

# Chinese Business Culture: Identifying Misunderstandings and Offering Recommendations for American Negotiators

Xinying Hou<sup>1,\*</sup>, Mingyue Tang<sup>2</sup>, Jiayi Lin<sup>3</sup>, Weibo Huang<sup>4</sup>, Jiazeng Xu<sup>5</sup>

1 Uwc Changshu China, No. 88 Kun-Cheng-Hu-Xi Road, Changshu, 215500, Jiangsu, China

2 Northland Christian School, 4363 Sylvanfield Drive Houston, TX 77014, USA

3 Nanjing Foreign Language School Xianlin Campus, Nanjing, 210046, China

4 Lake Forest Academy, 1500 West Kennedy Road, Lake Forest, Illinois, USA

5 Arrowhead Christian Academy, 105 Tennessee Street, Redlands, Ca92373, USA

\*E-mail: xyhou18@uwcchina.org

\*Corresponding Author

**ABSTRACT.** *In the era of globalization, intercultural communication becomes increasingly important for businesses to enhance their growth. However, the differences among cultures create barriers and challenges for companies to achieve success during intercultural negotiation. Thus, this paper introduces the unique business practices in China from the influence of nation-state, moral cultivation, Chinese stratagems, and cultural dimension aspects. It also examines the differences between China and the US, and it identifies various misunderstandings at the negotiation table from both verbal and non-verbal communication. Lastly, the paper provides five recommendations for American executives to prepare before negotiating with Chinese counterparts, including hiring a Chinese-to-English translator, attending trainings, inviting to a dinner, apologizing first instead of arguing, and speaking indirectly.*

**KEYWORDS:** *Negotiation, Business, Chinese, American, Misunderstanding*

## 1. Introduction

Globalization is an important process to connect people from every country together, and it also brings benefits to many aspects of life, especially to the global economy and domestic economies. Under this circumstance, many businesses are encouraged to go cross-border to enhance their economies of scale and to contribute to global economic growth. Businesses that operate internationally offer inflows of capital and cutting-edge technology to the host country, and they help attract foreign investments. However, in recent years, many business professionals and entrepreneurs fail to effectively communicate with business professionals from another country especially China. [8] There is one case from the Harvard Business Review describing that Apple CEO, Tim Cook, apologized to the Chinese people in 2013 because of Apple's lack of appropriate communications. At that time, Apple only provides short-term warranty for Chinese users, and users need to be charged when replacing the defective back cover of Apple's mobile phone. Apple failed to respond to the allegations about its warranty policy, so it led to the perception that "Apple is arrogant and doesn't care or value consumers' feedback." In the end, Apple CEO had no choice but to write an apology letter to Chinese consumers. This case implies that business professionals find that the barrier of understanding another culture makes the business deal complex, and they always send or receive messages that are inappropriate in a certain cultural context, causing misperceptions and low efficiency in the business negotiations. Intercultural business negotiation skill is lacked by many business professionals, but it is the most crucial factor that determines if people can make a successful business deal and reach a long-run consensus with the company from another culture. Thus, this paper specifically investigates the possible misunderstandings in business negotiations between the Chinese and the Americans, analyses the why misunderstandings are caused, and provides solutions to address them.

## 2. The Unique Practices in Chinese Business Culture

The first research question looks into the unique practices in China from the influence of nation-state, moral cultivation, Chinese stratagems, and cultural dimensions.

### ***2.1 The Influence of Nation-State***

Since China is a socialist country, the government sometimes intervenes the market activities and plays an important role in guiding the future directions for development. Under this circumstance, the government's policies sometimes determine the conditions and the contexts of the negotiations in China. Thus, most Chinese business professionals closely follow the government's guidelines and develop the industries towards the direction that the government encompasses.

### ***2.2 Moral Cultivation***

In China, Confucianism-a form of moral ethic-is highly valued in such a high-context society. It emphasizes the interpersonal relationships and conducts such as the relationships between ruler and subject, elder people and young people, and between husband and wife. These relationships are essentially hierarchical and family-centered. Also, Confucianism stresses the importance of family and group orientation. In Chinese culture, family is the most basic and inevitable social unit. [6] Confucian philosophy sees a direct transition from family to a whole state or country which is another evidence bolstering the significance of "family" in Chinese people's mind.

