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Diploma Thesis

Cross – Cultural differences in business negotiation process.

Case study of China, USA, Russia

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Declaration

I hereby declare that I have worked on my Diploma thesis titled "Cross – Cultural differences in business negotiation process. Case study of China, USA, Russia" solely and completely on my own and that I have marked all quotations in the text. The literature and other material I have used are mentioned in the Bibliography section of the thesis.

In Prague on 22nd March 2011   Signature..

Acknowledgment

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Mezikulturní rozdíly v procesu podnikatelského vyjednávání.

Případová studie Číny, USA, Rusko

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Summary

As the title suggests the Diploma thesis deals with the cross – cultural differences in the business negotiation process between three chosen countries: China, USA, Russia. The first, theoretical part provides the background for understanding the concept of Culture; it's main elements and how it affects business negotiation process.

The practical part comprises of analysis of two internationally recognized basic negotiation styles: American and Chinese. The comparison of them is based on ten specific elements of business negotiation style. The main conclusion will formulate the level of suitability of these negotiation styles to the Russian negotiation style.

The relevance of this analyze is obvious, since the transfer of Russian business activities across nations is growing at a rapid rate. The choice of negotiation models to compare is driven by the level of their importance on global business negotiations styles patterns.

Keywords: Culture, cross – cultural business differences, negotiation styles, China, USA, Russia, basic elements of negotiation process, comparison, suitability.

Souhrn

Jak název napovídá, diplomová práce se zabývá mezikulturními rozdíly v procesu podnikatelského vyjednávání u třech vybraných zemí: Číny, USA a Ruska. První teoretická část se zaměřuje na porozumění konceptu kultury, jejích hlavních prvků a toho, jak ovlivňuje podnikatelský vyjednávácí proces.

Praktickou část tvoří analýza dvou mezinárodně uznávaných vyjednávacích stylů: amerického a čínského. Jejich srovnání je založeno na specifických prvcích podnikatelského vyjednávání. Hlavním účelem je formulovat možnosti uplatnění těchto stylů v ruském stylu vyjednávání.

Důležitost této analýzy je zřejmá, vzhledem k rapidnímu nárůstu podnikatelských aktivit Ruska na mezinárodní úrovni. Volba srovnávaných vyjednávacích modelů vychází z jejich důležitosti v rámci globálních podnikatelských stylů vyjednávání.

Klíčová slova: Kultura, mezikulturní rozdíly v podnikání, vyjednávací styly, Čína, USA, Rusko, základní prvky vyjednávacího procesu, srovnání, adekvátnost.

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1. Introduction

Differences in negotiating styles originate from the fact that every society places different degrees of importance on —relationship development, negotiating strategies, decision-making methods, spatial and temporal orientations, contracting practices.

Different cultures use different negotiation styles, and a party's style in negotiating directly impacts the terms of the final agreement. It is important to understand the various negotiation styles and the cultural issues that influence behavior during negotiation. In preparing the contents of an international contract, there must be increased attention to differences in the languages, laws, and customs of both parties in order to make it acceptable to both parties.

Despite the advances in literature concerning international negotiation styles of USA and China there is very little information of Russian negotiation style in comparison to them. Although a growing number of Chinese and American companies have established businesses in Russia. This diploma thesis is focused on comparing of two most controversial business negotiation styles: American and Chinese. The analyzes of it will provide an important conclusion of which of this styles can be more suitable to the Russian business negotiation style.

The aim of the first, theoretical part is to outline how culture affects the business negotiation process. Communication as the part of main elements of any culture will be the key factor in analyzing any negotiation process. The notion of negotiation and how differs the styles of business negotiation will be stated as the main topic of the third chapter of this diploma thesis. Chapter four will give a sufficient and relevant outlook on the main traits of Chinese and American business negotiation style. The effective application of ten basic elements of any negotiation style will provide the deeper understanding of the differences in the negotiation process between these countries.

The practical part starting with the fifth chapter will state the investigation of the level of suitability of Chinese and American negotiation styles to Russian business style from the point of view of mentality, profitability and economic efficiency.

