

Original Paper

The Growing Diversity of Chinese Negotiators during International Negotiations and Updated Negotiation Strategies

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Abstract

This article aims to extend the notion of successful international negotiations beyond just recognizing personal and national information of the negotiators. We argue that in aggregate, international educational and life experiences of the negotiators abroad from their native/home country bring in different perspectives in the negotiation process. Thus, formulating negotiation plans targeting this specific aspect of negotiators' profile would enlarge the probability of reaching an agreement among different parties. We particularly use the population of Chinese negotiators who have been educated abroad and/or lived abroad for an extensive length of time to illustrate our proposed mechanism of more successful negotiation process.

Keywords

Chinese Overseas Returnees Negotiators, international negotiations, negotiation strategy

1. Introduction

Tinsley et al. (1999) suggests a dual lens approach, arguing that international negotiators should pay attention to both individual level and aggregate level differences among negotiators. In contrast to Fisher et al. (1991), which claims that only individual level differences matter in the negotiation process and one should discard societal/environmental level information. Both of these articles classify individual level information as objectives pertaining to the negotiator/manager's personal goal in reaching an agreement through negotiation. However, neither of them have considered a negotiator's personal experience in the broad context of different cultural exposure. For example, one of the negotiators is a multinational company's CEO who was born in her home country, raised and educated in a different country, and had early career in another country. Her exposure to various customs and aggregate level information would bring a very different perspective to the negotiation table.

Thus, this article extends beyond the aforementioned ideas in that we claim not only individual and national differences matter, personal experience commingled with different national exposure either through education and/or other life experiences is another important factor that negotiators should consider during the negotiation process. In particular, we focus on the context of international negotiation with at least one Chinese negotiator/entity that has a more vibrant background as mentioned earlier. We intend to focus on this setting primarily because in the recent decade, hundreds of thousands of Chinese individuals who have sought education abroad come back to China to engage in business activities. Their presence and active engagement have profoundly shifted the typical negotiation “protocol” or more accurately, stereotype, that negotiators used to follow. We, therefore, upon analyzing such scenarios provide a few advice on updated negotiation techniques that can be useful in this setting.

2. Summary on Negotiator Profile

According to data reported by the Ministry of Education of the People’s Republic of China, more than five million Chinese students have sought education abroad from 1978 to 2017. More importantly, during this 40-year period, more than 3.1 million students or roughly 83.73% of students learning abroad have returned to China upon their graduation. In the meanwhile, according to data from the World Bank, the average GDP growth rate of China reached 9.58% in that 40-year period, one of the highest figures in the world. Although correlation does not mean causation, we argue that the two parallel upward trends between the portion of Chinese workforce having international experience and the high Chinese GDP growth rate are related (not necessarily in a causal sense).

Because of such a significant increase in the number of people with international experience, many of whom have returned to China and join the business community, in aggregate, their presence has shifted the negotiator’s profile of the general Chinese business entities during international deals. Thus, they form a group of negotiators whose characteristics cannot be simply classified as individual or national as does in Tinsley et al. (1999) and Fisher et al. (1991) respectively, but a combination of both. More specifically, their native culture bred in China and their international exposure to western culture and mindsets, combined with their individual goals pertaining to each of their personal objectives for the entity they represent determine how they would react on a negotiation table.

3. Chinese Enterprises

3.1 Chinese Nation Owned Entities

As the Chinese economy constitutes a large proportion of business entities that are state owned, it is important to recognize this during negotiations. When facing an American educated Chinese businessman who represents a state-owned entity, one needs to prepare for several aspects during the negotiation process. First and foremost, it is important to realize that state owned entities not only have business goals for profits, their bigger goal is to strengthen international trade between China as a whole and other economies in the world. Thus, focusing on such an objective would provide much clearer

leverage for the negotiators. Second, as the representative embrace both Chinese and American/western culture, one should cater the negotiation in terms of when/where/how more personally to the representative's background. For example, the negotiation setting might be more appropriate when it is more private and official as does in most of the western business settings as opposed to traditional business deal making processes on dinner table with a large group of participants. In such a scenario, one should also clearly outline whether and how the agreement of the deal would benefit not only the Chinese state owned firm but Chinese economy in general. Recognizing and targeting such specifics would greatly enhance the probability of success of reaching an agreement.

