggests three different business styles in Beijing, Shanghai, and Guangzhou. According to his findings, the business style in Shanghai shows both the Chinese and the Western values while Beijingers’ business style is traditional and relationship-oriented and the Cantonese business style shows entrepreneurial characteristics. In addition, Redfern and Crawford’s (2010) research reveals significant differences in the ethical perceptions of managers from different regions of China. A recent study conducted by Littrell, Alon and Chan (2012) also shows significant differences in managerial leader behaviour preferences amongst the four regions studied. These authors highlight that there are “cultural areas” in China and each area is distinctly different from one another.

Given the wide regional variation within China, it is inappropriate to use a national-political boundary as the proxy for the Chinese culture. The “one China one negotiation style” paradigm does not cope well with the richness of the Chinese business landscape. It seems that we need to break down the national unit into regional subunits and look for regional negotiation styles in the country.
2.4.3 Gaps in the Existing Knowledge of the Chinese Negotiation Style

Despite the existence of regional differences, researchers have different views regarding regional negotiation approaches in China. Some scholars emphasise an overall approach to the Chinese negotiation behaviour in Sino-Western negotiations. Blackman (1997), for example, considers it unnecessary to conduct research on regional negotiation behaviour because there is a consensus among Western business people about the major elements of a shared “Chinese negotiating style”. Woo and Prud’homme (1999: 315) also state that “regional approaches to business can also be expected to be different although these may eventually contribute only minor variations in an overall Chinese approach to negotiation”.

On the other hand, Shi (2001) studied regional differences in the Chinese negotiation style, although his research produced disappointing results. His survey shows very few differences with regard to the cultural values, such as social harmony and face, between the participants who work in three main cities (Beijing, Shanghai, and Guangzhou) of China.

Many other scholars, however, have acknowledged that regional variations are crucial elements in studying the Chinese negotiation style. Fang (2006a) likens regional differences to contemporary social conditions which have a profound impact on the Chinese negotiation behaviour. Based on his own study on the Chinese business styles in three regions (Fang, 2005), he advises Western negotiators to approach China as the “United States of China” owing to the significant differences between regions (Fang, 2006a: 57). Tung, Worm and Fang (2008) report negotiators’ characteristics in four regions of China. These characteristics are based on the Chinese and Western respondents’ perceptions of regional differences in the country. On the other hand, Graham (2003) distinguishes between Northern culture and Southern culture. He suggests that the Northern Chinese in negotiations are more cooperative and equity oriented, whereas the Southerners are more competitive and do not mind unbalanced outcomes provided that they are beneficial. Stark et al. (2005) compare the negotiation processes in Northern and Southern China. Their research shows that the negotiation process in Southern China is becoming less cyclical and more linear, but the one
in Northern China remains cyclical. These researchers support the notion that there are significant differences in negotiations between Northern and Southern Chinese and stress the importance of distinguishing one region from another.

This thesis supports the latter view of regional negotiation approaches as the research which claims the homogeneity of the Chinese negotiation behaviour suffers from a number of limitations. First, those researchers who hold the former view approached their studies with the assumption that all their Chinese respondents’ cultural backgrounds are the same. The evidence is that few of the previous research explicitly report the regional backgrounds of their Chinese respondents. Such treatment of the Chinese respondents is useful for discovering the differences between the Westerners and the Chinese. However, it fails to capture the differences between the Chinese. Second, previous researchers claim the behavioural homogeneity on the basis of a Western point of view. However, the Chinese themselves perceive vast differences between regions. As Tung, Worm and Fang (2008: 62) acknowledge,

Even today, when two Chinese first meet, they exchange information on their ancestral village very early on…This strong sense of belonging to a particular city or province resembles “patriotism” on a local or provincial basis. Chinese from a particular city and region of the country harbour dislikes for those from another city or province. This local patriotism and protectionism have resulted in less internal trade among Chinese provinces than among the European countries as each province jealously guards and protects its own industry.

The Chinese people clearly perceive themselves as belonging to different groups and perceive substantial differences between these groups. These perceptions, however, have not been taken into account in the previous studies (Sheer and Chen, 2003). Thus, the assertion of the homogeneous Chinese negotiation style is biased without hearing the other side of the story. Regarding Shi’s (2001) work which has reported the regional backgrounds of his Chinese respondents, the author mistakenly regards those who live in the three cities as coming from these regions. Considering that these three cities are located in the most developed and
commercialised areas of the country, the population mobility within each city is extremely high. In other words, Shi’s (2001) participants could come from any region of the country. More importantly, these respondents’ values could be influenced by either host subculture (work region) or home subculture (home region), or even both. Regional differences on values are difficult, if not impossible, to be detected.

However, gaps also exist in the current studies of the Chinese regional negotiation behaviour. The works of Graham (2003), Stark et al. (2005), and Tung, Worm and Fang (2008) have generated limited knowledge of the subject. The first two works have addressed certain negotiation variables, such as strategy and process, although other variables remain unexplored. The last work has only listed the characteristics of each region, but does not provide explanations as to how the differences in characteristics affect negotiations. Besides, why do the regions differ in the ways they do? How do these differences affect Sino-Western negotiations? These questions demand a comprehensive and in-depth investigation into the subject. Furthermore, these previous studies have only studied a limited number of cities and regions in the country. Considering the vast land of China, it is necessary to expand the scope of the regional studies and explore more areas of the country.

In summary, further research is needed in order to address the biased view on the Chinese regional negotiation behaviour in the literature. This research should focus on exploring the Chinese perceptions regarding regional behavioural differences and should distinguish and report respondents’ regional backgrounds. Additional regions should also be included in this research.

2.5 Research Objective and Research Questions

In the literature of international business negotiations, very few studies have explored regional differences in a country, particularly China. Rather, most studies have focused on differences between national groups, ignoring the issue of cultural variation within national
groups. Exploring regional sub-cultural differences is theoretically appealing as it seeks to break down a generalised description of a group of people into more meaningful subunits. Considering the wide regional variation within China in terms of culture, ethnicity and economic development (Goodman, 1989), the assumption of a single homogeneous set of Chinese cultural values and the homogeneous Chinese negotiation style ignore a crucial area of research. This research focuses on this largely understudied issue by conducting an exploratory research study to investigate the regional subcultures in China and their effects on the Chinese negotiation behaviour.

Previous studies have found inconsistencies among the ways in which regions should be classified in China. Ralston et al. (1996) identify six regional clusters based on historical precedent, geographic location, economic development, educational level, and technological sophistication. Cui and Liu (2000), on the other hand, classify China into seven segmented regional markets, based on economic development and consumer purchasing power. Other scholars, such as Fang (2005) and Littrell, Alon, and Chan (2012), consider a region as a province or a city. Given the inconsistency in the literature, this study does not intend to predefine the nature of a region at the beginning. Rather, it seeks to find out negotiators’ perceptions of the concept and let the evidence speaks for itself as what a region is and how regions differ from each other. This approach is consistent with the negotiation analysis perspective, which emphasises negotiators’ perceptions in negotiations.

This thesis seeks to answer the following research questions. First of all, since this research is exploratory in nature, it intends to establish whether or not perceptions on regional negotiation styles in China exist. The first research question is as follows.

RQ1: Are there regional negotiation styles in China?

This question also seeks to ascertain the perceptions of what a region is. Following this, it is important to understand how people from different regions of China differentiate from each other in terms of their values and beliefs.
RQ2: How are cultural values and beliefs different in different regions of China?

Since this thesis focuses on examining how negotiators from different regions deviate from the “national negotiation style” in China, it is crucial to examine how the four Chinese negotiation characteristics: relationship-focused, time-insensitive, face-conscious and risk-averse differ across regions. This is achieved through examining negotiators’ perceptions on relationship, time, face and risk. This thesis proposes the following research question.

RQ3: How do negotiators from different regions of China perceive
a) the importance of relationship
b) time
c) the importance of face, and
d) risk
in negotiations?

RQ3 will also examine how these differences affect Chinese negotiators, negotiation processes and negotiation outcomes. In addition, it is also the objective of this research to find out the reasons behind value differences. Thus, the next question is,

RQ4: Why do the differences exist between regions?

This question also addresses what the regional subcultures are and how they affect negotiators of different regions. Last but not least, this thesis seeks to contribute to the literature of Sino-Western negotiations and enhance Western negotiators’ understanding of the Chinese negotiation style. Thus, it is also crucial for this thesis to find out,

RQ5: How do different Chinese negotiation styles affect Sino-Western negotiations?
2.6 Conclusion

Understanding the specific region or subculture that represents the area where you are conducting business is essential to avoiding costly negotiation mistakes (Rudd and Lawson, 2007: 56).

The above quote illustrates the significance of studying regional negotiation approaches in a country. In the literature of international business negotiations, previous research is dominated by the “one country one style” paradigm. This research orientation is useful for beginners to negotiate in a new country, but as the experience enhances, it does not seem to cope well with the intra-cultural complexity within a nation. The contribution of this thesis is, therefore, to explore cultural diversity within a country and study its effects on negotiation variables. China, as a large and regionally diverse country, is particularly suitable for this exploration. By investigating regional negotiation styles in China, this thesis seeks to address various gaps in the literature. These gaps are summarised in table 2.4.

This chapter has highlighted the negotiation analysis approach which will be used to guide this research and has also introduced the concepts and the variables of a negotiation. It has discussed the international business negotiation frameworks and their applications to the Chinese negotiation behaviour in detail. Importantly, this chapter has highlighted that there is a need to consider the Chinese negotiation style in the context of different regions. The next chapter proposes the methodology for this research.
Table 2.4 Gaps in the Literature

<table>
<thead>
<tr>
<th>Gap in International Business Literature</th>
<th>Addressed in this Thesis</th>
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<tbody>
<tr>
<td>The need to conduct more intra-national studies in order to balance cross-national and intra-national diversity and improve the quality of cross-cultural research (Tung, 2007).</td>
<td>This thesis uses region as the unit of analysis to study the Chinese business negotiation behaviours.</td>
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<tr>
<th>Gaps in International Business Negotiations Literature</th>
<th>Addressed in this Thesis</th>
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<tbody>
<tr>
<td>The need to incorporate types of cultural influences into the international business negotiations frameworks (Manrai and Manrai, 2010); The need to understand regional subcultures when conducting business negotiations in foreign countries (Rudd and Lawson, 2007).</td>
<td>This study employs a case study approach to explore regional subcultures in China and their effects on the Chinese negotiation behaviour.</td>
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</table>

<table>
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<tr>
<th>Gaps in literature of Sino-Western Negotiations</th>
<th>Addressed in this thesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese negotiators’ perceptions on regional negotiation approach have not been addressed. (Sheer and Chen, 2003)</td>
<td>This thesis focuses on Chinese negotiators’ perceptions on regional negotiation styles;</td>
</tr>
<tr>
<td>Few explicit reports about the regional backgrounds of the Chinese respondents.</td>
<td>Categorise the respondents according to the actual region they come from and separate their perceptions on home region negotiation style and work region negotiation style.</td>
</tr>
<tr>
<td>Lack of in-depth and comprehensive studies on regional negotiation behaviour in China.</td>
<td>This thesis employs a case study approach to explore regional negotiation styles in China and to find out how these different styles affect Sino-Western negotiations.</td>
</tr>
<tr>
<td>Limited provinces/cities studied.</td>
<td>Explore more regions and study more provinces and cities of the same region.</td>
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Chapter 3 Methodology

3.1 Introduction

The previous chapter has laid out the basis for the investigation. The purpose of this chapter is to provide the research design of this study. The research design is the plan for a research which spans the decisions from broad assumptions to detailed methods of data collection and analysis (Creswell, 2003). It involves three elements: the research worldview brought to a study, the strategy of inquiry adopted, and the specific methods applied (Creswell, 2003). Previous researchers have advanced three types of research designs in the literature, including qualitative, quantitative, and mixed methods (Tashakkori and Teddlie, 1998; Creswell, 2003). The following Table 3.1 shows the differences between these three approaches.

Table 3.1 Qualitative, Quantitative, and Mixed Methods Research Design

<table>
<thead>
<tr>
<th>Philosophical Worldview</th>
<th>Qualitative Research Design</th>
<th>Quantitative Research Design</th>
<th>Mixed Methods Research Design</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Constructivism</td>
<td>Phenomenology, grounded theory, ethnography, case study, and narrative</td>
<td>Surveys and experiments</td>
<td>Sequential, concurrent, and transformative</td>
</tr>
<tr>
<td>Positivism/Postpositivism</td>
<td>Closed-ended questions, predetermined approaches, numeric data</td>
<td>Both open- and closed-ended questions, both emerging and predetermined approaches, and both quantitative and qualitative data and analysis</td>
<td></td>
</tr>
</tbody>
</table>

Source: Creswell (2003)
This research adopted a qualitative research design due to the exploratory nature of this study. Johnson and Harris (2003) have suggested that quantitative research is tighter and more structured than qualitative research. It should be used in an area where there is a reasonable amount of existing knowledge, specific constructs and relationships between them. In contrast, qualitative research is used where there is not enough knowledge to pin down specific constructs, variables, and relationships to be tested. Thus, qualitative research is suitable for exploratory and theory-generating research. Considering that this research aims to explore regional subcultures in China and study their effects on the Chinese negotiation behaviour, qualitative research methods suit the research purpose. In addition, Sheer and Chen (2003) claim that qualitative research is particularly useful in gaining a detailed understanding of negotiation phenomena. This is because qualitative research is effective in generating in-depth data of a complex context (Corbin and Strauss, 2008). Negotiation, as a complex social phenomenon, should be studied in a focused and open way.

Such an approach, however, has certain limitations. As Harrison (2003) points out, data collection in an open way could lead to potential risk of data overload. As a result of the richness of the data, multiple interpretations might be available from the analysis (Johnson and Harris, 2003). It, therefore, raises the question of validity and generalisability of research findings (Creswell, 2012). In order to counterbalance these weaknesses and heighten the overall results of the study, this research used interviews and secondary materials to study the subject. In addition, this study added experiments to complement the first two methods. The following sections present the philosophical worldview, the strategy of inquiry, and the research methods associated with this research design.

3.1.1 Social Constructivism

Social Constructivism is the dominant philosophical worldview of this study. From an ontological perspective, social constructivists believe that there are multiple social realities exist in the world, and they may change as their constructors change (Miles and Huberman, 1984; Lincoln and Guba, 1985; Merriam, 1988; Tashakkori and Teddlie, 1998). Marshall and
Rossman (2010) argue that individuals need to enter the informants’ world, and through ongoing interaction, develop subjective meanings of their experiences in order to understand certain objects or phenomena. These subjective meanings are varied and multiple, leading researchers to look for the complexity of views rather than narrowing meanings into a few categories or ideas (Crotty, 1998; Lincoln and Guba, 2000). The goal of this kind of research is to rely as much as possible on participants’ views of the situation being studied. In terms of epistemology and axiology, social constructivist researchers hold that knower and known are inseparable, and a research inquiry is value-bound (Merriam, 1988; Tashakkori and Teddlie, 1998). Such an approach assumes that all entities shape each other simultaneously. Time- and context-free generalisations are not possible (Lincoln and Guba, 1985), and causes are impossible to be distinguished from effect (Tashakkori and Teddlie, 1998). Social constructivist researchers have sought to study the subject through engaging with the context and gathering information personally. They interpret what they find, and such an interpretation is shaped by the researchers’ own experiences and backgrounds (Creswell, 2012).

3.1.2 Case Study Research Strategy

Case study is the dominant research strategy of this study. There are three main reasons for selecting this strategy. Firstly, this strategy fits well with the proposed research questions. According to Yin (1994), the case study strategy is an appropriate and advantageous strategy for “how” and “why” questions. As this research attempts to answer how and why negotiators from different regions of China differ, the research strategy is consistent with the research question. As Ghauri and Grønhaug (2005) and Corbin and Strauss (2008) point out, this is the best way of solving a problem, i.e. letting the research question guide the choice of the research approach. Secondly, the case study approach is an established technique where multiple research methods can be used (Yin, 1994). As noted earlier, these methods are essential for coping with the weaknesses associated with qualitative research. Data validity and generalisability can thus be pursued simultaneously (Cameron and Price, 2009). Besides, additional investigation could give grounds for revisiting the interpretations of the data.
(Tashakkori and Teddlie, 1998; Ghauri and Grønhaug, 2005). Last but not least, the pioneering works on the Chinese negotiation style were conducted primarily using a case study strategy (e.g. Pye 1982; Blackman 1997; Ghauri and Fang, 2001). In addition, Fang (2005) advocates the use of case study research to gain a full understanding of the regional subcultures in China. Taking these reasons into consideration, the case study strategy is more appropriate than the other qualitative approaches.

3.1.3 Research Methods

This research employed three different methods to study the regional negotiation styles in China. These methods included semi-structured interviews, secondary documents, and negotiation experiments. Since this research is exploratory in nature, this use of multiple research methods could generate more knowledge and insights about the subject. Meanwhile, the effectiveness of this strategy rests on the premise that the unique deficiencies of each single method will be compensated by the counter-balancing strengths of another (Denzin, 1989). In other words, research findings can be cross-validated and confirmed (Cameron and Price, 2009). These multiple perspectives and measures open the door to a more subtle and complex form of rigour that allows for greater accuracy and robustness (Morgan, 1998).

3.2 Qualitative Research—Case Study

The goal of a case study approach is the comprehensive coverage of crucial factors and their interaction using multiple data sources (Yin, 1994). In a general manner, Stake (1995) defines a case study research as an inquiry in which the researcher explores a program, event, activity, process, or one or more individuals. Yin (1994: 13), on the other hand, defines a case study as an empirical inquiry, that

investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.
As Bonoma (1985) points out, the objective of data collection in a case study research is not necessarily about quantification, but more about description, classification, theory development, and limited theory testing. In other words, the aim of a case study research is about generating in-depth understanding of a subject. To achieve this aim, Yin (1994), Stake (1995), and Creswell (2012) all emphasise the use of multiple sources of information. Ghauri and Grønhaug (2005: 114) also refer to case research as “qualitative and field-based construction and analysis of case studies” which often involves data collection from multiple sources. These sources are mostly qualitative, but can also be of a quantitative nature (Yin, 1994). Multiple sources of data are critical in providing an in-depth understanding and analysis of a single case (Bryman and Bell, 2003).

Creswell (2012) emphasises the importance of considering the intent of conducting a case study research. In this thesis, the intent of the case study is to understand a specific issue of concern, i.e. the diversity of regional negotiation approach in China. To study this issue, the present research employed a multiple-case study, and each Chinese region constituted a case. The intention of using this multiple-case study approach is to compare and contrast the different regions in China and find out whether behavioural differences exist between regions. Cases, according to Stake (1995), are specific, complex, functioning things—characteristics that apply to the regional negotiation styles in China. The multiple-case study is thus useful to identify both uniqueness and commonality across cases (Stake, 1995).

This research studied each case using multiple sources of evidence. According to Gillham (2000), a case study approach is a main method in which various research methods may be employed. This multi-method approach is “one of the distinguishing features of a case study research” (Cameron and Price, 2009: 303). Denzin (1970) argues that each method reveals different aspects of empirical reality, and thus multiple methods of observation need to be conducted in order to fully understand the subject. Cameron and Price (2009) point out that multiple-method-observation is crucial in order to identify the problems embedded in the issues. It also draws on evidence to help explain what is happening. Yin (1994) and
Creswell (2012) conclude that using multiple sources of information is a key strength of a case study research. A single source is not recommended for this approach (Yin, 1994). In terms of research findings, Yin (1994) and Bryman and Bell (2003) consider a combination of methods as the most valid and reliable way of developing an understanding of a complex social reality. Any research finding or conclusion is more convincing and accurate if based on multiple sources of evidence (Stake, 1995).

3.2.1 Research Methods

As noted earlier, this research used three methods to study the subject. The goal of using different means of gathering data is to gauge how the different forms of data illuminate similar or different perspectives (Cameron and Price, 2009). This study used two qualitative methods. These included semi-structured interviews and secondary documents, such as books, newspapers, and internet articles. Crotty (1998) points out that the use of interviews with other secondary materials can help counter “self-reporting biases” or “halo” affected responses. In addition to these qualitative methods, this research employed a quantitative method—experiments—to study the subject.

3.2.1.1 Interviews

Corbin and Strauss (2008) consider interviews as a special form of purposeful conversation which can elicit candid expression of opinions residing in a respondent. The key advantage of interviews is that they are conducted for a specific project and can provide rich and finely textured qualitative data (Cameron and Price 2009). In addition, interviewers present the opportunity to explore meanings attributed to the responses, as well as to generate both qualitative and quantitative data during interviews (Cameron and Price 2009). Gillham (2000) advocates the use of interviews when material is potentially sensitive in character. According to him, interviewees might be more willing to disclose information in face-to-face interactions than they would do so in an anonymous questionnaire. In order to take advantage of this feature, Denzin (1970) advises researchers to develop good rapport and trust with their
The potential weaknesses of interviews include biases due to poorly constructed questions, response bias, and inaccuracies due to poor recall (Bryman and Bell, 2003; Corbin and Strauss, 2008; Cameron and Price 2009). These weaknesses have been carefully considered prior to conducting the interviews. The researcher countered them by using second documents as a supportive method and integrating experiment results to cross-check the interview findings. In order to limit the influence of responses bias, the interviews were conducted using multiple sources of interviewees. Harrison (2003) advises that this is a particularly useful technique for addressing the weaknesses of response bias and poor recall. Nevertheless, it is crucial to point out that this study only seeks to gauge the experiences of the interviewees. It does not seek to prove or disprove the theories on negotiation or cross-cultural behaviour. Thus, the responses of the interviewees were accepted as that which they experienced and expressed.

There are several forms of interviews, including unstructured, semi-structured, and structured interviews. This study employed a semi-structured interview because it was both standardised and flexible at the same time (Gillham, 2000; Bryman and Bell, 2003). The structured feature was crucial for keeping the research interests in check and ensuring that specific issues would be addressed across all interviews (Corbin and Strauss, 2008). This element is particularly critical in a multiple-case study where cross-case comparability is vital (Bryman and Bell, 2003). On the other hand, the flexibility of the semi-structured interview enabled the researcher to explore unexpected issues so that new perspectives and ideas could be pursued during the data collection process (Harrison, 2003).

3.2.1.2 Documents

Documents are relevant sources of information for case studies (Yin, 1994). They are secondary sources which are not specifically created or collected for the purpose of the current research (Sekaran, 2003). Documents can take many forms and varieties. The main
documents used in this study included books, internet articles, and other documents concerning regional characteristics and sub-cultural differences in China. Further secondary sources included academic writings and published material related to the characteristics of regional business behaviours in China.

Corbin and Strauss (2008) suggest that research questions are often best understood by using information from both primary and secondary sources. Considering that secondary data is easier to access and collect than first-hand data, Corbin and Strauss (2008) also advocate consulting secondary sources before collecting first hand data. The present research followed this procedure where the secondary documents provided a valuable input at the preparation stage prior to the interviews.

As a tool, documentation has the advantages of being stable and can be reviewed repeatedly (Corbin and Strauss, 2008). It is unobtrusive (Sekaran, 2003) and can be very exact for names, dates, and references (Cameron and Price, 2009). Furthermore, it ensures a broad coverage in terms of time, events and settings (Yin, 1994). The non-reactive feature of the documents is also beneficial to this research. Since secondary materials have not been created specifically for the purposes of this study, the possibility of a reactive effect can be largely discounted as a limitation on the validity of the data (Bryman and Bell, 2003). Apart from these advantages, Yin (1994) notes that documentation also exhibits weaknesses. These weaknesses could include reporting bias of the researcher (countered by the triangulation of research methods), selection bias of the researcher (met by different sources selected), and incomplete information due to access being deliberately blocked (paid information sources consulted through free trials).

### 3.2.1.3 Experiments

An experiment refers to a situation in which a researcher intentionally varies conditions of the environment believed to influence the occurrence of another event (Fromkin and Streufert, 1976). This study employed experiments to examine whether (and if so, how) regional
differences in China contributed toward any observed behavioural differences in negotiations. The purpose of using experiments as a third method is to generate evidence in a controlled manner to complement the findings of the interviews, thereby strengthening the overall results of the study. Negotiation researchers have been using experimental simulations to create a standardised context within which relationships between culture and negotiation variables can be observed and tested (e.g. Graham 1985; Adair and Brett, 2005; Imai and Gelfand, 2010). Experimental technique necessarily assumes that cause-effect relationships both exist and can be invoked under appropriate conditions (Earley and Mosalowski, 1996). Through the use of experiments, researchers aim to identify potential cause-effect relationships and re-create the relationship in a controlled fashion. As Cook and Campbell (1979: 91) put it,

...experiment is one of the most useful, if not the most useful, way of gaining knowledge about cause.

These authors argue that experimental studies are more powerful than non-experimental designs in uncovering causal relationships among variables. This is because potential confounding effects can be removed from a study through control and randomisation (Cook and Campbell 1979). This research randomly assigned the participants to the experimental conditions. In doing so, the researcher assured that uncontrolled or confounding differences among the participants were attributed to their differences in regional backgrounds.

There are several ways in which to categorise experiments, but the most common scheme includes three types of experiments, namely laboratory, field, and quasi (Cook and Campbell, 1976; Fromkin and Struèfert, 1976). This research employed a laboratory experiment design. The relatively easier access to participants was a key advantage of using this type of experiment. In addition, this type of experiment provided the researcher with the opportunity to examine various aspects of the phenomena systematically. It also helped to build the design of the subsequent experiment based on the results of the previous one.
3.2.2 Data Sources—Sampling

Considering the potential response bias in the interviews, it is vital to employ the data triangulation strategy when conducting interviews. According to Bryman and Bell (2003: 412), triangulation is,

the use of more than one method or source of data in the study of a social phenomenon so that findings may be cross-checked.

Data triangulation, as Denzin (1970, 1989) and Patton (1978) suggest, is the use of variety of data sources in a study. Figure 3.1 shows the data triangulation in the interviews.

Figure 3.1 Triangulation of the Interview Data

This study gathered the interview data through multiple sources of informants. The interviewees of this study came from three different social backgrounds, including Chinese businessman, Chinese governmental official and foreign businessman. Through including respondents from different backgrounds, this study attempted to seek the widest possible coverage of knowledge and opinions (Crotty, 1998) regarding regional negotiation styles in China.

This research selected the interviewees on the basis of purposeful sampling, through which it attempted to find the right respondents for this study. Creswell (2012) supports the use of a purposeful sampling in qualitative research. He claims that the researcher selects individuals
for a qualitative study so that these individuals can purposefully inform an understanding of the research problem and the central phenomenon of the study. This study adopted two purposeful sampling strategies. The first one was the *criterion strategy*. This strategy implies that the informants of this research are selected based on some criteria which are set before the interviews (Miles and Huberman, 1994). This strategy is useful for quality assurance of the research (Creswell, 2012). This research used several criteria to select the Chinese businessmen. First, potential Chinese businessmen should hold a senior management role in their company. Second, these businessmen should have at least five years of negotiation experience and should have been involved in business negotiation experience in different regions of the country. Third, potential interviewees should come from various industrial backgrounds so that cross-industry comparability can be pursued.

This study later employed the *maximum variation sampling strategy* (Creswell, 2012) to avoid the “one-side story” from the Chinese businessmen. This strategy consisted of selecting those interview informants who were quite different from the respondents who had been contacted beforehand (Miles and Huberman, 1994). This research collected interview data from a Chinese government official and several foreign businessmen. These respondents provided valuable information into the research problem from a governmental perspective and a foreign perspective, respectively. Through maximising differences on the respondents’ backgrounds, the researcher aims to include different perspectives in the research and develop a comprehensive understanding of the negotiation style in each region. The researcher identified the government official by his role in the bureau of foreign trade and commerce in the local government. In the past, this respondent often appeared on the news as the government representative in internal, as well as external business negotiations. The internal negotiation experience provided him with an ample amount of knowledge of regional negotiation styles while the external negotiation experience enabled him to observe the regional differences from a natural or even a foreign standpoint. The foreign respondents were chosen based on the criteria that they should have been working and living in China for many years, and they should have extensive experience of negotiating with Chinese negotiators from different regions of the country.
The researcher furthered studied each case/region using a student sample in the experiments. These students were voluntary participants. The common criticism of using student sample in experiment is that it fails to capture the “real” world (Earley and Mosalowski, 1996) and it can be viewed as over-simplifying the dynamic faced in actual negotiations (Bazerman and Neale, 1992). However, the student sample offered two advantages to this research. The researcher considered that the regional differences in negotiation styles could be more significantly observed using the student sample than the other samples. The assumption was that the students, who had no business negotiation experience prior to the experiments, would rely on their cognitive understanding of negotiations to negotiate. Through the lens of the student sample, the researcher was able to observe the taken-for-granted assumptions which govern how people negotiate. In other words, the students provided insights into the "established ways" of negotiating, or the standard operating procedures, in their regions. Bazerman and Neale (1992) thus consider a student sample as a reliable source of studying cultural differences in negotiation research. The use of a student sample has been proved effective in generating cognitive information of cultural differences in negotiation experiment (e.g. Imai and Gelfand, 2010).

In addition, using the student participants in this study was more advantageous than using professionals. Moore and Murnighan (1999) point out that the recruitment process of professional negotiators is often expensive and time-consuming. Reliance on professionals as participants would make many research projects problematic or even impossible to conduct. A recently published study shows that over 90% of the empirical negotiation-related studies are based on the experience of students (BueLens et al. 2008). Ramsay (2004) explains that availability and low cost are the main reasons most researchers conducted their negotiation experiments with student samples. Furthermore, Moore and Murnighan (1999) argue that the negotiation behaviours of students accurately reflect the behaviours of professionals. According to these scholars, negotiation is a common enough activity that anyone must interact with others to resolve conflicting situations in daily life. Thus, people from the same cultural background should share the same negotiation behaviours regardless of their
professions. Northcraft and Neale (1987) and Bazerman and Neale (1992) support this view and emphasize that, according to the substantial evidence, professionals do not differ in fundamental ways from novices.

3.3 Data Collection

The following section is a summary of the data collection process for this research in 2011 and 2012.

3.3.1 Interview Data Collection

The researcher conducted the interviews from March to May in 2011 in three cities of China: Beijing, Shanghai, and Guangzhou. These three cities are China’s key growth engines and principal recipients of FDI where international and domestic trades are active. Foreign businessmen and Chinese people from different regions come to work and live in these cities. People living in these cities are exposed to the diversity of regional subcultures in the country. It is, therefore, easier to find suitable interviewees in these locations.

Prior to the interviews, the researcher consulted the books of Gillham (2000) and Bryman and Bell (2003) for advice. The data collection process followed the steps outlined in these books.

1) Decide on the interview questions.
Since this research adopted the negotiation analytical approach, the interview questions focused on the perceptions of the respondents. They were developed based on the research questions that arose from the literature. Documentation was used to assist the development of these questions. The researcher then refined the questions through a pilot testing in 2010 in three cities of China. Yin (1994) recommends the use of a pilot test in case study research to refine data collection plans and develop relevant lines of questions. The researcher selected these pilot cases on the basis of convenience, access, and geographic proximity. They were useful for improving the actual interview questions. In particular, they were helpful in
determining how long the interviews should take. Afterwards, the interview questions were developed.

The researcher then discussed the questionnaire with the researcher’s supervisor at Loughborough University. Based on the advice, the questions were refined and finalised. Overall, the researcher had made considerable efforts to ensure that the interview questions addressed the research questions properly, and they could be answered by the interviewees. The questionnaire was then translated into Chinese by the researcher, and back translated by another PhD student, who studied English translation at Guangzhou University in China. The researcher then translated the questionnaire again into Chinese based on the translated version and confirmed the final questionnaire. This process ensured the accuracy of these questions (Bryman and Bell, 2003). This questionnaire was designed to answer the proposed research questions. As a reminder, the following are the research questions which emerged from the literature review.

RQ1: Are there regional negotiation styles in China?
RQ2: How are cultural values and beliefs different in different regions of China?
RQ3: How do negotiators from different regions of China perceive
   a) the importance of relationship
   b) time
   c) the importance of face
   d) risk
   in negotiations?
RQ4: Why do the differences exist between regions?
RQ5: How do different Chinese negotiation styles affect Sino-Western negotiations?

Table 3.2 shows the core questions for the interviews, including sub-questions and prompts. The Chinese version of the questionnaire is provided in Appendix A.
Table 3.2 Interview Questions

<table>
<thead>
<tr>
<th>General Starting Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Which region do you come from?</td>
</tr>
<tr>
<td>2. In what region(s) have you lived/worked before?</td>
</tr>
<tr>
<td>3. What is your position in the company?</td>
</tr>
<tr>
<td>4. How do you perceive negotiators’ business negotiation style in your region?</td>
</tr>
<tr>
<td>5. Do you think there are differences between your region and the other regions in terms of negotiation styles? What are the differences?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relationship</th>
<th>1. What is your primary goal of a business negotiation? (Contract or relationship) Why?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. How much percentage of time do you spend on relationship building? Why?</td>
</tr>
<tr>
<td></td>
<td>3. What is the nature of the relationship that you build? (Inter-organisational or interpersonal)</td>
</tr>
<tr>
<td></td>
<td>4. What fills the relationship?</td>
</tr>
<tr>
<td></td>
<td>5. How do you normally resolve conflicts in post-negotiation period?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Time</th>
<th>1. How long does the pre-negotiation/ negotiation process normally take? What is your expectation on the length of this process?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. How much percentage of time do you spend on pre-negotiation and negotiation process? Why?</td>
</tr>
<tr>
<td></td>
<td>3. How does past experience with the company/country affect the negotiation process?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Face</th>
<th>1. What is your perception about the importance of face in business negotiations? (Scale 1-10) Why?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. How is this perception reflected in your negotiations?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk Taking Propensity</th>
<th>1. How influential are political factors in negotiations? (Scale 1-10) Why?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. Do you always assess the probability of political risks associated with the negotiation process? Why or why not?</td>
</tr>
<tr>
<td></td>
<td>3. How do you perceive risks in business negotiations? What kind of risks have you experienced before? How did you react?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Further Questions on Regional Differences</th>
<th>1. How do negotiators from different regions behave in terms of a) building relationship; b) spending time; c) giving and maintaining face and d) taking risks?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. Are there any other ways you think negotiators from the other regions negotiate differently from your region?</td>
</tr>
<tr>
<td></td>
<td>3. How do these differences affect the negotiation process?</td>
</tr>
</tbody>
</table>
The interviews began with some general questions regarding the interviewees’ personal information, followed by the specific questions under different themes to allow for greater exploration. The general starting questions 4 and 5 related to RQ1 and RQ2. The questions in the other four categories addressed the core questions a, b, c and d in RQ3 accordingly. These interview questions were originally designed for the Chinese businessmen. In the interviews with the other two groups of respondents, the researcher modified the questions and focused mainly on the regional differences on these four values. In some cases, full interviews were not feasible to be carried out due to time and venue constraints. The respondents were asked to provide comparisons between regions regarding those four values only. This proved helpful in generating answers in limited conditions. Although the interviewees’ responses had shared some insights into RQ4, the answers to this question were based mainly on the examination of the secondary documents. RQ5, on the other hand, was answered using the experiment data.

2) Identify interviewees.

On the basis of the purposeful sampling strategies, this research gathered potential interviewees through three means. First, the researcher used his network in China to look for suitable candidates. Second, the researcher contacted individuals who were recommended by the interviewees and/or the other contacted individuals (who were not available themselves for the interviews). Interviewees from these two categories were confirmed to meet the criteria through online research on the company and the person. This online research provided information on the company established date, the type of business, the locations of their business partners, as well as information about their senior management teams. These interviewees were contacted by e-mail and telephone calls to communicate the purpose of the interviews. The researcher then arranged a meeting with these interviewees if they agreed to participate. Third, the researcher attended two foreign trade fairs in Beijing and Guangzhou to find Chinese businessmen from different regions of the country. The respondents met at the trade fairs were first contacted by communicating research objectives and inquiring information on their personal experience and their company. Based on the information, the potential interviewees were carefully considered whether they were suitable for this research. If suitable, they were asked to schedule a time for the interview.
At the end of the fieldwork, 30 interviews were conducted in total. The 30 respondents included 25 male interviewees and five female interviewees. Among these 30 interviewees, there were 26 Chinese businessmen, one Chinese government official and three foreign negotiators. The three foreign negotiators included two English and one American. Prior to the interviewees, about 40 potential Chinese businessmen were contacted, and thus the response rate was above 50%. Considering the sensitive nature of the subject, this is deemed to be a very high response rate. During the data collection, certain Chinese government officials were extremely reluctant to grant interview requests despite reassurances regarding confidentiality and anonymity. Among the five suitable government officials contacted, only one of them agreed to participate in the research. The same situation occurred among some foreign businessmen, in which ten potential interviewees were contacted initially. Thus, these two samples are relatively small. However, they are sufficient as the main purpose is to look for the perceptions among the Chinese businessmen. The answers from the Chinese businessmen are compared to the answers provided by the Chinese government official and the foreign negotiators so that convergent results can be obtained.

Table 3.3 shows the regions and the home cities/provinces of the 26 Chinese businessmen.

Table 3.3 Distribution of Regions in the Interviews

<table>
<thead>
<tr>
<th>Region</th>
<th>North</th>
<th>Northeast</th>
<th>Northwest</th>
<th>East</th>
<th>South</th>
<th>Central</th>
</tr>
</thead>
<tbody>
<tr>
<td>City/Province</td>
<td>BJ</td>
<td>SD</td>
<td>JL</td>
<td>HLJ</td>
<td>NMG</td>
<td>SX</td>
</tr>
<tr>
<td>Subtotal</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>7</td>
<td>10</td>
<td>1</td>
</tr>
</tbody>
</table>

(Abbreviations: Beijing, Shandong, Jilin, Heilongjiang, Neimenggu, Shanxi, Shanghai, Zhejiang, Jiangsu, Guangzhou, Hong Kong, Fujian, Sichuan)

The “regions” in the table are sorted according to the triangulated perceptions among the respondents. For example, the respondents from Shanghai, Zhejiang and Jiangsu all considered that they came from the Eastern region, and they perceived a similar negotiation approach in this region. These perceptions were confirmed by the other respondents, who
perceived an Eastern negotiation approach shared by negotiators from Shanghai, Zhejiang and Jiangsu. Evidence also came from the secondary materials, where a shared sub-cultural background between the cities/provinces was found. In this research, therefore, a “region” is a cluster of cities and provinces which share the sub-cultural similarities in the country. They are the units of analysis in this study.