The fifth chapter is extremely important. I pay attention to the inquiry of data gathered from the questionnaire method, which was applied in this diploma thesis. The dilemma of how suitable each of previously mentioned styles to Russian way of doing negotiations is resolving by the amount of common points of view on the basic terms of negotiation process. I would like to come to the conclusion that Chinese and American business negotiation styles are the most controversial and mutually exclusive styles. Russian business negotiation style has much commonality with the Chinese way of doing business, primarily due to historical background (long term trade relationships), political formation (60 years of the same political regime), geographical position (sharing the boarder) and cultural understanding (being situated on 2 continents). However, it is still widlely considered as a newly formulated solitary business negotiation style. Analysis of which is imperative due to the rapid global growth of Russian business integration.

2. Objectives of thesis and methodology

The focus of this study is on cross cultural differences and their effects on the business negotiation styles of USA and China. The increasingly problematic area is that sometimes the same words in the languages may have different cultural interpretations.

Since cultural differences influence business negotiations to enormous extend I would like to examine the difference of negotiation styles of China and USA in comparison to Russia. The relevance of this analyze is obvious, since the transfer of Russian business activities across nations is growing at a rapid rate. From 2008 till today China has taken the first place in the mutual trade with Russia. From the other hand there is a long - term and complicated historical relationships between Russia and USA.

American and Chinese negotiation styles are poles apart and both are internationally recognised in business communication.The choice of negotiation models to compare is driven by the level of their importance on global business negotiations styles patterns.

First main objective will be the overview of Chinese and American negotiation styles. As a result there will be formulated 2 different models. Secondly the analyze and comparison of 2 models of business negotiations from the point of view of specified criteria will be provided. The last objective will be the investigation of the level of suitability of Chinese and American negotiation styles to Russian business style from the point of view of mentality, profitability and economic efficiency.

Methodology

The first step in my research included gathering relevant data from the database of Cross Cultural Communication Institute of Columbia, USA, from textbooks and articles, available reports of the international companies.

The essential part of my thesis is descriptive;therefore Questionnaire methodological tool was applied. The database of Stavropol State International Relation Office, Stavropol, Russia has been used in this analyze. The data included the reports of regional business meeting between Chinese, Russian and American entrepreneurs, also the interpreters team and the third part (organisational team). There were 100 applicants, 10 questions in each questionnaire sample. Data has been sent and gathered by emails. The result was analyzed and finally the null hypothesis was accepted.

The theoretical part of my research covers the literature overview which provides a background for understanding the modern patterns of any business negotiation styles. It classifies basic elements of business negotiation process according to William Hernandez Requejo and John L. Graham. Based on it i defined 3 models of business negotiation styles: Russian, Chinese and American. I used these models for 3 dimansional practical comparison of these styles.

During elaboration of my diploma thesis I have used the following research methods. The theoretical part is mainly based on description method and method of background research. In the analytical part I have used questionnaire method and method of comparison. The formulation of summary and conclusion is based on the synthesismethod.

3. Literature overview

3.1. Culture

Today the concept of culture has become an important subject for many researchers, governments, institutions and private corporations. Different approaches were used in formulating the main concept.

Anthropologists and many others have debated the meaning of the word culture. Because it is an abstract term, it is hard to define and different people often define it in dissimilar ways. According to Northouse (2007), cultures can be defined as the learned beliefs, values, rules, norms, symbols and traditions that are common to a group of people. In addition, Northouse (2007) means that it is these shared qualities that make a group distinct from others.

Kluckhorn and Kelly (1945) two anthropologists define culture: "As every design created for living, explicit and implicit, rational, irrational and non rational that exists at every given time as the potential guide for the human behaviors." (p.97). This is a very broad description of culture that covers all kind of values, actions as well as automatic results that a certain society develops to cope with life (Bjerke, 1998).

There are numerous definitions of culture in the literature. Most of the definitions, share three key features:

- Culture is a group-level phenomenon. Although each group essentially consists of individuals and despite the fact that culture is manifested through individuals, culture itself is a phenomenon that can only be observed once the vast majority of the individuals belonging to a certain group shares it.

- Culture is acquired by individuals from the group they belong to – either through socialization or acculturation – This implies that culture not only has to be shared by the individuals belonging to a certain group but also that it has to be preserved in time and transmitted from one generation to another.

-       Culture is a unique set of attributes that subsumes every area of social life – These attributes can possess tangible or intangible characteristics. The first group, for instance, includes: meanings, values, beliefs, etc. the second – their expressions such as behavior patterns and artifacts.

