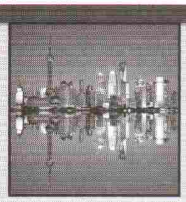

CHAPTER CASE

Cross-Cultural Negotiation: Americans Negotiating a Contract in China

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This comprehensive fictitious case covers the essential aspects and facets of a cross-cultural negotiation, in this case between an American and a Chinese company. The difficulties, problems, and misunderstandings both sides are facing are particularly stressed. In addition, the case's unique contribution is in presenting cross-cultural negotiation from both perspectives, the American and the Chinese. The presentation of both perspectives is structured in the same way, facilitating a direct comparison. This multi-perspective approach is rather distinctive in so far as cross-cultural negotiation tends to be regarded in most texts of Western origin exclusively from the angle of the Western side. However, it is only through a better understanding of the respective "other" party that performance in cross-cultural negotiation can be significantly improved.

In order to facilitate group work, the various aspects covered in this case are clearly divided into various sections. This allows the class to be split up into different groups, which can each discuss specific sections in more detail and subsequently present their results to the entire class.

The case should be useful in all courses that cover cross-cultural negotiation, that is mainly in Management Across Cultures and International Business courses. The case has been written primarily for business students at the MBA level and for participants in executive education programs. However, students in advanced undergraduate classes should also benefit substantially from this case.

Introduction

Mr. Jones: I had just come back to our headquarters in Alabama from two months of negotiations in Shanghai. We hoped to set up a Joint Venture (JV) with a Chinese state-owned vehicle component company. It was our intention to outsource some of our production to China to reduce our costs. When I was assigned to lead our negotiation team, I realized this could substantially boost my career and I was determined to bring these negotiations to a successful end.

Of course I was aware of the fact that the Chinese are known for being tough negotiators, but so what I thought, we Americans are certainly tough as well when it comes to business. And I was probably chosen because I have a reputation for my no-nonsense, straightforward, and sometimes even aggressive way of negotiating. What I had subsequently to discover however was that the Chinese are not tough, which would have been fine with me, they just don't know how business is done these days and they just try to cheat and play unfair games wherever possible. They still have a lot to learn if they want to be successful on the world markets. Anyway, we decided to pull out of the negotiations. You just can't trust them.

Mr. Wang: We were negotiating over the last two months with a major vehicle component company from Alabama, USA. We hoped to set up a JV which would have allowed us to improve substantially our technological knowledge base. Of course we knew about Americans always being direct to the point of rudeness and indeed we had to put up with a lot of just uncivilized behavior. Anyway, we did our best to build up a long-term relationship. And after many difficulties we were almost there, but then the Americans lost their nerve and pulled out. You just can't trust them.

Preparing for the Negotiations

Mr. Jones: Before flying over to Shanghai we did our homework very thoroughly. We made inquiries about the Chinese company and had a pretty good picture about their production facilities, product quality, and their amazingly low production costs. We thought about each little detail and knew exactly what specific information we needed. So, all that we wanted from our Chinese counterparts at the start of the negotiations were specific answers to specific questions and once we had all the missing numbers we could have simply put them into our equations and come up with a proposal which would be fair for both sides.

I stress fairness because successful negotiations are essentially a positive sum game. You learn that in every MBA program. We should all know each other's interests and viewpoints and as adults we should be able after some tough negotiations to come to a mutually satisfactory solution. All that it takes is a little bit of trust, openness, frankness, and transparency. But, as it turns out, these are terms which apparently don't exist in Chinese.

Mr. Wang: Before the Americans came over we had done our homework very thoroughly. We made inquiries about the American company and had a pretty good picture about their overall business philosophy, their corporate culture, the people running the company, and their sophisticated production technology from which we could learn much. We were keen to get to know them and hoped to enter a long-term partnership built on mutual trust. We prepared their arrival carefully, arranging meetings with everyone whom they should meet. Business is in the end about people and for people to get to know each other it takes time and we were willing to invest this time. But as it turns out, Americans don't care for people and trust, all they care about is the bottom line.