### ***2.3 Chinese Stratagems***

Chinese stratagems provide insightful ways to reach a goal, including gift-giving, intermediary, etc. During this process, however, any method involved takes the harmony in the negotiation as the primary concern. This is because Once a famous philosopher, namely Xun Zi, who lived in the Warring States Period said, that all things under the will flourish when harmony prevails. This quote highlights pretty well the importance of harmony in the lives of Chinese. Already in ancient China people lived together in groups and relied on each other. In order to live together peacefully, a strong need to communicate well was needed. [12] Therefore, harmony, which is defined as a situation of peace, happiness and agreement, played a major role in the earlier days. The importance of communication in this context is shown by the believe that total harmony can only be achieved through finding the right balance in communication.

### ***2.4 Cultural Dimensions***

Chinese has been classified as a high context culture, so few words can mean a lot in the Chinese business contexts. [1] Furthermore, it tends to encourage collectivism rather than individualism. The group's or the organization's interests are always more important than the individuals' interests, and this philosophy can be applied to business contexts as well, suggesting that most entrepreneurs expect the employees to take the whole company's benefits (instead of personal developments) as their prior consideration.

## **3. The Differences between Chinese Business Culture and American Business Culture and the Misunderstandings Caused by Them during the Negotiations.**

The second research question explored the differences between Chinese business practices and American business practices and how these differences might cause misunderstandings for American executives.

### ***3.1 Misunderstandings from Verbal Communication***

#### ***3.1.1 Indirect and Direct Communication Style***

Chinese tend to communicate indirectly and are hesitant to use the term "no" as it demonstrates that the general partnership may be at danger instead of only a question. The Chinese convey "no" by various phrases and body language, movements, silence and postponement. The purpose of a Chinese speaker is ultimately to stay respectful and to save the face of those concerned. This implies that an individual can refuse to address a particular question rather than clearly state it, but can couch a statement using ambiguous words such as "maybe," or change the topic

entirely. [9] As such, Chinese business professionals may “lie” to Americans to avoid producing disagreement. Sometimes Chinese business people say “yes”, but they might actually mean “no”. The Chinese speaker expects his counterpart to focus on these subtleties and thus respond neither in confrontation nor further pursue the issue.

On the other hand, as mentioned in the previous section, American business professional are more likely to express everything in a direct way. [7] Candor, honesty, and belligerence are usually employed to describe American style of getting a business deal done while holding an advantage over their counterparts in business negotiations. The phrases “getting to the point,” and “getting the job done” are always the representatives of the American business culture which highly values individualism. [10] From Americans’ perspective, straightforwardness and bluntness can demonstrate a person’s competitiveness, assurance, and efficiency. Thus, in many companies, employees will directly talk to their superior and express their opinions if they have any doubt about the decisions made in the company, and this behavior is considered by Americans to be a method of proving a person’s critical thinking and unique individual’s values.

As a result, there will be misunderstandings occurring from the verbal communication that while Americans see arguments at the negotiation table as a normal process, this will not work in Chinese business culture. The strategies of speaking straightforwardly and openly might make Chinese business partners retreat and even kill the ongoing business deal.

### **3.1.2 Silence**

Chinese view the silence as a positive symbol in any negotiation because they think this is an express of acquiesces. Also, [5] Chinese people’s communications, pause and silence can be used to express numerous meanings, including consent, appreciation, and even respect. In many situations such as in train or plane, it is quite common to see that Chinese never talk people sitting or standing next to them if they do not know that person previously, and Chinese would rather stay alone and feel bored than trying to start a conversation with strangers. Thus, Chinese would behave the same in the business contexts. [11] When Chinese executives meet with business professionals from another culture, they will always stay in silence and wait others to speak first as they consider the ice-breaking as an embarrassing way for them to start a business negotiation with someone they are not familiar.

In contrast, [9] Americans’ attitude towards silence is negative. [13] In most situations, Americans tend to consider silence in communication as indifference, anger, shame, disgust, embarrassment, disagreement, etc. They cannot comprehend the exact meanings underlying the silence, so they would consider the meaning of silence to be adverse. In American business practices, speeches are quite important for a business professional to show his or her unique talents in a certain field. Thus, they will never stay in silence as they do not want to give up any opportunity of showing their capacities. In every negotiation, executives from the United States will try to bridge the silence by any mean so that they can ensure both sides will not feel awkward. There is an American saying “The squeaky wheel gets the grease”, which also demonstrates that silence is negative to Americans.