Hofstede (1980,1991) a writer on the interactions between national cultures and organizational cultures, found five dimensions of culture in his study of national, work related values. Hofstede's five dimensions of culture model is a framework that describes five kinds of dimensions or differences between national cultures.

Hofstede's research gives insights into other cultures, and can help business people become more aware of the national differences when interacting with people in other countries. The five dimensions in Hofstede's study are Power Distance, Collectivism versus Individualism, Masculinity and Femininity, Uncertainty Avoidance and Long-term Orientation. By looking at different cultural factors, we can see that culture is a field containing many dimensions and areas of human constructions to cope with life. In this context, it is also necessary for humans to create stereotype images of different cultures to cope with life (Hofstede, 1964).

3.2. Basic elements of culture

Each culture consists of the specific characteristics known as cultural universals. They demonstarte the way of life of any group of people in the world. Let us further explore these basic elements. (John J. Macionis, 2008)

- **Verbal comminication (Language)**

Language is the basic communication instrument for any external realtions. Important for passing on traditions and beliefs. Language reflects the nature and values of society. There may be many sub-cultural languages like dialects, which may have to be accounted for. Some countries have two or three languages. It is a multidimensional element, which is of course most visible in verbal language. In spoken word but the nonverbal language itself varies greatly, even when talking about international relations, negotiations and business. (Czinkota and Roinkainen, 1988)

- **Non verbal communication**

According to the research, 60% of the information is transferred htrough the «body language». Like body posture, gestures, mimicry, movement of body, movement of head and the way of expression of our feelings. There are different percentages assigned to the amount of communication existing in a language that is nonverbal language. Though these percentages may be quoted as high as 93%, in reality the figure is about 70% percent by most accounts.

- **Religion**

Religion is defined as a system of symbols which acts to establish powerful, pervasive, and long-lasting moods and motivations in men by formulating conceptions of a general order of existence and clothing these conceptions with such an aura of factuality that the moods and motivations seem uniquely realistic (Geertz 1975: 90). Religion provides the best insight into a society's behavior and helps answer the question why people behave rather than how they behave. It has a strong impact on international business. The impact will be different according to the level of influence of religion.

- **Material culture**

Material elements arise from technology, which shows how some society is economically active. Material culture refers to tools, artifacts and technology.

Until the early 1990s, Zimbabwe did not allow both alcoholic and non-alcoholic beverages to be packed in cans. There were both economic and environmental reasons for this. Economically, Zimbabwe did not have the production facility for canning. Environ mentally, Zimbabwe had seen the litter in Botswana, caused by discarded empty cans. By putting a deposit on glass containers they ensured the empties were returned to the retailer, thus avoiding a litter problem.

However, with the advent of trade liberalization under the Structural Reform Program, the Government of Zimbabwe decided to allow the import of some 4 million cans as an experiment, after which it would assess the environmental impact. The result was a huge influx of canned alcoholic and other beverages not just from nearby Botswana and South Africa but from Australia, USA and Europe. (Keegan, W.J.,1999)

- **Aesthetics**

  Aesthetics refer to the ideas in a culture concerning beauty and good taste as expressed in the arts -music, art, drama and dancing and the particular appreciation of color and form. African music is different in form to Western music. Aesthetic differences affect design, colors, packaging, brand names and media messages. When projecting the facility, international companies should do all with regards to local taste. (Lee, J.A., 1998). Even in similar markets there can be huge differences in what is acceptable and what is not.

- **Social organization**

  Refers to the way people relate to each other, for example, extended families, units, and kinship. In some countries kinship may be a tribe and so segmentation may have to be based on this. Other forms of groups may be religious or political, age, caste and so on. All these groups may affect the marketer in his planning.