Upon Arrival

Mr. Jones: Upon arrival we were very impressed and positively surprised by the reception we received. A delegation was waiting for us already at Pudong Airport and once we arrived at the company's headquarters a huge banner across the gate was put up to welcome us. In the consecutive days, we had many meetings, not just with people from the Chinese company but even with local government officials. So, we felt greatly honored. And in the evenings we had one banquet after the other.

While appreciating the hospitality of our hosts, we were kept completely ignorant about the schedule and agenda: we had no idea what we would be doing the next day, whom we were going to meet and talk to, or even when the official negotiation would start. And we became increasingly impatient, also because my boss back home called me every day to find out where we were with the negotiations and every time I had to tell him that we hadn't even started yet.

Then we noticed that during all this friendly chit-chat with our hosts, they dropped from time to time and in seemingly casual ways questions about our business plan. In order to maintain the good atmosphere we were quite willing to answer openly. But whenever we asked questions the topic quickly changed again to the quality of Chinese food or the "long-established" friendship between China and America.

Mr. Wang: In order to show our guests how much we valued their visit, we invested a lot of time and effort to make them feel welcome. We took them out to lavish dinners, organized meetings with government and party officials, so that they could report home that they were treated with great honor. Being introduced to people with high rank and influence increases your own status and opens doors and what matters more than status and access to important people?

In their ignorance and short-sightedness, all they could think of was their business presentation and kept asking when we would start the negotiations, and even got quite annoyed by some changes of agenda, without any understanding that sometimes we ourselves didn't have the detailed schedule either. This was decided by our bosses. By openly showing their annoyance and asking us questions about the agenda we didn't know the answers to, they made us lose face. How rude!

And what was this talk about when to start negotiations? As far as we were concerned the negotiations started with the first handshake. By the time we formally sat down for formal discussions we had already learned a lot about them and their actual intentions. But for the Americans only facts and figures presented in formal presentations or written down in documents seem to count. And if they felt increasingly under time pressure, which they naively even openly admitted, well that's part of the game.

General Principles

Mr. Jones: Fortunately, after more than a week the first real business meeting was scheduled. It was with the CEO, Mr. Chen, of the company. He is of a much higher rank and may be twenty years older than I am so I rehearsed my entire presentation carefully, in order not to make any mistakes. But then again, the whole meeting didn't touch upon any material content of our contract, instead we wasted time discussing the history of Chinese civilization and the promising business environment in China.

Finally the CEO stressed the important purpose of this meeting was to reach an agreement upon the general principles between both partners. And when I tried to raise some detailed issues, Mr. Chen just laughed and referred to Chairman Mao's meeting

with U.S. Secretary of State, Henry Kissinger. At Kissinger's mere mention of political issues, Chairman Mao stopped him in courtesy, saying "You can talk about any detail with Prime Minister Zhou later on, but with me only about general principles."

I didn't quite understand what this talk of "general principles" was all about, but I just went along. So, Mr. Chen highlighted the importance of mutual understanding, good-will, trust, a long-term relationship, the importance for the Chinese side to learn from us technological know-how, and so on and so forth. I said yes to everything, but also mentioned our interests. Later on a communiqué was even drafted. I noticed that our interests were hardly mentioned, but in the interest of keeping a good atmosphere I was happy to sign the document, after all it was just a legally non-binding statement of some intentions.

As I found out later, that was a huge mistake. Much later on in our negotiation of concrete details, whenever we refused to make any more concessions, the Chinese would refer to these general principles, pointing out our failure to understand the spirit of those general principles which were clearly spelled out and warned us not to jeopardize our mutual understanding. How they managed to build up the connection between every detail of the contract and these non-binding wishy-washy general principles was just far beyond any of us.

Mr. Wang: After one week we invited Mr. Jones and his delegation to see our CEO, Mr. Chen. We were not overly impressed that the American CEO did not fly over for this meeting. After all this was the meeting where the "general principles" for the JV were to be agreed upon: the most important part of the negotiations. This was for us a sign of disrespect and insincerity, but in order not to spoil the atmosphere we didn't mention it at all.

Apparently, Mr. Jones yet again failed to understand the importance of this meeting and foolishly agreed to everything we suggested. And when he refused to make concessions later on in the negotiations and we referred back to what he himself agreed upon when discussing the "general principles," he made it clear to us that he didn't care much about them. But these mutually approved principles constituted the foundation of our entire cooperation. How can you trust someone who ignores general principles which are based on trust? All that mattered for the Americans were the details of the actual contract. Only those with bad intentions hide behind paragraphs of some contract.