Among the six regions, most of the respondents came from the Eastern region and the Southern region. Only a few respondents came from each of the three Northern regions and only one came from the Central region. These figures reflect the reality that the Eastern region and the Southern region are the most developed areas in China. More people from these regions take part in domestic and international business activities than the other regions. Eastern and Southern businessmen also have comparatively more business negotiation experience than businessmen from the other regions. Thus, most of the suitable interviewees came from these two regions. The three Northern regions and the Central region are relatively less developed. During the data collection stage, the researcher considered some potential interviewees from these regions as unsuitable because they had limited negotiation and cross-regional living and working experience. Thus, fewer interviewees came from these four regions.

For analysis purposes, each respondent was assigned with a unique code. The codes are shown in Table 3.4. Importantly, the interview results, as well as the secondary materials, have provided enough information that the three Northern regions are too similar to discuss separately. Besides, all the respondents agreed that when addressing Northern China, they normally referred to it as the area to the north of Yangtze River. That is called the Northern region. Thus, in the table the respondents from these three regions share the same code, and they are known as the Northern respondents in this research. Together with the other three regions, this thesis studied four cases/regions in the country, namely the Northern region, the Eastern region, the Southern region, and the Central region.
Table 3.4 Codes and Backgrounds of the Interviewees

<table>
<thead>
<tr>
<th>Code</th>
<th>Home Region/Country</th>
<th>Work Region (if different)</th>
<th>Industry</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>NCB1</td>
<td>North</td>
<td></td>
<td>Wholesale</td>
<td>Sales Director</td>
</tr>
<tr>
<td>NCB2</td>
<td>North</td>
<td></td>
<td>Manufacturing</td>
<td>Senior Manager</td>
</tr>
<tr>
<td>NCB3</td>
<td>North</td>
<td></td>
<td>Manufacturing</td>
<td>Senior Manager</td>
</tr>
<tr>
<td>NCB4</td>
<td>Northeast</td>
<td>South</td>
<td>Realty</td>
<td>Project Manager</td>
</tr>
<tr>
<td>NCB5</td>
<td>Northeast</td>
<td></td>
<td>Wholesale</td>
<td>Sales Manager</td>
</tr>
<tr>
<td>NCB6</td>
<td>Northwest</td>
<td>East</td>
<td>Manufacturing</td>
<td>CEO</td>
</tr>
<tr>
<td>NCB7</td>
<td>Northwest</td>
<td></td>
<td>Manufacturing</td>
<td>Sales Director</td>
</tr>
<tr>
<td>NCB8</td>
<td>Northwest</td>
<td>East</td>
<td>Realty</td>
<td>Sales Manager</td>
</tr>
<tr>
<td>ECB1</td>
<td>East</td>
<td></td>
<td>Manufacturing</td>
<td>Sales Director</td>
</tr>
<tr>
<td>ECB2</td>
<td>East</td>
<td></td>
<td>Manufacturing</td>
<td>Sales Manager</td>
</tr>
<tr>
<td>ECB3</td>
<td>East</td>
<td></td>
<td>Manufacturing</td>
<td>Project Manager</td>
</tr>
<tr>
<td>ECB4</td>
<td>East</td>
<td></td>
<td>Wholesale</td>
<td>Sales Representative</td>
</tr>
<tr>
<td>ECB5</td>
<td>East</td>
<td></td>
<td>Wholesale</td>
<td>Senior Sales Manager</td>
</tr>
<tr>
<td>ECB6</td>
<td>East</td>
<td></td>
<td>Services</td>
<td>Director</td>
</tr>
<tr>
<td>ECB7</td>
<td>East</td>
<td></td>
<td>Wholesale</td>
<td>Trade Specialist</td>
</tr>
<tr>
<td>SCB1</td>
<td>South</td>
<td></td>
<td>Realty</td>
<td>Real-estate developer</td>
</tr>
<tr>
<td>SCB2</td>
<td>South</td>
<td></td>
<td>Manufacturing</td>
<td>Sales Director</td>
</tr>
<tr>
<td>SCB3</td>
<td>South</td>
<td></td>
<td>Manufacturing</td>
<td>President</td>
</tr>
<tr>
<td>SCB4</td>
<td>South</td>
<td></td>
<td>Services</td>
<td>Director (Finance)</td>
</tr>
<tr>
<td>SCB5</td>
<td>South</td>
<td></td>
<td>Services</td>
<td>Senior Manager</td>
</tr>
<tr>
<td>SCB6</td>
<td>South</td>
<td>Australia</td>
<td>Services</td>
<td>Trade Fair Buyer</td>
</tr>
<tr>
<td>SCB7</td>
<td>South</td>
<td></td>
<td>Wholesale</td>
<td>Sales Director</td>
</tr>
<tr>
<td>SCB8</td>
<td>South</td>
<td></td>
<td>Wholesale</td>
<td>Sales Manager</td>
</tr>
<tr>
<td>SCB9</td>
<td>South</td>
<td></td>
<td>Realty</td>
<td>Project Manager</td>
</tr>
<tr>
<td>SCB10</td>
<td>South</td>
<td></td>
<td>Services</td>
<td>Sales Manager</td>
</tr>
<tr>
<td>CCB</td>
<td>Central</td>
<td>South</td>
<td>Manufacturing</td>
<td>Sales Supervisor</td>
</tr>
<tr>
<td>CGO</td>
<td>South</td>
<td></td>
<td></td>
<td>Vice Director</td>
</tr>
<tr>
<td>FB1</td>
<td>U.K.</td>
<td>North and South</td>
<td>Realty</td>
<td>Assistant Director</td>
</tr>
<tr>
<td>FB2</td>
<td>U.K.</td>
<td>South</td>
<td>Realty</td>
<td>Senior Manager</td>
</tr>
<tr>
<td>FB3</td>
<td>U.S.</td>
<td>Multiple</td>
<td>Wholesale</td>
<td>Purchasing Representative</td>
</tr>
</tbody>
</table>

(Abbreviations: NCB: Northern Chinese businessman; ECB: Eastern Chinese businessman; SCB: Southern Chinese businessman; CCB: Central Chinese businessman; CGO: Chinese government official; FB: Foreign businessman)

3) **Determine the type of interview.**

Creswell (2012) suggests three types of interviews to gather the most useful information. These interviews include a telephone interview, a one-on-one (face-to-face) interview, and a
focus group interview. This research considered a face-to-face interview as the most appropriate method prior to the data collection.

In practice, most of the interviews were conducted using this method. Some of the interviews, however, had to be carried out over the telephone and via email due to travel restraints and the unavailability of the respondents.

4) **Determine the place for conducting interviews.**

Cameron and Price (2009) advise that interviews should be conducted in comfortable environments. According to them, comfortable environments would enable respondents to provide honest answers and help reduce the potential effect of interviewer bias.

Following Cameron and Price’s (2009) suggestion, the interview locations were decided by the interviewees. Four telephone interviews and one email interview were conducted with those respondents who were not available for the face-to-face interview during the period of data collection. Six of these interviews had to be carried out at the trade fair venues because these respondents had tight schedules and were unable to allocate a designated time slot for interview. The rest of the interviews were conducted at the places decided by the interviewees. These places included the respondents’ offices (11 interviews) and public locations (8 interviews), such as restaurants.

5) **Use adequate recording procedures.**

Bryman and Bell (2003) recommend the use of audio tape for interview recording. The advantages of using audio tape in interviews, apart from correcting natural memory limitations, include a more thorough examination of interviewees’ answers, repeated study of their answers and the possibility for the data to be reused in other ways (Bryman and Bell, 2003). In situations when audio recording is not feasible, such as requests made by respondents and environmental restraints, hand-written notes should be used. In these cases, notes should be transcribed and analysed shortly after each interview (Creswell, 2003).
Despite the intention of using audio tape, only five of the interviews were recorded on tape and 25 of them were recorded by means of hand-written contemporaneous notes. Notes were taken due to the potentially sensitive nature of the subject, and thus were requested by the interviewees. During the interviews, the respondents were asked to talk slowly and repeat when needed so that potential information loss could be avoided as much as possible. Interview notes were transcribed shortly after the interviewees in order to cope with the natural memory limitations.

The interviews lasted between 30 minutes (trade fair venues) and 2 hours, although initially the interview was designed to last for about 60 minutes. Two interviews lasted for 30 minutes and four lasted for 50 minutes. These interviews were conducted at the trade fair venues. Interviews conducted over the phone and at respondents’ offices lasted for about 60 to 90 minutes, while the ones conducted at restaurants carried on for about 2 hours. The differences in interview duration were due to the environmental restraints at different locations. At the trade fairs where the environmental restraint was difficult to overcome and full interviews were unable to carry out, the researcher focused on generating the interviewees’ perceptions on regional differences of the four values. This was proved effective in obtaining data in limited conditions. The interviews with the American and the English respondents were carried out in English. The respondents from the Northern, the Eastern, and the Central regions of China were interviewed in Mandarin, whereas those from the Southern region were conducted in the local language of Cantonese. Although the Cantonese-speaking interviewees also understand Mandarin, it is believed that using the local language would encourage the respondents to speak openly, thereby enhancing the quality of the data.

6) Consider ethical issues during the interviews.

Being aware of the ethical issues associated with face-to-face interviews, the researcher, before the interviews, fully disclosed his role to the participants. The interviewees were informed of the purpose of the study, the amount of time needed, and the use of the interview results. Details relating to confidentiality and anonymity were also explained by the researcher. In terms of anonymity, Corbin and Strauss (2008) recommend that researchers
should separate the identity of informants and the information they supplied, making it difficult to associate the name with the data. The researcher followed this advice and assigned each participant with a code to represent their identities in this study. It was anticipated that the guarantee on anonymity and confidentiality would encourage a greater freedom of expression from the participants (Bryman and Bell, 2003).

3.3.2 Experiment Procedures

Following the interviews, two negotiation experiments were carried out at the Business School of Loughborough University. Adair and Brett’s (2005) and Imai and Gelfand’s (2010) experiment designs provided guidance in designing these two experiments. The following is a summary of the experiment procedures, showing intra- and international negotiations of Chinese participants. The intra-national negotiation experiment between Chinese students is analysed in Study 1, and the international negotiation experiment between Chinese and Western students is analysed in Study 2.

3.3.2.1 Study 1

The first experiment was conducted in September 2011, which intended to observe how the Chinese negotiate with each other in an intra-cultural context.

Participants

22 Chinese students from Loughborough University Business School participated voluntarily in the study, although initially 28 students signed up for the experiment. These students only just arrived in the UK for no more than one month. They consisted of 12 males and 10 females. Table 3.5 describes the regional breakdown of the student sample, which is sorted according to the regions determined in the interviews. Since the interview data suggested great similarity across the three Northern regions, “North” in the above table refers to the students who came from any of the three Northern regions. The majority of the participants came from the Northern region and the Central region while approximately four students
came from the Eastern region and the Southern region. One student did not provide relevant information on his/her regional background.

Table 3.5 Distribution of Regions in Study 1

<table>
<thead>
<tr>
<th>Region</th>
<th>North</th>
<th>East</th>
<th>South</th>
<th>Central</th>
<th>?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>10</td>
<td>3</td>
<td>1</td>
<td>7</td>
<td>1</td>
</tr>
</tbody>
</table>

The participants were divided into four groups and were invited to come in four different time slots. These students had been randomly assigned to a buyer or a seller role, but they were only notified about their roles after they had arrived. Since six of the students did not show up at the experiment, the researcher had to regroup these six students’ partners and reassign new roles to them in new negotiation dyads. Two students, however, had no negotiation partners in their time slots. Considering the importance of generating as much data as possible, the researcher himself participated in the experiment and acted as the dummy to negotiate with the two students. Thus, there were twelve pairs of negotiation dyads in this experiment. For ethical consideration, the researcher only served as an observer in these two negotiations, and his behaviours will not be presented as findings in the later chapters. All students were given £5 cash for participation.

**Negotiation Task**

The simulation involved a negotiation between a flower company and a local hotel. The full scenario is provided in Appendix B. Participants were told that a hotel manager had approached a flower company manager to purchase flowers for hotel decoration. They were also told that they were seriously interested in the deal and hoped to develop a healthy trading relationship with their counterparts. However, there were four issues they needed to consider in the deal: (a) the price of each unit of flower, (b) the quantity, (c) the length of the contract, and (d) the payment time.

Participants were given a list of the possible options on each of the four negotiation issues.
They were also asked to put down their private information in a short questionnaire. The private information included their regional backgrounds, details of their first offers, their expected negotiation outcomes, and their expected length of negotiation (ELoN). The regional background, in particular, included two sections: home city/province and study city/province. This arrangement was due to the consideration that some of these students might have studied in a different region in China, and this mixed background may have influenced their values and behaviours.

Procedure

At the beginning of the experiment, the researcher communicated the objective of the study with the participants. They were informed that a video would be used to record the negotiation process, but it was only for academic purposes and confidentiality was guaranteed. Consent forms were signed and collected at this stage.

The researcher then provided a standard introduction to the negotiation task. This introduction offered an outline of the activities, the timing for the experiment, and a description of the negotiation simulation. Participants were told to use emails to negotiate with each other in an hour’s time and put down their negotiation steps (their offers) on the sheet provided. After the introduction, the participants were given 15 minutes to read through the material and prepared for the negotiation. The researcher provided a standard clarification of the material at the end of this preparation stage.

When the negotiation started, the participants were required to remain silent. The video was used to film the negotiation processes and the body gestures and facial expressions of the participants. At the end of the experiment, the researcher collected the email conversations and the questionnaires, then debriefed the participants of the exercise.

3.3.2.2 Study 2

The second experiment was carried out in February 2012, and aimed to find out how regional
differences affect Sino-Western negotiations (RQ5).

Participants

Initially, 20 students from the Business School intended to take part in the experiment. On the experiment day, three of them were unable to participate due to personal reasons. One student was late and thus was asked to leave the experiment. Therefore, the participants of this experiment were 16 students, including eight Chinese students and eight non-Chinese students. These students consisted of seven males and nine females. The Chinese participants have been studying in the UK for six months. They included students from the Northern region, the Central region and the Eastern region, although no participant came from the Southern region. Distributions of nationality and the Chinese regions are presented in Tables 3.6 and 3.7, respectively.

Table 3.6 Nationality of the Participants in Study 2

<table>
<thead>
<tr>
<th>Nationality</th>
<th>Chinese</th>
<th>German</th>
<th>English</th>
<th>Greek</th>
<th>Romanian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>8</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 3.7 Distribution of the Chinese Regions in Study 2

<table>
<thead>
<tr>
<th>Region</th>
<th>North</th>
<th>Central</th>
<th>East</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

Each Chinese student was randomly paired up with a non-Chinese student with the opposite role, making eight negotiation dyads in total. The researcher divided the students into two groups and invited them to come at two separate time slots. Among the eight Chinese students, six of them had participated in the first experiment. Prior to the experiment, an email was sent out to all those Chinese students from the first experiment, inviting them to take part in the second experiment. These six students agreed to join the second experiment voluntarily. They were assigned the same buyer or seller role as they were in the first experiment. Through this arrangement, the researcher intended to pursue the behavioural consistency among these students. Each student was given £5 cash for participation.
**Negotiation Task**

The simulation involved an international business negotiation in which a supermarket chain manager negotiated a CD purchasing deal with a manager from an international music company. The scenario is provided in Appendix C. Similar to the first experiment, the participants were told to negotiate four issues in the deal: (a) the price of the product, (b) the quantity, (c) the length of the contract, and (d) the payment time. Participants were given a list of the possible options on each of the four negotiation issues. They were asked to put down their private information, i.e. regional background, details of first offers, expected negotiation outcomes, and ELoN, on the sheet provided.

**Procedure**

Similar to the first experiment, this experiment began with a communication of the research objective and the issue of confidentiality with the participants. Consent forms were signed and collected. The researcher then provided a standard introduction to the negotiation simulation. Participants were then given 15 minutes for reading and preparation. As the negotiation started, the participants used computers and negotiated via emails for an hour. Silence was required, and the process was videotaped. At the end of the experiment, the researcher collected the questionnaires and the email conversations and provided a brief summary of the exercise to all the participants.

**3.4 Data Analysis**

The purpose of data analysis is to understand and to gain insights from collected data (Bryman and Bell, 2003). Data analysis is “a process of examining something in order to find out what it is and how it works” (Corbin and Strauss, 2008: 46). The data analysis process of this study involved two phases. The initial data analysis of the interviews and the documents led to the identification of themes, which were used for the analysis of the experiment data. Through the comparison of the findings of the two phases, convergent results were pursued.
3.4.1 Interview Data Analysis

Qualitative analysis is a process of studying and interpreting data in order to obtain meaning, acquire understanding and develop empirical knowledge (Corbin and Strauss, 2008). There is a variety of established procedures for analysing qualitative data. Common schemes for qualitative data analysis include grounded theory, analytic induction, and content analysis (Bryman and Bell, 2003). The essence of these approaches is to transform and interpret qualitative data in order to capture the complexities of the social world (Corbin and Strauss, 2008; Creswell, 2012). Miles and Huberman (1994) suggest that qualitative data analysis typically starts with converting raw materials (i.e., field notes, documents, audiotapes) into partially processed data (i.e., write-ups, transcripts). This data is then subjected to an analysis process, which includes three parts: (1) data reduction, or taking the raw data and simplifying and transforming them using the codes; (2) data display, which is displaying the data in an organised assembly of information which permits the drawing of conclusions; and (3) conclusion drawing and verification, or deciding what everything means and determining the validity of those conclusions. This research followed Miles and Huberman’s (1994) steps in analysing the interview data.

As mentioned earlier, the process of interview data transcription started during the data collection process. Following the process proposed by Miles and Huberman (1994), interviews on audiotapes were transcribed by the researcher. Interviews based on hand-written notes were written up on a word processor to be brought into a suitable format. The transcripts for Mandarin-speaking and Cantonese-speaking interviews were first written down in Chinese, and subsequently translated into English. The PhD student from Guangzhou University back translated the transcripts into Chinese, which were then translated again into English by the researcher. The transcriptions were then printed out and grouped according to the regions for manual analysis.

The analysis process started with data reduction, i.e. coding. According to Miles and
Huberman (1994: 56), “coding is analysis”. Coding is a process of organising the material into “chunks” before bringing meaning to those “chunks” (Rossman and Rallis, 1998: 171). This process involves taking text data, segmenting sentences into categories, and labelling those categories with a term (Creswell, 2003), often a term based on the actual language of the respondent (Miles and Huberman, 1994). The process of coding and categorising assists the interpretation of data and support searching for common and/or conflicting themes (Miles and Huberman, 1994). At this stage, the aim is not description, but it is about understanding and making sense of the data (Stake, 1995; Rossman and Rallis, 1998). The four interview sections (i.e., relationship, time, face, and risk-taking) concerning the questions were coded on paper, with codes developed during data analysis (Harrison, 2003).

Since the interviews were semi-structured in nature, many of the questions were posed in an open manner, thus allowing the respondents to draw from their experience and provide open answers. It was expected that the open questions could produce more ideas for this exploratory study than closed-ended questions in a quantitative survey (Johnson and Harris, 2003). This approach enabled the researcher to explore the depths and breadth of regional negotiation styles in their complexity. Responses that were beyond the interview sections were generated from these open questions. These responses were coded and analysed.

After the coding process, the process of data analysis began. A small number of themes were generated under each interview section. Each theme was assigned a description of the theme. These descriptions came from the coding process and involved a detailed rendering of information about the themes (Rossman and Rallis, 1998). The researcher used a comparison at this stage to further analyse the data. Corbin and Strauss (2008) suggest that comparison is a powerful mechanism which involves incident being compared against incident for similarities and differences. Looking for similarities and differences between cases/regions is a vital way in which to draw conclusions for this study. Comparison occurred at both within-case and cross-case levels. Since each case/region consisted of several interviews, the researcher first conducted within-case comparative analysis to look for similarities and differences between the interviewees from the same regions. One exception here is the
Central region. Since there was only one interviewee from this region, it was unable to perform the within-case analysis at this stage. Afterwards, cross-case comparative analysis was performed to look for regional differences between cases. Both within-case and cross-case comparison provided insights regarding each theme. Thus, multiple perspectives from the interviewees of different regions were collected in each theme of each case. In support of the similarities and differences between regions, the government official’s answers, as well as the foreign negotiators’ responses were considered. Diverse quotations and specific evidence drew a complete picture of these descriptions (Corbin and Strauss, 2008).

It is essential to note that those interview questions which involved scales and numerical information (e.g. what is your perception about the importance of face in business negotiation (scale 1-10)?) had generated quantitative data. Calculation was performed to obtain the means of the scales of each case/region. These means are useful for interpreting the qualitative data and assisting the comparison between the regions.

After the comparative analysis, the researcher formed and defined the clusters in order to subsume the small themes into higher-level themes (Miles and Huberman, 1994; Corbin and Strauss, 2008). Four main themes emerged at this stage. They correspond to the four sub-questions in RQ3 (i.e. relationship, time, face, and risk-taking). These four themes will appear as the main findings in the next chapter and are stated under separate headings. They include the within-case and the cross-case descriptions and comparisons from the interviews, as well as the information gathered from the secondary materials. Quotes from the interviewees and the secondary materials are used to provide evidence and to make sense of the analysis (Corbin and Strauss, 2008), according to the themes and concepts arising from the data. It should be noted that a large part of the secondary material was originally written in Chinese. The researcher selected quotes from the original texts to support the findings. These quotes were subjected to the same translation process applied to the interview transcripts. In addition to displaying the results of comparison, this final stage of the data analysis also involved making an interpretation of the data. According to Lincoln and Guba (1985), this is a step of asking “what were the lessons learned”. These lessons in this research
included the researcher’s personal interpretation, couched in the individual understanding and experiences during the interviews. The information on the regional sub-cultural differences gleaned from the secondary data, as well as the results of the previous studies concerning regional differences in China all provided inputs into drawing the conclusions.

Although Corbin and Strauss (2008) question the possibility of being entirely objective in qualitative research, these authors have advocated the acknowledgement of biases and experiences during data collection and analysis processes. Yin (1994: 56) also talks about being “unbiased by preconceived notion”, while Gillham (2000) advises that caution should be used when it comes to prejudices in research, such as the researcher’s intentions of research and his expectations of results. At the beginning of the research, the researcher was fully aware of his own regional background, as well as his expectations for the results. Following Gillham’s (2000) advice, these expectations were written out before the analysis. The researcher, throughout the process, acknowledged them and was critical with the interpretations. Meanwhile, Miles and Huberman (1994) and Corbin and Strauss (2008) point out that a qualitative data analysis is an ongoing process involving continual reflection about the data. The researcher, during the analysis, had been asking analytic questions, writing memos, and going back and forth into the data in order to move deeper into understanding the information.

3.4.2 Experiment Data Analysis

The experiments represent one of three parts of this case study research. The main objective of conducting the experiments was to generate the cognitive knowledge of the Chinese participants and explore the “established ways” of negotiating in different regions. Since the students have only been in the UK for less than one month (in Study 1), their cultural values were minimally influenced by the English culture. Thus, their behaviours were believed to be influenced by the Chinese culture. Study 2 provided the opportunity to see whether these “established ways” of negotiating had been influenced by the English culture after six months. The results of the experiments were used to enhance the interview findings, thereby
contributing to a comprehensive understanding of regional negotiation behaviour.

The data collected in the two experiments included the verbal communications of the participants (i.e. the emails), visual data from the video tapes, as well as the information these participants provided in their pre-experiment questionnaires. The purpose of data analysis at this stage is to generate meanings from the data through interpreting the students’ negotiation behaviours. The data analysis process began with an organisation of the data, which involved putting the private information and the negotiation dialogues into tables. Since all the negotiation conversations were in English and were all recorded in the emails, the researcher only had to put them into a suitable format for analysis. During the process, each negotiation dyad was treated as a single case, making twelve cases in Study 1 and eight cases in Study 2. A case analysis was applied to each of the cases. Since the researcher was interested in how participants perceived relationship, time, face and risk in their negotiations, the focus of these case analyses was the participants’ relationship-building, deal-focused, face-giving, and risk-avoiding behaviours. These behaviours reflected the participants’ perceptions of time. Furthermore, the information on ELoN was also important in understanding how the participants perceived time. These behaviours were interpreted according to the negotiation context, the information provided (e.g. regional background, expected end price, and expected negotiation length), as well as their behaviours which were captured in the video tapes. Attention was paid to how the perceptions of relationship, time, face, and risk affected the negotiation processes and outcomes. Regarding the second experiment, the researcher paid particular attention to how these perceptions affected the Sino-Western negotiations. In addition, since there were six students in this experiment who were in the first experiment, the analysis also sought to establish whether these participants had behaved differently over time and under a different negotiation context. Their behaviours in both of the experiments were compared.

After the individual case analysis, a cross-case analysis was performed in both Study 1 and 2. On the regional basis, the participants were compared to see whether regional differences could be observed across cases. In the second experiment, attention was paid to discovering
how the “established ways” of negotiating affected the outcomes of the Sino-Western negotiations. By performing the cross-case analyses, the researcher aimed to see whether the cognitive behaviours matched the previous descriptions of the four main themes, i.e., whether the convergent results can be obtained across the research methods. The findings of the cross-case analyses are summarised under the four key themes, followed by a discussion of the results in Chapter 5.

3.5 Reliability and Validity

There are many criteria to assess the quality of a piece of research, of which the most salient ones are reliability and validity. Reliability refers to the extent to which the measure is without bias and hence ensures consistent measurement across time and various items in the instrument (Sekaran, 2003). In other words, it concerns whether the results of a study can be repeated or replicated with the same instruments (Bryman and Bell, 2003; Creswell, 2003). Reliability is a difficult criterion to meet in qualitative research. As LeCompte and Goetz (1982) note, it is impossible to ‘freeze’ a social setting and the circumstances of an initial study to make it replicable. However, Yin (1994) suggests that researchers can enhance the reliability by minimising errors and biases in a qualitative study. In order to achieve this goal, the researcher has applied several techniques to ensure the reliability of this research. Yin (1994) recommends that case study researchers document the procedures of their case studies and record as many of the procedural steps as possible. Guba and Lincoln (1994) also suggest setting up a detailed case study database so that complete records, including interview questionnaire, fieldwork notes, transcripts, and documents, could be kept in an accessible manner. These procedures were followed. Meanwhile, following the advice of Bryman and Bell (2003), data collection and analysis strategies had been reported in detail in order to provide a clear and accurate picture of the methods used in this study. Potential biases were carefully considered and kept in mind during this process. Furthermore, Creswell (2003) recommends that a constant check of the definitions of the codes can increase the reliability of the findings. Thus the researcher, during the data analysis, had been comparing data with
the codes and writing memos about the codes and their definitions. Last but not least, the use of different research methods and triangulation in interviews increased the reliability of this research. The use of the secondary data was particularly beneficial in this case as the materials can be repeatedly examined (Bryman and Bell, 2003).

Validity, as the most crucial criterion of research, has been frequently addressed (Corbin and Strauss, 2008). It concerns the integrity of the conclusions which are generated from a piece of research (Bryman and Bell, 2003), that is, the generalisability of the findings (Creswell, 2003). There are different types of validity, and the terminology is not always the same (Yin, 1994; Bryman and Bell, 2003). Maxwell (2002: 41) describes the nature of validity in qualitative research as follows:

Validity, in a broad sense, pertains to this relationship between an account and something outside of that account, whether this something is constructed as objective reality, the constructions of actors, or a variety of other possible interpretations.

There are many different approaches to achieving validity in qualitative research. One approach, as Bryman and Bell (2003) suggest, is to stick closely to the validity criteria of quantitative research. This approach includes two main types of validity: internal validity and external validity. Another approach is to use different terms and ways to assess qualitative research. For instance, Guba and Lincoln (1994) propose two sets of criteria, trustworthiness and authenticity. Trustworthiness, in particular, consists of four criteria which have approximate equivalents in quantitative research (Bryman and Bell, 2003): credibility paralleling internal validity, transferability paralleling external validity, dependability paralleling reliability, and conformability paralleling objectivity.

Internal validity relates mainly to the issue of causality, that is, the extent to which there is confidence in the researcher’s causal inferences (Bryman and Bell, 2003). Guba and Lincoln (1994) use an alternative term—credibility—to examine the internal validity of qualitative research. Credibility concerns the question of how believable the findings are (Bryman and
Bell, 2003: 35). Patton (1990) and Corbin and Strauss (2008) emphasise the importance of credibility and contend that findings need to be trustworthy and believable. Respondent validation and triangulation are two main techniques that can ensure credibility and thus internal validity (Guba and Lincoln, 1994). Credibility for this qualitative research was established by collecting evidence from different interview sources of information and different data collection methods. A coherent justification for the themes was built on this basis. Tashakkori and Teddlie (1998) and Creswell (2003) argue that if themes are established based on converging several sources of data or perspectives from participants, this process can add validity to the study.

*External validity* refers to the degree to which results of a study can be generalised beyond the specific research context (Bryman and Bell, 2003). It concerns the “extent to which one can extend the account of a particular situation or population to other persons, times, or settings than those directly studied” (Maxwell, 2002: 52). Lincoln and Guba (1985) and Yin (1994) argue that external validity is not relevant to qualitative research, particularly to case study. According to them, whether or not findings “hold in some other context, or even in the same context at some other time, is an empirical issue” (Lincoln and Guba, 1985: 316). Thus, qualitative findings tend to be oriented to the contextual uniqueness and significance of the aspect of the social world being studied (Bryman and Bell, 2003). Guba and Lincoln (1994) propose that, in qualitative research, external validity should be determined by the transferability of the work. It requires the researcher to provide *thick description* (Lincoln and Guba, 1985), that is, rich accounts of the details of the subject, in the work. In this way, others could refer to this thick description in order to make judgements about the possible transferability of findings to other milieu (Guba and Lincoln, 1994). Creswell (2003) agrees that this procedure can add to the validity of the findings. According to him, when researchers provide detailed descriptions of the setting or provide many perspectives about a theme, the results become more realistic and richer. This procedure was followed in the present research.
3.6 Conclusion

This chapter discussed the choice of methodology, research design, data analysis, as well as issues concerning reliability and validity. A case study research using qualitative methods, complemented by experiments, is the chosen methodology. This approach was based on theoretical, methodological, as well as practical considerations. This chapter further detailed the data collection processes of the interviews and the experiments.

The next chapter presents the results of the interviews. Since there is only one respondent from the Central region, knowledge about the regional negotiation style is limited. Thus, the Central region will be discussed in Chapter 5, where CCB’s words will be cross-checked and validated with the student sample of the region. Chapter 4, therefore, focuses on the interview results of the Northern region, the Eastern region, and the Southern region only.
Chapter 4 Analysis of the Similarities and Differences in Negotiation Styles across the Three Chinese Regions

4.1 Introduction

This chapter presents the analysis of the findings from the interview data in relation to the research questions. It aims to answer the questions regarding which factors distinguish the regions, and how and why negotiators from different regions of China behave differently in business negotiations. This chapter addresses the following research questions:

RQ1: Are there regional negotiation styles in China?
RQ2: How are cultural values and beliefs different in different regions of China?
RQ3: How do negotiators from different regions of China perceive
   a) the importance of relationship
   b) time
   c) the importance of face
   d) risk
   in negotiations?
RQ4: Why do the differences exist between regions?

The analysis of the interviews provided the answers to RQ1, RQ2 and RQ3. This chapter also uses the secondary data on regional characteristics to strengthen the interview results. As the key RQ of this research, the experiment data will re-examine the four sub-questions of RQ3 in the subsequent chapter. RQ4, on the other hand, will be tackled using the secondary data mainly. These secondary materials will also provide information on the regional subcultures, as well as the historical and geographical differences across the regions. They are critical for understanding the reasons behind regional differences.
The following sections focus on the similarities and differences between three areas of China, namely the Northern region, the Eastern region, and the Southern region. As noted in the methodology chapter, the *Northern region* here refers to the areas of the North, the Northeast, and the Northwest of China. The respondents from these areas are known as the Northern negotiators in this research. This chapter focuses only on these three regions because the interviews obtained limited evidence regarding negotiators of the Central region. This is because: 1) there is only one respondent from the Central region, and 2) the respondents from the other regions have limited knowledge about Central negotiators. Therefore, the Central region will be discussed in the next chapter, where the Central Chinese businessman’s (CCB) words will be cross-checked with the student sample of the Central region.

The results in the following sections are organised according to a) how the respondents from one region perceive themselves, and b) how the others (including the interviewees from the other regions, the Chinese government official, and the foreign businessmen) perceive them. This means that the negotiators of the Northern region characterise themselves, but the negotiators from the Southern and Eastern regions will characterise the Northern region from their experiences. This is a triangulation which should provide a picture for each region. Direct quotes illustrate the regional negotiation analysis. By adding the convergent findings from the secondary materials to strengthen the overall results, this study applies the triangulation strategy throughout this chapter. Although most of the interviewees tend to discuss one city or province in one region (e.g. Shanghai in the Eastern region), they argue that this city is the leading economic hub, and its subculture can represent the whole region. They feel that negotiators from this city have the typical negotiation style, which is useful for understanding the regional negotiation behaviour. The secondary data supports this argument as several authors discuss regional differences using these leading cities as representatives (e.g. Zhang, 2009; Du, 2010; Liang, 2010).
4.2 Are there Regional Negotiation Styles in China?

The starting questions in the interview concern the respondents’ perceptions of regional negotiation styles in the country. IVQ4 deals with the perception of the respondents’ own regions (“How do you perceive people’s business negotiation style in your region?”), whereas IVQ5 examines the existence of regional negotiation styles (“Do you think there are differences between your region and the other regions in terms of negotiation behaviours?”). The researcher aims to address the fundamental objective of this research, i.e. to investigate whether regional negotiation styles exist in China. The findings are presented according to the categories of the triangle (i.e. the Chinese businessmen, the Chinese government official, and the foreign businessmen). Multiple viewpoints of the respondents are used, thereby triangulating the results.

The respondents of different groups support the view that regional negotiation styles exist in China. All interviewed Chinese businessmen perceive the significance of regional differences in negotiations, and agree that negotiators from different regions of China tend to have their own ways of negotiating. The following quotes illustrate the point.

I’d say there is a significant difference between Northern Chinese and Southern Chinese in the ways they negotiate. [NCB4]

There are differences, of course! When I do business with others, the first information I ask for is always their regional background. (...) With that in mind, I can pretty quickly tell what they like in negotiations and what I should focus on. Negotiators are so different that I always adjust my negotiation style accordingly, otherwise you will not succeed. [SCB1]

The other Chinese negotiators have provided similar answers to this question (NCB5, ECB2, SCB7, and SCB8). According to the respondents, the perception of one Chinese negotiation style is not advised (NCB5, ECB2). These respondents stress that regional negotiation styles are so different that businessmen need to act locally in different situations. They feel that people should be mindful of regional backgrounds when conducting businesses across the
country. Information on regional backgrounds is helpful in guiding the “dos” and the “don’ts” in negotiations (SCB7). The government official and the foreign businessmen also note,

Based on my personal experience, as well as what I’ve heard from the foreigners, people in China do negotiate differently and regional influence cannot be overlooked. (...) You need to know where they come from before you can negotiate with them. [CGO]

…the short answer is yes, there are differences between regions, but also similarities across China. [FB1]

Regional differences are immense. Over the years, I have attended many foreign trade fairs across the country. It is always fascinating to see how people approach business deals so differently in different regions. [FB3]

These answers all support the existence of regional negotiation styles in the country. The following question is how are cultural values and beliefs different in different regions of China? The answer to this question lies in the analysis of the general starting questions IVO4 and IVO5. IVO4 was posed in an open manner as it allowed the interviewees to reflect on their own region’s negotiation styles. This resulted in many open answers which are beneficial to the in-depth exploration of the subject. IVQ5 offered the respondents the opportunity to compare one regional style with the others. Both questions enabled the researcher to probe other questions in the questionnaire and further explore the subject. This research grouped the respondents’ answers into four themes, which match the pre-defined sub-questions in RQ3. These four themes have addressed RQ2, suggesting that the three regions can be distinguished based on four factors: the importance of relationship, the perception of time, the importance of face, and risk-taking propensity. Each theme consists of several sub-themes.

1) The Importance of Relationship

The results suggest that negotiators from the three regions of China hold different perceptions regarding the importance of relationship. These different perceptions can be viewed from five relationship-related factors. They include a) the goals of their
negotiations, b) the sources of trust, c) the approaches to negotiation issues, d) the importance of reciprocity, and e) the contract spirit.

2) The Perception of Time

The interview findings show that the negotiators from the three regions of China perceive time differently. These differences are reflected in their sensitivities toward time at pre-negotiation and negotiation phases, and the activities they engage in at each stage.

3) The Importance of Face

The results indicate that face is a determining factor in some regions, but it is less influential in the other regions. The degree of formality, the importance of face-giving/-losing behaviour, the necessity of rituals and ‘drinking’ as a ritual to gain trust are the key aspects which separate the Chinese negotiators.

4) The Risk Taking Propensity

The interviews reveal that the Chinese negotiators from the three regions hold different attitudes toward risk in negotiations. Political influences play a vital role in affecting negotiators’ risk-taking tendencies in some regions, although they are less influential in the other regions. Regional risk-taking propensities can be observed from many aspects which are associated with the first three categories, such as the importance of relationship and the perception of time.

The following sections deal with RQ3, i.e., how these four factors differentiate in each case/region. The sessions are followed by the discussion on RQ4, i.e. why do the differences exist between regions, in Section 4.7.

4.3 The Importance of Relationship

Previous research considers relationship orientation as a central element of the Chinese
negotiation style. It links to the view that the Chinese culture is collectivist and that the Chinese are group-oriented (Hofstede, 1980; Hofstede and Bond, 1988; Fan, 1995). Being relationship-oriented in negotiations suggests that Chinese negotiators see negotiations as a process of creating relationships between two sides (Pye, 1982). They regard the building of relationships as more valuable than signing contracts (Blackman, 1997). This orientation also implies that Chinese negotiators value reciprocal favours in negotiations, and they consider reciprocity as a crucial factor for maintaining group harmony and sustaining relationships (Shi and Westwood, 2000). Furthermore, this orientation guides Chinese negotiators to approach negotiations from a holistic perspective (Shi and Westwood, 2000) and to pursue loosely worded contracts instead of detailed ones (Faure, 1999). Thus, Chinese negotiators are often described as the complete opposite of Western negotiators, whose negotiation behaviours are characterised as deal-oriented and contract-focused (Pye 1982; Fang, 1999).

According to the research findings, the negotiators from different regions of China hold different attitudes toward relationship in negotiations. Profit-driven and business-oriented negotiators also exist in the country. The negotiation goals, the sources of trust, the negotiation approaches, the importance of reciprocity, and the contract spirit distinguish these three regions.