On the other hand, the Chinese representative having received education in a western country, say the U.S., would be more likely to negotiate for the entity he represents but also thinking from the other parties' perspective. In an international negotiation setting, the Chinese representative is more likely to understand the institutional and personal background of western negotiators and their objectives and less likely to misinterpret communications either because of the language barriers or cultural differences. Having the ability to understand others not only in the literal sense but also in the cultural context would provide profound advantage for the Chinese representative to bring more specific and effective negotiation terms and give him higher leverage in successfully reaching a deal.

Thus, the bilateral benefits of understanding a negotiators' personal, national background, and the intersection of both in the sense of foreign experience would smooth the negotiation process and provide better leverage for all parties involved. It can lead to higher probability of a successful negotiation that can benefit all parties as would otherwise.

3.2 Chinese Privately Owned Entities

China is a unique economy in the world that has tremendous holding of state owned businesses while encouraging and investing significantly in the emergence and success of private firms. Thus, many other economies and/or business entities in from other economies do not know that China actually encourages free market forces to a much larger extent than they would have imagined. This brings an important point of discussion in this section in that it is crucial for other negotiators to recognize if a Chinese businessman with international educational/life experience represents a private firm because his/her objective can be quite differently from a representative for a state-owned business.

In western culture, private firms ultimately care about firm profits. With government pressure and societal conscience, they might be forced to care about employee benefits, environmental awareness and social responsibility to a certain extent depending on various rules and regulations of the jurisdiction in which the entity operates. Thus, a businessman with western educational background for several years might be very aware of such values and objectives for the firm. When such a businessman represents a Chinese private firm, he might be more focused on how the deal/negotiation can benefit his firm in terms of profit maximization, shareholder value maximization, and/or long-term prospects of the firm. Thus, this particular type of negotiators might have negotiating attributes that are more aligned with those of negotiators from the western cultures. More specifically, they all intend to concentrate more on what

deals/strategies can enhance their firms' profits. Their styles are more predictable and their ultimate goal are more visible for other participating parties.

In this context, therefore, if the other negotiating parties can take into account the institutional and personal background of this Chinese businessman representing a Chinese private firm, they can tilt their negotiation strategy to emphasize on profit maximization for the Chinese firm. In turn, it can greatly increase their leverage and the probability of securing an agreement. On the other hand, the Chinese representative, having international educational experience, would be more likely to recognize business goals of the other negotiating parties, and willing to compromise on the front of mutually benefiting one another's business during the negotiation. With this kind of open-mindedness, it is more probable for the Chinese private firm negotiator to reach a deal with the other international negotiators. Thus, the delineated mechanism, if used appropriately, would further enhance the likelihood of successful deal making in the international negotiation process and multilaterally benefit all parties involved.

4. Feedback Effect of More Diverse Chinese Negotiators

In this section, we dive into the channel that China has been and still is actively developing and training more diverse groups of negotiators to better facilitate international negotiations. We propose a feedback effect channel through which Chinese entities, including the Chinese government, private firms, and non-profit organizations, etc., can improve their leverage during international trade use the help of more negotiators having traits of international experience as described in the earlier sections.

In more details, as more and more Chinese students seek education abroad and many more Chinese citizens have lived abroad for an extensive amount of time, they are exposed to and accustomed to foreign cultures and business mindsets. When they come back to China to engage in the business community, they bring these international experience onto the negotiation table as described above. In turn, they increase the number of successful deals and therefore, in a relatively strong sense, stimulate China's economy in the positive direction, as reflected by China's high and steady GDP growth. These benefits feedback into the channel where the Chinese government, business corporations and educational institutions send more people to be educated, conduct business and live abroad to obtain exposure to other languages, customs, cultures and business environments. Upon return, they redirect those experiences into shaping the new negotiation process prescribed in this article. Thus, it forms a feedback effect between having more diverse negotiation team and more successful negotiation outcomes and vice versa. This proposed mechanism can be a fundamental source of international trade between both private and state-owned entities in China with the rest of the world as easily reflected in China's trade data from the World Bank.