Patience

Mr. Jones: When it finally came down to negotiating the details of our contract, it appeared that our Chinese counterparts always controlled the pace of the negotiations, using delays very purposefully to put us under pressure. The Chinese never missed any chance to ask for concessions, and it seems the only thing they're willing to sacrifice is time. Whenever we thought we had made some progress, the Chinese had to double-check with their superiors and even government and party officials and that could take forever. And when we asked to resume the talks, they replied that consistent with the general principles of "mutual understanding," we should make more efforts to understand the slowness of Chinese bureaucracy.

However, whenever we had to get advice from our headquarters back in the States and the response took a bit longer than foreseen, then this was unacceptable to the Chinese. They thought that, as we were from such an efficient and advanced capitalist country, there could be no other reason for delays than some malice intentions. So much for the principle of mutual understanding!

Mr. Wang: We actually felt quite annoyed and almost insulted by the insistence of the Americans on discussing specific details, coming to an agreement, and moving on. What is the point of hurrying and discussing some details of a contract if you haven't even got to know the people well with whom you will actually have to implement the contract. That matters much more than some details which would need to be adapted over time anyway, because things just develop and change. And how can you adapt if there is no mutual understanding?

Also we can't just take decisions at the negotiating table, as we often need approval, not only from our superiors but also from certain government agencies and this takes time. Of course we can't always admit to this openly, it makes us lose face, but they should have understood that negotiating teams in China don't have the autonomy Americans have. Decisions in Chinese companies are often taken by people in the background.

Friendship, Trust, Harmony, and Contracts

Mr. Jones: One thing we felt really strange about was the constant insistence on friendship and long-term trust relationships between the two sides throughout the negotiation process. Whenever the Chinese "offered" something we considered as a matter of course anyway, they made a big story out of it,

implying that it was only because of our friendship that they "offered" us this "favor." And whenever they wanted something we considered as out of question they tried to pressure us with the hint that refusing would endanger our friendship. As far as I am concerned, I never considered these Chinese (or for that matter any other persons I ever negotiated with) as friends. We have common interests to start negotiations, during the negotiations themselves we certainly have more opposite interests and to sort this out is a question of professionalism, not of friendship.

Another of their constantly repeated buzzwords is harmony. In the beginning we were always very polite, soft spoken, and even tolerated some attempts from the Chinese side to take advantage of us. But the more we gave them, the more they wanted and so we became increasingly direct in communicating where our limits were. And at times that included some outburst and door slamming. But the next day it was all forgotten and we moved on.

With all their talk about trust, one thing the Chinese never seemed to fully trust was what has been written in a contract. They constantly asked to whom they should turn if something went wrong. But if "something went wrong," that can only mean that one of the two parties broke the contract, and that should be solved by required legal procedure. But the Chinese insisted on adding some clauses about arbitration through a third party into the contract, again with the emphasis on mutual understanding and trust. But how can you trust someone who apparently already thinks about breaking the contract before it is actually signed?

Mr. Wang: We Chinese do business on the basis of personal relationships, friendship, and trust and not on the basis of some written document. We give ourselves a long time before doing business with someone, but once we believe we can enter a business relationship, then we stick to it and we would never give it up, only because, say, someone would offer us for some deal a better price.

Although it didn't seem at all a problem for the Americans, they behaved at times quite rudely. Even if you don't agree with the other side, you should always control your anger and maintain harmony. How can the Americans still get along when they just had a furious argument the day before? To keep harmony is our way to express intention to build up long-term relationship. We wouldn't mind taking more time and patience when problem arises, so long as both sides remain calm and discuss in a peaceful way. However, the Americans only cared for speed in the negotiation.

Then the Americans who were always so interested in the specifics of the contract, were very reluctant to introduce arbitration clauses in case some changes occur which need to be taken into consideration. They said: "If something goes wrong, we have to go to court." How can you trust someone who wants to sue you if a problem comes up? If you really are interested in a long-term business relationship, no contract in the world can foresee all eventualities. It's like a marriage. Its success is based on trust, not on a contract.