4.3.1 The Goal of Negotiation

As discussed in Chapter 2, the goals of negotiations can be distinguished between relationship and contract in different cultures (Salacuse, 1991). Forming an enduring relationship is the main goal of the Chinese in negotiations (Shi and Westwood, 2000). This goal is different from the Western goal of signing contracts and making profits. Contrasting with this conventional knowledge, however, the findings indicate that these two types of negotiation goals co-exist in China.

Northern Negotiators

The negotiators from the Northern part of China consider their goals of negotiations as
building relationships. This is particularly the case with those interviewees from the Northeast and the Northwest provinces. According to the Northern respondents, they regard negotiation as a process of making friends (NCB1, NCB3). Expressions, such as “you seem to be a good guy, we should talk” and “we don’t have to do business together, but let’s be friends”, are the common ways these negotiators approach their potential partners (NCB6, NCB8). Making profits is less weighty to them than building relationships. They prefer a genuine friendship from a business deal over a contract. As NCB1 expresses,

Making friends with my counterpart is extremely crucial to me, and it is my priority in negotiation. (…) Obtaining profits is important too, but it becomes secondary when there is no relationship between us. [NCB1]

Similar responses also come from the other respondents of this region. These respondents perceive “friendship first, deal second” as a common approach in the Northern region. When addressing negotiation goals in different regions, the government official also expresses a similar view regarding Northern negotiators. He suggests,

According to my observation, the Northerners, I mean, those negotiators from Beijing, the Northeast and the Northwest of China, attach considerable importance to the building of relationships. This is their main focus in negotiations. [CGO]

The Northern negotiators’ relationship-first approach is well documented in the secondary data. In her book of regional characteristics in China, Liang (2010: 155) claims that “friendship is even more important than their (the Northerners) lives”, and “the success of doing business with Northern businessmen rests on an investment of a mutual relationship”. Zhang (2009: 60) agrees with this view and stresses that “relationship first is an implicit rule of the Northerners’ business style” and “relationship and friendship are the premises of any commercial activity in the region”.

**Eastern and Southern Negotiators**

Unlike their Northern neighbours, the Eastern and the Southern respondents point out
distinctly that their goals of negotiation are to make profits and to obtain contracts. They note,

As Shanghainese, our goal is to make profits out of the deals, which makes us extremely target-oriented. [ECB4]

To me the final goal is the contract for sure. Relationship-building is more like a means, a step you need to take in order to achieve your ultimate goal. I think Southern negotiators separate business partnership and personal friendship quite clearly. It would be fantastic if we could be friends, but that is another story. After all, *business is business*; making money is the most crucial thing. [SCB2]

These respondents consider strongly their approach, as profit is what they desire from business deals. SCB2’s words, in particular, indicate that relationship-approach to him is a temporary goal, which is in contrast with the Northern negotiators’ ultimate expectation of a mutual friendship.

The Northern and the Central interviewees acknowledge the differences in negotiation goals between regions. However, they do not appreciate the business-first approach. NCB1, NCB4, and CCB express their *dislike* of this negotiation goal, stating that Eastern and Southern negotiators “only concern about how much money they can make” (NCB1) and are too “snobbish” (NCB4). According to CCB,

The way Easterners and Southerners conduct business…always money first, never appreciate a relationship. They are constantly looking for better offers in the market, and there is no loyalty in the relationship. I have to chase them from one deal to another. (…) Northern and Central businessmen are so easy to deal with in negotiations. (…) Once we have the relationship, our business partnership is *forever*. [CCB]

The government official and the English negotiator also observe the differences between regions. They express that,
In Northern China, if you start your negotiation with price and quantity enquiries, they would think of you as silly and immature and would refuse to continue. In Southern China, however, things are totally different. If you could not quantify your ideas, they would not take you seriously. [CGO]

I felt quite a big difference between Beijing and Shanghai; Beijing was more about building long term relationships whereas Shanghai seemed to be more about getting the best deal for themselves in the short term. [FB1]

Evidence of this profit-driven approach in the Eastern region and the Southern region also comes from the secondary data. Zhang (2009: 29) points out that “the economic interest is the only principle and the ultimate purpose of the Shanghaiese in business activities”, and “they emphasise personal gains, which is remarkably similar to the Americans”. Du (2010: 121-122) also observes that Shanghaiese “are bent solely on profit” and that “profit has become the glue of interpersonal relationships”. Both authors acknowledge that this is not only the case in Shanghai, but also a common practice in the whole Eastern region. Liang (2010: 65), on the other hand, describes Southern businessmen as having “a particularly strong idea of money” and “they perceive making money as the goals of their lives”.

The interview findings suggest a substantial difference between the three regions in terms of their negotiation objectives. To the Northern respondents, relationships are prioritised over other issues. They perceive the importance of establishing relationships between parties prior to discussing any deals. These negotiators wish to do business with real friends. Thus, serious discussions would only happen when they feel comfortable in the relationship. They regard the explicit discussion of any money related issues at the beginning of a business deal would hurt mutual feelings (NCB3). On the contrary, the negotiators from the Eastern region and the Southern region have a different agenda in negotiations. Since it is a business context, these negotiators feel that attention should be devoted to the deal itself rather than the relationship (ECB1, ECB2, SCB2). They are motivated by the idea of making as much money as possible (SCB1). This pure purpose makes them keen on separating business from relationships, and, therefore, highly task-oriented in negotiations.
4.3.2 The Sources of Trust

The literature suggests that the Chinese rely on personal trust to conduct negotiations (Shi and Westwood, 2000). Since the goals of negotiations vary across the three regions, would the Chinese also have different sources of trust in negotiations?

**Northern Negotiators**

In accordance with their negotiation goals, the Northern negotiators tend to gain trust from personal sources. The Northern respondents regard business negotiations as an interpersonal interaction which relies on personal trust to proceed and to produce positive results (NCB3, NCB5, NCB8). This is quite similar to the process of making friends in their daily life (NCB7). One of these respondents acknowledges that,

> To me, the most noteworthy thing in negotiation is that you need to present yourself as an *honest and trustworthy* person. *Trustworthy!* You have to make them *trust* you as a person. If they don’t *trust* you, you can go nowhere (in the negotiation). [NCB7]

The respondent then illustrates his point with an example. On a cold winter night, he waited outside his Beijing partner’s office for six hours. This long and suffering wait proved worthy as the deal was sealed shortly after his partner arrived. The reason for this success, according to him, was that he moved his counterpart by the long-wait in the extreme weather condition. His behaviour created an emotional bond which made him a reliable person in their relationship. He adds,

> Negotiators from the Northeast, the Northwest, and Beijing value *personal feelings*. (...) They sometimes would test you to see whether you are a reliable person and whether they can *trust* you. [NCB7]

It seems that the Northern negotiators emphasise how they *feel* about their partners. They want to negotiate with a person that they *feel* they can trust. The respondents from different groups (NCB3, ECB6, SCB7, FB2) all suggest that drinking is a decisive factor in creating
such emotional bonds with Northern negotiators, especially with those from the Northeast provinces of China. The Southern interviewee SCB3 recalls a negotiation in which he turned down a few drinks from his Northeast partner. The negotiation never happened as the Northern partner refused to attend the talk in the following days. The respondent then realised that his refusal of the drinks had made him a scheming and untrustworthy person in the eyes of his Northern partner, which eventually led to the breakdown of the talk. Wang (2007) provides an explanation of this situation in the secondary data. The writer suggests that drinking is critical for creating emotional bonds because people in the Northern region of China “associate drinking etiquette with moral quality” (Wang, 2007: 155). According to him, Northern Chinese feel that only a person with good drinking etiquette is worth their friendship and trust. Those who keep turning down drinks are not genuine about a relationship and thus will fail to earn the trust from them. Thus, drinking etiquette could, to a great extent, determine the outcome of a business negotiation in this region.

Besides emotional bonds, personal connections are also a vital source of trust to the Northern negotiators. NCB8 suggests,

In Neimenggu, business negotiations rely on personal connections. Your trusted friends would introduce his friends to you so that you can find other people you can trust. [NCB8]

According to this respondent, Northern negotiators believe that trust can be extended from the existing guanxi. This extended trust would form the basis of a new relationship. Thus, Northern negotiators are always mindful of how negotiation processes, structures, and outcomes could be affected by their guanxi networks. NCB2, NCB3, and NCB6 confirm that personal connections provide a reliable source of trust to them. This is the reason why these negotiators prefer to conduct business deals with their family and friends rather than strangers. Even in the situation where a stranger provides better deals than their acquaintances, these negotiators would still prefer the latter. After all, building trust is a time consuming process. The negotiation task becomes easy when mutual trust has already been established between negotiating parties (NCB2).
**Eastern and Southern Negotiators**

The Eastern and the Southern respondents have also expressed their concern over trust in negotiations. However, these negotiators claim that personal trust has no meanings to them (ECB5, SCB4, SCB5). According to them, emotions and feelings are intangible and, therefore, unreliable (ECB1, SCB7). As they put it,

> It is not about whether or not you are a reliable person, but it is more crucial that your company is a reliable business partner. (...) We always compare companies (before entering a negotiation). [ECB5]

> I look for tangible things in business negotiations. (...) The trust between companies is more beneficial to me (than personal trust). If the partner company does not have the paying ability, personal feelings are worthless. The relationship we build is, therefore, more of inter-organisational nature. [SCB7]

According to these respondents, Eastern and Southern negotiators prefer to deal with a reliable firm instead of someone who gives them good feelings. To them, trust in negotiations comes from corporate factors: their partner company’s financial situation, corporate records and reputation, product quality, price offers, local distribution channels, and the business relationships in the past. Without a good record of these corporate factors, it is difficult to establish trust with these negotiators. ECB4 and SCB4 emphasise the importance of pre-negotiation preparation, stating that a great deal of research must be done before the negotiation. At this stage, these negotiators would carefully evaluate their partners. They would select the most trustworthy companies for negotiations. In addition, the Eastern and the Southern respondents acknowledge that the levels of concessions are largely influenced by these factors. According to ECB5 and SCB7, they are unlikely to compromise on negotiating issues if they perceive their partners as unreliable. They would rather leave the negotiation than sign a deal which they are unable to secure their interests. Besides, even though long-term corporate trust is appreciated in these regions, SCB7 acknowledges that Eastern and Southern negotiators would not hesitate to seek better partners when a new business opportunity arises.
Regarding the trust from personal connection, ECB7, SCB1 and SCB2 express that they tend to limit the influence of personal connection in negotiations due to economic considerations. SCB2 explains,

The trust in negotiations...comes from products and services, not your relationships. If you conduct negotiations with your friends, you may suffer a considerable loss in the case of operational failure. [SCB2]

To these negotiators, it is risky to mix personal connection, or guanxi, with business activities because it would bring a certain degree of subjective influence to their negotiations. They worry that when acquaintances are involved, they have to make unnecessary concessions to sustain the guanxi. These compromises might damage their interests in the deals. As SCB1 puts it, “a negotiation is not a negotiation any more when guanxi is involved; it becomes gift-giving”. In order to maximise their profits, these negotiators tend to keep a certain distance with their partners. In line with their negotiation goals, these negotiators are keen on separating personal connection and business partnership.

The Eastern and the Southern negotiators’ views are confirmed by the other respondents. The Northern respondent NCB8 admits that personal connections have limitations in the Eastern region and the Southern region. He notices that once Northern negotiators step out of the Northern region, their negotiation “skills” become useless as negotiators from the East and the South never appreciate guanxi. The American interviewee also notes that,

Southern and Eastern negotiators don't seem to value guanxi as much as Northern negotiators do. (...) For the Northerners, I would say the influence (of guanxi) is 9 out of 10. The other two regions, (it is) probably 4 to 5. [FB3]

Evidence also comes from the secondary data. Wang (2007) and Zhang (2009) both observe that, in the Eastern region and the Southern region, two total strangers could work together in a business deal without any hesitation. After this corporation, they would either continue or
end this partnership, depending on the opportunity of obtaining new profits. This is the complete opposite of Northern Chinese, who are uncomfortable dealing with strangers in business activities. This evidence reinforces that the trust in the Eastern region and the Southern region stems from economic consideration rather than existing guanxi.

4.3.3 The Approaches to Negotiation Issues

The results in this section strengthen the previous findings that Northern negotiators are relationship-oriented, whereas Eastern and Southern negotiators are business-focused. This is observed from the different approaches they take in negotiating issues.

Northern Negotiators

The results suggest that Northern negotiators tend to take a holistic approach to negotiation issues. In other words, they tend to begin a negotiation with a discussion of principles and generalities. The Northern respondents emphasise that they are concerned about whether the two parties can work together. They need to confirm that both parties share the same principles and values (NCB1, NCB2, NCB4). NCB2 suggests,

I always start the negotiation by saying, “I hope we can work well together. I hope we can be friends. I don't want to take anything from you, and you shouldn't either. We both want a long-term relationship, right?” [NCB2]

NCB1 agrees that general principles are more critical than details. These respondents feel strongly that a negotiation should not start until a consensus of principles is achieved. These principles, as NCB2 explains, are the guidance of the whole negotiation. He wants to make sure both parties are on the same page before discussing any detail. NCB4 furthers this sentiment, claiming that general principles are not only the foundation of a negotiation, but more importantly they are the premise of a relationship. Without any properly established principles, the respondent worries that a negotiation might be disorganised, and the relationship is doomed to fail.
The Northern negotiators’ holistic approach to negotiation is also reflected in their preferred form of contracts. NCB4 recalls that signing a two-page contract is extremely common in their region. As he suggests,

(...) our company could sign a deal that is worth tens of thousands of money with a contract of only one page. There are only a few lines explaining the principles and nothing else. [NCB4]

He explains that Northern negotiators see contracts as a good will of cooperation and a start of a relationship. They view that the primary strength of an agreement lies in the partners’ commitment rather than in its written documentation. This is agreed by NCB1 and NCB2, who suggest that they prefer contracts that are short and purposefully loosely written. According to them, contract should primarily contain comments on the principles of the relationship while details of the cooperation can be discussed and modified according to the actual situation.

The interviewees from the Eastern and the Southern region have provided insights into the issue. They observe that Northern negotiators not only approach negotiations in a top-down fashion, but also tend to overlook the details of business deals. The Southern respondent states,

Northern negotiators, such as those from Shandong province, start their negotiations with an explanation of their principles. There are maybe just five principles, but they are so critical that you have to refer to them constantly in the negotiations. (...) They do not care much about the negotiation details, but they would fight for their principles. [SCB2]

As this quote implies, the details of a negotiation are less weighty than the general principles to Northern negotiators. Similarly, ECB3 and SCB5 note that Northern negotiators tend to attach most of their attention to the establishment of rules and leave negotiation issues to the last minute, or even after negotiations. ECB3 finds that Northern negotiators appear to be terribly subjective and sometimes reluctant to discuss details during negotiations (ECB3).
the other party insists on the discussion of details, Northern negotiators become suspicious
and impatient and constantly interrupt the process (SCB5). This action causes considerable
delays in negotiations (ECB3, SCB5). This observation is confirmed by the American
respondent (FB3), who notes,

> It seems to me that Northern negotiators don’t pay much attention to details,
such as price. (...) What they look for is your sincerity and respect. They hope they can trust you. [FB3]

ECB3 also agrees that, once trust is confirmed, Northern negotiators consider details as
relatively less urgent and extremely easy to deal with in negotiations. To her understanding,
Northern negotiators perceive that the discussion of negotiation details could violate the
mutual trust. In terms of contract form, SCB5 also observes that lengthy and fully detailed
contract arouse suspicion among Northern negotiators. This adverse attitude towards detailed
contract, as the respondent perceives, is due to a lack of modern business experience among
Northern businessmen. Although a change is taking place in the region, the respondent feels
that it is extremely slow.

**Eastern and Southern Negotiators**

To the opposite of Northern negotiators, deal-focused and contract-oriented Eastern and
Southern negotiators are acutely attentive to details in negotiations. The Eastern and the
Southern respondents claim that they never concern about general principles or shared values
(ECB3, SCB8, SCB9). They tend to get down quickly to substantial issues. A sequential
fashion is evident in their approach to negotiations. They note,

> We pay keen attention to negotiation details. (...) We emphasise logic and objectivity. For example, when negotiating price, we would analyse the market and evaluate our price in order to convince our clients that we have the best price they could find. [ECB3]
I think the most significant characteristic of Southern negotiators is that we approach negotiations step by step. I mean, we would break up the task into a series of smaller issues—price, quantity, delivery, payment, and so on, and settle them one at a time. [SCB9]

According to these responses, Eastern and the Southern negotiators seem to be particularly logical and analytical in negotiations. This can also be seen from their preferred form of contracts in negotiations. ECB1, ECB3, ECB4, SCB5 and SCB9 all express that they prefer long and carefully worded contracts which include every aspect of the agreement. A typical contract they draw up includes conditional phrases such as, “if…,” “in the event…,” and “should….” The best contract, as they express, is the one so tightly written that the other party would not think of challenging any provision in operation. In this way, they would be able to protect their companies against all circumstances, contingencies, and actions of the other party. Signing a detailed contract is critical for protecting their interests in business deals.

The American respondent supports this finding. He observes that Eastern and Southern negotiators use a fact-based, bottom-up negotiation approach that is similar to Western negotiators (FB3). He compares the difference between regions and notes,

Negotiators from the Eastern region and the Southern region (…) seldom concern about general principles. They care about facts: numbers, figures, and records. (…) They are will win you on details. [FB3]

This regional difference is agreed by the Northern respondent NCB4, who finds that negotiators from the Eastern region and the Southern region have unusually firm attitudes towards detailed contracts. He feels that Eastern and Southern negotiators tend to distrust each other. Contracts in these regions could be hundreds of pages long because Eastern and Southern negotiators need to include as many details as possible in contracts in order to obtain a strong legal force. Contracts written in a general manner are unacceptable to them. This finding extends the previous results that, besides corporate factors, Eastern and Southern negotiators also gain trust from legal sources.
4.3.4 The Importance of Reciprocity

The literature considers the implicit rule of reciprocity as the medium of the Chinese cultural factor *guanxi*. It is what makes *guanxi* different from ordinary relationships (Shi and Wood, 2000). The acts of reciprocity are a form of social investment which signals trust between people (Fan, 1995). Influenced by this traditional value, Chinese negotiators are often described to make concessions based on a reciprocal manner (Shi and Wood, 2000). They also expect their counterparts to respect this rule and reciprocate concessions in order to build and sustain their relationship (Blackman, 1997). In contrast to this notion, the research findings suggest that people across the three regions of China attach various levels of importance to this rule.

**Northern Negotiators**

The interviews suggest that Northern negotiators are the rigorous followers of the rule of reciprocity. The Northern respondents emphasise the critical role of reciprocity in their negotiations, stating that the Northern way of concession-making is characterised by a mutual exchange of favours, or *renqing* (NCB3, NCB6, NCB7, NCB8). As NCB7 points out, the golden rule of negotiation in Northern China is, *I let you win this time, but you have to reciprocate the favour and let me win next time.* It suggests that one party is willing to suffer temporary loss whereas the other party is obliged to reciprocate this “favour” in their next negotiation. NCB7 stresses that Northern negotiators see negotiation from a long-term perspective, and they perceive these concessions to create positive feelings that will strengthen their long-term *guanxi*. NCB6 adds that this approach enables them to avoid the explicit discussion of money and settle negotiations without hurting mutual feelings. NCB3 and NCB8 express that, through continuous exchange in a long run, a win-win situation can be achieved and both companies can grow. An element of cooperation is emphasised in this Northern approach of concession-making.

The Northern concession-making style is mentioned by two Southern respondents, who
confirm that Northern negotiators associate concessions with favours. SCB6 feels that the negotiation process with Northern negotiators is relatively easy because of their unadorned concession-making pattern. According to him, Northern negotiators would quickly compromise and offer an unusually low price, sometimes even lower than the market price. The respondent regards it as a gesture of good will, which represents Northern negotiators’ sincerity in the relationship. SCB8, on the other hand, suggests a tactic in negotiations with Northern negotiators.

You could ask them (Northern negotiators) to lower the price by emphasising “we will have a long-term relationship in the future”. You never promise anything, but they trust you to deliver the words because they have faith in the relationship. (…) However, this (concession) would only happen when you have drunk enough. [SCB8]

This quote reveals that behind reciprocity are the values of personal trust, equity and obligation. This respondent advises others to be mindful when using this tactic because the negotiation process, or the relationship, may break down if reciprocity norms are breached.

**Eastern Negotiators**

Unlike the rigid rule followers of Northern negotiators, Eastern negotiators are the complete opposite. According to the Eastern respondents, reciprocity is never a significant issue in their negotiations (ECB1, ECB5). They are reluctant to make concessions based on guanxi, let alone to suffer temporary losses in exchange for a long-term relationship (ECB4, ECB7). One of the Eastern respondents notes,

> It is good if we can maintain a long-term relationship after this deal. However, I am not willing to make concessions in the current deal to make that happen. (…) What is the point of conducting a negotiation when you are doomed to suffer losses? [ECB5]

The Eastern respondents claim that they neither expect their counterparts to give favours, nor do they feel obliged to return any concessions. ECB4 stresses that his concessions are based on careful evaluation of negotiation offers, rather than renqing exchange. He refuses to trade
his personal interests for favours. ECB1, on the other hand, claims that Eastern negotiators have short-term profit-making goals in negotiations, and they tend to focus only on the task in hand. In his opinion, once a negotiation is finished and a contract is signed, the deal is closed; what is involved in this deal needs not to be carried into new negotiations, including concessions. He, as well as other negotiators from this region, expects both parties to fight for their interests to the best.

While the Eastern respondents see themselves as being deal-focused and profit-driven, in the eyes of the other respondents, Eastern negotiators are the shrewdest and the most calculating businessmen in the country. The Northern and the Southern respondents confirm that reciprocity has no value to Eastern negotiators. SCB3 feels that the concessions based on guanxi do not signal good will in the Eastern region. Rather, it might arouse suspicion among Eastern negotiators. As the respondent explains, Eastern negotiators consider it tricky that others give in so quickly, and thus demand further discussion on the compromising issues. NCB2 finds that Eastern negotiators tend to take others’ concessions for granted and seldom reciprocate the concessions. To him, Eastern negotiators constantly take advantages of long-term partnerships in new negotiations. As he expresses,

Eastern negotiators seem to feel that further demands are behoved because we have been working together for such a long time, but they never reciprocate our kindness. [NCB2]

In response to ECB1’s idea of a short-term negotiation goal, NCB5, SCB3 and SCB10 hold the same opinion regarding Eastern negotiators. They claim that Eastern negotiators expect competitive behaviours from others because they want to maximise their short-term profits. To their observations, Eastern negotiators are often reluctant to share information during negotiations; they constantly require information from their counterparts but are cautious about revealing theirs. While reciprocity emphasises inputs from both parties, Eastern negotiators appear to care about their own benefits only and show little concern of their counterpart’s interests. This short-term and somewhat distributive negotiation style is confirmed by the English respondent, who notes,
Shanghai people were strong negotiators: firm, well informed and tough. Sometimes too tough and this approach can end up weakening an agreement if one party feels that they have not reached a fair agreement. (…) Shanghai seemed to be more about getting the best deal for themselves in the short term. [FB1]

Commenting on the Eastern negotiators' style, the government official also notes,

Negotiations with Eastern negotiators, especially the Shanghainese, are unusually tough. (…) You need to guide them to see the long-term benefits; otherwise they would only focus on the foreseeable profits. [CGO]

The secondary data supports that Eastern Chinese are short-term oriented in business activities. Zhang (2009: 30) observes that Eastern Chinese “are more short-term than long-term oriented in their social activities” and their relationships with others are “short, partial and superficial” due to their heavy emphasis on short-term interests. This purely utilitarian approach, as the author argues, makes the business activities in the region “completely business-oriented” (Zhang, 2009: 30).

**Southern Negotiators**

Although Southern negotiators share a similar goal of profit-making with their Eastern neighbours, this research shows that they do place a certain level of importance on reciprocity in negotiations. According the Southern respondents (SCB1, SCB2, SCB7, SCB8), they refuse to settle negotiations through exchanging favours. To them, the process of negotiating is necessary and inevitable. However, they are highly tactical in employing reciprocal moves to their benefits.

A case in point was provided by SCB2. In a business deal with a Northern company, the respondent suffered a serious loss of 200,000 yuan (approximately 20,000 pounds) due to the poor quality of the materials his partner supplied. Instead of resolving the conflict through legal means, the respondent decided to settle the problem in private. According to the
respondent, he understands that Northern Chinese attach considerable importance to reciprocity in business activities. His decision was based on the belief that this renqing would be returned, and his lost-profit will be regained. The respondent’s decision proved to be a wise move. He was soon offered the best quality of materials at a price 20% lower than the market price by his partner. Not only did he regain the loss, the respondent earned an extra 50,000 yuan from the new deal. The interviewee stresses that he would not have chosen this approach if his partner did not have the financial ability to return his favour.

The other Southern respondents (SCB1, SCB7, SCB8) explain that they tend to see negotiations from a long-term perspective. They admit that their ultimate goals of negotiations are to obtain profits, but there are many paths to achieve these goals. As long as their interests are secured in the long-term, these negotiators feel that they can bear temporary losses in some occasions. Thus, the Southern respondents’ value on reciprocity is based on economic considerations. This is fundamentally different from the Northern style of reciprocity. While the Northern respondents see reciprocal favours as the “right” things to do, the Southern negotiators view them as a way to sustain their long-term interests. During this process, a long-term relationship might be established and subsequently develop into a friendship, but these Southern negotiators are not as concerned about it as the Northerners are. This observation links to SCB2’s words on the negotiation goal section, which clearly distinguishes the goal (profits) and the means (relationship). It seems that Southern negotiators have a long-term profit-making goal in their negotiations.

The Southern negotiators’ long-term reciprocal behaviour is also observed by the other interviewees (NCB3 and CGO). NCB3 considers Southern negotiators as practical and flexible in business negotiations. He feels that Southern negotiators would do anything it takes to achieve economic results, including exchanging favours. The government official supports this view. He suggests that Southern negotiators would consider the outcome of a negotiation from a broader angle and evaluate their losses from a long-term perspective (CGO). He argues strongly that the long-term orientation is what distinguishes Eastern and Southern negotiators in negotiations. This difference between the two groups of deal-focused Chinese is also evident in their different levels of contract spirits.
4.3.5 The Contract Spirit

Contract spirit in this thesis concerns how negotiators view rules and requirements in signed contracts, and how they resolve conflicts in post-negotiation periods. Previous research suggests that Chinese negotiators tend to see rules and requirements in contracts for reference only (Blackman, 1997). Confrontational and legal means are less commonly used in the country, and Chinese negotiators rely excessively on relationships in settling conflicts (Pye, 1982; Woo and Prud’homme, 1999). Thus, Chinese negotiators are said to have weak contract spirit in negotiations (Pye, 1982). This research, however, finds that negotiators with a strong contract spirit also exist in the country.

Northern Negotiators

The results indicate that Northern negotiators have the weakest contract spirit across all regions. This finding is in line with their preferred form of contract discussed earlier. According to the Northern respondents, negotiators in their region regard it unnecessary to follow contractual obligations rigidly (NCB2, NCB4, NCB7, NCB8). These negotiators consider contracts as for reference only (NCB2, NCB4). To them, signing a contract only means the beginning of a relationship. NCB4 argues that situations in actual operation change all the time, and only a well-established relationship can ensure a smooth operation. NCB7 states, “the relationship is what binds the two parties together, not a piece of paper”. Thus, even if a contract is signed, these negotiators perceive that contractual obligations should be modified according to actual situations. NCB7, therefore, calls detailed contracts “meaningless” and “a waste of time”, while NCB8 suggests that contracts should be purposely kept “simple and short”. Verbal contracts based on mutual trust and relationship are preferred and more commonly used in the region (NCB4).

Besides, the Northern respondents express that they prefer to use relationships for conflict settlement. Sincere apologies, gift-sending, and guanxi-pulling are some common ways of fixing post-negotiation problems in the region (NCB4). According to NCB1 and NCB2, one
should never resolve post-negotiation conflicts on the basis of contracts in the Northern region. They perceive that personal feelings and harmonious relationships are always more weighty than contractual terms and conditions. To them, too much emphasis on obligations would damage the feelings, and more seriously, jeopardise the relationship and destroy the trust required for continued business dealings. In the case when one party fails to fulfil contractual terms, the Northern negotiators expect both parties to honour the relationship and communicate with each other first (NCB1, NCB2, NCB7). The Northern respondents emphasise that, unless there is no other way, they would not consult legal means for post-negotiation conflict settlement (NCB1, NCB7).

Northern negotiators’ weak contract spirit is noted by the Eastern and the Southern respondents. ECB3 expresses that Northern negotiators often consciously or unconsciously violate contractual obligations, which he finds truly unacceptable. SCB8, on the other hand, recalls a time when her Northern partner company delayed a product shipment for five days because the weather was nice so they decided to go apple-picking first. To her, Northern negotiators have such a weak contract spirit that

…their reason (of failing to fulfil the contract) is funny and absurd. However, they expect you to understand and deal with the change. [SCB8]

The government official shares a similar view regarding Northern negotiators on conflict resolution. CGO explains that he serves as a mediator in post-negotiation conflicts between foreign companies and Chinese firms. He is thus able to observe the different approaches to conflict resolution in different regions. In his opinion, Northern negotiators tend to avoid direct confrontation with their foreign counterparts. They would approach disputes from a cooperative standpoint and seek to communicate with their partners first. Hard-line legal approaches do not work well in the region because harmonious relationships are always the most salient issue.
Eastern Negotiators

The interview findings indicate that Eastern negotiators have a much stronger contract spirit than Northern negotiators. The Eastern respondents consider contracts as the most prominent element in a business negotiation (ECB1, ECB3, ECB4). Once a contract is signed, these negotiators would follow the stipulated rules and requirements without any reservation. They regard rigidity as the only way to ensure a successful operation and protect both parties’ interests. As they suggest,

I feel obliged to fulfil the contract to 100%. I will never violate rules and regulations. [ECB3]

We refer regularly to contracts in operation to make sure everything is executed accordingly. [ECB4]

These respondents expect their partners to honour rules and obligations during operation. According to them, conflict can be reduced, and efficiency can be improved if both parties can “play by the rules” (ECB1). Trust can also be built on the basis of a good contract spirit, which in turn increases the likelihood of future cooperation (ECB3).

Although the Eastern respondents express a much stronger and firmer attitude towards contracts, they feel that post-negotiation conflicts cannot rely entirely on contracts. Similar to the Northern respondents, these Eastern negotiators hope to resolve problems through immediate and effective communication (ECB1, ECB7). They worry that the rigid contractual approach would either fail to secure a proper compensation or lead to a total breakdown of their partnership. Regardless the reasons, these negotiators seem to see the matter from a business perspective, which is contrasting to the Northern respondents’ concerns over trust and relationship.

Convergent results regarding the strong contract spirit in the Eastern region come from different sources. The Northern respondent NCB8 recalls that the Eastern negotiators he has dealt with all have a highly structured approach to contracts. Verbal contracts are rarely used
in the region. Coming from a different regional background, he finds it difficult to be as rigid as his Eastern partners. The Southern respondent SCB6 and the governmental official, on the other hand, have a contrasting idea of post-negotiation conflict resolution in the Eastern region. These respondents observe that Eastern negotiators have a matter-of-fact attitude in conflict resolution, which links to their short-term view on negotiations. The respondents perceive Eastern negotiators as cold-blooded sometimes as they rarely care about relationships. They feel strongly that Eastern negotiators prefer to deal with conflicts in an open manner, i.e. entirely on the basis of stipulated terms and obligations. If the other party violates the agreement, Eastern negotiators are not afraid to adopt legal actions to protect their interests (CGO). The Northern way of gift-sending can never settle conflicts in this region (SCB6). To these respondents, Eastern negotiators beyond doubt have the strongest contract spirit in the country.

The secondary data supports this finding on Eastern negotiators. Liang (2010: 23-24) suggests that people in the Eastern region “respect laws and regulations” and “pursue standard and equality”. She argues that these characteristics bear similar features of a strong contract spirit in the Western business culture. Wang (2007) and Zhang (2009), on the other hand, observe that a formal and fully detailed contract is an indispensable part in the business transactions with Eastern businessmen. They advise other businessmen to pay due attention to the drawing up process of a contract in the Eastern region and be mindful of meeting all the contractual obligations during operation. Gan (2009), a professor of Shanghai University of Finance and Economics, holds firmly that the strong contract spirit is a key characteristic that distinguishes Eastern businessmen from the rest of the Chinese. According to her, this is also the advantage that contributes to the success of the Eastern region in the global market.

Southern Negotiators

Similar to the Eastern respondents, the Southern respondents (SCB2, SCB3, SCB4, SCB6, SCB8, SCB10) also consider contracts as the legally binding agreements of negotiations. To them, a formally written contract is the premise of a successful cooperation (SCB2, SCB8). Thus, terms and conditions should be fully discussed and agreed on by both parties. Once a
contract is signed, these respondents all feel obliged to carry out their terms of duties accordingly. Importantly, several respondents admit that negotiators from Hong Kong in general have a stronger contract spirit than negotiators from Guangdong and Fujian (SCB3, SCB4, SCB6, SCB10). They suggest that Hong Kong businessmen are the most rigid negotiators when it comes to contracts and legal documents.

However, the other respondents perceive Southern negotiators as having a much weaker contract spirit than Eastern negotiators. The Northern respondents observe that Southern negotiators could be quite informal in terms of contractual issues sometimes (NCB3, NCB8). According to them, Southern negotiators occasionally accept verbal contracts (NCB8), and they sometimes approve modified terms and conditions during operation (NCB3). These respondents emphasise that those compromises would only happen when strong and long standing business partnerships are involved. Good records of trading history and long-term corporate trust are essential elements in these business partnerships.

This medium level of contract spirit is also evident in Southern negotiators’ attitude toward post-negotiation conflict. One of the English respondents suggests that Southern negotiators tend to balance conflicts with their long-term benefits (FB2). To his observation, his Southern colleagues are prone to the relationship-approach when dealing with Chinese firms, especially those from the Northern region. Private talks, dinners, and gift-sending are some of the ways to settle conflicts in this case. However, when foreign companies are involved, and the binding force of a contract is emphasised, Southern negotiators tend to follow the hard-line approach and resolve conflicts through legal means (FB2). In addition, the respondent observes that Hong Kong negotiators tend to rely more on contracts than the other Southern negotiators. He perceives that this difference between provinces is attributed to the colonial background of Hong Kong. On the other hand, the government official also notes that Southern negotiators’ approaches vary in different situations. He notes,
I’ve seen Southern negotiators use both relationship and legal approaches to resolve conflicts. They understand the importance of maintaining a harmonious partnership, but at the same time respect standard and regulations. I think the approach they choose depends on the nature of the conflict—when it is balanced with their economic gains and the strength of the long-term partnership. (...) They are neither too firm as Eastern negotiators nor too weak as Northern negotiators. [CGO]

This answer corresponds to the example in the last section, in which the Southern respondent decided to settle the conflict with his Northern partner in private. This finding supports the existing stereotype of the Southern businessmen in the secondary data. The Southern region is described to have an action-oriented business culture (Fang, 2005; Zhang, 2009; Liang, 2010). According to these secondary materials, Southern negotiators seem to concern about the best way to resolve conflicts rather than holding onto stipulated requirements and obligations. This characteristic fits Southern negotiators’ long-term profit-making goals in negotiations.

4.3.6 Section Summary

For the significant fact remains that the northerner is essentially a conqueror and the southerner is essentially a trader. (Lin, 1935: 19)

This section answered part (a) of

RQ3: How do negotiators from different regions of China perceive the importance of relationship in negotiations?

The findings suggest that differences can be observed from five key themes. Table 4.1 (in next page) shows these differences.

In contrast with the conventional idea, the results show that relationship-oriented negotiation style and deal-focused negotiation style coexist in China. Negotiators from the Northern region of China are most similar to what the literature describes the “relationship-oriented
Chinese”, who stress group interests in negotiations. Negotiators from the Eastern region and the Southern region, however, emphasise individual gains and thus are more business-oriented than their Northern neighbours. Lin’s observation in the above quote effectively illustrates this contrast between the regions.

Table 4.1 How do negotiators from different regions of China view the importance of relationship in negotiations?

<table>
<thead>
<tr>
<th>Region</th>
<th>The Negotiation Goal</th>
<th>The Sources of Trust</th>
<th>The Approaches to Negotiations</th>
<th>The Importance of Reciprocity</th>
<th>The Contract Spirit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern</td>
<td>To develop and maintain a <strong>long-term</strong> relationship</td>
<td>Personal feelings and personal connections (guanxi)</td>
<td>Top down, general-specific approach.</td>
<td>Extremely important, base concessions on reciprocal favours.</td>
<td>Weak, prioritise relationship over contractual terms.</td>
</tr>
<tr>
<td>Eastern</td>
<td>To obtain the best deal in a <strong>short-term</strong></td>
<td>Corporate factors, such as financial status and corporate reputation.</td>
<td>Sequential, bottom up approach.</td>
<td>Unimportant, competitive and fight for the best short-term result.</td>
<td>Strong, emphasise the binding force of a contract.</td>
</tr>
<tr>
<td>Southern</td>
<td>To make profits in a <strong>long-term</strong></td>
<td>Similar to the Eastern region, corporate factors.</td>
<td>Sequential, bottom up approach.</td>
<td>Relatively important, evaluate reciprocal favours from a long-term perspective.</td>
<td>Medium, depend on the actual situation. Hong Kong negotiators are similar to Eastern negotiators.</td>
</tr>
</tbody>
</table>

The findings also reveal that both Northern and Southern negotiators emphasise the long-term consequences of negotiations rather than the short-term ones. However, the difference is that Northern negotiators look for real friendship whereas Southern negotiators concern about the economic benefits of a long-term business relationship. Southern negotiators in this research appear to be extremely practical, and they would take the most appropriate approaches to obtain profits. Eastern negotiators, on the other hand, have short-term profit-making goals in
negotiations. In order to achieve the best possible deal for now, Eastern negotiators appear to be distributive and tough in negotiations. They also have the strongest contract spirit in the country.

4.4 The Perception of Time

The literature describes Chinese negotiators as having low sensitivity towards time in negotiations (Salacuse, 1999). They perceive time as an unlimited resource (Redding, 1980), and thus they tend to devote a significant amount of time to the pre-negotiation phase of a negotiation (Shi and Westwood, 2000). Meanwhile, negotiation processes with the Chinese tend to be long and haggling in Westerners’ eyes (Blackman, 1997; Graham and Lam, 2003). The Chinese perception of time is linked to their goals of building long-term relationships in negotiations (Shi and Westwood, 2000). This perception is to the contrary of the Westerners’ understanding of time, which regards time as money. Driven by their goals of making profits and obtaining contracts in negotiations, Western negotiators tend to get down to business quickly and strive to finish negotiations as soon as possible (Salacuse, 1999).