Consequently, the misunderstandings occur as well from the far different perspectives of silence. While the Chinese negotiators think the silence means the approval of their business deal or contract, the American negotiators view the silence as a shut down or failure of an ongoing business deal.

## **3.2 Misunderstandings from the Non-Verbal Communication**

### **3.2.1 Nontask Sounding**

In China, a collectivism society, the nontask sounding can be seen as an important element during the whole negotiation process, so this may take a long time even for several months. This means that when Chinese negotiators want to make a successful business deal, they will not directly embark on discussing the deal. [3-4] Instead, they will put effort into some relation-building activities such as home visits, parties, and dinners. During these activities, the Chinese business professionals discuss almost everything but the business deal. They believe that this is a means to test if their counterparts in other companies have the patience and the faith to make a deal with them.

However, American business professionals tend to be straight forward and quick. This is because individualism impacts Americans to express their minds freely. [2] Individualistic values also foster the norms of openness, which are achieved by straightforward behaviors. [8] According to the interviews conducted by Harvard Business Review,

many business people from the United States claim that they do not understand why they need to for so many dinners before signing the contract. In their view, these activities are not worth taking so much time, and they think that a drafted deal is more crucial than the harmony between people.

Under this circumstance, misunderstanding occurs between such collectivist culture and the individualistic culture. Chinese business professionals insist the social activities as an essential part to make a business deal while their counterparts in the United States tend to regard these activities as a waste of energy and will suspect if the Chinese truly want to make the deal.

### **3.2.2 Trust Building**

Trust is usually fundamental and essential to connect business people together and to achieve the genuine success of a business deal. [4] According to the interviews conducted by the Harvard Business Review, one business professional from the United States said, “We operate under the principle that everyone can be trusted until proven otherwise.” Nevertheless, although American business professionals usually think people can be trusted from the beginning, they still have their means to test this assumption. [8] It is proven that the executives from the United States are more likely to trust those business people who are open and give much information at the negotiation table. Besides, American executives tend to differentiate personal relationship and business because they think being nice people does not mean that he or she can be a good business partner.

On the other hand, from the Chinese point of view, the first step to bridge a business deal with business professionals from another country is to know that person because high-context culture usually pays much attention on the personal credibility and moral values. [4] Chinese entrepreneurs believe that people with bad personal reputation is not deserved to be trusted. In addition, the Chinese also contain suspicions towards the business people who talk too much during the first negotiation, and this is because Chinese executives think those people will say things that they actually cannot achieve.

Therefore, the different perspectives on trustiness create misperceptions and distrust at the negotiation table between the business professionals from China and those from the United States, which produce obstacles for them to continue to cooperate.

## **4. Conclusion**

Intercultural communication becomes increasingly crucial in the business field and is the most important indicator to determine whether the negotiators from different cultures can make a business deal. The influence of nation-state, moral cultivation, Chinese stratagems, and cultural dimensions are the four elements that form the unique business practices in China. At the negotiation table, there will be both verbal and non-verbal communication between the American side and the Chinese side. Due to the differences between Chinese culture and American culture, various misunderstandings will occur during the intercultural negotiation. This paper identifies the misunderstandings occurred from the indirect and direct speaking style, silence, the nontask sounding, and the trust-building. Despite the ones explained in the paper, more research is needed to identify other potential misunderstandings.

## **5. Recommendations**

The following are recommendations directed toward U.S. executives preparing to negotiate in China:

*(1) Hire a Chinese-to English interpreter to facilitate understanding of different languages during the negotiation session.* This can help American executives to comprehend the exact messages that are expressed by the Chinese counterparts, which is essential for eliminating the potential misperceptions.

*(2) Attend a training of Chinese culture prior to the negotiation sessions, including giving several gifts to Chinese counterparts' families.* This echoes the importance of family in Chinese culture as stated above, and thus helps American executives to create a negotiation environment that Chinese people are comfortable with.

(3) *Invite Chinese business professionals to a dinner ahead of the negotiation.* This can help executives from the United States to bridge personal connections and trust with their Chinese counterparts, which can also help both sides to clarify their expectations of this business deal.

(4) *Apologize first instead of arguing if there is a serious conflict.* This is because a statement of regret can be a method to make Chinese business negotiators not lose their faces, and it can help Americans show their sincerity towards making the deal with Chinese counterparts.

(5) *Speak bluntly and avoid being too straightforward at the negotiation table.* This will help maintain harmony in the negotiation meetings, which is an essential element for Chinese negotiators to continue the business deal.

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