Guanxi

Mr. Jones: If one thing is known to Westerners about Chinese business culture it is the concept of *guanxi.* Of course all over the world connections and networks do matter in business, but the Chinese take it to an extreme and apply it to virtually every aspect in society. In order to get planning permission for the plant we intended to build, our Chinese partner encouraged us to take the senior officials of the local planning approval commission out for a luxurious dinner. Building up good connections might shorten the application process from several months to just a couple of weeks. However, what our Chinese business partners labeled as building up connections sounded to us very much like corruption. It is our company's strict policy not to engage in any kind of such activities, no matter where in the world.

Apparently, also the recruitment and promotion policy of our Chinese business partner was mainly determined by *guanxi.* Sons and daughters of business partners and influential bureaucrats clearly received preferential treatment. Once engaged in the JV we would have had to make an end to all that to make sure that only the best candidates got recruited or promoted. What a mess, to clean all this up!

Mr. Wang: As always the Americans only thought about business in terms of abstract concepts. We don't dispute the validity of these concepts, but we take a more holistic approach and don't forget that business is done in the end by people, and people have to get along with each other. Everything comes down to give and take and what matters is that in the end there is a balance between the favors you receive and do. We like to do someone a favor, as we know the person will feel morally obliged to return the favor at one point. Therefore we also like to repay a favor as soon as possible, so that we don't feel indebted anymore.

Moral obligations are much smoother, flexible, and adaptable than contractual obligations. We don't like

to sue each other, which seems to be a national sport in the United States. If you go to court, all parties involved lose face. And a system which is built on moral obligations can only work if a high degree of ethical standards are observed. That is why we get so upset, if the Americans equal *guanxi* with corruption. I freely admit that we have the problem of corruption in China, but this is because of the abuse of power by bureaucrats, not because of the importance we attach to mutual obligations, which goes back to Confucius. Why do you think overseas Chinese are so successful in so many countries? It is because of trust and sense for obligation, in short because of *guanxi.*

America might be at the moment the most powerful country in the world, but their values are not as universal as they might think. And our American business partners, with their usual combination of arrogance and ignorance, did not follow our advice to build up *guanxi* with the planning commission and I am sure they would still be waiting today for approval.

Overseas Chinese

Mr. Jones: Considering the difficulty we anticipated to have in communicating with our Chinese counterparts, we had a fellow in our negotiation team who was of Chinese origin. We thought that his fluency in Chinese and his deeper understanding of the Chinese way of doing things would be useful. And indeed, we benefited greatly from his accurate interpretation and prediction of responses from the Chinese. Even though both sides had professional interpreters, his role was appreciated also by the Chinese, as he was able to better interpret conflicting standpoints and mediate between both sides.

However, it didn't take long before we ran into problems. Whenever there was some dispute over the contract details, our Chinese counterparts began to pressure him to sort out things in their favor. Never mind that he was born in the United States, was an American citizen and was working for an American company, they just saw him as one of theirs and couldn't grasp that he represented the other side. This was not China against America, this was a negotiation between two companies and he was an employee of our company, so what did they expect? It's completely ridiculous that the Chinese felt entitled to ask so much from him just because he was of Chinese origin.

Mr. Wang: There was this U.S.-born Chinese guy on the American negotiation team, and we interpreted his presence as a sign of sincerity and goodwill on the part of the Americans and their wish to establish a good relationship with us. Finally someone who would appreciate how business is done here. So we focused on trying to make him understand our position. But instead of acting like a bridge between the two sides, he showed no sympathy whatsoever for us. He was coming from rich America and should have had more consideration for our situation. And when he overheard us discussing in Chinese, he must have passed on what he heard to his bosses. So, the man we thought of as a friend was nothing but a spy. Not exactly the right way to establish trust.

Honesty

Mr. Jones: Our Chinese partners constantly stressed the values of trust and harmony in business. But how can you expect to be trusted if you are not completely honest. And the Chinese were the masters of deception and game play. Of course no one puts his cards on the table, but there is a difference between holding back some crucial information and telling stories which are not true. Overall we were quite frank with what we wished to see to come out of the negotiation, because we were convinced we were in a win-win situation and we wanted to build up trust. But we didn't get anything back for our honesty. In the end I think they considered our honesty as a weakness.