Contrasting with the literature, the results of this research show that negotiators across the three Chinese regions have different perceptions of time. These differences can be observed from how negotiators spend their time at pre-negotiation and negotiation stages.

4.4.1 Time at Pre-negotiation Stage

Northern Negotiators

In association with their goals of building relationships in negotiations, all the Northern respondents acknowledge that they spend a large amount of time at pre-negotiation stage. They express,

Pre-negotiation phase is extremely crucial to me. I normally spend at least 50% of time at this stage. Sometimes (it takes) even longer. [NCB1]
About 80% of my time is spent at this stage. (...) I never go straight into business. I take my time. [NCB6]

Among these respondents, an average of approximately 70% of time is spent at this stage. These negotiators perceive that, at this stage, time should be spent regardless of its cost. To them, it is vital to spend enough time to get to know their partners before negotiating the deal. However, how much time is “enough” varies in different occasions and with different people (NCB8). They will know it when they feel it is enough (NCB1, NCB6). According to these respondents, time is spent on social activities, such as KTVs, dinners, banquets, and drinks. Besides, a background check on their partners is also essential (NCB2, NCB6). This background check includes talks about family members, friends, educational background, and so on. The primary purpose of these social activities and the background check is to get to know each other, start building relationships and trust, and gather information about the other side’s areas of interest, goals, as well as weak points, for the upcoming negotiation (NCB1). These activities provide valuable information to help the Northern negotiators decide whether or not they wish to embark on a long-term relationship (NCB1, NCB2) and whether or not to enter into the subsequent negotiation stage (NCB4, NCB6).

While the Northern negotiators feel that time is well spent on the most critical part of a negotiation, the Eastern and the Southern respondents claim that pre-negotiation stage with Northern negotiators is time-consuming. They perceive Northern negotiators as being extremely insensitive towards time. SCB8 shares what she calls “an unpleasant negotiation experience” a few months ago with a company in Shandong. It took her a whole week to get through the endless social gatherings and drinks before they started to negotiate concrete issues. Although uncomfortable, this respondent was particularly mindful of engaging in these activities as she understood the significance of a carefully-cultivated relationship in the Northern region. The negotiation turned out to be successful, but the respondent claims that the process was “terribly tiring”. On the other hand, ECB1 and SCB7 comment on Northern negotiators’ background check. They question the necessity of this process as they consider it
as a complete waste of time. Despite the unwillingness, these respondents admit that this process is inevitable as it seems to be the only way to gain trust from Northern negotiators.

Although there seems no way to skip these hassles, the government official suggests a possible way to speed up the process. He notes,

You need to find out your personal links to your Northern counterpart. The links could be hometown, family, school, or previous business ties. For example, you can call your former classmate and ask him to set up a dinner meeting with his friend in your target company. (...) If things go well, your friend’s friend will accept your request and set up a formal meeting with his boss. In this way, you can expect a much faster negotiation process. [CGO]

This response conforms to the previous discussion that personal connections, or guanxi, provide a reliable source of trust in the Northern region. Although the intermediary might have “blessed” the relationship and fastened the pre-negotiation process, the officer emphasises that trustworthiness, sincerity, integrity, patience, and so on, should still be kept in mind. Rushing at this stage may result in damaging faith, which will eventually affect the outcome of the deal.

**Eastern and Southern Negotiators**

Compared to the Northern negotiators, the Eastern and the Southern negotiators have a much shorter pre-negotiation stage than the Northern respondents. They note,

The pre-negotiation stage of a negotiation takes up about 30% of my total time. [ECB4]

I don’t like wasting time. So I usually get down to business very quickly. (...) I would spend about 10% to 20% of the total time at this stage. [SCB8]

These respondents appear to be time-sensitive at this stage as they perceive the necessity to dispense with the preliminaries and get down to substantial issues quickly. An average of about 20% of time is spent at this stage among the respondents. Driven by the idea of
“business is business”, these negotiators feel that time should be devoted only to business related issues. Thus, they perceive that pre-negotiation stage should involve a basic rapport-building and a preparation for the following task only (ECB1, SCB1). These negotiators would never go so far as to acquire information about their partner’s family and friends (ECB1, SCB7). Social activities, such as dinners and drinks, are necessary, but they are normally scheduled after the negotiation (SCB7). Unlike the Northern respondents who see dinners as relationship and trust-building occasions, these negotiators consider dinners as occasions for celebrating signed contracts (ECB7, SCB8, SCB9).

While the Eastern and the Southern respondents think of themselves as being deal-focused, the Northern respondents and the Central respondent consider it rude to start a negotiation without an investment in time to get to know each other. NCB1 and CCB express their adverse feelings when Eastern and Southern negotiators could not stop making proposals at dinner tables. They interpret these aggressive attempts to get into business as being snobbish, thus resulting in their reluctance to cooperate at the following stage. NCB3 recalls his experience at trade fairs with Southern negotiators and notes,

...they (Southern negotiators) come in, they sit down, and they go straight into business. When you walk into their stalls, they will know immediately whether you mean business or not. In case you are just looking around, they don’t even want to waste their time to greet you.[NCB3]

The American respondent also notices that negotiations start quicker with Southern and Eastern negotiators than with Northern negotiators. As he expresses,

I find that I can begin the conversations with questions on price and quantity with Southern or Eastern companies at trade fairs. With Northern companies, however, I tend to approach them with a general enquiry and hope to schedule a dinner after the fair...because most of the Northern negotiators prefer to talk in private.[FB3]

This respondent claims that Eastern and Southern negotiators are more experienced and competent than Northern negotiators. He is in favour of the Eastern and the Southern
approach because it is more compatible with his negotiation style than the Northern approach.

### 4.4.2 Time at Negotiation Stage

The above findings links to the general idea that one’s sensitivity towards time relates closely to his goal in negotiations. However, this general idea does not seem to cope with well with the situations at negotiation stage. The results suggest that time at negotiation stage is a complex issue across the three regions.

**Northern Negotiators**

Surprisingly, the Northern respondents perceive themselves as time-sensitive at negotiation stage. NCB1, NCB2 and NCB4 claim that they expect short negotiation phase, which only takes up about 20% of the total time. It is much shorter than the negotiations they have experienced in other regions. NCB8, on the other hand, disagrees with the sentiment that Northern negotiators are time-sensitive, although he admits that the negotiation phase tends to be short in the region. This respondent illustrates this “short negotiation process” with a situation in which a Northerner negotiates over a pair of shoes with a sales person at a local mall. According to him, the negotiation would go like this:

*The Northerner: How much are these shoes?*
*The Sales person: 1,000 yuan.*

*The Northerner: That’s too expensive. Any cheaper? How about 800?*
*The Sales person: I am afraid we can’t do 800. How about 900?*
*The Northerner: Deal!*

The respondent adds that the Northern guy will pay for the shoes happily, thinking that he has made a good purchase. He will also leave without asking for the receipt and the warranty card.

This scenario, according to NCB8, represents the most typical negotiation process in Northern China. The process is short, simple, and not much “negotiating” involved. However, this short negotiation process does *not* result from a great sensitivity towards time in the region. In accordance with NCB8, it is because of three reasons. First, the Northerner focuses solely on the price. His purpose of negotiation is simply to lower the product price. With this and only
this in mind he overlooks the other details of the deal. Second, the Northerner appreciates reciprocal behaviours. When his counterpart provides a better price offer, he considers it as a signal of good will and, therefore, quickly accepts the price without any further demands. This process reinforces the simple concession-making pattern discussed earlier. Third, Northern people are relatively straightforward in communication. Their behaviour reduces the time for reading between lines during the negotiation. Besides, the case indicates that the Northerner left without any concern of the receipt and the warranty card. This behaviour conforms to the previous finding that Northern negotiators are weak in contract spirit. In actual negotiations this behaviour could result in a shorter discussion on contractual details thus consequently leading to a shortened negotiation process.

Comparing the length of negotiation stages, the Southern respondents admit that Northern negotiators tend to spend less time at the face-to-face negotiation stage. In line with NCB8’s idea, SCB1 and SCB2 claim that face-to-face negotiation processes could be relatively easy with Northern negotiators because the price seems to be the only thing they are concerned about. SCB7, on the other hand, points out that the concern over relationships is the reason behind the quick deal in the Northern region. He recalls a negotiation with a Northern company, in which he matched his partner drink after drink and could not remember how he got back to his hotel. The next morning he was greeted with a big smile and a fat contract. The respondent believes that, without the proper establishment of the relationship, the negotiation would have taken on a very different character, one more akin to what the literature describes as a long and haggling process. The American respondent agrees that relationship-building is what slows down his negotiation with Northern negotiators at trade fairs. He feels that a short negotiation process with Northern negotiators could only happen when both parties have been working together for many years.

Interestingly, the government official feels that Northern negotiators can be quite time-sensitive in negotiations with foreign investors. According to his observation, Northern negotiators always provide reasonable offers and are extremely cooperative and quick in response. The respondent claims that, in Northern China, local economy is falling behind.
Northern negotiators feel that they need to seize every business opportunity to catch up with the other regions. The high sensitivity of time thus stems from Northern negotiators’ concern for the well-being of the whole region and their eagerness to bring developments to the area. When time becomes one of their main concerns, relationship issues can be compromised.

**Southern Negotiators**

This research suggests that Southern negotiators are the most time-sensitive negotiators in the country. The Southern respondents perceive the importance of making good use of time at work. As SCB8 expresses,

“When I make a call to our business partners, I always begin with ‘I hope I am not interrupting you’. Once I confirm they are free to talk, I go straight into business. (...) I don’t cope well with our Northern clients. They always have small talks, which take forever to reach the point. I mean, I have work to do; I have no time to waste. [SCB8]"

As the quote suggests, this respondent is acutely sensitive with time. She considers time as a limited resource and is mindful of managing her own time and not wasting others’ time. This perception of time is also observed by the other respondents from the region. SCB1, SCB5, SCB6 and SCB7 acknowledge that they are fast in making decisions and expect a short negotiation process. They are so sensitive about time that they want to get the deal done as quickly as possible. As SCB1 expresses,

"Time is money to me. I always try to finish negotiations and sign contracts in the shortest time. I will not allow a negotiation to carry on for more than three days. If possible, I would try to seal a deal in one day. [SCB1]"

The respondent perceives time as invaluable in negotiations. He explains that the more time spent at a negotiation, the more competitors he would get. His sensitivity toward time is driven by his goal of making as much money as possible. Thus, he strives to make the best use of his limited time. SCB7 agrees with this view. He stresses that the business environment in
the Southern region is so competitive that opportunities may be gone in a flash. As a consequence, businessmen in this region are always cautious about their time in negotiations and want to seize every minute to make money. This respondent further compares the short negotiation stages in the Southern and the Northern regions and emphasises that the causes are virtually different. According to him, Southern negotiators negotiate quickly because they are concerned about efficiency, whereas Northern negotiators finish quickly because they have already achieved their relationship-building goal.

The Northern respondents in the research do not consider Southern negotiators as time-sensitive (NCB2, NCB4). They suggest that negotiation processes with Southern negotiators are long and inefficient because Southern negotiators tend to discuss every detail in the deal, which to them is utterly unnecessary. The government official disagrees with this and claims that Southern negotiators are quick decision-makers in international business negotiations. Based on his observation, Southern negotiators seldom make excessive demands, and thus negotiation processes always progress quickly and smoothly. The officer then confirms SCB7’s view that competition is the reason behind Southern negotiators’ sensitivity to time. According to him, the local economy in Southern China is highly developed. The competition for foreign investment is fierce, and negotiators tend to act quickly in order to get ahead of their rivals. Thus, they are more cooperative and tend to make reasonable offers. The foreign negotiators share a similar view. The English respondent FB2 reports that he experiences a much faster negotiation process in the Southern region, especially with negotiators from Hong Kong. The American respondent FB3 also considers Southern negotiators as the most efficient negotiators in the country. He claims that he could always finish negotiations and sign contracts at trade fairs with Southern companies.

The secondary data supports the notion that Southern negotiators have high sensitivity towards time. In his study on the business styles of the three key cities, Fang (2005) found that the negotiators from Guangzhou spent the shortest time in negotiations. Lam and Graham (2007: 234) call Southern Chinese “excellent traders” who are “particularly interested in making a quick buck”. Similarly, Zhang (2009) and Du (2010) observe that Southern
businessmen regard time as a scarce resource that they want to turn every minute into efficiency. Du (2010) feels that the slogan of “time is money, efficiency is life” has led to the fast start of Shenzhen special economic zone in the early years. As the author perceives, this notion of time is also the reason Shenzhen achieves the greatest success among all the special economic zones. Zhang (2009), on the other hand, advises people to keep up with Southerners’ pace in business transactions, as slowing down stands no chance of succeeding in the region.

**Eastern Negotiators**

All the Eastern respondents acknowledge that they devote a significant amount of time to negotiation stages, which is much longer than the time they spend on pre-negotiation stages. These negotiators claim that every detail of a deal needs to be properly discussed, and they expect their counterparts to do the same (ECB2, ECB3). The negotiation process might thus take a long time, but it is not a matter (ECB4, SCB7). These respondents feel that they have a realistic view of time and that every minute of their time is well spent for negotiation tasks.

On the other hand, the Northern respondents (NCB1, NCB4, NCB8) and the Central respondent CCB suggest that it takes the longest to negotiate with Eastern negotiators. They find that Eastern negotiators constantly fight over trivial issues, for example, whether the price should be 3 or 3.1 yuan (CCB). Furthermore, Eastern negotiators often require renegotiation if they do not feel they have the best deal (NCB4). These behaviours always lead to a long and repetitive negotiation process. NCB8 reports what he sees as the typical Eastern negotiation process as follows.

*The Easterner: How much are these shoes?  
The Sales person: 1,000 yuan.  
The Easterner: (Pauses and thinks for a while) Do you have any promotion?  
The Sales person: No, but we have a 12% discount during the Dragon boat Festival.  
(Then the Easterner would leave and come back again during the festival.)  
The Easterner: You are doing a promotion on these shoes, aren't you?  
The Sales person: Yes, we have a 12% discount.*
The Easterner: Do you have small gifts for purchasing these shoes?
The Sales person: I am afraid not.
The Easterner: (Pause and thinks for a while) Do you take credit card?\(^3\)
The Sales person: Yes we do. However, if you pay by cash I can take off the odds from the price.
The Easterner: (Pauses and thinks for a while) Can you take credit card and take off the odds at the same time? 
The Sales person: (Reluctantly) O.K. then.
The Easterner: Also put two shoehorns in my bag!

In the end, the Easterner will not forget to ask for the receipt and the warranty card so that he can request an exchange or refund in case of a quality problem (NCB8). The conversation in this case is much longer than that between the Northerner and the sales person. According to NCB8, many factors contribute to such a long negotiation process. First, price reduction is only one of the agendas in the Easterner’s negotiation. He is so attentive to details that he strives to maximise his gains in every possible way. Second, he takes time to think thoroughly before making any move. Once he has decided the best offer in his mind, he holds extremely firm to it and rarely compromises. Third, the concessions are not reciprocated. The sales person’s compromises have only encouraged the Easterner to make further demands. In addition, the Easterner left with the receipt and the warranty card, which indicates a strong contract spirit that he adheres to the deal. In actual business negotiations, Eastern negotiators will engage in the discussion of contractual issues, which also prolongs the process. NCB8, therefore, suggests that Eastern negotiators are highly insensitive towards time in negotiations. The Southern respondents agree with this opinion. They express that Eastern negotiators are so concerned about the pennies that they always fail to consider the cost of time (SCB7, SCB10).

The government official’s observation on Eastern negotiators strengthens the above findings. A few years ago, the respondent had the chance to oversee three negotiation projects between Chinese companies and foreign firms. These three projects involved three Chinese companies from Guangdong (South), Shanghai (East), and Shandong (North). The three negotiations

\(^3\)NCB8 explains that using credit could earn shopping points at the mall.
started at about the same time and with similar scales of economy. Three months later, the one in Shandong had reached an agreement, and the one in Guangzhou was at the final stage of the negotiation. However, the one in Shanghai—with the smallest scale and the earliest starting date—was nowhere near finish. The respondent comments on this Eastern-Western negotiation and notes,

From a neutral, or even a foreigner’s perspective, the Eastern negotiators are shrewd but not smart. “Shrewd” means they have planned everything before the negotiation. At the negotiation, they were reluctant to compromise because they felt they had the best proposal. They would spend as long as it takes to get the best deal. [CGO]

The respondent was not able to observe the following process of this negotiation. Based on what he heard from his colleague, the negotiation broke down in the end because the foreign company could not bear the long negotiation process any more. CGO expresses his surprise that, in Eastern China where economic development is better than the Southern region, negotiators have such a low sensitivity toward time. This low sensitivity, as the respondent perceives, is due to their short-term profit-making goals in negotiations.

Similar observations also come from the foreign negotiators. FB1 and FB3 find that Eastern negotiators often appear to be arrogant, and they feel that issues are hardly negotiable when Eastern negotiators have made up their minds. These behaviours could lead to a prolonged negotiation process. These respondents thus agree that Eastern negotiators have a low sensitivity towards time, although they feel that it may be in association with their sense of ego in commercial activities. This idea is supported by the secondary data. Liang (2010: 21) reports that negotiations in this region could be “intolerably long and tiring” because

Eastern Chinese have infinite faith in their business proposals. They assert that everyone should agree with them as they are the best of the country. Because of this arrogant mentality they are difficult to be persuaded in business negotiations (Liang, 2010: 22).
4.4.3 Section Summary

This section answered part (b) of

RQ3: *How do negotiators from different regions of China perceive time in negotiations?*

The findings suggest that negotiators from the three regions of China perceive time differently, and time-sensitive negotiators also exist in the country. Table 4.2 shows these findings.

Table 4.2 How do negotiators from different regions of China perceive time in negotiations?

<table>
<thead>
<tr>
<th>Region</th>
<th>Pre-negotiation Stage</th>
<th>Negotiation Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern</td>
<td>Extremely insensitive towards time; long pre-negotiation stage; <strong>perceive the importance of building relationship</strong> regardless the cost of time.</td>
<td><strong>Generally insensitive</strong> but high sensitivity could be expected in international negotiations due to the need for foreign investment. Shorter negotiation stage could be expected when a good relationship is involved.</td>
</tr>
<tr>
<td>Eastern</td>
<td>Very sensitive towards time; short pre-negotiation stage; <strong>perceive the importance of getting down to business quickly.</strong></td>
<td><strong>Very Insensitive</strong> towards time; long and repetitive negotiation process; <strong>takes time to make the best deal.</strong></td>
</tr>
<tr>
<td>Southern</td>
<td>Similar to the Eastern region; very sensitive towards time; <strong>perceive the significance of not wasting time.</strong></td>
<td><strong>Very sensitive towards time; perceive the importance of making quick deals.</strong></td>
</tr>
</tbody>
</table>

The results highlight that Southern negotiators are the most time-sensitive negotiators in China. Triangulating evidence suggests that Southern negotiators have a similar perception of time with Western negotiators. They regard time as money and perceive quicker as better in negotiations. Northern negotiators are generally insensitive toward time. However, the findings indicate that their level of time-sensitivity could increase in international negotiations due to their concern over the economic development in their region. Eastern negotiators are a
complex case in this research as they appear to be time-sensitive at pre-negotiation stage but rather insensitive at negotiation stage. The findings show that their perception towards time could be affected by their short-term negotiation goals, as well as their sense of superiority as the leading economy in the country.

4.5 The Importance of Face

The literature suggests that face has particular importance in the Chinese society. It is one of the determining factors of successful negotiations with the Chinese (Blackman, 1997; Graham and Lam, 2003). Chinese negotiators are always conscious about giving and maintaining face during negotiations (Shi and Westwood, 2000). However, the results in this research show that negotiators across the three regions of China have different perceptions regarding the importance of face in business negotiations.

4.5.1 Differences across the Three Regions

Northern Negotiators

According to the Northern respondents, the value of face is about 8 out of 10 in their region, indicating a particularly strong influence of face in their negotiations. These respondents claim that, in the Northern region, the outcome of a negotiation is measured by the amount of face negotiators receive during the process (NCB1, NCB7, NCB8). As NCB8 put it,

Face (…) is even more beneficial than economic gains. Northern negotiators are more satisfied by earning a lot of face than making a lot of money from negotiations. [NCB8]

Influenced by this cultural trait, the Northern negotiators express that they always conduct some ritual events in order to give face to their counterparts. NCB1 suggests that, through these events, they hope to create a congenial atmosphere for the following negotiation, emphasise the importance of the negotiating tasks, and signal the perceived social status of those attending. NCB7 expects his counterparts to respect this kindness and reciprocate
equivalent amount of face by attending these events and interacting with them. Similarly, NCB3 and NCB5 perceive the importance of conducting and attending ritual events, claiming that such events are not only critical for giving face, they are also crucial occasions when a relationship and mutual trust may start to develop.

Besides these ritual events, the Northern respondents have also talked about several notable behavioural variables in the interviews. These variables reinforce the critical role of face in negotiations with Northern negotiators.

1. Negotiation location. NCB8 stresses that negotiation location is the first impression that sets the tone of a negotiation. According to him, if a guest party is invited to a carefully selected private room in a high-class restaurant for the negotiation, he would feel respected and be willing to collaborate at the negotiation stage. On the contrary, a casually selected negotiation venue signals a lack of sincerity from the host party. The guest party would feel face-losing or even humiliated to be invited to such a location. He might either refuse to attend or take competitive moves at the negotiation stage. To the respondent, the location of a negotiation could determine the outcome of the deal at the very beginning.

2. Dress code. NCB2 and NCB4 perceive that formal dressing is associated with face and respect in the Northern region. These negotiators expect each other to be formally dressed to attend meetings. According to them, a negotiator who shows up with informal clothes is considered disrespectful for the occasion. More seriously, it would make his counterpart lose face to negotiate with him.

3. Drinking. Apart from its significant role in trust-building, drinking is also related to face-giving in the Northern region. NCB3 notes,

    The rule is straightforward. You drink, you are giving face.  
    *Everything* is negotiable. You don’t drink, you are not giving face.  
    *Nothing* is negotiable. [NCB3]
To this respondent, Northern negotiators feel face-losing if their counterparts keep turning down drinks from them. This behaviour is unacceptable and it could mean the end of the collaboration. NCB8 further points out that the price of wine is also critical. According to him, a bottle of Louis Vuitton wine worth 40,000 yuan (about 4,000 pounds) could help one land a deal because his counterpart gains a lot of face from the treat. This is the reason this wine ranks one of the top three best selling alcohols in the region (NCB8).

These behavioural factors and their relations to the value of face are confirmed by the Eastern and the Southern respondents. These respondents agree that their Northern neighbours tend to be preoccupied with face issues in negotiations. ECB3 and SCB9 both express that Northern negotiators’ decisions regarding whether or not to enter a deal, as well as their negotiation proposals, are largely influenced by the amount of face they are given. They also acknowledge the significance of conducting and/or attending face-giving activities in order to ensure a smooth negotiation process with their Northern partners. SCB8 perceives that the top executives themselves should always attend the negotiations with Northern negotiators. According to him, in a situation where a manager is sent out to a negotiation with a Northern executive, he risks making the executive lose face and fail the task before it starts. The government official finds Northern negotiators expressive, and they like to brag about their achievements. CGO considers it as Northerners’ way of self face-giving in order to highlight their social status. The respondent, therefore, advises negotiators to avoid comparison with Northern negotiators as further comparison could lead to face-losing and produce negative atmosphere in negotiations.

Convergent results also come from the secondary materials. Zhang (2009) notes,

Face brings such ineffable satisfaction to Northern Chinese that it is practically indispensable in their lives. (Zhang, 2009: 61)

Businessmen in Northern China pursue face instead of economic benefits. (…) They like to maintain a wealthy image in public, but at home they might be as poor as church mice. (Zhang, 2009: 111)
These findings are also confirmed by Fang (2005), Wang (2007) and Liang (2010). Fang (2005) and Wang (2007) suggest that Northern businessmen pursue formality, and they have a formal business style characterised by formal greetings, dressing, and so on. Liang (2010) feels that in the Northern region, maintaining the face of an individual is more critical than efficiency and effectiveness in business. People might cover up or ignore mistakes in order to avoid face-losing. These materials support the view that face plays a critical role in negotiations with Northern negotiators.

**Eastern and Southern Negotiators—The Similarities**

The Eastern and Southern negotiators are less face-conscious than the Northern negotiators in this research. According to the Eastern and the Southern respondents, face is not a critical factor in their negotiations. As they express,

The importance of face is 3 out of 10. (…) The only thing I care about in negotiations is my profits. [ECB3]

Face is totally irrelevant to me. Business is business. The more you care about your face the more you will lose. If you want to make profits, you’d better throw your face in the bin. I’d say the importance is 1 (out of 10). [SCB1]

An average score of 3.5 is generated from the Eastern respondents whereas only 3 is generated from the Southern interviewees. These scores indicate a much weaker influence of face in these regions. Consistent with their goals in negotiations, these negotiators claim that they measure the success of a negotiation against the economic benefits they gain rather than the face they receive (ECB3, SCB1). They suggest that paying basic respect, such as greeting their counterpart by their title, is important, although anything beyond that is unnecessary (ECB1, SCB5). To them, the content of a negotiation is more relevant than formality. Thus, rituals, such as drinking and dinners, should be reduced as much as possible. Nevertheless, these respondents admit that face-giving events are crucial in some occasions, especially in business deals with Northern companies or when they are in a much lower negotiation
position. They regard conducting formality in this case as a tactical move to secure profits and a source to obtain negotiation power (ECB2, SCB1, SCB6).

The weak influence of face can also be seen from the contrasting attitude towards the face-related factors in these regions. Unlike the Northern respondents who see negotiation location as a decisive element, the respondents from both the Eastern region and the Southern region express that they are happy to conduct negotiations anywhere convenient to both parties (ECB1, ECB6, SCB7). It can be a local restaurant or a meeting room in the office. Also, SCB5 suggests that drinking in both the Eastern region and the Southern region is more causal than compulsory. It carries a meaning of celebration rather than face-giving. A refusal to drinks would neither affect the result of a deal nor make them lose face. Furthermore, ECB2 and ECB6 acknowledge that they are happy to negotiate with anyone as long as they have the power to make decisions. They would not feel face-losing when negotiating with someone who has a lower status.

The secondary data supports the view that Eastern and Southern businessmen place little value on face in commercial activities. According to Zhang (2009), one’s social status comes from his intangible assets, such as face, in the Northern region, but it comes from one’s actual wealth in the other two regions. Eastern and Southern Chinese regard it as “outwardly strong but inwardly weak” to pursue face in business activities (Zhang, 2009: 12). What satisfies them is the idea of being able to make profits and living a wealthy life (Zhang, 2009).

Eastern and Southern Negotiators—The Differences

Although the Eastern and the Southern respondents share a similar value on face, the other respondents claim that there are differences between these two regions. The Northern respondent NCB7 feels that Eastern negotiators are more face-conscious than Southern negotiators. To his observation, Eastern negotiators always wear suits and ties to attend negotiations whereas Southern negotiators are casual in dress. The interviewee suggests that Southern negotiators are too relaxed to be seen as inappropriate sometimes. He was once shocked to see a Southern negotiator wearing flip-flops to the negotiation, something that he
could never imagine happening in the Northern region. This difference in dressing code is supported by Fang (2005) and Tung, Worm and Fang (2008), who suggest that Eastern businessmen are more formal than Southern businessmen. These authors observe that Eastern businessmen tend to present a professional image in commercial activities. This professionalism is regarded as one of the basic respects Eastern businessmen pay to negotiation occasion, to their partner, and to themselves.

Another factor which distinguishes Eastern from Southern negotiators is their reaction toward public praises. According to the Northern respondent NCB4, as well as the government official, Eastern negotiators are quite similar to Northern negotiators in that they all enjoy public praises in negotiations. To NCB4, one should negotiate along Eastern negotiators’ ideas, use modest praises on their negotiation proposals and commend their business experience. These face-giving acts can help soften Eastern negotiators’ firm stand on negotiation issues. CGO agrees with this and claims that it is Eastern negotiators’ advantage to be the leader of the Chinese economy but also their weakness in negotiations. Southern negotiators, on the other hand, are more down-to-earth than Eastern negotiators to these respondents. NCB4 claims that face-giving would never work in Southern China. CGO also observes that Southern negotiators are quite adverse to public praises. They are not willing to praise their counterparts, nor do they enjoy being flattered. Those who use face-giving compliments could risk losing their own faces before they could give face to Southern negotiators.

4.5.2 Section Summary

This section addressed part (c) of

RQ3: How do negotiators from different regions of China perceive the importance of face in negotiations?

The results show that the importance of face varies across the three Chinese regions. Negotiators from the Northern region are the most face-conscious. One has a higher
possibility of reaching an agreement by conducting proper rituals and face-giving behaviours in Northern China (CGO). A lack of consciousness for Northern negotiators’ face would lead to the failure of a negotiation task. The Eastern and the Southern respondents place less value on face in negotiations than the Northern negotiators. In these two regions, the possibility of obtaining contracts by face-giving is much lower (CGO). Nevertheless, the results also indicate that Eastern negotiators are slightly more face-conscious than Southern negotiators in terms of dressing habits and reactions to public praises.

4.6 The Risk Taking Propensity

Research suggests that Chinese negotiators are risk-averse in negotiations (Moran and Stripp, 1990; Blackman, 1997; Salacuse, 1999). Owing to the strong influence of political-ideological system in the country, Chinese negotiators tend to act cautiously in order to follow governmental regulations and avoid political risks (Moran and Stripp, 1991). Meanwhile, Chinese negotiators demonstrate a strong self-discipline and avoidance toward risks in negotiations due to the influence of the Confucian religious beliefs (Pye, 1982). They tend to accustom to complying with rules and shying away from uncertain situations. The research findings, however, indicate that the degree of risk-taking propensity varies across the three regions. Risk-taking negotiators also exist in the country.

4.6.1 Differences across the Three Regions

*Northern Negotiators*

The results show that Northern negotiators share the most similarities on risk-taking behaviours with the Chinese negotiators in the literature. Several issues covered earlier indicate this low risk-taking propensity in the region. First, Northern negotiators perceive the importance of ritual events before negotiations. Whether the purpose of these events is for relationship-building or face-giving, it entails some rigidities and formalities that are bound to be followed in the region. Second, Northern negotiators are keen on proposing general principles and mechanisms at the beginning of a negotiation. Throughout the process, they
would stick to these rules and expect their counterpart to honour these rules. These moves are interpreted as their ways of reducing uncertainty in negotiations. Third, they prefer to conduct negotiations with friends and family and regard negotiations with strangers as risky. In the event of negotiating with outsiders, they devote a large amount of time to relationship-building in order to minimise the uncertainty of a new relationship.

This low risk-taking propensity is confirmed by the Northern respondents. They admit that they have a low tolerance towards risks, and they perceive the significance of reducing uncertainty during negotiations (NCB1, NCB2, NCB4, NCB5, NCB6). As they acknowledge,

...I could never take risks in negotiations. I tend to go for safety. Small profits with less risk are always better than big profits with greater risk. [NCB2]

Corresponding to this comment, NCB6 recalls that his business partners have proposed to expand the market outside their region several times, but the respondent always worries about the risks and uncertainties of doing business in other regions. NCB4, on the other hand, perceives considerable risks embedded in a new relationship. As he claims,

Risks are intolerable. (…) Take new business partners as an example. You don't have a relationship with them, so you can't tell whether they can be trusted. I'd probably stick to my old partners, even if they offer me a low price. (Because) There are too many uncertainties in the new relationship. (…) Guanxi is critical, so are general principles and shared values. [NCB4]

Regardless of the reasons for this low risk-taking tendency, NCB2 and NCB6 explain that there is a long tradition of risk-avoidance in their society. Influenced by this tradition, Northern negotiators tend to pursue stability rather than profits in their business activities. They regard this as the best way to sustain their businesses for a long term.

The Northern respondents’ low risk-taking propensity is also evident in their excessive concern over political risks in negotiations. NCB1 and NCB5 express that they are extremely
sensitive about the political climate in the country. They are so cautious that they constantly assess the probability of political risks associated with their negotiations. If they perceive prominent political risks adhere to the deal, they tend to give up the negotiation to avoid getting into troubles. Similarly, NCB6 feels that the information on relevant government policies is more valuable than the market conditions. Before negotiations, he tends to devote his time to studying relevant political materials instead of conducting market research. These governmental rules and regulations, as he perceives, must be followed rigidly. According to NCB6, Northern negotiators are quite reluctant to take risks in front of rules and regulations. They tend to negotiate within the political framework only.

The English respondent and the government official support the view that Northern negotiators are generally low in the risk-taking propensity. FB2 describes Northern negotiators as those who define negotiation in a box and seldom think of ways to escape it. He finds it time-consuming to explain creative proposals to Northern negotiators. Sufficient information must be provided in order to overcome their reluctance of accepting new ideas. On the other hand, CGO confirms that politics and business are inseparable in Northern China. He claims that Northern negotiators tend to associate their lives with politics due to the region’s status of being the political centre of China. According to his observation, Northern negotiators only negotiate what has been specified politically. Their overly cautious attitude towards political influence is attributed to their risk-averse behaviours in negotiations.

Convergent results also come from the secondary materials. Lam and Graham (2007: 219) state that Northern negotiators are “not known for their risk-taking propensity or creativity”. Besides, their negotiation style yields a relatively uncommon lack of “thinking outside the box” (Lam and Graham, 2007: 224). Moreover, Liang (2010) and Zhang (2009) point out that people from this region are satisfied with the current state of their lives. Business deals with risks are unappealing to them because they are afraid of losing their easy and comfortable lives. As Zhang (2009: 221) concludes, “a lack of adventurous spirit is one of the drawbacks of Northern businessmen”.

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**Eastern Negotiators**

Eastern negotiators in the previous findings appear to be more risk-taking than Northern negotiators. They tend to dispense the preliminaries and get down to business quickly; they are indifferent to establishing general rules and principles before negotiations; they also feel comfortable to negotiate with strangers. This research, however, considers Eastern negotiators as risk-averse in negotiations. This is acknowledged by the Eastern respondents, who admit that they are not risk-takers in negotiations (ECB3, ECB6). When addressing her perception on the negotiation style in her region, ECB6 suggests,

> We are quite conservative in negotiations. It means we are afraid of taking risks; we only negotiate what we feel confident about. [ECB6]

She then illustrates her point using a land development case. In the negotiation, her partner company proposed a contract of 20-hectare land development. The respondent expresses that their company was totally unprepared for such a proposal, and they had no experience of developing such an ambitious project. Considering the potential risks, the respondent rejected the proposal and only took over, as they had planned, a quarter of the available land. Even though they missed an opportunity, the respondent was happy with the outcome. “Better safe than never”, as she concludes. In correspondence to her opinion, ECB3 also suggests that he tends to reject a proposal with higher profit and higher risk and look for lower risk alternatives. To him, uncertainties in a proposed course of action are intolerable. He wants to foresee the results of any negotiation so that he can make sure everything is under control. ECB2 and ECB7, on the other hand, express that they are slow in making decisions in ambiguous situations. To them, time is needed to gather sufficient information in order to understand the situations thoroughly.

Apart from their risk-avoiding behaviours, the Eastern respondents also hold a risk-averse attitude in front of governmental policies and regulations. ECB2 and ECB3 show considerable concern over meeting policies and regulations in negotiations. They feel that they always strive to negotiate within the political framework only. As ECB2 expresses,
Political risks must be avoided or at least minimally violated. [ECB2]

These negotiators suggest that, as the leading economy of the country, they are under pressure to perceive the absolute necessity of assessing negotiations from a political angle.

The other respondents also observed a low risk-taking propensity among Eastern negotiators. The Southern respondent SCB6 recalls her experience of looking for new suppliers for the china market in Australia a few years ago. She felt shocked to be turned down by several Eastern negotiators as she considered the deal as an excellent chance to develop the new market. As she expresses,

When I approached the Eastern suppliers in the Eastern region...they said they needed a few days to do some research before deciding whether or not to enter the deal with me. It was unbelievable! When they were balancing the opportunity and the risk, I had already signed the contract with a company in Guangzhou. [SCB6]

To this respondent, the Eastern negotiators were so afraid of the uncertainty associated with the new market that they missed out on a massive opportunity. She found it hard to persuade the Eastern negotiators because they were unwilling to take chances and negotiate outside of their comfort zones. Another Southern respondent SCB7 agrees that, in general, Eastern negotiators are risk-averse. However, he feels that there is an exception. Businessmen from the city Wenzhou of Zhejiang province, as the respondent perceives, have higher risk-taking propensity than the ordinary Eastern negotiators. According to him, businessmen from the Wenzhou area are known for their adventurous characteristic in the country.

Addressing the risk-taking propensity in different regions, the American respondent acknowledges that Eastern negotiators are more accepting than Northern negotiators in terms of new ideas. However, it still takes time for them to make up their minds. Rushing at this stage only heightens their risk-avoiding tendency in a proposed deal, as the respondent
stresses. The government official, on the other hand, claims that,

Shanghainese have vision, but they lack of action. They do not dare to be the first. [CGO]

Although the respondent acknowledges that negotiators from Zhejiang are more risk-taking than the rest of the Eastern Chinese, he feels that the whole Eastern region is generally similar to the Northern region in terms of risk-taking propensity. According to him, both regions have cautious attitudes toward policies, and neither of them dares to side-step rules and regulations.

The secondary data has provided supporting evidence. Wang (2007) considers businessmen from the Eastern region as competent but timid. The author confirms that Eastern businessmen tend to carefully calculate every step and every risk in business deals before they start. If they perceive a high level of risk, they would quickly give up. Gan (2007) also reports that short-term investments are more popular than long-term investments among Eastern Chinese. As she explains, short-term investments normally come with fixed incomes, while the benefits of long-term investments vary and are hard to predict. Zhang (2009) and Du (2010) confirm this as they both observe a risk-avoiding tradition in the region. Zhang (2009: 29) describes Eastern Chinese as “good at obeying, but not good at commanding”. Du (2010), on the other hand, finds that people in the Eastern region prefer to be managerial employees than leaders or entrepreneurs. This preference, as he suggests, indicates an unwillingness to take responsibility for their actions among Eastern Chinese. The author thus argues that this is the reason why there is a general lack of entrepreneurial atmosphere in the region.