5. Suggested Strategies

Based on the characteristics of Chinese negotiators with solid international background described throughout this article, we propose a few suggested steps for other parties involved to enhance the probability of reaching a successful agreement.

First, negotiators need to find out who they are negotiating with. More particularly, they need to look into the background of other negotiators (the Chinese representatives) in terms of whether the Chinese negotiators possess extensive understanding of western cultures and negotiation tactics from their life experiences. Due to fast paced development of technology and the intertwined power of social network, it is rather easy to find this kind of background information for any negotiator nowadays.

Second, upon recognizing that a Chinese negotiator have international exposure, it is crucial for other parties to find out if the Chinese negotiator represent a state-owned or privately-owned entity at the negotiation table. The nature of the entity they represent would significantly alter the way they negotiate due to disparate objectives between state and privately owned firms. Thus, knowing such information would provide higher leverage to all negotiators to better contract terms to target specific goals of different types of entities. It would also improve negotiation efficiency in saving time of wandering around one another's objective and improve negotiation efficacy in higher chance of reaching an agreement.

Third, Empathy. Empathy is to put yourself in others' shoes. The premise of empathy is equality and respect, which is also one of the important principles of international business negotiations. It allows negotiators to concern about the needs of their counterparts, enhancing mutual trust, and promoting win-win outcomes. When there is a conflict between the two sides during the negotiation, they are able to think from the other side's point of view. Chinese returnee negotiators integrate the characteristics of Chinese and Western cultures. If they can put themselves in the other side's shoes, and think from the other side's perspective, they could find out the reasonable points of the other side, and then put forward suggestions and countermeasures that are acceptable to both sides and beneficial to the enterprise, the problem can be finally solved and a win-win situation can be achieved. Another advantage is that the asymmetry of information can be overcome if both parties can put themselves in the other's shoes. If one side in the negotiation puts himself in the other's shoes, the other side will reveal more information.

Fourth, Setting appropriate negotiation goals. According to the characteristics of Chinese returnee negotiators and the entities they represent, setting corresponding negotiation goals is an important step to promote the success of negotiations. The negotiation goal must be clear, and quantified and a timeline for achieving the goal must be set. Goals must also be set in accordance with the values of the negotiating party. For example, the characteristics of the returnees' dual background enable them to integrate Chinese and Western values. When setting negotiation goals, the negotiators should fully consider the characteristics, goals and values of the other side, and finally formulate negotiation goals

that can achieve their own goals. Finally, when setting a negotiation goal, it is necessary to weigh the advantages and disadvantages and take other factors into consideration.

Fifth, this strategy addresses a broader audience than just negotiators. All entities, including government agencies, state-owned firms, and private firms should monitor negotiation outcomes of the representatives they send to international negotiations. They need to analyze which type(s) of representatives/negotiators have higher rate of successfully securing deals that benefit their represented organizations. As we conjecture, Chinese negotiators with international exposure have an advantage in this front during multinational negotiation processes, all entities should encourage international exposure for their negotiators including programs like firm/organization-sponsored foreign education opportunities. If implemented, this would spiral into the positive feedback effect described in the previous section that multilaterally benefit all parties involved.

6. Conclusion

We analyze the effect of extensive exposure for other cultures and national values on a Chinese negotiator's approach in international negotiation processes. We argue that not only individual objectives and national background should be taken into account by other negotiators during the deal making process, but such multinational exposure during a Chinese negotiator's life experience should also be considered. We classify that the presence of these Chinese negotiators increase the diversity of Chinese population during international negotiation processes. We suggest a three step approach that can enhance the efficiency and effectiveness of international negotiations based on the analyzed characteristics of Chinese negotiators with international background.

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