Mr. Wang: Life in society would not be possible without honesty. You should never lie to your parents, relatives, or close friends. But in a business negotiation you have to act strategically. To our great surprise, the Americans turned out unbelievably naïve with being overly honest. With all their money and technological know-how they might think they can afford to be completely honest, but if you start out at the weaker end, one needs to compensate for this by being cleverer. At one point the American negotiation leader even called us dishonest. What an insult! Only because we were cleverer by not revealing everything, we are not dishonest. And what the Americans mistook for honesty and frankness was often nothing but impolite and rude behavior.

Face/Shame

Mr. Jones: The Chinese concept of "saving face" soon began driving us mad. In a business negotiation you have to think logically, you need to be objective and look at the facts. In the interest of the project

you have to be able to criticize and accept criticism. Once we were discussing the optimal way of setting up machines in the factory. It was a purely technical detail. The head of the Chinese negotiation team, Mr. Wang, made a proposal which simply didn't make sense. We had it all figured out and based on our calculations. I calmly but firmly explained to him that what he suggested was simply nonsense. He became angry and left the meeting. What is this? First not getting the math right and then getting upset? If we hadn't picked up on this, we could have incurred lots of costs which would have been of no interest to anyone. I might have been more diplomatic, but I wasn't putting him down, I only made my point.

Still, I apologized later on and he replied I shouldn't worry, there was no problem. But the following day when I just confused two figures, he corrected me like a teacher would a schoolboy, looking triumphantly to his team. Apparently, he tried to regain face by shaming me. What childish behavior! What we never could quite comprehend when communicating with the Chinese is how much they care about the formal way of communication, instead of its actual content. No problem to tell a blunt lie, if you only do it with a polite smile!

Mr. Wang: Being completely fixated on profits and efficiency, our American counterparts showed no respect to people. Once I made a point which was probably not well thought through. It was just a detail, no reason fighting over. But instead of just leaving it for the moment and telling me later on, Mr. Jones lectured me for 10 minutes about why I was wrong, thus causing me embarrassment in front of my entire team. I think he was not even aware of the fact that I lost face, but that is even worse: the Americans always seem to think that their way of behavior represents the universal standard and everything else are just folkloristic oddities which should be abandoned for the sake of the only right (American) way. And in addition, Mr. Jones is 10 years younger than I am. How dare he treat me with so little respect!

Haggling

Mr. Jones: What amazed us quite a lot was the fact that the Chinese adopt exactly the same strategy in business negotiation as in shopping on the street market. The seller demands an unreasonably high price, followed by some intense haggling which usually ends at around half of the initial asking price. In the end, both parties feel happy, even though they could have settled for half the price right away without wasting all the time on fierce negotiation. It took us quite a while to realize what satisfaction the Chinese take from asking and receiving concessions. The bargaining ability is something the Chinese take pride in, and they enjoy practicing it no matter if it is for obtaining better conditions in a multi-million contract or for getting cheaper vegetables for dinner. At each item on the agenda, our Chinese counterparts started out with some totally unacceptable conditions, waited for our counter-offer, which was much closer to a realistic solution, and then continued asking us for concessions with an unbearable patience.

Before coming to China an expert on Chinese business suggested to me to read *The Art of War,* written by Sun Tzu more than 2000 years ago. At that point I laughed at this advice, but it turned out I should have taken it more seriously, as the Chinese themselves interpret negotiation as psychological warfare and use the war metaphor quite frequently when talking about negotiations. Chinese just don't understand the concept of a positive sum game. They only think in terms of losing or winning. How can you enter a JV if you are always perceived as the rival and not as the partner?

Mr. Wang: We are surprised how little negotiation skills the Americans had. They always were so upfront with their real intentions that we could easily get concessions when we pushed the right buttons. And we could read from the expressions on their faces like an open book. I thought the Americans were so good at poker, but apparently not. In negotiation you should never reveal what you think.

Also, the Americans reacted always so nervously if there was a delay in the negotiation. Whenever we agreed on something important we told them we needed approval from our superiors which was also often the case. We just don't have the decision-making authority the Americans are used to. Anyway, as they often reacted so impatiently, we delayed sometimes the process on purpose. And in particular when they became irrationally agitated and furious we always got the concession we wanted.