Southern Negotiators

The results suggest that Southern negotiators are risk-takers in negotiations. Many factors covered earlier have revealed a high risk-taking propensity in the region. First, the Southern negotiators have greater sensitivity towards time. They are quick in decision-making and want to sign immediate contracts at trade fairs. These behaviours indicate that they move early on a
deal and take more chances. Second, the Southern negotiators tend to reduce the formality in negotiations. This behaviour suggests that they are not afraid of breaking social norms of face and propriety. Third, their average contract spirit also introduces a certain level of risk into disputed situations. These negotiators are willing to bear the risk, even though there is a possibility of profit-loss in the deals.

The higher risk-taking propensity in the region is affirmed by the Southern respondents, which is seen from their particular interest in doing new businesses. SCB1 states,

The most significant characteristic of Southern negotiators is that we always want to be the first. It means we like to take on new and creative ideas in negotiations. Because they are new, we have little competition, and we are the leaders of the markets. [SCB1]

This response conforms to SCB6’s case on this issue. In her example of the Australian market expansion, SCB6 eventually reached an agreement with a Southern company. She recalls the negotiation process and feels that it “hit off very quickly”. Although rules and procedures had not been properly worked out in the new market, both parties were willing to tolerate those risks. The respondent notes,

I perceive that Southern businessmen have a greater sense of adventure than the other businessmen. As a Southerner myself, I left Guangzhou and went to Sydney when I was 18. I started my own business when I was 23. (…) There were a lot of risks and uncertainties for sure, but more importantly I saw an opportunity. (…) I think the risk-taking propensity is a factor that distinguishes Southern and Eastern negotiators. [SCB6]

The respondents from the other groups also consider Southern negotiators as risk-takers in negotiations. The respondent from the Central region feels that a negotiation proposal with high risk and high return has a better chance of succeeding in this region than in any other regions. He considers Southern negotiators as hugely different from the majority of the Chinese. As he expresses,
Southern negotiators...will never think through everything before deciding. They prefer to deal with the risks along the way. [CCB]

To CCB’s observation, Southern negotiators tend to hold an “in-the-end-things-will-mend” attitude in negotiations. They like to take chances and prefer “just-do-it”. Negotiators from other regions, as CCB perceives, tend to be indecisive and always try to plan everything beforehand. Similarly, the American respondent describes Southern negotiators as “quick” and “bold”. According to him, “quick” means that Southern negotiators are the fastest in understanding and accepting new ideas while “bold” refers to their courage to carry out those ambitious ideas. These two characteristics correspond to Lin’s (1935: 18) observation, who noted that Southern Chinese were “adventurous” and “quick-tempered”. Meanwhile, many authors have observed an entrepreneurial atmosphere in the region. Lam and Graham (2007), Du (2010) and Liang (2010) all suggest that Southern businessmen are cultivated by a long tradition of entrepreneurship. Lam and Graham (2007) feel that Southern negotiators personify entrepreneurship and creativity in negotiations, while Du (2010) notes that Southern businessmen are more comfortable in dealing with uncertainties than businessmen from any other regions. According to Liang (2010), Ai BiaJia EYia, which means only risk-takers can succeed in the business battlefield, represents the business ideology in the region.

The high risk-taking propensity of Southern negotiators is also evident in their attitudes toward government policies and regulations. Although the Southern respondents themselves claim that they follow government policies rigidly, the government official perceives them to be more materialistic and practical rather than political and ideological. According to CGO, Southern negotiators may assess the possibility of political risks in order to secure their profits, but they would not purposely assess negotiations from a political perspective. As he underlines, Southern negotiators dare to think outside the box and negotiate outside the political framework.
There is a saying in Southern China that compares driving to meeting government policies and regulations. It is said that, when driving, “make a detour when you see a red light; speed up to pass a yellow light”. In Northern China, however, people would only stop and wait when they see a red light. You see, instead of following policies and rules word by word, Southern negotiators have a tendency to take risks and avoid political influence. The difference between Northern and Southern negotiators is that, Northern negotiators only negotiate what is allowed, but Southern negotiators negotiate anything as long as it is not forbidden. [CGO]

In contrary to Northern and Eastern negotiators who are preoccupied with what can do in negotiations, Southern negotiators concern about what they cannot do, and the rest is all possible (CGO). They have an open attitude towards government policies, which encourages them to side-step rules and regulations in order to achieve better economic outcomes.

Lam and Graham (2007: 28) support CGO’s view and suggest “they make the rules in Beijing, we interpret them in Guangzhou” is a common practice in the Southern region. Liang (2010) explains that the Southern region is so far away from the political centre that political influence has traditionally been weak in the region. Thus, Southern Chinese have developed a bold characteristic to challenge the authority.

4.6.2 Section Summary

The section answered the final part (d) of

RQ3: How do negotiators from different regions of China perceive risk in negotiations?

The findings suggest that Northern and Eastern negotiators perceive risks as intolerable, and they tend to obey rules and regulations to avoid risks. The Northern negotiators in this study have the lowest tendency of risk-taking. They are uncomfortable with ambiguous situations and are prone to low risk low return proposals in negotiations. The Eastern negotiators, on the other hand, have a slightly higher degree of risk-taking propensity than the Northern
negotiators. However, these negotiators are still quite risk-averse, particularly when facing new businesses. The negotiators from these two regions tend to obey government policies and regulations scrupulously. The secondary data suggests that people from these two regions pursue stability in their daily life.

This study suggests that Southern negotiators have the highest level of risk-taking propensity in the country. They tend to perceive risks as opportunities and are particularly interested in new businesses and creative ideas. The findings also suggest that Southern negotiators dare to take risks in front of governmental rules and regulations. This observation is supported by the secondary data, which suggests a long tradition of risk-taking in the region.

4.7 Why do Regional Negotiation Styles Exist?

The above sections have explored the regional negotiation behaviours in the three regions. The findings suggest that Northern negotiators share the most similarities with the Chinese negotiators in the literature: a high value on relationship and face, a low sensitivity towards time and a low tolerance towards risk. Southern negotiators appear to be the exact opposite: a low value on relationship and face, a high sensitivity towards time and a high risk-taking propensity. The Eastern negotiators, on the other hand, have the characteristics of both the Chinese and the Western negotiators: a low value on relationship and face, but also a low sensitivity towards time and a low tolerance towards risk.

This section addresses RQ4: why do the differences exist between regions. The findings are mainly based on the secondary materials. According to these materials, the interplay between historical, geographical, and philosophical factors is attributed to the forming of a distinctive subculture in each region. These subcultures are known as the Northern Jing-pai culture, the Eastern Hai-pai culture, and the Southern Ling-nan culture. The differences between these regional subcultures provide explanations regarding the differences in the regional negotiation styles. Here, the philosophical factor refers specifically to the influence of
Confucianism. Although the literature suggests that Confucianism, Taoism and Buddhism all influence the forming of the traditional Chinese values, the secondary data emphasises that regional sub-cultural differences are due to the presence of Confucianism in different regions. This section thus focuses mainly on this philosophical ideology and explores its impact on regional negotiation behaviour.

4.7.1 The Northern Negotiation Style

According to the secondary materials, the Northern negotiation style is influenced by the regional Jing-pai culture. The Jing-pai culture is known as the culture of Beijing, the capital city of China. It is a subculture characterised by its close relationship with politics and Confucianism (Wang, 2008; Ping and Chen, 2009). This subculture represents the culture of Northern China (Cui and Liu, 2000). During its process of formation, the Jing-pai culture has attached great importance to the Confucian doctrines. Meanwhile, it is minimally influenced by Western cultures due to the region’s historical and geographical isolation from the outside world. These factors contribute to the making of a subculture that retains mostly the Chinese values and a group of businessmen that live up to these traditional values.

The Historical and Geographical Background of the Jing-pai Culture

Confucianism is at the core of the Jing-pai culture (Wang, 2007). The Chinese philosophical tradition originated from the Northern Province of Shandong. As Lam and Graham (2007) argue, culture starts with geography. People living in the Northern region naturally received the greatest influence from this religious belief (Zhang, 2009; Liang, 2010). The question is: why did Confucianism emerge in this region? This is of historical and geographical reasons.

In the history, rice was the most important food in a Chinese family. Agriculture has always been the foundation and the priority of the country due to the significance of rice (Zhang and Qi, 2006). The agricultural development in the Northern region is traditionally more advanced than the other regions because the agricultural conditions have been in favour of rice production (Lam and Graham, 2007; Wang, 2007). The rich soil left by eons of flooding,
combined with the humid, subtropical climate makes rice cultivation ideal in the region. On the other hand, rice production demands community effort and collaboration. The process of irrigation, planting, and harvesting is most efficiently accomplished with the participation of small groups of people. In the past, these salient social units were primarily composed of members of extended family. Loyalty and obedience to hierarchy were the key elements that bound such groups together. It was under this historical and geographical background that Confucianism emerged in the Northern region. Its central value of relationship stemmed from the ordinary activities in Northern people’s daily life. This Confucian value gradually became the ideology of Northern Chinese and influences their thinking and behaviours.

The formation of the Jing-pai culture is also the historical result of the long-term isolation from the Western culture. China is a continental country surrounded by the Gobi Desert, Siberia, the Tibetan plateau, and the seas. The Northern region, mainly as an interior area, has historically been isolated from the outside world (Littrell, Alon and Chan, 2012). Although the Western culture was introduced to the region through the Silk Road as early as in the Han Dynasty (206BC-220AD), its influence in history was limited because of the constant invasions from the Middle East (Liang, 2010). More importantly, Northern region in history is a self-sufficient and self-contained area owing to the agricultural advantages in the region. Northern Chinese were able to support themselves and lived a stable life that the nature provided. Thus, Northern Chinese traditionally lacked an ambition to explore the outer world (Liang, 2010). Even with the coastal cities, such as Qingdao and Dalian, in the region, Northern Chinese had no maritime tradition of exploration and trade (Lam and Graham, 2007). These closed harbours were opened only with European canon during the nineteenth century.

Apart from the geographical factors, Zhang and Qi (2006) and Liang (2010) argue that the main reason of this cultural isolation is due to an arrogant attitude among Northern Chinese. According to these authors, the Northern region was, and it has always been, the political centre in the successive Chinese dynasties. Northern Chinese felt that they were in the middle

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4The Silk Road, began in the capital of the Han Dynasty Xi’an, extended 4,000 miles and connected the middle kingdom with East, South, and Western Asia and the European world.
of the world and that their culture was the centre of the human civilisation. During the flourishing age of Tang and Song Dynasties, the neighbouring countries all had to send envoys with tribute for the Chinese emperors. These historical events encouraged a sense of political superiority and an arrogant attitude among Northern Chinese, which resulted in a series of closed-door policies in the Chinese history (Zhang and Qi, 2006). Behind these policies was the haughty thinking that China was such a powerful nation and the Chinese culture was the greatest in the human civilisation (Liang, 2010). Thus, Northern Chinese traditionally looked down upon Western cultures. They regarded products of the Western civilisation, such as rifles, as “diabolic tricks and wicked craft”, and refused to learn new things (Liang, 2010).

Owing to the above reasons, the Northern region in history was at a stage of cultural isolation. The prevailingness of the Confucian ideology and the minimum influence of Western cultures attributed to the making of a regional subculture that retains most of the Chinese traditional values (Cui and Liu, 2000; Zhang and Qi, 2006). To a great extent, the Jing-pai culture can be seen as a regional version of the Chinese culture.

The Historical Background of Northern Businessmen and the Northern Negotiation Style

Confucianism has traditionally distinguished between “the root” (agriculture) and “the branch” (commerce) due to the significant role of rice in the Northern society (Lam and Graham, 2007; Zhang, 2009; Liang, 2010). Confucius considered commercial development as the last thing a country needed for stability (Zhang and Qi, 2006). More importantly, commercial activities emphasised individual profit-making, which was against the tradition value of group-orientation in the society. Thus, Confucius held that commerce should be restrained in order to promote the unity of groups. This idea is the Confucian ground of the official disparagement of commerce in the traditional Northern society (Wang, 2007). Owing to the significance of Confucianism, the regional social and economic theories and policies had always tended to favour the root and slight the branch (Lam and Graham, 2007). As a result, the regional development of commerce was slow in the history. It was not until the Ming dynasty (1368-1644) that commerce started to develop and played a role in the region’s
growth of economy (Ping and Chen, 2009; Zhang, 2009).

The people who dealt with “the branch”—the merchants—had always been looked down upon in such an agrarian society. They were the lowest of the four traditional classes of society, following scholars, farmers, and artisans. Indeed, the secondary data suggests that Northern businessmen were never “pure” merchants in the local history. They mainly came from two backgrounds: government officials and farmers (Ping and Chen, 2009; Zhang, 2009; Liang, 2010). The first one is the official-merchant type of businessmen, who were government officials but at the same time involved in commercial activities. This definition of official-merchant was later expanded to include all those businessmen who had good relationships with the government, typically the officials’ family members and friends (Ping and Chen, 2009). They were most active in and around the capital area. These officials only started to conduct business because they had good relationships with the government. These businessmen enjoyed the advantage of receiving updated information on government policies, but at the same time they became overly conscious of following these policies. The second type of businessmen came from the peasantry. Appeared in the Tang Dynasty (618-907) and culminated in the Ming dynasty (1368-1644), these businessmen were active in the rural areas of the Northern region (Liang, 2010). They were farmers at first but were forced into business because: 1) their families were too poor to continue farming, 2) to obey their parents, or 3) to follow their neighbours and fellow villagers or townsmen into business in order to maintain their group unity (Zhang, 2009). These businessmen had no previous experience in commerce. They tended to follow the official-merchants in business activities (Zhang, 2009).

As early as in the 18th century, German scholar Richthofen had reported that Northern Chinese were good government officers but not merchants (cited in Du, 2010: 99)⁵. A critical similarity between the two types of Northern businessmen is that they had little idea how business should be conducted. Their behaviours mostly reflected the values of the Jing-pai

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⁵ Ferdinand von Richthofen (1833-1905) was a German geographer and scientist. He was known for coining the terms “Silk Roads” and “Silk Routes” in 1877. In his Book *China: The Results of My Travels and the Studies Based Thereon* (1877), the author investigated the Chinese people in different regions and reported regional characteristics accordingly.
One in particular was the Confucian idea of righteousness and profits. In Confucianism, *riches and honours are what men desire, if it cannot be obtained in the proper way, they should not be held* (Analects IV: 5. Chinese Text Project). This Confucian teaching regards the cultivation of righteousness as far more important than the pursuit of profits. It also implies that profits should be attained in harmony with righteousness. Consequently, these Northern businessmen became attentive to the cultivation of righteousness in commerce. What constitute righteousness are the Confucian values of harmonious relationship, family and group orientation, respect for age and hierarchy, and face. Thus, the business behaviour of modern Northern businessmen prioritizes the Confucian values over business values and it reflects how agricultural activities were conducted in the past. This finding corresponds to a Southern interviewee’s comment on the Northern negotiation style,

Northern negotiators are, in general, incompetent of negotiating...they only apply their friends-making skills to negotiations, which are hardly relevant to the business context. (…) their style reflects what they value in their daily life. [SCB7]

Zhang (2009) supports the view that the Northern business style is heavily influenced by the Confucian tradition and mostly reflects the Confucian values. The author likens Northern businessmen to Confucianist businessmen, who “hold the analects of Confucius on one hand and an abacus on the other” (Zhang, 2009: 87). Northern negotiators are relationship-focused because it is what unites people to conduct agricultural activities in the region. They are time-insensitive because time is well needed for building and cultivating relationships with others. They are conscious of face, age, hierarchy, and etiquette, as these are an essential measure of social worth in the society. They are risk-averse because the Jing-pai culture promotes political and social stability in the society and the local Chinese pursue a stable life.  

**4.7.2 The Southern Negotiation Style**

The Southern negotiation style is the exact opposite of the Northern style because the Southern Ling-nan culture is typically contrasted with the Jing-pai culture of the Northern
plains (Cui and Liu, 2000). The Southern region is located at the Southern coast of China, with the South China Sea to its South and the Five Ridges mountains to its North, making it an isolating land in the country. This unique geographic location cultivates a regional subculture that is characterised by the contrasting values with Confucianism and a heavy influence from the Western culture (Wu, Ren and Liu, 2006; Zhang, 2009). It is materialistic, practical, and adventurous (Wang, 2007; Du, 2010).

The Historical and Geographical Background of the Ling-nan Culture

The secondary data suggests a weak presence of Confucian ideology in the region. This is in accordance with CGO’s observation, who notes,

This disparity between the North and the South is the result of the weak influence of Confucianism in the Southern region...because the Southern region is geographically far away from the home of Confucianism—Shandong. [CGO]

For a long time, there was limited communication between the North and the South because of the separation of the mountain chain to the South. It was not until Qin Shihuang, the first emperor, unified the whole land of China that the Southern region set up a tie with the mainstream culture of the country (Ling-nan Culture in History, 2003). The region, however, was barely touched by the Chinese Imperial administration until the Tang Dynasty due to the geographical distance between the North and the South (Child and Steward, 1997). During the time of the cultural diffusion between the North and the South, many of the Confucian values were weakened or even southernised when they reached the Southern provinces (Ling-nan Culture in History, 2003; Liu, 2008). In the eight-hundred-year history from Han Dynasty to Sui Dynasty, only 24 people from the Southern region passed the imperial examinations⁶ and were enrolled in the imperial courts (Wu, Ren and Liu, 2006). While in the Tang Dynasty

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⁶Although the imperial examination systems varied in different dynasties, the essential requirements were very similar. Students were tested on their abilities of answering questions that came from The Analects and Mengzi. These students were, therefore, called the Confucian candidates. [http://baike.baidu.com/view/1929481.htm] accessed 24/01/2013
(618-907), only five people became scholars\(^7\) of the country, taking up only 0.7 percent of the candidate population in the whole nation (Wu, Ren and Liu, 2006). These limited numbers of Confucian candidates reveal that much fewer people in this region were keen to learn the traditional ideology than in the other regions.

Besides the geographical limitation, Zhang (2009) suggests that the indifference to Confucianism also closely relates to the general environment of the Southern region. According to him, Northern Chinese pursued moral cultivation because the farmland in Northern China was fertile and people enjoyed a wealthy life. They did not have to worry about food and clothing. In the Southern region, however, the environment was so severe that the inhabitants constantly had to fight with violent typhoons from the sea and wide lives from the jungles and mountains to the north. When survival became an issue, the last thing ancient Southern Chinese cared about was moral cultivation. They were concerned about the well-being of themselves and their immediate families only. Confucianism, which emphasised group-orientation, thus meant little to them. In the course of time, Southern Chinese became practical and materialistic, values that are well reserved in the Ling-nan culture.

Besides the weak presence of Confucianism, Western cultures had also played a significant role in the forming history of the Ling-nan culture. The Southern region is known for its significant international contact for centuries (Littrell, Alon and Chan, 2012). Historically, Southern China has been a thriving centre of shipbuilding thanks to its natural advantage as a coastal region. With the production of raw and processed silk along China’s Southern coast, ancient Southern Chinese had the opportunity to seek out overseas markets and establish foreign trade relations as early as in the Han Dynasty (Ling-nan Culture in History, 2003). These ancient Chinese were the first in the country to expose to and learn Western technologies and religion. Since the Emperor Han Wudi (156BC-87BC) opened the maritime routes that connected the Persian Gulf Region and the Western civilisation, Southern Chinese

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\(^7\) To become a scholar of the country, one needed to study thoroughly *The Four Books* and *The Five Classics* and had a good understanding of Confucianism.

have never stopped trading with the West (Ling-nan Culture in History, 2003). In Tang Dynasty when the empire lost its control over the Western region to Tazi (an ancient Arab country), the Southern city Guangzhou was the only window to the outside world (Liang, 2010). Similarly, when the Emperor Qianlong (1711-1799) reduced the number of the foreign trading ports in the country in 1757, Guangzhou was also the only trading port left for foreign trades (Child and Steward, 1997). The Southern region has never lost its contact with the Western civilisation in history.

As the most prominent foreign trading region in China, Guangzhou and the Pearl River delta were the places where the Europeans first landed in China (Lam and Graham, 20007). The region once held the largest foreign population of the country (Wu, Ren and Liu, 2006). It was the only place where foreigners were allowed to conduct businesses without restrictions (Liu, 2008). Along with the takeovers of Hong Kong and Macau by the British and the Portuguese in the colonial era, Western cultures exert even greater influence on the Southern region. In the mean time, many Southern Chinese left their homeland to explore the outside world at an early age. Liang (2010) argues that because Southern Chinese are born and bred by the sea, they have the risk-taking gene similar to those of the Westerners. These Chinese started their businesses in a new country and became the first generation of the overseas Chinese. To date, almost 80% of the overseas Chinese originate from the Southern region (Wu, Ren and Liu, 2006). Western business values were introduced to the Southern region through these immigrants, which in turn influenced the development of the local subculture. Thus, He (1995: 175) distinctly points out, “Ling-nan culture…is a combination of the Chinese traditional agrarian culture and the Western modern industrial culture”.

It is through this continuous process of cultural communication and cultural integration that the Ling-nan culture becomes open and capable of accepting new values and ideas (He, 1995; Du, 2010). Thus, it is no surprise that the Taiping Rebellion started in the South. Sun Yat-sen, the leader of the Revolution of 1911, was first exposed to Western thinking during his medical school days in British-held Hong Kong. Many of the historical events, including the Reform
Movement of 1989\(^8\), the Northern Expedition (1926-1927), and the Guangzhou Uprising (1927), all stated in the region. Even today, innovative manufacturing and business systems and the associated wealth are spreading from the entrepreneurial South to the state-owned enterprises in the North (Lam and Graham, 2007).

The Historical Background of Southern Businessmen and the Southern Negotiation Style

While commercial development was restrained in the Northern region, merchant is a well respected job in the Southern region, especially the area around the Pearl River Delta. Local trading can be traced back to Han Dynasty while the history of international trading started at a similar time in 202BC (Ling-nan Culture in History, 2003). According to the secondary materials, the Southern region was once an agrarian society with an advanced agricultural development (Ling-nan Culture in History, 2003; Liang, 2010). However, ancient Southern Chinese never satisfied with a stable life. Along with the development of the shipping industry, Southern peasants started to take part in local and international trading. Attracted by the wealth and fame commercial activities had to offer, more and more farmers left their farmlands and became full-time merchants. Commercial activities were so popular in the region that “from governmental officials to ordinary people, from landowners to peasants, everyone is busy with trading” (Liu, 2008: 45). Many governmental officials even abandoned their iron-bowls and became professional traders (Du, 2010). As the population of merchants continued to grow, the region’s agricultural development suffered a backward development. The agricultural proportion became smaller and smaller, and in late Ming Dynasty the region was short of grain for the first time (Wu, Ren and Liu, 2006; Liang, 2010). On the other hand, local trading rivalry became more and more intense. In order to survive, these ancient merchants had learnt to set relationships and personal feelings aside and focus solely on profits. The local saying *Shang Chang Wu Fu Zi* (there is no father-and-son but opponents in business battlefield”) vividly describes the mindset of Southern merchants (Liang, 2010).

Based on the observation of such a long-term commercial tradition, German scholar

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\(^8\)The movement was led by Southern Chinese Kang Youwei and Liang Qichao. The main purpose of this movement was to encourage people to learn from the West.
Richthofen commended Southern Chinese for their trading ability and entrepreneurial spirit. He even speculated, “Southern Chinese might be the descendants of the early Western colonists” (cited in Du, 2010: 214). Although this proposition is entirely groundless, it does imply great similarities between the Ling-nan culture and the Western business culture. Similarly, Zhang (2009) and Du (2010) suggest that nowadays “every Southerner is a born businessman” (Zhang, 2009: 10; Du, 2010: 215). These authors emphasise two qualities of the modern Southern businessmen: they are experienced in conducting businesses, and they do it for the pure purpose of making profits. These qualities match the characteristics of the Ling-nan culture, including practicality, materiality, openness and flexibility. They are well reflected in the Southern negotiator style: business-orientated and profit-driven. Human factors, such as relationship and face, are secondary. Meanwhile, Southern businessmen are time-sensitive because timeliness is a survival condition in the competitive business environment. Furthermore, these businessmen are risk-takers. They dare to explore new things and take on creative ideas due to the shipping history and the long-term exposure to the Western culture. They are adaptive to a changing environment and show high risk-taking propensity in negotiations.

4.7.3 The Eastern Negotiation Style

Similar to both the Northern and the Southern regions, the Eastern region has its own distinctive subculture, called the Hai-pai culture⁹. The Hai-pai culture is known as the culture of Shanghai. However, the term has been expanded to represent the whole Eastern area as Shanghai has become the cultural nucleus of the region (Cui and Liu, 2000; Wang, Yao and March, 2009). The Hai-pai culture is described as a kind of “multicultural”, sometimes exotic culture, for it is characterised by both the old Chinese traditions and the Western features (Wang, Yao and March, 2009). Although the Hai-pai and the Ling-nan cultures are both influenced by the Western civilisation, the forming processes of these two cultures are remarkably different.

⁹ The Eastern subculture is also referred to as the Jiang-nan culture by other authors, such as Du (2010).
The Historical and Geographical Background of the Hai-pai Culture

Traditionally, the Eastern region is a land of rich natural resources. For centuries, people living in the region enjoyed a wealthy life thanks to the rich soil left by flooding of the Yangtze River and the aquatic resources from the river. This region is known as the Yu Mi Zhi Xiang (the land of rice and fish) in China. Similar to the Northern region, agriculture was the mainstay of the region’s economy (Lam and Graham, 2007). Although the region’s trading history can be dated back to the Song Dynasty (960-1279), the local commerce was relatively underdeveloped (Wang, 2007; Liang, 2010). Geographically, the region is located close to the Northern provinces. The inhabitants have received a strong influence from the Confucian ideology in the past. The regional subcultures Wu and Yue (in Jiangsu and Zhejiang provinces) were mainly drawn from the traditional Chinese religion (Zhu, 2009; Liang, 2010). Although Eastern Chinese had maritime practices in history, these activities were markedly suppressed due to the tight trade restrictions which started in the Ming dynasty. Local residents’ foreign trade experience was thus limited (Wang, 2007). Owing to the limited outer influence, the traditional Chinese culture uninterruptedly prevailed in the region. At this point, the regional subculture was still mainly “Chinese” (Wang, Yao and March, 2009).

However, the situation started to change when Shanghai was compelled to open up to foreign trade by the Nanjing Treaty in 1843. Before the colonisation, Shanghai was a small fishing village (Wang, Yao and March, 2009; Liang, 2010). International attention on Shanghai grew in the nineteenth century due to the European recognition of its economic and trade potential at the mouth of the Yangtze River. As a result of the unequal treaty, small enclaves known as the concessions, or “countries within the city”, were established and ruled by the foreign powers in Shanghai (Wang, Yao and March, 2009: 290). Within these enclaves, “modern urban facilities, modern urban construction, modern buildings, and modern technologies” were largely introduced and adopted in association with the “Western classical and historical styles” (Zhu, 2009: 44). These extraterritorial zones kept expanding and finally reached approximately 32.6sqkm in 1914 (Governmental Office of Shanghai Chorography, 2009). Along with the expansion, more and more foreigners from different countries flooded into the region. They opened commercial ports, established factories, schools and churches in the city.
Shanghai attracted the attention of international trading overnight.

The modernisation process of Shanghai profoundly affected the regional subculture as it started to become “westernised”. Zhu (2009) argues that this change was more or less of colonialism. According to him, the development was so swift and chaotic that the regional agricultural economy suffered from serious damages. Farmlands were destroyed, and the farmers were forced to find another way of living. The majority of these farmers started trading with foreigners, and they later became the first generation of the modern Eastern businessmen (Zhang, 2009). During this time, the traditional Chinese values were challenged by the Western culture. Local Chinese were forced to change their business behaviours and adopt the Western way of conducting business (Zhang, 2009).

This change was sped up by the frequent wars occurring in this period of time (Wang, Yao and March, 2009). Historically, three intensive domestic immigration occurred with the outbreaks of the Taiping Rebellion (1855-1865), World War II (particularly the period of 1937-1941), and the War of Liberation (1945-1949). As the secure city in a land of unending turmoil, people from different regions of the country left their hometowns to seek survival in Shanghai. These refugees were provided with humanitarian care by the Western governments in the concessions. Consequently, this older generation of Shanghainese grew fond of the West. These immigrants were, therefore, willing to adopt the Western values and the Western ways of doing things (Wang, Yao and March, 2009). Meanwhile, since these people came from different backgrounds, previous relationships simply did not exist (Zhang, 2009). While the core of Confucianism lies in the relationships between people, this traditional Chinese ideology struggled to hold its ground in the new environment. Some Chinese values were subsequently given up and replaced by the Western ones (Wang, Yao and March, 2009). Over the course of time, the Hai-pai subculture, with the values from both cultures, gradually came into shape.

**The Historical Background of Eastern Businessmen and the Eastern Negotiation Style**

When Western businessmen first landed in China, they were unfamiliar with the local culture
and the environment. These businessmen needed local Chinese to assist them in conducting business. Meanwhile, former farmers and domestic immigrants became the available labour force during the time of wars. It was under this historical background that local Chinese and foreign businessmen started to work together. Foreign businessmen hired local Chinese as their agents in China. These Chinese worked on a contractual basis and were known as the comprador-merchants in the Chinese history (Wang, 2007; Pan and Duan, 2007; Zhang, 2009). These comprador-merchants served primarily as the middlemen between the Chinese and the Westerners. They helped their employers to look for sources of goods, promote products and, more importantly, negotiate business deals. These people were paid on salaries, commissions and bonuses, which were specified in their contracts. Many of them also made a fortune by reselling (Zhang, 2009). Attracted by the welfare of the job, more and more local Chinese joined the business. This group of people became a key force of the Eastern Chinese businessmen at that time, with a population of more than 10,000 (Pan and Duan, 2007). According to the secondary materials, these businessmen returned to their homelands and started their own businesses after a certain wealth accumulation. The Eastern businessmen nowadays are the descendants of these comprador-merchants (Wang, 2007; Pan and Duan, 2007; Zhang, 2009).

The Eastern negotiation style can be understood based on the characteristics of these comprador-merchants. These businessmen are the carriers of the Hai-pai culture, so their behaviours are influenced by both the Chinese and the Western values. First, these people were “Western” (Pan and Duan, 2007). Working for Western companies required them to be deal-oriented as neither did relationship meant anything to their Western employers, nor did they have any relationship with other Chinese in the immigrant city. These people thus adopted the Western “business-first” approach at work. Since the job was contract-based, they had also learnt to follow contractual terms and conditions in a Western “professional” manner. Through this “training” process, these people had developed a rigorous attitude, which was

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10 The majority of these businessmen came from the Eastern provinces of Jiangsu and Zhejiang (Governmental Office of Shanghai Chorography, 2009). This finding supports that the Hai-pai culture represents the subculture of the Eastern region.
reflected in their low tolerance toward uncertainty and ambiguity at work. It was through this rigid learning and training process that these comprador-merchants became immensely similar to the Westerners in business activities (Wang, 2007; Pan and Duan, 2007). It is worth emphasising that, although the Hai-pai culture and the Ling-nan culture have both received considerable influence from Western cultures, the Western values, to a great extent, were “imposed” on Eastern Chinese. Southern Chinese, on the other hand, learnt and internalised those values. This contrast seems to be the primary reason that Eastern negotiators appear to be less flexible but more rigid and business-oriented than Southern negotiators.

Second, these comprador-merchants were also quite “Chinese”: they were face-conscious and risk-averse. At that time, working along with the Westerners was a respected job (Wang, 2007). As these people moved up the social ladder, they earned a lot of face from their social status. They felt superior to the ordinary Chinese as their sense of ego started to develop (Zhang, 2009). Thus, their traditional value of face was preserved, if not strengthened, during the time of change. On the other hand, stability was what these businessmen pursued during the period of social turmoil. It was wise not to violate any rules and regulations in such a chaotic environment as it may lead to the loss of their “iron rice bowl” (Wang, 2007). Consequently, these businessmen had kept their risk-averse characteristic during the transformation process. These “Chinese” characteristics link to the research findings that Eastern negotiators hold certain values on face-giving behaviours and also have a low risk-taking propensity.

Last but not least, Eastern Chinese are essentially “shrewd in business” (Lin, 1935: 18). This unique characteristic of Eastern Chinese developed from the experience of working between the Chinese and the Westerners. As Liang (2010: 21) notes, “the shrewdness among Eastern businessmen…is a result of the contemporary environment during the colonial time”. Working as agents, these people had to accommodate the needs of both their Western employers and their Chinese clients. On top of that, they had to find ways to resell their products to others, as well as to compete with other comprador-merchants in the industry. Zhang (2009: 33) describes this situation as “to survive in a crevice”. Meanwhile, the turbulent social reality and contract-based employment made them aim for short-term goals. Thus, they tended to fight
for every penny in every deal. As their shrewd personality developed, they became increasingly time-insensitive. They required a considerable amount of time to negotiate back and forth and manage various relationships. These characteristics of short-term-oriented and low time sensitivity were preserved and are reflected in the modern Eastern negotiation style.

### 4.7.4 Section Summary

Based on the secondary data, this section answered

**RQ4: Why do the differences exist between regions?**

Table 4.3 summarises the findings of this section.

<table>
<thead>
<tr>
<th>Region</th>
<th>Regional Key Words</th>
<th>Sub-cultural Characteristics</th>
<th>Businessmen Background</th>
</tr>
</thead>
</table>
| The Northern Jing-pai Culture | • Home of Confucianism  
                        • Land of Cultural Isolation  
                        • Political Centre | • Traditional  
                        • Prone to Stability  
                        • Politics-orientated | • Official-merchants  
                        • Peasant-merchants |
| The Eastern Hai-pai Culture | • Drastic Cultural Change  
                        • Land of Settlement  
                        • Immigrant Region | • Multicultural  
                        • Professional  
                        • Shrewdness | • Peasants ➔ Comprador-merchants |
| The Southern Ling-nan Culture | • Isolating Region  
                        • Long-term History of International Trade  
                        • Home of Overseas Chinese | • Practical  
                        • Materialistic  
                        • Adventurous | • Born Businessmen |

This section argued that there are different subcultures in the three Chinese regions, and that these subcultures have many contrasting values. The historical and geographical backgrounds of these regions are essential in understanding the forming processes of these subcultures. Importantly, this section suggested that the Northern Jing-pai subculture received strong influence from Confucianism but was minimally affected by the Western culture.
regional subculture preserves most of the traditional Chinese values, and negotiators from this region thus behave similarly to the Chinese negotiators in the literature. On the other hand, both the Eastern subculture and the Southern subculture were profoundly affected by the Western culture in history. Thus, negotiators from these two regions are more business-oriented than Northern negotiators. However, this section argued that the Southern subculture experienced a gradual learning and internalising process of the Western values, which was remarkably different from the sudden cultural change in the Eastern region. As Du (2010) concludes, the Ling-nan culture absorbs Western values and integrates them smoothly into the Southern local culture, while the Hai-pai culture was a piece of blank paper and subsequently written in Western notes. Consequently, these two groups of Chinese developed two sets of contrasting values at work, and Eastern businessmen are more westernised than Southern businessmen. Following the traditions in respective regions, Southern negotiators nowadays are more practical and flexible, but at the same time less professional and rigorous, than Eastern negotiators in business deals.

4.8 Conclusion

This chapter examined the interviews and provided the findings in a triangulating manner. The results presented an argument on the existence of regional negotiation behaviour which contradicts the “one China, one style” approach in the literature. It answered research questions RQ1-4.

RQ1: Are there regional negotiation styles in China?

Following the negotiation analysis approach, the first question investigated the respondents’ perceptions regarding regional negotiation approaches in the country. Convergent findings came from the Chinese negotiators, the Chinese government official, as well as the foreign negotiators. These respondents confirmed the variety of negotiation behaviour in China.
RQ2: How are cultural values and beliefs different in different regions of China?

The second question examined how Chinese cultural values and beliefs varied between regions. The analysis resulted in four key themes which addressed the differences in regional negotiation behaviour. It suggested that negotiators from different regions could be distinguished on the basis of their values on relationship, their perceptions of time, their values on face, as well as their risk-taking propensities. These four themes correspond to the four sub-questions in RQ3.

RQ3: How do negotiators from different regions of China perceive
   a) the importance of relationship
   b) time
   c) the importance of face
   d) risk
   in negotiations?

Table 4.4 shows the answers to RQ3. Essentially, these results indicate that the Northern negotiation style is characterised by a heavy emphasis on relationship and face, a low sensitivity towards time, and a low risk-taking propensity. These characteristics suggest that the negotiation approach in this region is extremely similar to the Chinese negotiation style in the literature. Eastern negotiators, on the other hand, have a professional negotiation style which is deal-focused and contract-oriented. They, however, are also quite insensitive toward time and tend to avoid risks in negotiations. Southern negotiators also adopt a business-first negotiation approach, although they are less rigorous in terms of contractual terms and conditions than Eastern negotiators. Importantly, the findings indicate that Southern negotiators have long-term profit-making goals in negotiations, which are in contrast with Eastern negotiators’ short-term goals of best-deal-for-now. Besides, Southern negotiators perceive time as money and are prone to taking risks in negotiations; two characteristics which distinguish them from the other two regions. Overall, the results confirmed Fang’s
(2005) findings on regional business styles of the three cities in China and expanded these findings to a business negotiation context. They also support Tung, Worm and Fang’s (2008) research on regional characteristics, provide in-depth understandings of these characteristics, and expand these understandings to more cities and provinces.

On the basis of the secondary materials, this chapter has provided explanations to the regional differences. It answered:

RQ4: Why do the differences exist between regions?

Owing to historical and geographical reasons, the subcultures in these three regions have contrasted sets of values. The Northern subculture mostly contains the traditional Chinese values, and thus the Northern negotiation style largely reflects these values. The Southern subculture is to the opposite of the Northern subculture and emphasises materialism and practicality. Southern negotiators are thus more profit-driven and down-to-earth than Northern negotiators. The Eastern subculture presents a unique case as it comprises both the Chinese and the Western values. Eastern negotiators have adopted the Western professional style, but they also manifest certain Chinese values, such as time-insensitive and risk-averse, in negotiations.