- **Attitudes and values**

  Values often have a religious foundation, and attitudes relate to economic activities. It is essential to ascertain attitudes towards marketing activities, which lead to wealth or material gain, for example, in Buddhist society these, may not be relevant. Also "change" may not be needed, or even wanted, and it may be better to relate products to traditional values rather than just new ones. Many African societies are risk averse; therefore, entrepreneurialism may not always be relevant. Attitudes are always precursors of human behavior and so it is essential that research is done carefully on these. (Lee, J.A., 1998)

3.3. Communication

Culture is a vitally important factor in communication. Culture fundamentally shapes world-views and ways of thinking, and therefore is a crucial consideration in communication.(McNamara 2003)

Dealing with the language, which most international business people consider their only barrier to understanding, is actually only the beginning. Wells *et al.* (1997) assume in their article that Non-verbal barriers to intercultural communication may pose greater problems than the language barriers. One explanation for this is that various non-verbal cues carry different meanings in different cultures. In addition, the authors state that physical distance makes effective communication necessary, and cultural differences make effective global communication essential. Furthermore, different languages spoken by people in different cultures are obvious barriers to effective communication when businesses wish to enter a global marketplace. In conclusion, Wells *et al.* (1997) claim that international communication is not necessarily different from any other communication activity. The difference is intercultural communication (communication activities among people of different cultures).

Evidence of that the formal structure of an organization does not completely predict communication behavior, is the existence of informal communication flows in the organization.

3.3.1 Formal and Informal Communication

Formal communication is more likely to be in written form and to be vertical in direction. Informal communication on the other hand often contributes towards organizations effectiveness in reaching their goals. Informal communication tends to be spontaneous, not controlled by top executives and is largely motivated by individual self-interest. One can say that informal communication is always of some importance in an organization, whether or not the formal channels are functioning effectively. Here, formal and informal communication channels are seen as complementary and substitutable (Everett *et al.,* 1976).

Communication is multidimensional and represents the total amount of interaction

among team members, regardless of the informality or frequency of a mode of interaction. When measuring frequency, one must bear in mind that interaction can occur in face-to-face meetings (whether in groups or one on one) or by telephone, mail, e-mail, and other internet- related media. (Smith *et al.,* 1994) A frequent communication in an early stage of the negotiation process can help identify and correct communication errors. However, frequency in communication can be limited due to different time zones (Stoel, 2002).

Communication openness can be defined as the ease of talking to each other in a group, and the extent of understanding gained when people talk to other group members. Ayoko (2007) states that demographic diversity is associated with increased difficulties in communication, coordination, conflict and poor group consequences.

Previous studies show that a group's demographic composition influence communication between group members because people tend to communicate more openly, with those who are similar to themselves (Ayoko, 2007). The opposite occur when group members perceive themselves as dissimilar. This has a negative impact on the communication process.

3.3.2. Communication as a mediating factor

There are mainly two factors that work as mediators in a cultural context. The first factor is psychological adjustment that originates from the stress and coping framework and emphasizes emotional well-being and satisfaction with sojourning experiences. Communicating in an effective way is a great challenge. It becomes important to be aware of both the intended and unintended signals that are given to the other party. To be an effective communicator, professionals must master both verbal and non-verbal communications to achieve their goals. Negotiator communication competency is essential for understanding the role that communication plays in global negotiations. According to Speece *et al.* (2004), communication skills are one of the key ingredients for successful international business negotiations. The way communication works in various cultures, is a critical issue that has particular relevance for negotiations.

Hall (1976) noted differences in verbal and non-verbal expressions in cultures, and talked about the extent to which communication is carried by words, or is embedded in contexts.

The categorization into high-and low-context cultures has proved to be very effective, when examining the cultural impact on business negotiations.

In high-context cultures, background information is implicit and much of the message is carried in how the words relate to that implicit information. The main communication in this context depends on contextual and social cues for meaning. Individuals in high-context cultures use expressive manner or non-verbal language such as voice, posture, gesture, body language, facial expressions and periods of silence in their communication. Non-verbal variables such as status, values and associations are also part of the communication context and play a role in how the language is interpreted (Speece *et al.,* 2004).

In low-context cultures, background information need to be explicitly expressed because most of the message is carried by the words themselves, not by the context in which the words are expressed. Individuals in low-context cultures rely on formal communication, which mainly focuses on verbal expressions, and place more emphasizes on win-win solutions. Reasons for this are that these cultures are more relationship-oriented and communication in high-context cultures requires much more attention: "Reading the counterpart" i.e. understanding what they really mean and care about (Speece *et al.*, 2004).

To conclude, cross-cultural communication tends to be complex, because of different languages spoken and non-verbal barriers, which carry different meanings in different cultures. Wells *et al.* (1997) state that physical distance makes effective communication necessary and cultural differences make effective global communication essential. In general, different languages spoken are obvious barriers to effective communication. The same can be said for informal and formal communication, for which there are problems in the definition, for what can be considered as formal and informal communication. However, both forms of communication are of some importance in an organization and are complementary and substitutable to each other.