Skillful negotiation is about ascertaining the genuine intention of the other side, and preparing responding strategies so as to reap the most benefits from the final result. This is what real negotiation encompasses, which is far more than "haggling" as the Americans refer to our tactics. Of course, for a long-term partnership both sides need to be satisfied, but it is always good to be a little more satisfied than the other side.

Strategic Behavior

Mr. Jones: Negotiating with the Chinese feels almost like walking in complete darkness—you never know what their next move will be, you can't even figure out whether they are content with your proposal or not. Always seemingly modest and courteous, we never knew what they were thinking. Whenever we suggested something and explained in detail why this should be good for both sides, they never contradicted, always nodded, frequently said "yes," but in the end, they often just ignored what we just laid out or said they needed to refer this to their superiors and come back to us, which they never did.

And every time they pushed us for another concession, they started by emphasizing the importance of looking at the long-term benefits, as if we were just myopic and unwise not to agree with the conditions more favorable to them. And when asked what these long-term benefits would be, they usually vaguely described them as the possibility of much more lucrative contracts in the "near future." Whatever that means.

Mr. Wang: One of the most crucial criteria in our society to judge a person's social status and social skills is the ability to control one's own emotions. The more someone plainly shows satisfaction or irritation, the more people will regard this person as shallow, undignified, and inexperienced. Americans with their noisy directness and openness will never understand this. This has put us into an advantageous position, as we always knew where we were with them, but they had no clue about our position. As a result, they also felt less and less confident and more willing to compromise.

Americans like to feel dominant. They like to talk a lot and explain this and that. So we let them talk, we listen and nod encouragingly. The more you listen the more you learn, but the more you talk the more you reveal your position. At the end of a negotiation day, our American friends were happy, because they felt they were in charge and we were happy because we understood their intentions better.

What Means "Yes" and "No"

Mr. Jones: What frustrated us most was the fact the Chinese negotiators were never prepared to give a definitive answer, everything remained "subject to approval" of their superiors. And even if we got what we thought was a definite agreement, the Chinese were not the slightest embarrassed to reopen a subject we thought to have settled. So, a "yes" could mean anything, including "no."

While we often got a "yes" without knowing what it meant, we never got a clear "no." Only after a while we understood that phrases such as "it's possible, so long as ..." or "this would be very difficult" were equivalent to "forget it." In short, you never knew what was going on. When we said "yes" we meant it and they could count on it. And also when we said "no," we meant it as well, but the Chinese never took "no" for an answer. Sometimes I felt like I was in a kindergarten!

Mr. Wang: Reality is just too complex for simple "yes" or "no" answers. Everything depends on everything else and everything is in flow, so what matters is the overall picture. The Americans are always so proud of their analytical approach. But to "analyze," means to "take apart" and you simply can't just tear things apart and treat them as independent from each other. This is for us a sign of an immature view of the complexities of reality. We don't analyze reality, we take a holistic view, in order to comprehend the totality of the problem. Therefore, we could never comprehend how upset the Americans became when we asked to revise a certain point. Negotiations are a circular and iterative process, not a linear and sequential one!

Chinese Lack of Technological Know-How

Mr. Jones: Another point we were never able to comprehend was the following: Often we detected a certain feeling of cultural superiority with the Chinese who appeared to look down on us. But then, at times, they fully surprised us by putting themselves down to the verge of self-humiliation. This was specifically the case when the negotiation touched upon technology and R&D. Here the Chinese openly admitted how backwards their technological standards were, which was all due to foolish Chinese politics in the past. Now they had to catch up and so our Chinese partners expressed straightforwardly their admiration for our advanced technology and their willingness to "learn from the Americans," pleading for our help. Deeply impressed by the Chinese ambitions, we felt it, to certain extent, as our moral duty to contribute with our technology to the development of this amazing country.