Overall, the interview results show that there are significant differences in negotiation behaviour between Chinese regions. The following chapter presents the evidence from intra- and international negotiation experiments in order to strengthen the interview results. Moreover, it discusses and adds the negotiation approach in the Central region by triangulating the findings in the interviews, the experiments, and the documents.
<table>
<thead>
<tr>
<th>Region (Subculture)</th>
<th>The Importance of Relationship</th>
<th>The Perception of Time</th>
<th>The Importance of Face</th>
<th>The Risk Taking Propensity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Northern Negotiators</strong>&lt;br&gt;(Jing-pai culture)</td>
<td>Relationship-oriented; have the negotiation goal of developing long-term relationship; rely on personal trust in deal-making; emphasis reciprocal favours; approach negotiation from general to specific; weak contract spirit and rely on relationship to resolve conflicts.</td>
<td>Perceive time as unlimited resource; regard long pre-negotiation stage as a necessary step for developing trust and relationship; have a significantly shorter negotiation phase when a good relationship is established.</td>
<td>Extremely important; favour face-giving and flattery; be cautious about maintaining and not losing face during negotiation.</td>
<td>Extremely risk averse because of the strong political influence and the strong presence of Confucianism in the region; prone to stable life.</td>
</tr>
<tr>
<td><strong>Eastern Negotiators</strong>&lt;br&gt;(Hai-pai Culture)</td>
<td>Deal-focused; have the negotiation goal of obtaining short-term profits; rely on corporate trust to negotiate; place no value on reciprocity; take sequential approach to negotiation; have the strongest contract spirit in the country.</td>
<td>Insensitive toward time; have a short pre-negotiation stage but a long negotiation stage as time is spent on striving for best short-term deals.</td>
<td>Less important because of the profit-making goal, but also concern about formality and enjoy public praises.</td>
<td>Risk averse; tend to show a strong adherence to rules and regulations because of the Western influence.</td>
</tr>
<tr>
<td><strong>Southern Negotiators</strong>&lt;br&gt;(Ling-nan Culture)</td>
<td>Deal-focused; quite similar to Eastern negotiators in terms of corporate trust and negotiation approach, but have a long-term profit-making goal; place some value on reciprocity and have a medium contract spirit.</td>
<td>Perceive time as money; prefer a short pre-negotiation stage and a short negotiation stage; get down to business quickly; quick in decision-making and favour quick deals.</td>
<td>Unimportant; extremely profit-driven; show little concern about face-giving and losing face; averse to public praises.</td>
<td>Risk takers, particularly interested in new and creative businesses.</td>
</tr>
</tbody>
</table>
Chapter 5 Experiment Findings and the Central Negotiation Style

5.1 Introduction

This chapter presents the findings of the experiments. It aims to gauge the students’ cognitive side of regional negotiation behaviour. The findings of the experiments are crucial for validating the interview findings, and thereby strengthening the overall results of the study. Another purpose of this chapter is to discuss and present the negotiation style in the Central region. It presents the experiment data, the interview data, as well as the secondary materials to obtain a comprehensive picture of the negotiation behaviour in the region.

This chapter includes two parts and adds the negotiation style of the Central region:

1) Analysis of the first experiment: this aims to establish how the Chinese negotiate with each other and how regional negotiation styles affect intra-cultural Chinese negotiations. This section comprises six negotiation cases and the analysis of the negotiators’ styles and a cross-case analysis aligned with the factors derived from the interviews. Each individual case is analysed in qualitative terms and the correspondence between the negotiators is evaluated on how these perceptions affect that intra-cultural Chinese negotiations. The cross-case analysis pursues regional similarities and differences across all the cases of the experiment. The observation of regional negotiation patterns leads to a better analysis of the unfolding regional differences and similarities.

2) Analysis of the second experiment: this part considers the Sino-Western negotiations in which some of the same negotiators of the first experiment above negotiate with international counterparts from countries like Germany, Greece and Romania. It uses a cross-case analysis to look for regional negotiation styles in the Sino-Western negotiation context. Importantly, this section answers the final research question, RQ5: How do different regional negotiation styles affect Sino-Western negotiations?

The negotiation style of the Central region was coming out as distinct only during the experiments, and it is here positioned and triangulated against the interview data and the secondary materials.
5.2 Findings of the First Experiment

5.2.1 Individual Case Analysis

As noted in the methodology chapter, there were twelve negotiation cases in the first experiment, namely A-L. These cases offered several scenarios of the intra-national negotiations. These combinations are shown in Table 5.1. The table does not include case A and D because in these two negotiations the dummy was used. Case E is not included because the seller in this negotiation did not provide relevant information on his/her region. Four combinations of regions were not available in this experiment, as shown in the table.

Table 5.1 Scenarios in Study 1

<table>
<thead>
<tr>
<th></th>
<th>North</th>
<th>East</th>
<th>South</th>
<th>Central</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>C, H</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East</td>
<td>F</td>
<td>No case</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South</td>
<td>B</td>
<td>No case</td>
<td>No case</td>
<td></td>
</tr>
<tr>
<td>Central</td>
<td>G, I</td>
<td>L</td>
<td>No case</td>
<td>J, K</td>
</tr>
</tbody>
</table>

In order to illustrate the regional differences in these intra-national negotiations, as well as how these differences affect the dynamics of the negotiations, six cases are presented in this section. These six cases represent six scenarios in Study 1. They are B (Northern-Southern Negotiation), F (Northern-Eastern Negotiation), G (Central-Northern Negotiation), H (Northern-Northern Negotiation), J (Central-Central Negotiation) and L (Central-Eastern Negotiation). These chosen cases are highlighted in the table.

B, F and L were chosen because they were the only cases in the corresponding scenarios. H was selected over C because the seller in this case was also involved in the second experiment. This analysis enabled the researcher to look for behavioural consistency across the two experiments. G and J were selected based on case significance (Stake, 1995). G and I both involved participants who had taken part in the two experiments. G was chosen because significant regional differences were observed in this case. The same reason also applied to the choice between J and K. Although the seller in K participated in the second experiment,
this negotiation finished earlier due to the buyer’s withdrawal from the negotiation table. Both participants in J utilised all the given time, and thus this case provided more information for the present exploratory study than K.

Each case analysis consists of two parts. The first part is a table, which begins with the participants’ background information. The background information comprises the participants’ regions, their margin choice (seller)/value of the product (buyer), their expected end price (EEP) and their ELoN. This information is followed by the conversation of the negotiation. It covers the negotiation rounds, negotiation time, the roles, and the email content. Key notes of regional behaviours are highlighted in the tables. The second part of each case is the analysis of that case. The analysis focuses on understanding how each participant perceives relationship, time, face, and risk, and how they affect the negotiation process.

It is necessary to note that the participants are non-native speakers of English. Thus, some conversations are grammatically wrong. In order to preserve their original nature, all conversations have been left un-edited in terms of language and grammar.

5.2.1.1 A Case of Southern-Northern Negotiation

Table 5.2 Southern-Northern Negotiation Information and Conversation

<table>
<thead>
<tr>
<th>Background Information</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Seller (S)</strong></td>
<td><strong>Buyer (B)</strong></td>
</tr>
<tr>
<td>Region A</td>
<td>Southern</td>
</tr>
<tr>
<td>Region B</td>
<td>n/a</td>
</tr>
<tr>
<td>Margin Choice</td>
<td>?</td>
</tr>
<tr>
<td>EEP</td>
<td>?</td>
</tr>
<tr>
<td>ELoN</td>
<td>1 day</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Negotiation process</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Round</td>
<td>Time</td>
</tr>
<tr>
<td>1</td>
<td>11:14</td>
</tr>
<tr>
<td>11:17</td>
<td>B</td>
</tr>
<tr>
<td></td>
<td>Time</td>
</tr>
<tr>
<td>---</td>
<td>-------</td>
</tr>
<tr>
<td>1</td>
<td>11:24</td>
</tr>
<tr>
<td>2</td>
<td>11:33</td>
</tr>
<tr>
<td>3</td>
<td>11:36</td>
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<tr>
<td>4</td>
<td>11:40</td>
</tr>
<tr>
<td>5</td>
<td>11:43</td>
</tr>
<tr>
<td>6</td>
<td>11:43</td>
</tr>
<tr>
<td>7</td>
<td>11:48</td>
</tr>
<tr>
<td>8</td>
<td>11:49</td>
</tr>
<tr>
<td>9</td>
<td>11:51</td>
</tr>
</tbody>
</table>
Case Analysis

These two participants show contrasting interests as soon as the negotiation starts. The Southern seller is deal-focused as he goes straight into business. The Northern buyer, on the other hand, shows strong concern over protocols as she takes her time to do a proper self-introduction. This participant also perceives the importance of rapport-building and thus engages in an immediate attempt of relationship-building. In her email, the Northern buyer tries to establish a relationship with her Southern counterpart by pulling guanxi of a fictional third party Mr. X. Because of this relationship, the buyer suggests the seller is trustful, indicating that her trust comes from this personal source. Clearly, the seller perceives the immediate start of the negotiation in the first round, but the buyer is still at her pre-negotiation stage.

The seller shows no appreciation for the relationship-first approach. Wasting no time, he quickly states his first offer in the second round. This offer includes a price of £15, a quantity of 200 units, and a contract of five years. The length of the contract suggests that the seller intends to keep the business for a long term. While the seller continues focusing on the deal, the buyer continues her initial goal of relationship-building. For the sake of their relationship, the buyer rejects the offer in an indirect way. She persuades the seller to lower his price by emphasising her relationship with Mr. X. According to the buyer, this relationship is the reason for this conversation. In other words, she expects a reciprocal offer based on the existing guanxi. Besides, the buyer also tries to increase her power by highlighting her social status. She stresses the distinguishing position of their hotel in the market and how her hotel could advertise the seller’s company. The underlying meaning of her words seems to be that, “it is your honour to deal with our company, and you will gain face for doing business with us”. These moves show that the buyer adopts an influence strategy which is based on contextual factors, including relationship and face. The buyer’s statement “hope we can have a good cooperation together” also reveals her concern over establishing general principles in the negotiation. It seems that the buyer has no intention of discussing any detail before the relationship is properly built.

The tension between the two parties continues to build as the negotiation proceeds. In response to the price reduction request, the seller lowers his price to £12.5 per unit. This move is based on business consideration because he shows no interest in Mr. X and the
“relationship”. His persuasion appeals to rationality, rather than emotions. The seller also perceives that trust comes from corporate factors as he stresses their partnerships with many other hotels. This business-focused response seems to have intensified the negative atmosphere in the negotiation. The buyer threatens to withdraw from the negotiation because her guanxi with Mr. X gives her no advantage in the deal.

Sensing the tension in the atmosphere, the seller tries to shift the negotiation focus from the price to other factors, including the product quality and its value. His persuasion appeals to facts, which also reinforces the source of his trust. Nevertheless, the seller reduces his price to £12 per unit and claims that this is his bottom line. It seems that the seller wants to settle the deal as quickly as possible. This time-orientation meets his ELoN, which suggests that he intends to finish the deal in one day. Considering his business-focused behaviours, the seller is rather time-sensitive throughout the process. However, the buyer is still not happy with this offer. Her persuasion includes marketing information, and more importantly, the status of their hotel and the relation resources they are able to provide.

The response seems to have frustrated the seller. He appears to be quite impatient in the video, scratching his head and frowning. He has no idea what price the buyer looks for and thus has to ask specifically for the price in his email. This time, the buyer provides her one and only offer in the negotiation—a price of £3 per unit. Such a low price could mean that the buyer perceives an extremely low level of personal trust between the negotiating parties. She thus decides to “punish” her counterpart. It is also likely that, to the buyer, the negotiation stage might have only just started. This is evident in her EEP (£8), as well as her long ELoN (one week).

In the end, no agreement is achieved. Based on the analysis of the participants’ behaviours, the negotiation might break down as the tension continues to build. Even if it does go on, these two participants are unlikely to reach a positive outcome anytime soon.
5.2.1.2 A Case of Eastern-Northern Negotiation

Table 5.3 Eastern-Northern Negotiation Information and Conversation

<table>
<thead>
<tr>
<th>Background Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Seller (S)</strong></td>
</tr>
<tr>
<td>Region A</td>
</tr>
<tr>
<td>Region B</td>
</tr>
<tr>
<td>Margin Choice</td>
</tr>
<tr>
<td>EEP</td>
</tr>
<tr>
<td>ELoN</td>
</tr>
<tr>
<td>Region A</td>
</tr>
<tr>
<td>Region B</td>
</tr>
<tr>
<td>Value of the Product</td>
</tr>
<tr>
<td>EEP</td>
</tr>
<tr>
<td>ELoN</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Negotiation process</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Round</strong></td>
</tr>
</tbody>
</table>
| 1          | 13:33    | B        | Hello, this is a letter from one the most beautiful hotels. I think you have ever heard about us.  
Now, a new decoration of our hotel finished, we would like to improve the environment of our hotel, flower can help us.  
We chose your company because you always have the lovely one. Will you please tell me the price of flower/units if we will buy big quantity? |
|            | 13:41    | S        | Miss Li, it is very nice of you to read this email of mine. I am the represent seller of SUN flower company and pleasure that you and your hotel are confidence in my company.  
Now I have little trading with you. The price of my flowers per unit is £15 and every order is 200 units. I am confident about your hotel is big enough to have this quantity of flowers. Considering all sides’ benefits, 5 years will be suitable for our contract. We will prefer you pay the order every delivery, if you could make sure that, we can offer 5% discount in the end of every order. |
| 2          | 13:43    | B        | Dear manager, thank you for your letter, I would like to repeat that we will buy a big quantity of flowers every year, every day, if you can give me a lower price. We will corporate for a very long time. Maybe your company will be one of our biggest consumers.  
So will you please considered to give a new discount? All the guests of our hotel will know that the lovely flowers come from your company. How wonderful it is. Waiting for your letter. Best wishes. |
| 3          | 13:52    | S        | Dear Miss Li, I have stressed that if your company could pay every order in time, we will give you a 5% discount. During the discussion of our managers, we can agree a new price for £13. Furthermore, we can guarantee you some discount if you come to our company and buy some flowers for you own house decoration. Waiting for your good news. |

| 3          | 13:??    | B        | ?          |
Case Analysis

In the first round of this negotiation, both participants show considerable concerns over protocols. The Northern buyer starts the negotiation with an enquiry. She did not provide any offer, but instead she takes her time to state her purpose of the negotiation. The highlighted words in her email suggest the use of face-giving tactics by the buyer. It indicates that she strongly perceived the importance of face in the deal. The seller replies with a polite email and shows her appreciation for the interest. She then proposes a rather high first offer, with every condition working for her best interest. Such an offer indicates that the seller expects a long negotiation process, which matches her ELoN (weeks). Her comment on the trading history also reveals her concern over corporate trust in the deal.

In an indirect way, the buyer rejects the offer in her second round. This indirect rejection implies the buyer’s concerns over preserving face and relationship in the negotiation. However, she does not propose any counteroffer to her counterpart. Instead, she continues to persuade her counterpart by using face-giving phrases. This influence strategy appeals to emotions rather than facts. In response to her counterpart’s request, the seller lowers the price to £13. This offer, according to her, comes from the decision of her managers. Judging from the time she has spent on composing the email (9 minutes), the Eastern seller must have perceived the importance of taking the time to make decisions. This emphasis on the management decision, on the other hand, also indicates the seller’s low propensity of bearing risks and taking responsibility for her own actions. Although the seller agrees to lower the price, she persuades her counterpart to buy flowers for her own house decoration in order to make up the loss in this price reduction. This behaviour seems to suggest an Eastern shrewd and calculating characteristic reported in the interviews.

The buyer’s third message is not available due to the data loss at the collection stage. Nevertheless, it is expected that the buyer did not propose any offer or counteroffer in the email, as is consistent with her previous behaviour. It is highly likely that she continues her affective influence strategy for price reduction because the last offer is still far away from her
EEP (£9). This prediction corresponds to the further price reduction in the seller’s email. Again, this offer is based on a managerial decision. The seller’s shrewdness becomes even more evident in this email as she requires a marketing opportunity in return. It is interesting to see how creative the seller could be in maximising her benefits.

The two participants did not achieve an agreement in the experiment. Based on the current trend of the negotiation, the buyer will carry on the effective persuasion while the seller will continue to “lower” her price creatively. Eventually, they would reach a contract, although the process could be considerably lengthy.

### 5.2.1.3 A Case of Northern-Central Negotiation

Table 5.4 Northern-Central Negotiation Information and Conversation

<table>
<thead>
<tr>
<th></th>
<th>Background Information</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Seller (S)</td>
<td>Buyer (B)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Region A</td>
<td>Northern</td>
<td>Region A</td>
<td>Central</td>
<td></td>
</tr>
<tr>
<td>Region B</td>
<td>n/a</td>
<td>Region B</td>
<td>Northern</td>
<td></td>
</tr>
<tr>
<td>Margin Choice</td>
<td>20%</td>
<td>Value of the Product</td>
<td>?</td>
<td></td>
</tr>
<tr>
<td>EEP</td>
<td>?</td>
<td>EEP</td>
<td>£5</td>
<td></td>
</tr>
<tr>
<td>ELoN</td>
<td>1 year</td>
<td>ELoN</td>
<td>5 years</td>
<td></td>
</tr>
</tbody>
</table>

#### Negotiation process

<table>
<thead>
<tr>
<th>Round</th>
<th>Time</th>
<th>Role</th>
<th>Conversation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>13:29</td>
<td>B</td>
<td>Dear Mr Zhang, how is everything going? I am a manager of a local hotel. Right now on behalf of the hotel, I want to buy some flowers regularly from you to decorate the hotel. Would you like to keep in touch for further business cooperation? How much is your price of the flowers in your store? We would like to establish a long relationship if you could provide us a fair deal. Looking forward to your reply.</td>
</tr>
<tr>
<td></td>
<td>13:37</td>
<td>S</td>
<td><strong>It is my pleasure</strong> for the collaboration with your hotel. In the first offer, I can provide 100 units as the <strong>trial offer</strong> for your hotel. And the price of each unit have created at £11. At the same time, I hope that you can sign a one year contract with me.</td>
</tr>
<tr>
<td>2</td>
<td>13:41</td>
<td>B</td>
<td>Thanks for your reply. OK, we think we can do this as a trial order if you could bring down to £10 per unit. Since it is the market price, because we have done relevant research.</td>
</tr>
</tbody>
</table>
Case Analysis

As the negotiation begins, the buyer greets her counterpart, introduces herself, and explains the purpose of this negotiation. These protocols and rapport-building behaviours seem to suggest that the buyer intends to create a cooperative atmosphere at the beginning. More importantly, she, in the very first message, points out distinctly her goal—to establish a long-term relationship with her counterpart. This could also be the general principle that she seeks to establish. Similarly, the seller also attaches considerable importance to protocols. This email, however, takes him eight minutes to reply. Considering the nature of this offer (a trial one), it seems that the seller is quite concerned about the uncertainties of doing business with a stranger. He thus takes time to evaluate the deal and seeks to reduce the risks with this trial cooperation.

In the following rounds, the seller and the buyer propose offers and counteroffers in turn. Their influence strategies mostly appeal to facts, such as the market price, the product quality, and the corporate reputation. Importantly, the seller, in his second email, reveals his intention to keep this relationship for the long term. Most likely, the proposed trial offer is a test for their mutual relationship. Understanding that her counterpart also seeks to collaborate in the long-term, the buyer pushes him for a longer contract at a lower price. This offer comes from her boss, indicating a low tendency of risk-taking. This time, the seller uses seven minutes to consider the offer. It is likely that he spends the time evaluating the risks of going from a
short-term contract to a long-term one. Nevertheless, the seller is attracted to the benefits of this long-term relationship as he eventually accepts the deal. Despite their long ELoN, the deal closes in only three rounds.

5.2.1.4 A Case of Northern-Northern Negotiation

Table 5.5 Northern-Northern Negotiation Information and Conversation

<table>
<thead>
<tr>
<th>Background Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seller (S)</td>
</tr>
<tr>
<td>Region A</td>
</tr>
<tr>
<td>Region B</td>
</tr>
<tr>
<td>Margin Choice</td>
</tr>
<tr>
<td>EEP</td>
</tr>
<tr>
<td>ELoN</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Negotiation Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Round</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>4</td>
</tr>
</tbody>
</table>
|       | 13:55 | S: | Yes no problem. 200 units cost £30*200*80%. You will be our VIP consumer and will be given the free delivery. Anytime time you need the products of my company, you will have the
Case Analysis

The negotiation starts with a straightforward enquiry from the seller. The buyer, on the other hand, takes her time to introduce herself properly and state the purpose of her negotiation. Instead of proposing an offer, she asks the seller to propose first. The seller does not seem to be concerned about protocols at all. Wasting no time, she quickly places an extremely high offer of £30 in the second round. Such an offer seems to suggest that the seller is preparing for a long-term negotiation over the issues. The buyer, on the other hand, does not seem surprised by the price. Considering her ELoN (five years), it is highly likely that the buyer also expects to negotiate for a long time. In her counteroffer, the buyer specifies that this relationship should be permanent, indicating her goal of a long-term relationship in this negotiation.

The seller, however, does not respond to this relationship-building request. She focuses solely on the deal and proposes some discount offers on the product. The buyer seems attracted to this “the more you buy the cheaper you get” offer. Her demand for a five-year contract reinforces her concern over a long-term relationship. She also expects a reciprocal offer for this relationship. However, she is so keen on the relationship that she does not wait for a reply before she sends out another email, asking her counterpart to make a deal immediately. This time, the seller reveals her interest in this permanent relationship. Although she does not provide any further discount, she reciprocates a VIP status with free delivery to her counterpart. The negotiation consequently comes to an agreement.

Although the negotiation finishes in the given time, neither of the participants pay attention to the payment date of the deal. This issue is therefore not included in their “contract”. Besides this, the negotiation styles of these two participants are rather straightforward. The seller only relies on the price discounts to negotiate as she continuously emphasises her “the more you buy the cheaper you get” offer. The buyer, on the other hand, does not even try to negotiate for a better offer. She simply accepts what is given and is content to go with it. Owing to these reasons, this negotiation reaches an agreement extremely fast.
5.2.1.5 A Case of Central-Central Negotiation

Table 5.6 Central-Central Negotiation Information and Conversation

<table>
<thead>
<tr>
<th>Background Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seller (S)</td>
</tr>
<tr>
<td>Region A</td>
</tr>
<tr>
<td>Region B</td>
</tr>
<tr>
<td>Margin Choice</td>
</tr>
<tr>
<td>EEP</td>
</tr>
<tr>
<td>ELoN</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Negotiation process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Round</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>15:01</td>
</tr>
</tbody>
</table>
**Case Analysis**

The negotiation starts with a greeting, a self-introduction and a negotiation purpose from the buyer. The seller, on the other hand, immediately proposes her first offer. In this offer, the seller opts for the longest contract available. This offer is rejected by the buyer, and he negotiates for a lower price, a shorter term of contract, and a prolonged payment period. Surprisingly, the seller accepts the proposed price. In return, she asks for a longer contract and a shorter payment date. Considering the massive leap from the starting price (£13) to the current price (£4), the payment date and the contract length must be the two issues which concern the seller the most.

The buyer understands this well. In the third round, he plays the two conditions against each other. He also uses affective influence strategy (financial problem) to negotiate for a prolonged payment date. The move forces the seller to reveal that her primary concern is, in fact, the contract length. She is willing to make a concession on the payment date in exchange for a long-term contract. The length of the contract is so weighty that she becomes impatient and sends out another message before her counterpart replies. The seller emphasises that the price is too low, and thus the buyer should reciprocate a five-year contract. Her impatience works well to the buyer’s advantage as he further requires another price reduction. This price (£3) is quickly accepted by the seller. Consequently, the negotiation comes to the end.

### 5.2.1.6 A Case of Eastern-Central Negotiation

Table 5.7 Eastern-Central Negotiation Information and Conversation

<table>
<thead>
<tr>
<th>Background Information</th>
<th>Seller (S)</th>
<th>Buyer (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region A</td>
<td>Eastern</td>
<td>Region A</td>
</tr>
<tr>
<td>Region B</td>
<td>n/a</td>
<td>Region B</td>
</tr>
<tr>
<td>Margin Choice</td>
<td>5%</td>
<td>Value of the Product</td>
</tr>
<tr>
<td>EEP</td>
<td>?</td>
<td>EEP</td>
</tr>
<tr>
<td>ELoN</td>
<td>3 days</td>
<td>ELoN</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Negotiation process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Round</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Case Analysis

Both participants go straight into business as soon as the negotiation begins. Price immediately becomes the primary issue at the table. According to the seller, the price depends on the quantity. The buyer, however, expects a low price in order to build a long-term relationship. For the buyer, this deal seems to be a test of their future relationship, and the price is associated with the seller’s sincerity of this relationship. Thus, the buyer proposes to try 50 units with an initial price of £6. On the one hand, this offer signals a lack of confidence in the relationship, and the buyer wants to reduce the risks. On the other hand, this price is higher than his EEP of £5. It is likely that the buyer has unconsciously made a concession for the relationship.

The seller, however, refuses to sacrifice at such a low price in exchange for the long-term relationship. Instead of building the long-term relationship with her counterpart, the seller is clearly more interested in maximising her profit in the current deal. She offers an alternative...
price for the 50 units and tries to persuade her counterpart for a larger quantity. This offer is not appealing to the buyer. This is probably because it does not show much faith for the mutual relationship. In order to build up an emotional bond with his counterpart, the buyer suggests buying from the seller only in the future.

The behavioural differences between these two participants become increasingly significant in the fourth round. The deal-oriented seller focuses on the facts, such as the quality and the service, to persuade. She appears to be analytical as she frequently makes conditional offers. The relationship-focused buyer clings to the affective influence strategy to negotiate. He emphasises the meaning of their first transaction and asks for a price reduction. He also makes concessions based on the consideration of their relationship, and he expects his counterpart to value the relationship and make reciprocal concessions. Unfortunately, this offer is rejected by the seller in the fifth and final round of this negotiation.

If the negotiation were to carry on, the Eastern seller would continue persuading her counterpart for a larger quantity, while the Central buyer would hold on to his initial thought and negotiate for the 50 units test deal. No agreement will be reached anytime soon. This conclusion conforms to both parties’ ELoN.

5.2.2 Cross-case Findings and Discussion

This section presents the findings of the cross-case analysis. Table 5.8 summarises these findings. They include a) the participants’ behaviours on relationship-related behaviours; b) their time sensitivity; c) their face-giving behaviours; and d) their risk-taking propensity. The outcomes of all the negotiation cases are also included in the table.
Table 5.8 Findings of Study 1

<table>
<thead>
<tr>
<th>Group Code</th>
<th>Role</th>
<th>Region</th>
<th>Importance of Relationship</th>
<th>Time-sensitivity</th>
<th>Face</th>
<th>Risk-taking propensity</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Buyer</td>
<td>Northern</td>
<td>Never makes any offer/counteroffer</td>
<td>Insensitive, takes a wait-and-see approach</td>
<td></td>
<td></td>
<td>No agreement</td>
</tr>
<tr>
<td></td>
<td>Seller</td>
<td>Dummy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>Buyer</td>
<td>Northern</td>
<td>Relationship-focused; expects reciprocity from <em>guanxi</em>; uses affective influence strategy; looks for personal trust; uses indirect communication</td>
<td>Insensitive, concerns about protocols and rapport-building.</td>
<td>Conscious, engages in face-giving behaviours</td>
<td></td>
<td>No agreement</td>
</tr>
<tr>
<td></td>
<td>Seller</td>
<td>Southern</td>
<td>Deal-focused; use influence strategy that appeals to rationality</td>
<td>Sensitive, quickly enters negotiation stage</td>
<td>Unconscious, informal style</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>Buyer</td>
<td>Northern</td>
<td>Look for reciprocal concessions; long-term oriented</td>
<td>Sensitive, expects a quick deal</td>
<td>Conscious, formal style</td>
<td></td>
<td>£10 per unit; 300 units; 2.5-year contract; payment after 60 days</td>
</tr>
<tr>
<td></td>
<td>Seller</td>
<td>Northern</td>
<td></td>
<td>Sensitive, expects a quick deal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>Buyer</td>
<td>Eastern</td>
<td>Deal-focused; analytical; focuses on short-term profit-making</td>
<td></td>
<td>Risk-averse, initiates a trial deal to test product quality</td>
<td></td>
<td>No agreement</td>
</tr>
<tr>
<td></td>
<td>Seller</td>
<td>Dummy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E</td>
<td>Buyer</td>
<td>Northern</td>
<td>Looks for reciprocal offers based on a long-term relationship</td>
<td>Insensitive, takes a wait-and-see approach</td>
<td></td>
<td></td>
<td>No agreement</td>
</tr>
<tr>
<td></td>
<td>Seller</td>
<td>?</td>
<td>Deal-focused; analytical</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Buyer</td>
<td>Seller</td>
<td>Long-term oriented; passive; uses affective influence strategy and indirect communication</td>
<td>Insensitive, concerns about protocols and rapport-building.</td>
<td>Conscious, face-giving</td>
<td>Risk-averse, waits for managerial decision</td>
<td>No agreement</td>
</tr>
<tr>
<td>---</td>
<td>-------</td>
<td>--------</td>
<td>-------------------------------------------------</td>
<td>--------------------------------------------------</td>
<td>-----------------------------</td>
<td>----------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>F</td>
<td>Buyer</td>
<td>Northern</td>
<td>Deal-focused; analytical; looks for corporate trust</td>
<td>Insensitive, expects long-term negotiation</td>
<td>Conscious, formal style</td>
<td>Risk-averse, waits for managerial decision</td>
<td>£8 per unit; 300 units; 3-year contract; pay upon delivery</td>
</tr>
<tr>
<td></td>
<td>Seller</td>
<td>Eastern</td>
<td>Relationship-focused; long-term oriented</td>
<td>Insensitive, expects long-term negotiation</td>
<td>Conscious, formal style; face-giving</td>
<td>Risk-averse, waits for managerial decision</td>
<td>£8 per unit; 300 units; 3-year contract; pay upon delivery</td>
</tr>
<tr>
<td>G</td>
<td>Buyer</td>
<td>Central</td>
<td>Long-term oriented; seeks to establish general principles</td>
<td>Insensitive, expects long-term negotiation</td>
<td>Conscious, formal style</td>
<td>Risk-averse, waits for managerial decision</td>
<td>£30 per unit; 200 units; permanent contract</td>
</tr>
<tr>
<td></td>
<td>Seller</td>
<td>Northern</td>
<td>Mixed-behaviour; long-term oriented; makes concessions based on a long-term relationship</td>
<td>Insensitive, expects long-term negotiation</td>
<td>Conscious, formal style</td>
<td>Risk-averse, initiates a trial deal</td>
<td>£30 per unit; 200 units; permanent contract</td>
</tr>
<tr>
<td>H</td>
<td>Buyer</td>
<td>Northern</td>
<td>Long-term oriented; looks for reciprocal offers for relationship-building</td>
<td>Insensitive, expects long-term negotiation</td>
<td>Conscious, formal style</td>
<td>Risk-averse, initiates a trial deal</td>
<td>£10 per unit; 200 units; 1-year contract; payment after 30 days</td>
</tr>
<tr>
<td></td>
<td>Seller</td>
<td>Northern</td>
<td>Uses affective influence strategy</td>
<td>Insensitive, expects long-term negotiation</td>
<td>Conscious, formal style</td>
<td>Risk-averse, initiates a trial deal</td>
<td>£10 per unit; 200 units; 1-year contract; payment after 30 days</td>
</tr>
<tr>
<td>I</td>
<td>Buyer</td>
<td>Central</td>
<td>Long-term oriented; makes sacrifices for a long-term relationship</td>
<td>Insensitive, expects long-term negotiation</td>
<td>Conscious, formal style</td>
<td>Risk-averse, initiates a trial deal</td>
<td>£3 per unit; 100 units; 5-year contract; payment after 60 days</td>
</tr>
<tr>
<td>J</td>
<td>Buyer</td>
<td>Central</td>
<td>Relationship-focused; long-term oriented; uses relationship to persuade</td>
<td>Insensitive, expects long-term negotiation</td>
<td>Conscious, formal style</td>
<td>Risk-averse, initiates a trial deal</td>
<td>£3 per unit; 100 units; 5-year contract; payment after 60 days</td>
</tr>
<tr>
<td>K</td>
<td>Buyer</td>
<td>Central</td>
<td>Long-term oriented</td>
<td>Conscious, face-giving</td>
<td>Risk-averse, initiates a trial deal</td>
<td>No agreement</td>
<td>No agreement</td>
</tr>
<tr>
<td></td>
<td>Seller</td>
<td>Central</td>
<td>Uses affective influence strategy</td>
<td>Insensitive, expects long-term negotiation</td>
<td>Conscious, formal style</td>
<td>Risk-averse, initiates a trial deal</td>
<td>No agreement</td>
</tr>
<tr>
<td>L</td>
<td>Buyer</td>
<td>Central</td>
<td>Relationship-focused; long-term oriented; uses influence strategy that appeal to facts; focuses on corporate factors</td>
<td>Insensitive</td>
<td>Risk-averse, initiates a trial deal</td>
<td>No agreement</td>
<td>No agreement</td>
</tr>
</tbody>
</table>
5.2.2.1 The Importance of Relationship

The participants from the Eastern region and the Southern region show more deal-focused behaviours than the Northern participants. These participants seem to have the relevant knowledge of how business should be conducted. They show an analytic ability and are capable of proposing conditional offers in the negotiation. Meanwhile, these participants tend to use a factual-inductive persuasion style. Their arguments appeal to rationality, such as the product quality and the relevant services. Additionally, they look for corporate trust in the deals. More importantly, these participants show little concern about building personal relationships with their counterparts. They are reluctant to make concessions for a long-term relationship. The Eastern and the Southern participants share the similar negotiation goal of signing a contract in this experiment. Two Eastern participants (the D buyer and the L seller), in particular, show short-term profit-making behaviours during the negotiation.

The results suggest that the Northern and the Central participants share a similar relationship-focused negotiation style. These participants are less business-oriented than the Eastern and the Southern participants. The only exception is the H seller, who appears to be rather deal-focused in the negotiation. Nevertheless, all the Northern and the Central participants lack knowledge and reasoning ability to negotiate a deal. Some of them (the buyers in A and E) are extremely passive and hardly make any offer or counteroffer throughout the process. Some participants employ an indirect communication style in the negotiation, suggesting a tendency to avoid direct confrontation in order to maintain a harmonious relationship. Besides, these participants tend to use affective influence strategy. Their persuasions appeal to contextual factors, such as relationship, face, and other intangible benefits. More importantly, these Northern and Central participants tend to seek a long-term relationship in the deals. In order to achieve this goal, they place enormous value on reciprocity. They are willing to make immense sacrifices and bear considerable risks in the current deals. These participants are most likely motivated by the idea that the losses will be regained as long as the relationship sustains. This is the reason two extreme outcomes are observed: the Central seller in J sells her products at a price of £3 while the Northern buyer in H agrees to buy at a price of £30. The lengths of their contracts—one with 5 years whereas the other is permanent—are, therefore, the longest.
5.2.2.2 The Perception of Time

The participants’ perceptions of time are closely associated with their time-sensitivity in the experiment. The following table shows each participant’s ELoN, as well as their response rate (RR) when it comes to replying to messages.

Table 5.9 Time Sensitivity in Study 1

<table>
<thead>
<tr>
<th>Region</th>
<th>Group</th>
<th>Role</th>
<th>ELoN</th>
<th>RR (in minutes)</th>
<th>Regional Average RR (in minutes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern</td>
<td>B</td>
<td>Seller</td>
<td>1 Day</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Eastern</td>
<td>D</td>
<td>Buyer</td>
<td>?</td>
<td>5</td>
<td>6.10</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>Seller</td>
<td>Weeks</td>
<td>6.7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>L</td>
<td>Seller</td>
<td>3 Days</td>
<td>6.5</td>
<td></td>
</tr>
<tr>
<td>Northern</td>
<td>A</td>
<td>Buyer</td>
<td>1 Week</td>
<td>5.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Buyer</td>
<td>1 Week</td>
<td>4.6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>Seller</td>
<td>2 Hours</td>
<td>4.5</td>
<td>4.45</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>Buyer</td>
<td>1.5 Hours</td>
<td>4.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>E</td>
<td>Buyer</td>
<td>1 Week</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>Buyer</td>
<td>Months</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>G</td>
<td>Seller</td>
<td>1 Year</td>
<td>5.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>H</td>
<td>Seller</td>
<td>?</td>
<td>4.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>H</td>
<td>Buyer</td>
<td>Years</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I</td>
<td>Buyer</td>
<td>Months</td>
<td>3.7</td>
<td></td>
</tr>
<tr>
<td>Central</td>
<td>G</td>
<td>Buyer</td>
<td>Years</td>
<td>4.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I</td>
<td>Seller</td>
<td>12 Months</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>J</td>
<td>Seller</td>
<td>1 Week</td>
<td>4.2</td>
<td>4.47</td>
</tr>
<tr>
<td></td>
<td>J</td>
<td>Buyer</td>
<td>1 Week</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>K</td>
<td>Seller</td>
<td>?</td>
<td>4.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>K</td>
<td>Buyer</td>
<td>?</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>L</td>
<td>Buyer</td>
<td>5 Days</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Unknown</td>
<td>E</td>
<td>Seller</td>
<td>1 Day</td>
<td>2.6</td>
<td>2.6</td>
</tr>
</tbody>
</table>

This table indicates significant differences in time-sensitivity between regions. The Southern participant shows strong sensitivity towards time. He is one of the fastest negotiators in this experiment, with an RR of 3.5 minutes per message. This indicates that the participant moves
much quicker than the majority of the participants. Besides, this Southern participant expects to finish the deal in one day, which is one of the shortest ELoN among all the participants. More importantly, this participant is extremely business-oriented during the negotiation. He pays little attention to protocols and rapport-building and gets down to business as soon as the negotiation starts. Based on these observations, the Southern participant does perceive the importance of making good use of time and being efficient in the negotiation. Similarly, the E seller, who does not provide information on his/her regional background, also appears to be rather time-sensitive. He/she moves quickly and expects to finish quickly. Considering this participant’s deal-focused behaviours, it is highly likely that he/she also comes from the Southern region.

The Eastern participants, on the other hand, are much less time-sensitive than the Southern participant. One of them states that the negotiation should finish in three days while the other suggests the negotiation should last for “weeks”. These participants also take the longest time to respond, with an average RR of six minutes per message. This indicates that they move much slower than the others, especially the two participants from F and L. Given that these participants are business-oriented, and that little in the way of relationship-building behaviour is observed among them, this result could be attributed to the shrewd and calculating characteristic of the region. Indeed, such calculating behaviours are observed in F, in which the Eastern seller strives to maximise her benefits in many creative ways. The emphasis on managerial decision, on the other hand, also suggests that they perceive the necessity of taking the time to make decisions.

The Northern and the Central participants share similar time-orientation. They have a similar RR, with 4.45 minutes and 4.47 minutes, respectively. These participants have devoted a certain amount of time to protocols and rapport-building: they introduce themselves and take their time to state general purposes and express courtesy. Some of them, such as the buyers in B and F, also show extensive relationship-building and face-giving behaviours. These behaviours add up the time these participants spend on replying to emails. Although three participants have spent less than four minutes on each message (the buyers in E, I, and L), they have a much longer ELoN than the Southern participant. As a matter of fact, almost all the Northern and the Central participants expect the negotiation to carry on for the long-term. Considering their non-business related behaviours, these participants might have perceived the necessity of spending time to get to know each other. There are, however, two exceptions
among the Northern participants: the seller and the buyer in C. These two participants expect to finish the deal in 2 hours (the seller) and 1.5 hours (the buyer). These expected lengths are the shortest among all the participants. One of the possible explanations is that two extremely time-sensitive Northern participants happened to be assigned to the same group. The result links to the interview findings that Northern negotiators expect a much shorter negotiation stage when a good relationship has already been established.

5.2.2.3 The Importance of Face

In this negotiation, many of the Northern and the Central participants attach significant value to face. They tend to highlight their social status in order to influence their counterparts. Besides, they also frequently conduct face-giving behaviours. These participants might perceive that the negotiation outcome can be measured by the amount of face received in the negotiation. Additionally, these participants appear to be formal and respectful. They tend to start the conversation with a greeting, a proper introduction and the purpose of the negotiation. They address their counterparts with proper titles. “Thank you” is frequently employed by these participants. This polite, somewhat circumspect style of communication reinforces the significance attached to giving and not damaging face in their negotiations.

One of the Eastern participants (the F seller) also adopts such a formal negotiation style. However, the rest of the Eastern participants, as well as the Southern participant, show little concern over face. They get down to business quickly without any greeting or self-introduction. They also show no intention of giving face to their counterparts. Formality does not seem to bother them at all. The Southern seller in B appears to be particularly impatient in front of the extensive face-giving behaviours. His frustration indicates that he is at the end of his resources when dealing with such a situation.

5.2.2.4 The Risk-taking Propensity

Six participants, including two from the Eastern region, one from the Northern region, and three from the Central region, show risk-averse behaviours in the negotiation. Four of these participants initiate a trial period of trading, which includes a short-term contract and a limited unit of products. It is most likely that these trial offers stem from the background information and that they need develop a regular relationship with their counterparts, with
whom they have no previous trading experience. In such a new and uncertain situation, these participants perceive a considerable amount of risk associated with the deal. They thus propose such an offer to reduce the risk and secure their interests. However, the purposes of conducting the trial period are different. The Eastern participant wants to test the product quality. This purpose comes from his concern over corporate trust. To the rest of the participants, such a trial proposal seems to be a test of the relationship. These participants might have perceived the unlikeliness of building a relationship properly in such a short amount of time. Thus, a trial period is critical to make sure that both parties can work well together at a personal level. The low risk-taking propensity of the remaining two participants is observed from their emphasis on superordinate involvement in decision-making. The Eastern seller in F and the Central buyer in G propose on the basis of managerial decision, indicating their strong perceptions of obtaining approval from higher authorities. This sense of obeying authority reflects their avoidance of responsibility and their preference for a risk-free negotiation process.

In terms of the Southern participant, no risk-averse behaviour is observed in the experiment. This participant acts quickly and takes responsibility for his own actions. Considering his high sensitivity towards time, this participant can be seen as taking more risks than the others under such uncertain circumstances.

5.2.2.5 The Negotiation Outcome

In this experiment, five of the twelve negotiation cases reached a successful outcome while the remaining seven cases failed to come to an agreement in designated time frame. A closer look at the outcomes reveals an intriguing pattern. When the negotiation involves two relationship-focused Chinese, i.e. an R-R negotiation situation (C, G, H, I, and J), it proceeds quickly and produces a positive result. However, when the negotiation involves one deal-focused Chinese and one relationship-focused Chinese, i.e. a D-R negotiation situation (B, D, F and L), the process is much slower than the R-R negotiations, and no agreement is achieved. Such an outcome also applies to case E, in which the seller is previously speculated as coming from the Southern region. The only exception in this pattern is K, which is an unsuccessful negotiation between two Central participants. The buyer in this negotiation could not accept the seller’s offers, and thus leaves the negotiation before the time runs out. Nevertheless, the regional differences in these Sino-Sino negotiations are so striking that they
resemble the differences in Sino-Western negotiations.

In the five successful R-R negotiations, all the Northern and Central participants expect their negotiations to carry on for a long time. However, they all manage to reach an agreement in the given time. The reason lies in the compatibility of their negotiation styles. These participants share a common goal in the negotiation—a long-term relationship. This shared negotiation goal creates a cooperative atmosphere between the two parties. During the negotiation, they frequently use “a long-term relationship” as a condition to persuade. Such a condition is associated with a long-term contract of the deal. However, its meaning covers more than just the length of the contract. “A long-term relationship” is such an emotional term that it strongly appeals to the participants, urging them to make concessions and even put up considerable sacrifices and risks. These participants seem to perceive that, as long as the relationship sustains, anything is agreeable, and any conflict shall be resolved. The H seller’s post-negotiation comments, which were captured in the video, confirm the point. As she expresses,

My father is a negotiator. He told me that a negotiation deal should last for generations. We should do anything to make that happen.

The R-R negotiations have perfectly demonstrated the word “anything” in this experiment. In order to reach a “long-term relationship”, some participants overlook the negotiating issues and rush into a deal; some abandon their initial thought of a trial deal; some other participants are willing to accept distributive results. However, these concessions and sacrifices are expected to be returned. Some of the participants look for immediate concessions while others expect long-term reciprocal favours embedded in the relationship.

The cooperative atmosphere is further enhanced by these participants’ formal and respectful behaviours. Those participants from the successful cases are face-conscious and attach equivalent importance to protocols and rapport-building. Courtesy is observed, and phrases such as “dear seller/customer” and “thank you for your reply” are frequently used. These participants feel respected and thus are willing to cooperate. Such an atmosphere eventually contributes to the success of these negotiations.

However, the participants’ negotiation styles in the D-R negotiations are deficient in
compatibility. The Eastern and the Southern participants hold a profit-making goal. This goal drives them to pursue the best economic outcome. In order to do so, all the negotiating issues are taken into account. Their offers change from time to time, depending on the actual conditions, as well as their counterparts' reactions. Relationship is less relevant than the negotiation task as they refuse to make concessions in exchange for a long-term relationship. Therefore, tension arises when they negotiate with a relationship-focused participant because the two parties have contrasting interests in minds. Sub-cultural crash also occurs when both parties try to persuade. The Eastern and Southern participants encounter difficulty because their rational influence strategies are ineffective in this situation. On the other hand, affective persuasion means little to them. Clearly, the participants in the D-R situations have very different perceptions of what to negotiate and how to negotiate. The differences in the perceptions have created a conflicting atmosphere which has consequently led to the failures of their negotiations.

5.2.3 Section Summary

This section conducted six individual case analyses and one cross-case analysis in order to study regional negotiation styles in a Sino-Sino negotiation experiment. The results echo the findings of the interviews. They suggest that the Northern participants are relationship-focused, time-insensitive, face-conscious, and risk-averse. The Southern participant's behaviours also conform to the previous results. He is deal-focused, time-sensitive, unconscious about face, and risk-taking. The Eastern participants are similar to the Southern participant in terms of their business-oriented behaviours. However, they are less time-sensitive and more risk-averse than the Southern participant. This experiment also suggests that the Central participants share a similar negotiation style with their Northern neighbours. Importantly, the results suggest that significant sub-cultural crashes would occur due to the differences in these negotiation styles. These crashes resemble the cross-cultural crashes in Sino-Western negotiations.

Based on the above observations, it is possible to speculate on the negotiations in the four unavailable scenarios. A Southern-Central negotiation is likely to resemble the features of a D-R negotiation. Both parties would struggle in the process owing to the incompatibility of their negotiation styles. In an Eastern-Eastern negotiation, conflict on negotiation focus is less likely to occur than in a D-R situation. Formal negotiation behaviours and risk-averse actions
may be observed. However, both negotiators are expected to take their time and strive for their best individual interests. The negotiation would proceed slowly, and an agreement is difficult to achieve in a short time. A similar situation could also occur in an Eastern-Southern negotiation. Regardless of the business-oriented behaviours from both sides, the negotiation could proceed for a long-term owing to the Eastern negotiator’s low sensitivity towards time. Tensions might rise when the Southern negotiator tries to speed up the process while the Eastern negotiator is reluctant to make quick decisions. A negotiation break down is likely to occur as the Southern negotiator considers it a waste of time and leaves the negotiation table. In a Southern-Southern negotiation, both negotiators are expected to exhibit deal-focused behaviours. These two negotiators might move quickly and take risks when making decisions. The process would proceed faster. However, it is unlikely that this negotiation would proceed as fast as an R-R negotiation. Since these negotiators are profit-driven, time is still necessary for them to achieve a mutually profitable agreement. This scenario might echo the features of a Western-Western negotiation.

5.3 Findings of the Second Experiment

This section presents the findings of the second experiment. It aims to look for regional differences in a Sino-Western negotiation context. Besides, this section will also look into the behavioural consistency among the six participants who have taken part in both experiments. Based on the cross-case analysis of the negotiation cases, this section answers the last research question:

RQ5: How do different Chinese negotiation styles affect Sino-Western negotiations?

Since this experiment only includes participants from the Northern, the Eastern and the Central regions, the discussions focus on these three regions only. The following table summarises the findings of the second experiment.
<table>
<thead>
<tr>
<th>Group Code</th>
<th>Region</th>
<th>Role</th>
<th>Nationality of the Counterpart</th>
<th>Importance of Relationship</th>
<th>Time-sensitivity</th>
<th>Face</th>
<th>Risk-taking Propensity</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>G1</td>
<td>Northern</td>
<td>Buyer</td>
<td>German</td>
<td>Passive; never makes an offer</td>
<td>Insensitive</td>
<td>Conscious, formal style</td>
<td>No agreement</td>
<td></td>
</tr>
<tr>
<td>G2</td>
<td>Central</td>
<td>Buyer</td>
<td>Greek</td>
<td>Relationship-focused; long-term oriented; reciprocal behaviours</td>
<td>Insensitive</td>
<td>Very Conscious, face-giving</td>
<td>£12; 200; 5 years; 60 days</td>
<td></td>
</tr>
<tr>
<td>G3</td>
<td>Eastern</td>
<td>Seller</td>
<td>Romanian</td>
<td>Deal-focused; uses influence strategy that appeal to facts; emphasises corporate trust</td>
<td></td>
<td></td>
<td>No agreement</td>
<td></td>
</tr>
<tr>
<td>G4</td>
<td>Eastern</td>
<td>Buyer</td>
<td>British</td>
<td>Deal-focused; uses influence strategy that appeals to logic and facts; long-term oriented</td>
<td>Insensitive</td>
<td>Conscious, formal style</td>
<td>No agreement</td>
<td></td>
</tr>
<tr>
<td>G5</td>
<td>Central</td>
<td>Seller</td>
<td>German</td>
<td>Relationship-focused; uses influence strategy that appeals to emotions; look for personal trust</td>
<td>Insensitive</td>
<td>Very Conscious, face-giving</td>
<td>£10.3; 100; 1 year; 30 days</td>
<td></td>
</tr>
<tr>
<td>G6</td>
<td>Central</td>
<td>Seller</td>
<td>German</td>
<td>Relationship-focused; uses influence strategy that appeals to emotions</td>
<td>Insensitive</td>
<td>Very Conscious, face-giving</td>
<td>£7.5; 200; 5 years; pay upon delivery</td>
<td></td>
</tr>
<tr>
<td>G7</td>
<td>Northern</td>
<td>Buyer</td>
<td>British</td>
<td>Deal-oriented; analytical; influence tactics appeal to facts</td>
<td>Insensitive</td>
<td></td>
<td>3 years contract; 1st year £9.5, 100; 2nd year £9.65, 200; 3rd year £9.8, 200; 50% pay upon delivery, 50% 60 days after delivery</td>
<td></td>
</tr>
<tr>
<td>G8</td>
<td>Northern</td>
<td>Seller</td>
<td>British</td>
<td>Mixed behaviour, deal-focused but also makes concessions for a long-term relationship</td>
<td></td>
<td></td>
<td>No agreement</td>
<td></td>
</tr>
</tbody>
</table>
5.3.1 The Importance of Relationship

The analysis of this experiment supports the previous results, which reveal that negotiators of different regional backgrounds have different foci in negotiations.

Eastern Participants

The two Eastern participants appear to be extremely deal-focused. They seem comfortable negotiating with strangers, so they get down to business straight away. Throughout the processes, they focus solely on their deals and show no intention of building interpersonal relationships with their counterparts. The G3 seller’s business-oriented behaviours are observed from her reliance on fact-based arguments. She employs corporate factors, including “the lowest price”, “the best quality”, as well as “the best services”, to persuade. These arguments also indicate her perceived source of trust. Meanwhile, this participant is highly analytical that she frequently makes conditional offers. For example,

If you can give us over 5 years contract and give us 60 (days) to prepare 200 products, we can give to big discounted on £9, which you can find it is the best price among market. [G3 seller]

As the negotiation proceeds, this participant makes five such conditional offers in total, using different combinations of negotiating issues. It is difficult to tell her priority. However, her goal is clearly to obtain a contract which is the most economically beneficial to her. On the other hand, the buyer of G4 shows her business-oriented behaviours in her logical persuasions. She holds that the quantity depends on the quality, as well as the popularity, of the product. Besides, she is also concerned about the limited trading relations in the past. Taking the product popularity and the past relationship into account, the Eastern seller proposes a three-month trial contract and a price of £6 to see how the product performs in the market. If the trial sale goes well, as the participant emphasises, the negotiating parties can further show cooperation and become long-term partners.
Northern Participants
The three Northern participants show different behaviours in this negotiation. The Group 7 buyer is business-oriented and analytical. His decision on the product quantity is based on an evaluation of the inventory and the sales condition. The price, on the other hand, is determined by a calculation of the future inflation. As he expresses,

I plan to order 500 units for the first 3 years. How about 100 units for the first and each 200 units for the second and the third year? How about £9.5 per unit for the first year and £9.65 and £9.8 per unit for the second and the third year? The increasing price is to take account the inflation. [G7 Buyer]

Furthermore, this participant states distinctly that his goal is to establish a long-term business partnership with his counterpart. According to him, a reliable business partner who can provide good quality of product in time is what matters the most.

The other two Northern participants are two opposing cases. On one hand, the buyer of G1 shows little intention of either building the relationship or negotiating the deal. She neither shares any information with her counterpart, nor does she make any offer during the negotiation. Throughout the process, this participant reacts only to the price and continuously demands further reductions. She shows limited ability to negotiate the business deal. On the other hand, the seller of G8 shows both deal-focused and relationship-focused behaviours. Some of her persuasions appeal to logical reasoning. For instance, she refuses to accept the payment of 60 days after delivery because this will affect her cash flow. However, she also insists on building a long-term relationship and offers concessions based on this relationship. These behaviours are the reciprocal moves she makes in order to progress the negotiation while maintaining the relationship.

Central Participants
The Central participants are the complete opposite of the Eastern participants. During the negotiation, these participants cannot keep the negotiations purely business-related as they strive to get close to their counterparts at a personal level. They show little evidence of
analytical thinking in their offers. The G2 buyer states, at the very beginning, that his goal is to establish a long-term relationship with his counterpart. In association with this goal, his offers are based on the consideration of their relationship rather than her economic gains. For example, when negotiating the price, the participant suggests,

…you could kindly agree at £10.8 since the figure we provide is said to bring good luck to both parts, which stands for good fortune. [G2 Seller]

At the end of the negotiation, the participant also reveals his perception of a business contract. As he states,

The rep will be surprising you the second he arrives with a secret gift contract due to your so nice cooperation in our first business trade. We are so looking forward to seeing you in near future and establish a relationship with you at last. [G2 Seller]

To the participant, such a contract is a gift which symbolises the good opening of this relationship. Signing this contract is not the goal. It represents the milestone for the enduring relationship.

The sellers from the Central region hold a similar negotiation goal. As soon as the negotiation begins, the G6 seller starts calling his counterpart a “friend”. He uses “my friend” to address his counterpart in every email, although his counterpart never actually shows any interest in this friendship. Such behaviour indicates the participant’s efforts to establish an emotional bond with the buyer. Similarly, the seller of G5 also adopts such a friendship approach. Her persuasions reveal that her negotiation goal is not to make profits but to make friends. As she expresses,

I am not focusing on making money for my part. I focus on your part. [G5 Seller]

…it is not a price to make money; it is a price to make friends. [G5 Seller]
When the negotiation comes to a deadlock, this Central seller blames the lack of personal trust between the two parties. She argues that the so called market price is the rumour her competitors spread to ruin her relationship with the buyer. She paints herself as the only one who thinks about the buyer and cares about the relationship. This participant starts her negotiation with a low price of £10.5, which shows her concern over her counterpart’s benefits and their future relationship.

5.3.2 The Perception of Time

The following tables present the information of ELoN and RR. Table 5.11 shows the time sensitivity of the Chinese participants while Table 5.12 shows the time sensitivity of the non-Chinese participants.

Table 5.11 Time Sensitivity of the Chinese Participants in Study 2

<table>
<thead>
<tr>
<th>Region</th>
<th>Group</th>
<th>Role</th>
<th>ELoN</th>
<th>RR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern</td>
<td>3</td>
<td>Seller</td>
<td>?</td>
<td>5.4</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Buyer</td>
<td>Weeks</td>
<td>6</td>
</tr>
<tr>
<td>Northern</td>
<td>1</td>
<td>Buyer</td>
<td>Months</td>
<td>6.7</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>Buyer</td>
<td>Weeks</td>
<td>7.5</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>Seller</td>
<td>?</td>
<td>12</td>
</tr>
<tr>
<td>Central</td>
<td>2</td>
<td>Buyer</td>
<td>Years</td>
<td>7.3</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>Seller</td>
<td>?</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>Seller</td>
<td>?</td>
<td>8.3</td>
</tr>
</tbody>
</table>
The Chinese participants, who have provided their ELoN, expect the negotiation to last for weeks, or even months and years. This is particularly the case with the Northern buyer of G1. Considering her patient negotiation style, this negotiation could go on for a long time. Another match is the Central buyer of G2, who expects the negotiation to carry on for years. Since this participant is one of the most relationship-focused negotiators in the experiment, he must have perceived the necessity of devoting a large amount of time to developing a proper relationship with his counterpart. The other two participants, the Eastern buyer of G4 and the Northern buyer of G7, both show deal-focused behaviours in the negotiation. Their perceived negotiation lengths are most likely influenced by their regional backgrounds. In contrast with these Chinese participants, most of the non-Chinese participants have short ELoN. The majority of them expect to finish within a week while the two British participants intend to finish within one day.

The above tables also show significant differences on RRs between the two groups. The majority of the Chinese participants take at least six to seven minutes to reply whereas the non-Chinese participants use about four to five minutes to reply. Take the differences on ELoN between the two groups into account, it seems that most of the Chinese participants are
indeed time-insensitive in the negotiation. However, there may be an exception. The Eastern seller of G3 is the quickest Chinese participant. She has proposed five offers during the negotiation, indicating that she reacts much quicker and is more efficient in making decisions than the other Chinese. Unfortunately, this participant did not provide information on her ELoN. It is, therefore, difficult to say whether she is truly time-sensitive or not.

5.3.3 The Importance of Face

The participants attach various levels of importance to face in this negotiation. The Central participants are the most face-conscious negotiators. All of them are extremely mindful of maintaining their faces in front of their counterparts. When he misspells a word, the seller of G6 immediately sends out a second message to correct the mistake and beg for forgiveness. Similarly, the seller of G5 apologises for proposing a disappointing price. At the end of the negotiation, this participant even writes to her counterpart that,

It seems that I am not as polite as you. This makes me shame. I am so shame that I will try my best to learn (from) you. [G5 Seller]

These small mistakes make these participants lose face in front their counterparts. Thus, they try to regain the lost face by admitting the mistakes and apologising. Besides these efforts on keeping their faces, the Central participants also intensely engage in face-giving behaviours. The following quotes illustrate the point.

It is such an honour to trade with you. [G2 Buyer]

You are such a confident retailer and must have very big business. [G6 Seller]

These face-giving behaviours are employed, consciously or unconsciously, to highlight their counterparts’ social status, and thereby influencing their decisions.

The Northern participant of G1 also shows concern over face in the negotiation. She uses the
title and the surname to address her counterpart, and she also frequently puts “thank you” and blessing language in her replies. It is fascinating to see how much effort this participant has put into the formality of the messages, but no offer or counteroffer is ever proposed by her. It seems that maintaining her face is far more important than the efficiency of the deal. The Eastern buyer of G4 also adopts such a formal negotiation style. She employs formal letter writing style and always begins her message with greetings and ends with “kind regards”.

5.3.4 The Risk-taking Propensity

Three participants show risk-averse behaviours in this experiment, including the Central buyer of G2, the Eastern buyer of G4, and the Northern buyer of G7. All these buyers initiate to try to a smaller quantity of the product first before considering a larger quantity and a longer contract. These participants might be concerned about the uncertainties of a new business partner. The reasons of their risk-averse behaviours, however, are quite different. Throughout the process, the Central buyer shows significant relationship-building behaviours. He also emphasises the meaning of the first trading. These factors suggest that when he places a short-term trial offer, this participant perceives a lack of trust in the relationship. He, therefore, intends to build up the necessary trust for a long-term relationship.

The risk-averse behaviours of the other two buyers, on the other hand, stem from their concerns over corporate trust. The Northern buyer proposes to test the quality of the product with a smaller quantity first and gradually increase the quantity of the order. Similarly, the Eastern buyer points out that both companies have little trading relations, so she intends to buy 50 units for a three-month trial contract. As she expresses,

... we could make a three-month contract for the trial sale and if it goes well, we can further our cooperation. Eventually become REAL long-term partners. [G4 Buyer]

Both participants consider it risky to make a large investment in the immediate cooperation. They worry that, if the market shows negative reaction to the product, a long-term contract
could damage their interests. Thus, in the face of the potential risks, these participants perceive the significance of a secure approach to the deal.

5.3.5 Behavioural Consistence between the Two Experiments

This section looks at the behavioural consistency between the two experiments. Since the buyers of G4 and G7 did not participate in the first experiment, it focuses on the remaining six participants only. The following table specifies the participants’ previous roles and shows their behavioural changes between the two experiments.
Table 5.13 Behavioural Consistency among the Six Returned Participants

<table>
<thead>
<tr>
<th>Region</th>
<th>Participant</th>
<th>Role in Study 1</th>
<th>Relationship</th>
<th>Time</th>
<th>Face</th>
<th>Risk-taking Propensity</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern</td>
<td>G3 Seller</td>
<td>L Seller</td>
<td>Similar deal-focused behaviours</td>
<td>3Days</td>
<td>-1.1</td>
<td></td>
<td>Failure in both experiments</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern</td>
<td>G1 Buyer</td>
<td>F Buyer</td>
<td>Reactive in both experiments; never makes an offer</td>
<td>Months</td>
<td>1.7</td>
<td>Uses formal style in both experiments</td>
<td>Failure in both experiments</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Months</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>G8 Seller</td>
<td>H seller</td>
<td>Similar mixed behaviours</td>
<td>?</td>
<td>7.7</td>
<td></td>
<td>Agreement</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>?</td>
<td></td>
<td></td>
<td>Failure</td>
</tr>
<tr>
<td>Central</td>
<td>G2 Buyer</td>
<td>G buyer</td>
<td>Little relationship-building behaviours</td>
<td>Years</td>
<td>3.0</td>
<td>Face-conscious</td>
<td>Agreement in both experiments</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>extremely relationship-focused</td>
<td>Years</td>
<td></td>
<td>Extremely face-conscious</td>
<td></td>
</tr>
<tr>
<td></td>
<td>G5 Seller</td>
<td>K Seller</td>
<td>Little relationship-building behaviours</td>
<td>?</td>
<td>1.7</td>
<td>Becomes very face-conscious</td>
<td>Failure</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>extremely relationship-focused</td>
<td>?</td>
<td></td>
<td></td>
<td>Agreement</td>
</tr>
<tr>
<td></td>
<td>G6 Seller</td>
<td>I Seller</td>
<td>Little relationship-building behaviours</td>
<td>12months</td>
<td>3.8</td>
<td>Face-conscious</td>
<td>Agreement in both experiments</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>extremely relationship-focused</td>
<td>?</td>
<td></td>
<td>Extremely face-conscious</td>
<td></td>
</tr>
</tbody>
</table>
As the table shows, the Central participants have changed drastically in terms of their relationship-building behaviours. They attach significant importance to the relationship this time, but little do they show any of these behaviours in the first experiment. The other three participants are quite consistent in their relationship-focused/deal-focused behaviours. These Central participants also become more face-conscious than before, while the other participants hardly change their face-related behaviours.

There are two possible explanations regarding the changes among the Central participants. The first possibility is that, during the break between the two experiments, these students recalled their first negotiation experiences and thought about what they could have done differently. Relationship-building and face-giving behaviours, as they might have perceived, should have played a decisive part in the negotiation. Subsequently, they conducted these behaviours when they were offered a second chance. The second explanation is due to the change in negotiation context. These Central participants might have perceived the significance of employing these behaviours when negotiating with Western counterparts. Such a shared perception might have stemmed from their shared regional background, which urges them to adopt a new approach in the Sino-Western context.

On the other hand, all participants have shown significant changes in terms of their time perceptions. The Eastern seller of G3 is the only participant who has become faster than before. Interestingly, this participant, who was one of the slowest participants in the previous experiment, is the quickest in this experiment. Coming from the Eastern region, China’s centre of global trading, the Eastern participant is probably more comfortable negotiating in a Sino-Western context than in a Sino-Sino context. When dealing with a Central negotiator in the previous experiment, this Eastern participant was uneasy with the relationship tactics and was, therefore, slow in responding. However, when negotiating with a Western participant, she is comfortable with the negotiation environment and thus perceives a faster negotiation process. Her counterpart’s deal-focused negotiation style also enables her to negotiate with facility and efficiency.
The other five participants show varying degrees of decrease in their RRs. The Central participants’ decreased RRs are reflected in their increased relationship-building and face-giving behaviours. They perceive these behaviours should take up a considerable amount of time in their negotiations. The Northern seller of G8 has the most drastic change. This participant was one of the quickest participants in the first experiment, but this time she is the slowest, taking up to 12 minutes to reply. Unlike the Eastern seller of G3, these participants are probably unfamiliar with the situation in a Sino-Western negotiation. They thus become cautious and spend more time when negotiating with Western counterparts.

5.3.6 The Negotiation Outcome—How do different Chinese negotiation styles affect Sino-Western negotiations?

Four negotiations came to an agreement in this experiment. None of the deal-focused Eastern participants obtained a contract. The relationship-focused participants are more successful than the Eastern participants. The Northern participants have both successful and failure cases while all of the three Central participants achieved a deal.

According to the above analysis, the Eastern negotiation style is the most compatible with the Western negotiation style. However, both Eastern-Western negotiations experience a tough negotiation process. In the negotiation, the G3 seller strives to obtain the best possible deal for herself. This can be seen from how she makes price reduction in each round: £12→£10→£10→£9→£9→£8.5→£8.5. This participant proposes an offer and spends time haggling before making a further reduction. She never gives in easily. Even when she makes a concession, she asks for something else for return, such as a longer term contract, a larger amount or a faster payment date. Each of her offers is made on the basis of careful calculation in order to maximise her profit. Thus, even though the environment and her counterpart’s compatible negotiation style have facilitated her RR, this negotiation is still prolonged. Similarly, the G4 buyer also perceives to negotiate little by little. Her initial plan was £6→£7→£7.5→£8, while her actual moves were £6→£6.5→£8. Although the negotiation did not go as planned, a small 50 pence reduction in both the plan and the reality
suggests that the participant does not intend to make easy concessions. Meanwhile, her extreme first offer and her ELoN (weeks) show that she expects a tough negotiation process. The shrewd and calculating characteristic of the Eastern participants is the primary reason that these two Eastern-Western negotiations are prolonging and failed to obtain an agreement in time.

On the other hand, the failures of the two Northern-Western negotiations are attributed to the Northern participants’ perception of time. None of the Northern participants seem to be concerned about the efficiency of their negotiations. The G1 buyer appears to be stalling. She neither initiates any offer nor does she make any counteroffer. This participant has an EEP of £8, but her messages provide no clue about her price range. Such kind of behaviour directly influences the information flow in the negotiation. It not only affects her German counterpart’s RR, but also forces him to make a table and list all the possible offers to let her choose. Being similarly time-insensitive, the G8 seller spends a long time stewing over her replies. Her messages include words such as “after my careful consideration”, which suggests that time is well needed for her to make decisions. Interestingly, this participant, who begins with an unimaginable first price of £30 in the Sino-Sino negotiation, offers the market price of £10 as her initial price in this negotiation. Her offers of £10 (100units)→£8(5 years, 100units)→£8(1 years, 200 units) show how she makes concessions. Considering that the participant holds firm to her initial price in the first experiment, she seems to have softened her attitude and is keen to seal this Sino-Western deal quickly. Therefore, she gives in quite easily. This negotiation is very close to an agreement. If the participant could have managed her time better, this could have been a successful case. On the other hand, the G7 buyer demonstrates how efficient time-management could result in a different story. Similar to the G8 seller, the G7 buyer starts with a low price which is close to the market price. His offers of £9→£9.5→£9.5 (1st year); £9.65 (2nd year); £9.8 (3rd year) (finish price) indicate his desire to sign a contract. Thus, he never haggles and tends to concede quickly. With a six-minute RR difference G7 and G8, G7 buyer manages to close the deal and finish in time.

The Central participants, with the most incompatible negotiation style, all reached an
agreement in their negotiations. Although these participants engage in excessive relationship-building and face-giving behaviours, they appear to be quite cooperative, sometimes even yielding, when negotiating with the Western counterparts. Their offers on price show this characteristic: the G2 buyer: £12.3→£10.8→£12 (finish price); the G5 seller: £10.5→£10.5→£10.3 (finish price); the G6 seller: £13→£12→£8→£7.5 (finish price). The G2 buyer in the only buyer who initiates a price that is higher than the market price, while the G6 seller concedes by a wide margin. The G5 seller, on the other hand, never makes excessive demands. Unlike the Eastern participants, these Central participants rarely spend time on persuasion. When their counterparts reject their offers, they immediately provide a new price. Indeed, they have hardly ‘negotiated’ the deals. To these participants, profit is clearly not their priority. Similar to the R-R negotiation in the first experiment, these participants are willing to suffer temporary loss in exchange for a long-term relationship. Their relationship-building behaviours do not hinder the Central-Western negotiations. On the contrary, these behaviours facilitate the process and contribute to the success of these negotiations.

5.3.7 Section Summary

This section examined the regional negotiation styles in a Sino-Western negotiation context. It also observed the behavioural consistency among the returned participants. The Central participants show the greatest variation in their behaviours. These changes could be attributed to either the change in time or the change in negotiation context. Overall, the findings support that negotiators of different regions in China have different approaches to negotiations.

Importantly, this section answered the last research question RQ5: How do different Chinese negotiation styles affect Sino-Western negotiations? The results suggest that the Eastern negotiation style is haggling in nature. In an Eastern-Western negotiation, such a characteristic could create a competitive atmosphere which leads to a back-and-forth negotiation process. Although there is little tension regarding the negotiation focus, Western negotiators might find it tough to gain profits from Eastern negotiators. This finding
reinforces the foreign interviewees’ comments on Eastern negotiators. The Northern and the Central negotiation styles are similar in that they are both straightforward. This characteristic could produce a cooperative atmosphere which forms the basis of a successful negotiation. Western negotiators might find it easier to conduct negotiations with Northern and Central negotiators because these Chinese negotiators are less demanding than Eastern negotiators. A quick negotiation process is possible in these two regions. However, Western negotiators should still be attentive to the significant meanings of relationship and face to Northern and Central negotiators, as well as how they manage their times. Impatience could result in a negotiation failure in these regions.

What about Southern negotiators? How does the Southern negotiation style affect Sino-Western negotiations? The profit-driven yet time-sensitive Southern negotiators would be neither as competitive as Eastern negotiators nor as yielding as Northern and Central negotiators. They want to be profitable, so they would ‘negotiate’ business deals. Their time sensitivities urge them to make efficient decisions and not to waste time on prolonging negotiations. Western negotiators might find a moderate degree of toughness when dealing with Southern negotiators.

5.4 The Central Negotiation Style

The experiment results correspond to Tung, Worm and Fang’s (2008) findings that the Central Chinese are traditional and have great emphasis on personal relationships in negotiations. Building on the experiment findings, this section expands the understanding of the Central negotiation style with the help of the interview data and the secondary data.

5.4.1 The Interview Data—What do the Respondents Say about the Central Region?

**CCB**

According to the CCB, Central negotiators attach considerable significance to the traditional Chinese values in negotiations. He summarises the Central negotiation style in two words:
friendship and detail.

In terms of “friendship”, the respondent acknowledges that building a long-term relationship is extremely important in his region. A negotiation outcome largely depends on the parties’ sincerity of building such an enduring relationship. As he expresses,

Business negotiations in my region are not just about negotiating a good price. More importantly, they are about convincing your counterpart that you can be a good friend of a life time. [CCB]

In order to “convince” a friendship, the respondent suggests three unspoken rules in his region. He uses these three rules to evaluate a potential partner at trade fairs. First, CCB emphasises that one should always start a negotiation with personal questions, asking about each other’s background and getting to know each other properly. These behaviours show the negotiating parties’ commitments to developing a genuine friendship. Blunt enquiries regarding product and price are rude. They show that the person only pursues profits, and he might lack the necessary loyalty for an enduring relationship. Thus, the respondent perceives that a pre-negotiation stage is weightier than a negotiation stage. However, he also admits that most of the negotiators are rather direct at trade fairs. Although uncomfortable, he has learned to adapt to these behaviours and lower his expectations at pre-negotiation stage.

If both parties show good faith in the relationship and the negotiation continues, CCB advises that both parties should “talk” about the cooperation rather than “negotiate” the deal. A “talk” suggests a modest attitude which is beneficial for cultivating the relationship, but a “negotiation” implies a certain level of conflict that is harmful to the potential relationship. This “talk” requires both parties’ willingness to make concessions on the basis of the relationship. These concessions might lead to a temporary loss in profit, but they provide invaluable benefits for the mutual relationship in the long-term. If the other party insists on “negotiating”, this respondent perceives his counterpart as being self-fish in the relationship. He would, therefore, also become extremely competitive and fight for his own interests. This could result in either a tough conversation or a negotiation break down. Even if the
negotiation reaches an agreement, it would be a short-term cooperation.

Last but not least, *guanxi* is always helpful in forming a new friendship. According to CCB, doing market research is a less important task than identifying and pulling *guanxi* in his region. *Guanxi* not only provides the respondent with immediate trust for a new relationship, it also fosters the loyalty in the existing relationship. CCB feels more relaxed to engage in a negotiation with someone who has *guanxi* than with a total stranger. When he is looking for new business partners, CCB is inclined to develop relationships with those who have valuable relational resources in the industry. These potential *guanxi* could help him develop his business in a long-term.

The other key word “detail” suggests that Central negotiators are very attentive to details in negotiations. According to CCB, this is also a critical ability of a negotiator if he or she wants to succeed in the region. These details, however, do not refer to negotiation issues, such as contractual terms and conditions. As the respondent expresses,

> Things like a formal dress code, a proper negotiation venue, such as a high-end restaurant, and also a full wallet so that you can pay the bills. They might be trivial, but they say a lot about who you are as a person and how much you want this relationship. [CCB]

This ability to be detail-oriented seems to link to one’s ability to show respect and give face to his counterpart. This is later confirmed by the respondent, who suggests that Central negotiators do attach a great importance to face in negotiations. He claims a score of 10 out of 10, indicating a determining effect of face in the region. CCB stresses that care must be taken when it comes to maintaining each other’s face during negotiations. According to him, breaking promises, displaying anger or other disreputable behaviours at the negotiating table can cause oneself, or more importantly his business partner, to lose face. Public praise and social recognition should be employed for giving face. These interpersonal skills, as the respondent perceives, are far more important than professional skills in his region.
Regarding his perceptions of risks, CCB feels that not only he but also the other Central negotiators are afraid of taking risks. According to him,

Central negotiators are conservative. (...) At trade fairs, I prefer to deal with Chinese companies or South-Asian companies. I feel comfortable doing businesses with them. In the last Canton fair, some trading agencies contacted me and asked me whether I would be interested in doing business with some African and European companies. I rejected those offers immediately. I do like new businesses, but I have never dealt with the negotiators from those countries before. I don't know how to negotiate with them. I don't want to show inappropriate behaviours in front of them. It would make me lose face. [CCB]

According to CCB, he prefers to do things the established ways and deals with regular clients. His low risk-taking propensity is also associated with his concern over face. The respondent admits that Central Chinese pursue stability in their daily life. This is the reason only one of the ten business groups in the Chinese history was born in the region, even though this region covers a land of nine provinces. The tendency of risk-avoidance has hardly changed in the past few decades regardless of the rapid economic development in the country. Central Chinese still prefer iron-bowl jobs than starting their own businesses.

The respondent did not talk about his perception of time during the interview. Based on his responses regarding relationship, face, and risk, however, it is certain that Central Chinese are quite time-insensitive. A considerable amount of time is necessary for them to build a relationship, to evaluate risk, and to conduct ritual events in negotiations. Pre-negotiation stages with Central Chinese are likely to be extensive, but negotiation stages might be unexpectedly quick and short.

The Other Respondents

Only a few respondents mentioned Central negotiators in their interviews. The Southern respondent SCB7 agrees with CCB that Central Chinese are quite traditional. He describes negotiators from Sichuan, Chengdu and Hunan as “simple and honest” and “relatively easy to deal with” in negotiations. Gift-giving, as he perceives, is an effective way in which to get a
quick deal from these negotiators. The respondent further advises that a good guanxi is the key to conducting business negotiations in these places. Similarly, the Eastern respondents ECB2 and ECB6 perceive a general relationship-first approach as the best guess when they encounter negotiators from Central companies. They perceive the significance of investing time and efforts in building a relationship with Central negotiators. The Northern respondent NCB8 agrees with this view. He perceives that, given the economic development in the region, Central negotiators are even more relationship-focused than Northern negotiators.