However, things soon went completely wrong when, after exploring the possibilities of our cooperation on the technology level, we moved on to the estimated costs of R&D, licensing fees, and others. What shocked us was that the Chinese refused to even

consider paying for anything, and said they were truly disappointed at our intention to charge them for our technological know-how which was in clear opposition to the spirit of trust and good relations. They argued that it wouldn't cost us anything to just provide them with the know-how, as we already had the technology. Besides we are from a rich company and a rich country, while they were from a poor state-owned company in a still-developing country. The fact that we had spent hundreds of millions of dollars on R&D and that our company is fiercely competing with other big corporations on the world market and that we have to act in the best interest of our shareholders and can therefore not just give away technology for free was incomprehensible to our Chinese partners.

I think they somehow still had this notion in the back of their mind that for centuries foreigners traveled from all parts of the world to China, bringing with them their knowledge and goods which they freely offered as tribute and sign of respect to the Chinese who perceived themselves as the only real civilization on earth and the center of the world. Well, not with us!

Mr. Wang: We were deeply disappointed with the Americans' attitude about passing on technological know-how. We very much admire the American ingenuity to develop new products and we were eager to learn from them. But they apparently only wanted to engage in the JV to use cheap Chinese labor. And when we discussed technology transfer and expressed our interest in learning from them, they asked for outrageously high fees which we would never have been able to pay. We are from a still poor country and the Americans shouldn't try to take advantage of this and exploit us. I think they were acting very selfishly and immorally.

Criticism

Mr. Jones: The Chinese never accepted any constructive criticism, however well intended. I admit, we Americans might be more direct than the Chinese and this might cause some friction, but why is it that we always have to adapt to them?

Mr. Wang: We were just tired of the Americans lecturing us all the time. They kept making critical comments about everything, about our interpreter who had a strong accent which made it difficult to understand him, about people in the streets who seldom obey traffic rules, about air pollution in the cities, and so on. At one point they even touched upon sensitive issues such as democracy, human rights, and Taiwan. How dare they mingle into our internal affairs? That's none of their business.

Conclusion

Mr. Jones: Despite all the obstacles and everything we had to put up with, we were almost there! We had gone through all points and agreed with much difficulty on each item. The day for the formal signature of the contract was set and our CEO planned to fly in for this event. We were all enthusiastic to finally go back home. At this point the Chinese negotiation leader came to us, apologized to us and said that some "little points" still had to be revisited on the request of his superiors. And it turned out that these "little points" were absolutely fundamental and purely unacceptable to us. I was absolutely furious and called him a dishonest game player. He realized that he might have gone too far, but it was too late. I told him that the deal was off. The next day we flew home. With people who behave in this way one can't do any business.

Mr. Wang: For us Chinese a negotiation starts with the first handshake and hasn't finished until the contract is signed. But the Americans seemed to be all content to have gone through their checklist with all their little items and only thought about going home. For us, however, it makes sense to leave everything open to further possible adjustment up to the very final stage, so that we can always re-consider earlier agreements. We can't just say "yes" or "no" to a little issue and then move on until you reached the end of the agenda. This is just a sign of naivety and immaturity.

And of course it is standard tactical negotiation behavior to try to score some final points at the very end, taking advantage of the tiredness of your negotiation partners. One of the advantages to negotiate on your home turf is that at the end the others are eager to return home and often willing to make some last minute concessions. Of course I didn't expect the Americans to fully agree to my proposals, but just a little concession would have been sufficient. They are rich enough to make one more compromise and I would have been regarded by my superiors as a clever negotiator to obtain some last minute concessions. Mr. Jones should have known that. But instead, he became all angry, shouted at me, and thus completely lost face. It is very unfortunate, but even in the future we cannot take up the negotiations again. With people who behave in this way one can't do any business.

CASE DISCUSSION QUESTIONS

1. What are the different approaches both parties take toward business negotiations?
2. What are the mistakes both parties have committed in this cross-cultural negotiation process, and what should they have done better?
3. What are the key characteristics of a successful cross-cultural negotiator?
4. How could both sides have prepared better to anticipate the problems faced in the negotiation?

CASE CREDIT

This case was written by Markus Pudelko, now Professor of International Business at Tübingen University, with assistance from Brian Stewart, former diplomat in China and from 1981 to 1998 adviser to American and British companies entering the Chinese market; from Sally Stewart, former Head of Department of Management at the University of Hong Kong; and from Xunyi Xu, student of Economics at Fudan University.