On the other hand, the foreign respondents admit they have limited knowledge about Central negotiators. The English respondent FB1 notes that he has little business experience with the Central Chinese. However, after travelling to and working in the region several times, he has an impression that Central negotiators are “down to earth” and “seldom make excessive demands”. The American respondent FB3 expresses that he has encountered few Central companies at trade fairs. Although he is unable to describe them, the respondent holds a similar perception with NCB8 that Central negotiators attach more values to relationship than Northern negotiators. The government official provides an understanding of the limited knowledge about Central negotiators. As he expresses,

…there are very few negotiators in the Central region. I mean, whenever there is a big negotiation project taking place in the region, they (Central Chinese) hire negotiators from other regions to do the negotiation. If it is a national project, the government would send experts, for example, from Shanghai or Guangzhou, to the region. Therefore, we don’t know much about the local negotiators. [CGO]

Similar to NCB8, CGO also uses economic development as a norm to understand the region’s negotiation style. Since the economic development in the region is falling behind and the Central Chinese lack of modern business experience, this respondent agrees with the other respondents that a relationship-focused, face-conscious approach is most likely the best way to approach a Central negotiator.
5.4.2 The Secondary Data

The secondary materials confirm a relationship-first approach in the Central region. From a business perspective, Tung, Worm and Fang (2008) characterise Central negotiators as particularistic, claiming that they emphasise knowing each other first before doing business. Socialising, such as eating, drinking, and smoking, is critical for relationship-building. Liang (2010: 205), on the other hand, compares the Southern and the Central regions and notes, “in the South, people follow the rich; but in the Central, who has the best guanxi gets to make the call”. The author acknowledges that Central Chinese are similar to Northern Chinese in that they both devote particular attention to relationship and face. She highlights the significance of gift-sending in the region, claiming that it takes up 40% of local residents’ daily expenditure. According to her, these gifts are used for developing and maintaining relationship, giving and returning renqing, as well as giving face.

Such a relationship-first approach matches the characteristics of the regional background. The secondary data suggests many similarities on sub-cultural backgrounds between the Central and the Northern regions. Cui and Liu (2000) address the Central subculture as the Zhong-yuan culture, which is literally translated as the culture of the middle land. This vast middle land is well connected with the Northern region without too much geographical obstruction. Thus, Zhang (2009) argues that the Zhong-yuan culture has naturally received great influence from Confucianism in the history. Du (2010) acknowledges that the region has a fine reputation of producing tens of thousands of Confucian scholars in history. Additionally, the topography of plateau and basin makes this region closed-in and inaccessible to the other countries. Central Chinese had little experience of maritime practices, let alone to explore the outside world (Du, 2010). Owing to environmental constraint, Western cultures exerted little influence to the region in history (Liang, 2010).

Similar to the Northern region, the Central businessmen came from the peasantry. These people lacked genuine passion for business and commerce, and the regional commerce suffered from a slow development. Richthofen, the German scholar, found that the region had
cultivated a significant number of talents in the past, but most of them were politicians and militarists and few of them were business tycoons (cited in Du, 2010: 196, 204). Even today, this part of China has not yet participated in the global economy (Lam and Graham, 2007). The Central Chinese lack modern commercial experience and their negotiation styles largely reflect the values of the agricultural society.

In addition to the characteristic of relationship-orientation, Zhang (2009) confirms the risk-avoiding personality of Central Chinese. The author claims that Central businessmen tend to follow the mainstream in business activities. They regard it as the safest way to secure their basic demands. Du (2010) also notes that Central businessmen lack competitive awareness and a sense of adventure. When new business arises, they tend to take a wait-and-see stance. This tendency often blunders their opportunities away. Wang (2007) reports a newspaper survey conducted in 2006. The results suggest that 40% of the Central Chinese who worked in Guangdong intend to go back to their hometowns, while only 10% of them intend to stay and continue their businesses. “These people generally fear of the changes in their lives”, as Wang suggests (2007: 314). These authors argue that, as an agrarian society, farming activities have provided the Central Chinese with a stable and self-sufficient life. They are incompetent to venture and to explore.

5.4.3 Section Summary

This section triangulated research methods to study the negotiation style of the Central region. The results strengthen the experiment findings and show that Central negotiators bear similar characteristics to those of Northern negotiators. Evidence from the secondary materials suggests the Central region is a former agricultural society, and it is now struggling to catch up with the other regions. This regional sub-cultural background explains the Chinese traditional values embedded in the Central negotiation style.
5.5 Conclusion

In this chapter, the students’ cognitive negotiation styles were examined through the analysis of the two experiments. The findings of these two experiments have provided evidence to support the interview findings on research questions RQs 1, 2, and 3. The results of the second experiment have also answered RQ5.

The first part of this chapter discussed the regional negotiation styles observed in the intra-national negotiation experiment, while the second part strengthened these regional differences on the basis of the Sino-Western negotiation experiment. The results of these experiments strongly support that regional negotiation styles exist in China, and these styles can be differentiated on the four factors of relationship, time, face, and risk. These differences influenced the participants’ approach on what to negotiate and how to negotiate in the experiment. Owing to these different perceptions, significant sub-cultural clashes were evident between the relationship-first regions (the Northern and the Central) and the business-first regions (the Eastern and the Southern). These differences resulted in contrasting outcomes between the R-R negotiations and the R-D negotiations.

The regional differences also affected the outcomes of the Sino-Western negotiations, in which the relationship-focused participants were more successful than the deal-focused participants. The discussion on these negotiation outcomes addressed the remaining research question:

RQ5: How do different Chinese negotiation styles affect Sino-Western negotiations?

One key point which emerged from the analysis was that the relationship-focused participants were more cooperative than the deal-focused participants. Their primary concerns were to achieve a deal so that both sides could establish a relationship. Thus, they tended to have reasonable demands and give in easily. The deal-focused participants, however, were
concerned about getting the most profitable deal through negotiation. They tend to spend time on persuasion and are not inclined to make easy concessions.

Drawing upon the results of the three research methods, the final part of this chapter discussed the Central negotiation style. It is shown that Central negotiators share a similar relationship-focused negotiation style with Northern negotiators due to the similarities in their sub-cultural backgrounds. The findings of the second experiment also showed that the participants of the Central region changed the most between the two experiments.
Chapter 6 Findings and Conclusions

6.1 Introduction

This thesis has investigated the regional negotiation styles in China, using a case study research design. The conclusion chapter provides a summary of the thesis and its finding, acknowledges its limitations, makes suggestions for further research and outlines managerial implications.

Chapter 2 pointed out that this thesis adopted a negotiation analysis approach to guide this study. It then introduced the relevant areas of literature—international business negotiations, culture, and the Chinese negotiation style, all of which stressed the importance of exploring intra-cultural diversity in China and its implications for Sino-Western negotiations. This chapter argued that, in the existing frameworks of international business negotiations, attention has primarily been paid to the influence of culture at a national level. The other dimensions of regional subcultures have been overlooked. In order to address the gaps in the literature, this chapter proposed to study the regional subcultures in China and the implications on the Chinese negotiation behaviour. The following research questions emerged from the discussion and were put forward at the end of Chapter 2.

RQ1: Are there regional negotiation styles in China?
RQ2: How are cultural values and beliefs different in different regions of China?
RQ3: How do negotiators from different regions of China perceive
   a) the importance of relationship
   b) time
   c) the importance of face
   d) risk
   in negotiations?
RQ4: Why do the differences exist between regions?
RQ5: How do different Chinese negotiation styles affect Sino-Western negotiations?

Chapter 3 discussed the choice of case study research as the suitable methodology. This study triangulated interview sources from Chinese businessmen, Chinese government officials, and foreign businessmen. These interview findings were then supported by the secondary material. These results were then complemented by two negotiation experiments.

The interview findings, together with the evidence from the secondary data information, were presented in Chapter 4. The first four research questions were answered in this chapter. The experiment findings were discussed in Chapter 5 and important insights added to improve knowledge about the Chinese regional negotiation styles.

The last chapter evaluates the results of the investigation based on Chapters 4 and 5, revisits the research questions, and looks at research limitations and managerial implications. It also makes recommendations for future research. The findings of this research are now summarised in the following.

6.2 Revising the Research Questions: The Findings

RQ1: Are there regional negotiation styles in China?

The interview findings supported the proposition that negotiators from the different regions of China have different negotiation styles. This finding is based on the triangulated responses from the Chinese businessmen of different regions, the Chinese government official, as well as foreign businessmen. These respondents all perceived different negotiation styles in different regions of China. They advised that knowing the regional background of one’s negotiation counterpart and adjusting accordingly to the negotiation style is vital for the success of a business negotiation. These perceptions were supported by the experiment results,
in which the student participants showed contrasting negotiation foci, and their negotiation approaches varied considerably from region to region.

RQ2: How are cultural values and beliefs different in different regions of China?

The second question addressed the perceived regional differences among the interview respondents. Based on the interview results, the differentiating factors were grouped into four themes that matched the four pre-defined sub-questions in RQ3. Negotiators from different regions of China differentiate themselves in terms of their perceived importance of relationship, their perceptions of time, their perceived importance of face, and their risk-taking propensity.

RQ3 (a): How do negotiators from different regions of China perceive the importance of relationship in negotiations?

Five key themes emerged from the interviews, which indicated that relationship-focused and deal-focused negotiators coexist in China. The five themes are the negotiation goal (relationship or contract), the sources of trust (personal or corporate), the approaches to negotiation issues (Top-down or Bottom-up), the importance of reciprocity and the contract spirit. The results showed that negotiators, who come from the developed and commercialised regions, i.e. the Eastern region and the Southern region, are more business-oriented than those from the Northern region. They are profit-driven, contract-oriented and look for corporate trust in negotiations. Northern negotiators, on the other hand, tend to negotiate on a personal level. They aim to build a long-term relationship and seek to establish general principles. They also place strong emphasis on personal trust and reciprocity. These findings confirmed notions put forth in the literature, namely that businessmen from different regions of China place various levels of value on relationship (Fang, 2005; Tung, Worm and Fang, 2008). The interviews also indicated that Eastern negotiators have a short-term profit-making goal, whereas Southern negotiators are flexible and have a long-term goal in profit-making. The
experiment results supported that Northern negotiators are more relationship-focused than Eastern and Southern negotiators. These results also indicated that Central negotiators share a similar relationship-first negotiation approach with Northern negotiators.

RQ3 (b): How do negotiators from different regions of China perceive time in negotiations?

The interviews suggested that negotiators from different regions have different perceptions of time in negotiations. **Northern negotiators** see time as an unlimited resource. They conduct extensive pre-negotiation stages to build relationships and trust, but their negotiation stages are much shorter than their negotiation stages. **Southern negotiators** are similar to Western negotiators, who view time as money and are concerned about efficiency. They have short pre-negotiation and negotiation stages. The differences in the perceptions of time confirmed that negotiation processes in Southern China are shorter than those in Northern China (Stark et al., 2005). **Eastern negotiators**, on the other hand, seldom waste time on relationship-building at pre-negotiation stage. They, however, tend to engage in a haggling negotiation approach regardless the cost of time. Their perceptions of time are closely related to their shrewd and calculating regional characteristic. The experiment findings confirmed these differences and showed that Northern negotiators have a much shorter negotiation stage than Eastern and Southern negotiators. These findings also suggested that **Central negotiators** are similar to Northern negotiators in terms of their perceptions of time.

RQ3 (c): How do negotiators from different regions of China perceive the importance of face in negotiations?

Are all Chinese negotiators face-conscious? The interview findings suggested that **not every Chinese negotiator concerns about face**. The results indicated that **Northern and Central negotiators** place the highest value on face. They tend to measure the outcome of a negotiation against the amount of face they receive during the process. In contrast, **Southern negotiators** are the least face-conscious in the country. They are practical and have an informal approach to negotiations. **Eastern negotiators** are in the middle. They emphasise the importance of a
professional style, but they are less concerned about face than Northern and Central negotiators. Evidence also comes from the experiment results, which showed that the Northern and the Central participants engaged in extensive face-giving behaviours while the Eastern and the Southern participants conducted few of these behaviours.

RQ3 (d): How do negotiators from different regions of China perceive risk in negotiations?

The interview findings showed that risk-takers in negotiations exist in China. Southern negotiators tend to associate risks with opportunities. They move fast in negotiations and enjoy new ideas and creative proposals. This risk-taking characteristic comes from the long-term history of maritime trade and exploration. On the other hand, Eastern negotiators have low risk-taking propensity. They are conservative and unwilling to act upon risky situations. Northern and Central negotiators are not risk-takers either. They tend to pursue stability in negotiations and prefer low risk and low return proposals. The experiment results showed that risk-averse behaviours were found among the Northern, the Central, and the Eastern participants.

RQ4: Why do the differences exist between regions?

Convergent results showed that Northern and Central negotiators have the “Chinese negotiation style” in the literature. According to the secondary materials, the subcultures in the Northern region and the Central region have received immense influence from Confucianism in history. Both regions were agricultural societies, and commercial activities suffered from severe constraints. Local Chinese have little knowledge of how business should be conducted. Additionally, these regions have also been isolated from the outside world for a long time, which leads to the forming of a negotiation style that reflects the Confucian values. On the contrary, the forming of the Southern subculture is attributed to the long-term exposure to the Western culture and the limited influence from Confucianism. With a long history of maritime practices, Southern businessmen have developed a negotiation style which emphasises a focus
on business deals and an entrepreneurial spirit to take risks. On the other hand, the Eastern subculture comprises of both the Chinese values and the Western values, which is the result of the unique historical development of the region. Having a background in comprador business, Eastern businessmen have extensive experience of working between the Chinese and the Westerners. More importantly, this experience has cultivated a unique shrewd and calculating characteristic among Eastern businessmen. This characteristic is crucial for understanding their business-oriented but time-insensitive negotiation style.

RQ5: How do different Chinese negotiation styles affect Sino-Western negotiations?

According the experiment results, the Northern and Central participants were cooperative during negotiations. It means that they seldom engage in extensive negotiation and tend to concede quickly. In order to build a long-term relationship, they were willing to suffer temporary profit losses. Thus, the Northern-Western and the Central-Western negotiation were short and straightforward, and most of these negotiations were successful. The results also highlighted that the participants’ insensitivities toward time could hinder the Sino-Western negotiation process. Nevertheless, Western negotiators might find it easier to deal with Northern and Central negotiators than Eastern and Southern negotiators. This is because Eastern and Southern negotiators are profit-driven, and they believe in achieving a good deal through negotiation. Thus, the Eastern and the Southern participants were competitive, which led to the long negotiation processes in the experiments. Western negotiators might find it particularly challenging to negotiate with Eastern negotiators due to their shrewd and calculating characteristic. This finding conformed to Graham’s (1996) observation on the differences between Northern and Southern negotiators.
6.3 Contributions

6.3.1 Contribution to the International Business Literature

Previous research in the literature of international business continues to use ‘nation-state’ as the unit of analysis to study culture (Tung, 2007). Such an approach assumes cultural homogeneity and overlooks diversity within nations (Fang, 2006b; Bertsch, 2013). The present study addresses this fallacious assumption by using ‘region’ as the unit of analysis to explore regional subcultures in China and their implications for the Chinese negotiation style. This regional approach to the study of culture is uncommon in the literature of international business studies (Fang, 2005). The findings provided evidence to support the views that intra-national differences can be as substantial as cross-national differences. This research thus calls for academic attention to give due consideration to intra-national differences in cross-cultural research.

The results of this research suggested that businessmen from different regions of China attach different levels of importance to the traditional Chinese values, such as relationship and face. These results are particularly useful for developing a series of hypotheses regarding regional values in the country. The historical and background study on the four regional subcultures in China, i.e. the Jing-pai culture, the Hai-pai culture, the Ling-nan culture and the Zhong-yuan culture, are valuable for future empirical research to explore other regional business behaviours and to test statistical relationships between regional subcultures and business behaviour.

6.3.2 Contribution to the Literature of International Business Negotiations

In the literature, culture has been firmly established as an important influence to international business negotiations (Usunier, 2003). However, the current state of the literature concentrates on cross-national cultural differences and tends to overlook the fact that culture manifests itself in different ways. Although researchers, such as Weiss (1993), Kale (2003), Manrai and
Manrai (2010), have proposed frameworks to study culture at national, organizational and individual levels, regional cultures, as a potential source of influence, are largely understudied. More and more within-country studies have shown that large and geographically diverse countries, such as the U.S. and China, have many regional cultures (Peppas, 2001, 2002; Ralston et al., 196; Littrell, Alon and Chan, 2012). These regional cultures influence people’s values and behaviours and have important implications on different management issues. Rudd and Lawson (2007) hold firmly that regional knowledge of a given country is a critical piece of information when conducting negotiations across borders. However, little research has been done on how regional cultures influence negotiations.

This research tackled this under-researched subject by exploring regional negotiation styles in China and by studying how these different styles affect Sino-Western negotiations. This study is rare in the literature of international business negotiations. Importantly, the experiment results reveal that the different Chinese negotiation styles have significant impacts on the processes and outcomes of Sino-Western negotiations. The overall results of this study highlight that researchers should consider incorporating a regional dimension into the existing cross-cultural frameworks of international business negotiations.

6.3.3 Contribution to the Literature of Sino-Western Negotiations

In the literature, China has been understood as having only one “Chinese culture” and the Chinese have been described as negotiating in a homogeneous way (Fang, 2005). However, increasing evidence has shown that this view overlooks the cultural diversity within the country. This research contributes to the Sino-Western negotiations literature by extending the understanding of the Chinese negotiation style and augmenting it from a regional subcultural perspective. It has also answered the question of how regional negotiation styles affect Sino-Western negotiations. This knowledge is particular valuable for Western companies and negotiators who are seeking business opportunities in China.

More technically, this research has filled several gaps in the existing studies of Sino-Western
negotiations. Firstly, previous researchers tend to observe Chinese negotiation style from the outside and rely on Western negotiators’ views to understand the Chinese (Sheer and Chen, 2003). This thesis, however, studied the subject from the inside with multiple interview sources. It generated Chinese negotiators’ perceptions regarding the Chinese negotiation style and regional differences in the country. This approach complemented the previous “one-side-story” and enhanced the understanding of the subject.

Secondly, when conducting studies on Sino-Western negotiations, previous researchers rarely report the regional background of their Chinese respondents (Tung, Worm, and Fang, 2008). This conduct, as Peppas (2002) suggests, raises the concern of regional sampling bias in the findings. This study reported explicitly the regional backgrounds of the Chinese respondents and distinguished their regional negotiation styles into home and work. This operation enabled the researcher to avoid similar regional sampling bias that may have occurred in the previous studies and enhance the validity of the claims on Chinese negotiation style.

Thirdly, although some researchers, such as Graham (2003) and Tung, Worm, and Fang (2008), have observed regional differences in some negotiation variables in Sino-Western negotiations, their studies lacked in-depth knowledge of the regional cultures in China (Fang, 2005). In order to address this issue, this research employed a case study approach with multiple data sources and different research methods. It looked into the sources of regional differences and provided explanations to the existence of regional negotiation styles. This knowledge is useful for future research that seeks to test hypotheses between regional cultures and negotiation variables.

Lastly, previous researchers tend to focus on the more developed regions in the country (Shi, 2001; Tung, Worm, and Fang, 2008). Thus, limited cities and provinces have been studied, and the developing regions, in particular, remain unexplored (Fang, 2005). Considering the vast land of China, this study included many cities and provinces that have not been covered in previous studies. This regional sample is not only rare in the studies of Sino-Western negotiations, but also uncommon in comparison to other regional studies of the country.
(Redfern and Crawford, 2004; Kwon, 2012).

6.4 Limitations and Future Research

The limitations of this study should be acknowledged, considering the validity, reliability and generalisability issues. Although the author has paid the utmost attention to ensuring a scientific and systematic research procedure, there remain a number of limitations embedded in this study regarding theory development and methodological strategy. These limitations also suggest the directions for future research.

6.4.1 Limitations of Theory Development

6.4.1.1 Layers of Culture

The objective of this research is to explore regional negotiation styles in China, thereby balancing the intra-cultural diversity and cross-cultural diversity in the Sino-Western negotiation research. This study aims to extend the knowledge of the Chinese negotiation behaviour by incorporating an additional regional variable into empirical studies. The research findings suggest that the “one China one negotiation style” approach is not appropriate because each region has its distinctive negotiation style. However, it is crucial to note that it is not the purpose of this study to stereotype the negotiation style in each studied region. Instead, this study emphasises the importance of considering cross-cultural negotiations as a complex phenomenon with different layers of cultures interacting with each other. The author fully acknowledges the existence of other cultural layers and understands the influence they could have brought to the findings of this research.

The first level of influence came from the individual dimension of culture. As acknowledged by many interview respondents (NCB4, NCB8, SCB7, CGO, FB3), in the current state of China, regional population mobility is extremely high. Businessmen could encounter different
negotiators with different regional negotiation styles in one region. This is particularly the case in the developed regions of the East and the South. Thus, future researchers should be mindful of sampling biases when conducting negotiation research in a specific region. In addition, as NCB4 and NCB8 recall, they went through an adaptation process after they moved from the Northern region to the Eastern region and the Southern region. During the process, they held mixed values and had mixed behaviours in negotiations. They now have fully adapted the values in their work regions. Such a learning and changing process could add another layer of complexity to the study of regional negotiation styles.

Another level of influence came from intra-regional diversity. The “region” in this study included several provinces or cities that were grouped according to the respondents’ perceptions. Although the respondents perceived the similarities across the provinces and cities in the same region, some of them also observed differences within regions. As mentioned in Chapter 4, the interviewees perceived a stronger contract spirit among negotiators from Hong Kong than those from Guangzhou. Differences on the risk-taking propensity between Wenzhou and the other areas in the Eastern region were also suggested by one of the respondents. In addition to these observations, intra-regional diversity could also be influenced by the ethnic dimension of a culture. China has 56 ethnic groups, with the majority known as Han and the remaining 55 known as the minorities. Even within the majority Han there are many subtleties in their beliefs and practices that make it difficult to categorise this group as one homogenous group (Littrell, Alon and Chan, 2012), let alone the distinctive cultural traits in the minorities (Goodman, 1989). While the Central region is known for the variety of the minorities living in the region (Wang, 2007; Liang, 2010), further research on the region should take into account this dimension of the regional culture.

Thirdly, Rudd and Lawson (2007) argue that, although a negotiator comes to the workforce with his national and regional cultural background, the workplace culture also defines the strategies, values, and goals of how the negotiator is to operate and represent his organisation in negotiations. Weiss’ (1993) model of international business negotiations shows how organisational control structure could affect the communication channels and
information-sharing in business negotiations. Kale (2003), on the other hand, suggests that five dimensions of Reynolds’ (1986) framework of organisational culture are particularly vital in understanding the dynamics of business negotiations. For example, an organisation emphasising an external orientation exhibit greater willingness to maximise their counterpart’s convenience, while a firm with an internal orientation will employ the problem-solving approach to a greater degree. Also, negotiators of firms with a preference for ad hoc decisions will tend to negotiate in a manner that encourages flexibility and have a more informal negotiation approach, whereas negotiators from a planning-orientation company will emphasise the need for non-ambiguous communication and have a formal negotiation approach. Other dimensions that have an impact on negotiations, according to Kale, include Task/Social focus, Conformity/Individuality, and Safety/Risk. In light of these views, future research is needed to elaborate the concept of culture using organisational dimension.

In light of these views, many cultural factors have contributed to the complexity of the Chinese negotiation behaviour. More detailed analysis of the possible sources of cultural differences in the country is required. Future research needs to take into account the different cultural layers, including individual and organisational levels, and study how these cultural layers interact with each other and how they affect Sino-Western negotiations.

6.4.1.2 Differences within the “West”

In order to study the regional differences within China, the characteristics of Chinese negotiators were developed based on the comparison to the “Western” negotiators in Chapter 2. In addition, the American and the English respondents in the interviews, as well as the non-Chinese students in the second experiment, were treated as they share the same “Western” background. Although such treatment was useful for extracting the differences within China, it is crucial to point out that the “Westerners” also have different cultural backgrounds and their negotiation behaviours differ from each other. These differences within the “West” shall be acknowledged. Since this study compared China to the U.S., the U.K., and Germany in Chapter 2, here we focus on these three Western countries to highlight the differences within
the “West”. Two studies that compared negotiation behaviours in the U.S., the U.K., and Germany shed light on the issue.

Graham et al. (1994) explored whether the problem-solving approach, a framework developed in the U.S., influenced negotiation encounters in the same way across different cultures. Their results show that a problem-solving approach seems to have a greater effect on affecting negotiators’ profits in the U.S. than in the U.K. and Germany. In addition, partners’ expressed satisfaction with agreements encouraging U.S. negotiators to adopt a problem-solving approach, whereas this has no effect on U.K. and German negotiators. Moreover, both U.S and U.K. buyers tend to achieve higher individuals profits than do sellers.

Another research was conducted by Salacuse (1999), who used survey to study negotiators’ views on ten factors, in his model (Salacuse, 1991). The results indicate substantial differences between the three countries. Regarding communication methods, U.S. negotiators have the smallest percentage (4.9%) of persons claiming an indirect style, whereas this percentage is 11.8% with the British. Considering that the Chinese have 18.2%, the cultural distance between the U.S. and the U.K. seems to be as significant as it is between China and the U.K. Similar cultural distance can also be observed in personal style. 45.5% of the Chinese and 35.3% of the British claim to have a formal style, whereas only 17.1% of the Americans hold the same view. Germans differ from other Westerners. For instance, 45.4% of the Germans prefer general form of agreement, but only 22% of the Americans and 11.8% of the British have the same attitude. The Germans are also the least emotional negotiators (63.6%) among the three groups (U.K.: 52.9% and U.S.: 36.6).

The experiment data of this study also reveals some differences between the British and the Germans, although no American students participated in the research. In general, the Germans tended to have a longer ELoN than the British. It is likely that the Germans are less risk-taking than the British (Salacuse, 1999) and wanted to be on the safe side of a new partnership. On the other hand, these Germans tended to move faster than the British, indicating a higher level of time sensitivity among them than the British (Salacuse, 1999). In order to take these
differences within the “West” into account, further experiments need to be conducted to study how people from different regions of China interact with different Western counterparts in negotiations.

6.4.2 Limitations of Methodological Grounds

The study of regional negotiation styles in China has traditionally been overlooked in the literature. Given the largely underexplored nature of the subject, qualitative research is much better suited than quantitative research. In particular, since this research aimed to understand “how” and “why” Chinese regions differ in negotiations, these research questions favoured the use of qualitative research. Besides, quantitative research could not have been easily applied to this area of research because there is a lack of existing knowledge and constructs to be tested. Using both methodological triangulation and data triangulation contributed depth and credibility to the chosen approach.

There are, however, two limitations on the methodological grounds. The first one concerns about the samples in the interviews and the experiments. There was a lack of Central interviewees to conduct within-case analysis in Chapter 4 due to the difficulty in finding suitable Central respondents at the data collection stage. Nevertheless, the findings on the Central negotiation behaviour were based on the triangulating results of the three research methods. The evidence was sufficient to draw the conclusion on the Central negotiation style. On the other hand, the researcher also encountered difficulty in recruiting Southern Chinese students for the experiments. This had led to the lack of Southern samples in the two experiments. A related possibility for future research is to conduct more interviews with Central negotiators in order to gain a more comprehensive view of the region’s negotiation style. In addition, future research could develop hypotheses on the basis of this study and test them in a series of negotiation experiments. Particularly, given that the experiments were conducted in the laboratory which maximised internal control, future research should examine the impact of regional differences within real world settings. These experiments could enlarge the sample size and include professionals into the research.
The second limitation concerns about the use of the experiment data. This research has only applied qualitative analysis to the data and did not calculate the sequences of the negotiation behaviours. However, the goal of this research is to explore regional negotiation behaviour in China, and it does not seek to generalise the findings. The findings of the experiments served as part of the case study to provide more comprehensive view of the subject. In this case, qualitative data analysis has generated so much more insights into the subject than the quantitative data analysis, and, therefore, is suitable for this research. Nevertheless, the researcher intends to perform quantitative analysis and use the results in future publications.

6.5 Managerial Implications

While suggestions for further academic research have been proposed, the findings are also relevant for practitioners. Western negotiators should accommodate different regional situations and adjust their negotiation priorities accordingly. The following managerial implications are put forward.

To negotiate effectively in the Northern region and the Central region, Western negotiators should take a relationship-oriented approach. It means that Western negotiators ought to devote their time and energy to the pre-negotiation stage. This stage is utterly crucial for building relationship and trust with Northern and Central negotiators. It is even weightier than formal face-to-face negotiation session. Identifying and pulling guanxi is helpful for developing deep mutual trust and speeding up the process. Patient is the most desired quality at this stage. Conflict would arise at this stage when Western negotiators try to rush through the relationship-building process. After the relationship-building process, Western negotiators could expect a relatively easy negotiation process. This is not only because of a properly established relationship but also the aspirations of Northern and Central negotiators to bring developments to their regions. During negotiation, Western negotiators should emphasise the significance of a long-term relationship and make concessions based on a reciprocal manner.
Patience is also needed here to explain creative ideas and persuade high-risk-high-return proposals. Western negotiators should be mindful of reciprocal behaviours from Northern and Central negotiators and return these renqing in one way or another. This study also suggests that face is one of the most significant mechanisms in Northern and Central negotiators’ social psychology. Due attention should be paid to giving and not damaging the face of Northern and Central negotiators. Issues, such as sending high-ranking managers to negotiate, giving gifts, and following the drinking custom, would directly affect the attitude of Northern and Central negotiators toward their Western counterparts. These activities will also, to a great extent, determine the outcome of a negotiation.

In the Eastern region, Western negotiators ought to take a business-oriented approach. It means that relational factors are less weighty than corporate factors in this region. The success of an Eastern-Western negotiation lies in Western negotiators’ professional negotiation skills. Conflict is less likely to appear at pre-negotiation stage as both parties appreciate “get down to business straight away”. Thus, Western negotiators’ priority should be paid to face-to-face negotiation stage instead of pre-negotiation stage. Eastern negotiators expect a competitive negotiation process, in which both parties strive to fight for their own benefits. Thus, Western negotiators should avoid making quick concessions and reciprocal moves. These behaviours are not helpful for landing a deal but might make Eastern negotiators question one’s ability of negotiating. Western negotiators should be mentally prepared for a back-and-forth negotiation process and have adequate patience and negotiation knowledge to survive the battle. Creative proposals are not advised in this occasion unless sufficient research has been conducted and an ample amount of information has been collected. Once negotiation is finished, and a contract is signed, Western negotiators could feel at ease that their Eastern counterparts will follow the contractual terms and obligations professionally. However, once the cooperation is over, the relationship will not carry on to the next deal. Western negotiators will have to go through the haggling process again, because Eastern negotiators have short-term goals.

Western negotiators should also apply a business-oriented approach in the Southern region. Southern negotiators concern little about relationship and face, and Western negotiators,
therefore, could expect a relatively short pre-negotiation stage. In this situation, the priority is also at face-to-face negotiation stage. Western negotiators should rely on corporate factors to negotiate. Southern negotiators are not as firm as Eastern negotiators. Thus, Western negotiators could find it easier to carry out persuasions in the Southern region than in the Eastern region. More importantly, Southern negotiators’ high risk-taking propensity indicates that high-risk-high-return proposals are more likely to be accepted in the region. It means that the pie could be creatively enlarged, and a bigger joint-gain could be achieved. On the other hand, Southern negotiators’ high sensitivity toward time suggests that Western negotiators could stress the timeliness of offers to encourage quick decisions. Conflict might arise when Western negotiators conduct excessive face-giving behaviours because these behaviours might result in strong aversion from Southern negotiations. Meanwhile, caution should also be paid to Southern negotiators’ relatively weak contract spirit. Western negotiators should highlight the critical role of an agreement at contract-signing stage and remind their Southern partners the consequences of breaking contractual terms.

The future of Sino-Western negotiations relies on a mutual understanding of the importance of relationships, face, time and an overall understanding of the relevance of different regions in China.
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## Appendix A: Interview Questionnaire (Chinese version)

### 背景问题:
1. 请问您是哪里人？
2. 您是否有在其他地区工作或者居住的经验？具体是哪些地区？
3. 请问您在贵公司的职位是什么？
4. 您觉得您家乡商人的商业谈判风格是怎么的？
5. 您是否觉得中国每个地区的人有着不同的谈判风格呢？这些风格的区别是什么？

### 人际关系:
1. 在商务谈判中您的首要目标是什么？（与对方签订合同还是建立长期的关系）？为什么？
2. 您在建立关系上占总时间的百分之几？为什么？
3. 您比较倾向建立公司与公司之间的关系还是个人的关系？
4. 在谈判中，您觉得是什么因素促进关系的建立？
5. 在签订合约之后，如果双方在履行合同条款时出现分歧和矛盾，您一般都怎么解决？

### 时间:
1. 一般来说，从双方认识到谈判开始，需要多长时间？您觉得这个时间的长短多少比较合适？
2. 您如何分配谈判前和正式谈判的时间？为什么？
3. 您与您的谈判对手公司之间的来往经历是否会影响新一轮的谈判？会怎样影响？

### 面子:
1. 您觉得“面子”在您的谈判过程中是否重要？如果按照十分制给分的话，十分最重要，一分最不重要，您会给多少分？
2. 这个分在您的谈判过程中是怎么体现出来的？

### 冒险倾向:
1. 政治因素在您的谈判中影响有多大？如果按照十分制给分的话，十分影响最大，一分影响最小，您会给多少分？
2. 您是否经常注意在谈判过程中可能存在的政治风险？
3. 您怎么看待商业谈判中存在的风险？您遇到过怎样的风险？您是怎么应对的？

### 区域差异:
1. 您觉得中国各地区的人在 a）建立关系；b）时间分配；c）对待面子的重要性和 d）冒险精神上有什么区别？
2. 您觉得区域谈判风格的差别还表现在哪些方面？
3. 这些差别会对您的谈判过程产生什么影响？
Appendix B: Negotiation Scenario for Study 1

Scenario for Buyer (Hotel Manager)

Background Information:
You are a manager of a local hotel in your area. Your management team has decided to purchase certain amounts of flowers regularly for the purpose of hotel decoration. As the delegate of your team, you have come to a local flower company to conduct business with them. Your company has had little trading relation with them before, but that could be changed.
Now you are about to negotiate the business deal with the sales manager from the flower company.

Instructions for Negotiation:
You are to negotiate four issues in the contract:

- **Price**: the price for each unit of flowers needs to be set for future transactions. The market price per unit of flowers is £10.
- **Quantity**: once the quantity of each transaction is agreed, you will order this amount of flowers in every order in the future. You can choose from 50 units, 100 units, or 200 units in your offer, and can change the account in your negotiation accordingly.
- **Length of Contract**: you are to negotiate the length of your contract with your counterpart (i.e. your trading relationship with the flower company). At the moment you are not able to decide how many orders per year will take place. However, once the length of contract is decided, you will order flowers with the agreed price and quantity every time within the agreed time period. The optional lengths of contract may be 1 year, 2.5 years, 5 years or over 5 years.
- **Payment**: your payment time of each order is to be negotiated in the negotiation. Optional payment time include: payment upon delivery, 30 days after delivery, and 60 days after delivery.
Scenario for Seller (Sales Manager of Flower Company)

Background Information:
You are a sales manager of a local flower company. A manager from a local hotel has come to conduct business with you. The manager wishes to buy flowers from you regularly, for the purpose of hotel decoration. Your company has had little trading relation with them before, but that could be changed.

Now you are about to negotiate the business deal with the manager from the hotel.

Instructions for negotiation:
You are to negotiate four issues in the contract:

- **Price**: the price for each unit of flowers needs to be set for future transactions. Your starting price for the flowers per unit is £10. You can add then the following margins to your first offer: a) 5%; b) 10%; c) 20%; d) 30%; e) 40% or f) 50%.

- **Quantity**: once the quantity of each transaction is agreed, you will supply this amount of flowers in every order in the future. You can negotiate with your counterpart to decide the amount in every order, choosing from 50 units, 100 units, or 200 units in your offer. You can change the account in your negotiation accordingly.

- **Length of Contract**: you are to negotiate the length of your contract with your counterpart (i.e. your trading relationship with the hotel). Once the length of contract is decided, you will supply flowers with the agreed price and quantity every time within the agreed time period. The optional lengths of contract may be 1 year, 2.5 years, 5 years or over 5 years.

- **Payment**: payment time of each order is to be negotiated in the negotiation. Optional payment time include: payment upon delivery, 30 days after delivery, and 60 days after delivery.
Appendix C: Negotiation Scenario for Study 2

Scenario for Buyer (Music Store Manager)

Background Information:
You are a manager of a local music store in your area. Your management team has decided to purchase certain amounts of CDs regularly. As the delegate of your team, you have come to a music company to conduct business with them. Your company has had little trading relation with them before, but that could be changed.

Now you are about to negotiate the business deal with the sales manager from the music company.

Instructions for Negotiation:
You are to negotiate four issues in the contract:

- **Price**: the price for CDs needs to be set for future transactions. The market price is £10.

- **Quantity**: once the quantity of each transaction is agreed, you will order this amount of CDs in every order in the future. You can choose from 50 units, 100 units, or 200 units in your offer, and can change the account in your negotiation accordingly.

- **Length of Contract**: you are to negotiate the length of your contract with your counterpart (i.e. your trading relationship with the music company). At the moment you are not able to decide how many orders per year will take place. However, once the length of contract is decided, you will order CDs with the agreed price and quantity every time within the agreed time period. The optional lengths of contract may be 1 year, 2.5 years, 5 years or over 5 years.

- **Payment**: your payment time of each order is to be negotiated in the negotiation. Optional payment time include: payment upon delivery, 30 days after delivery, and 60 days after delivery.
Scenario for **Seller** (Sales Manager of Music Company)

**Background Information:**
You are a sales manager of a music company. A manager from a local music store has come to conduct business with you. The manager wishes to buy CDs from you *regularly*. Your company has had little trading relation with them before, but that could be changed. Now you are about to negotiate the business deal with the manager from the music store.

**Instructions for negotiation:**
You are to negotiate four issues in the contract:

- **Price**: the price for CDs needs to be set for future transactions. Your starting price is £10. You can add then the following margins to your first offer: a) 5%; b) 10%; c) 20%; d) 30%; e) 40% or f) 50%.

- **Quantity**: once the quantity of each transaction is agreed, you will supply this amount of CDs in *every order* in the future. You can negotiate with your counterpart to decide the amount in every order, choosing from 50 units, 100 units, or 200 units in your offer. You can change the account in your negotiation accordingly.

- **Length of Contract**: you are to negotiate the length of your contract with your counterpart (i.e. your trading relationship with the music store). Once the length of contract is decided, you will supply CDs with the agreed price and quantity every time within the agreed time period. The optional lengths of contract may be 1 year, 2.5 years, 5 years or over 5 years.

- **Payment**: payment time of each order is to be negotiated in the negotiation. Optional payment time include: payment upon delivery, 30 days after delivery, and 60 days after delivery.