Furthermore, within communication there are three dimensions: frequency in communication, openness in communication and communication in negotiations. Frequency in communication represents the total amount of interactions between

parties, whereas openness in communication can be defined as the ease of talking to each other. Demographic diversity is associated with increased difficulties in communication. To conduct an effective communication in negotiations, can be a great challenge for both parties. Also, the way communication works in various cultures, is a critical issue and has particular relevance for the Business Negotiation Process.

Figure No.1: The relationship between Culture and The Business Negotiation Process.
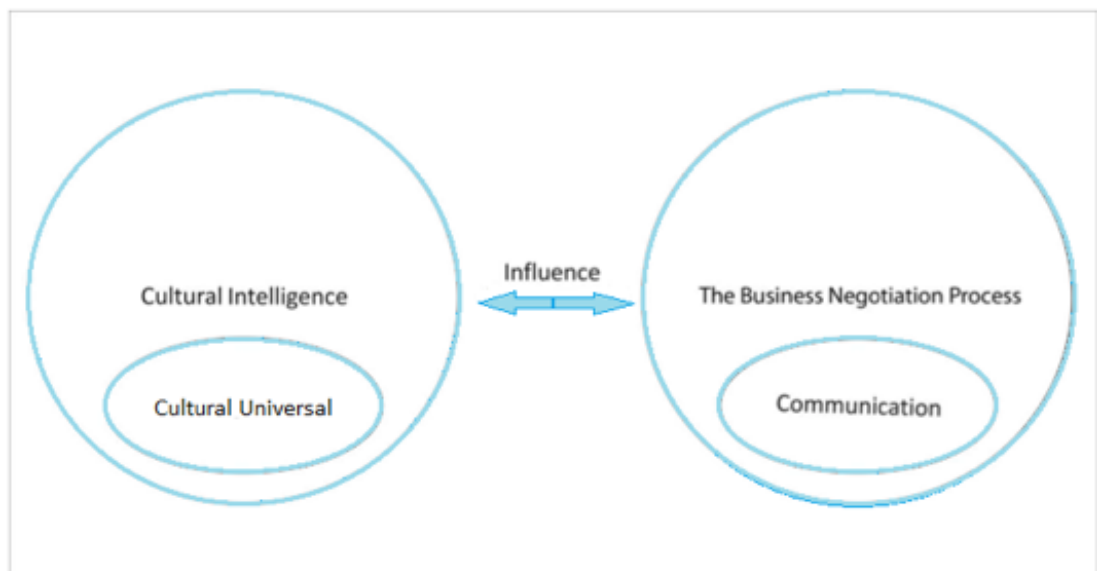
Source: Own input.

Communication is fundamental in the business negotiation process. It varies according to the formality of the negotiation situation and gives opportunity for the counterparts to share beliefs, values, ideas and feelings. In addition, communication allows the counterparts to gather information on each other. During the negotiation situation, the counterparts interact by means of communication e.g. face-to-face negotiation, via telephone or in written form. Furthermore, the counterparts many times seem to possess different implicit or explicit preferences and have an idea of their preferred outcome of the process. According to Hendon *et al*. (2008), these preferences guide the counterparts' behaviors in the business negotiation process.

Communication plays a very important role in business and life. In fact, it is not unusual that people who speak a common language can be just as frustrated as people who speak different languages. Obvious barriers to a clear and effective communication in the business negotiation process are two counterparts that speak different languages, come from different cultures, and at the same time try to do business together. In the international business negotiation process the language or verbal communication is a powerful tool that can be used. At the same time, the non-verbal signs made by the counterparts can help assist the interpretation of verbal messages and has just as great significance as the verbal communication. In sum, one can say that in one way or the other, negotiation skills derive from our communication skills. Here the connection is that the better the negotiator can communicate, the more likely he is to attract people and thereby increase his business.

3.4. Negotiation process

Dimensional thinking of the business negotiation and the negotiating style is useful. Social behavior refers to the establishment of trust and confidence, patterns of communication, the way that personal contacts are made, preference for the media of communication, attitudes toward social institutions (i.e. family, tribe and friends).

3.4.1. The notion of negotiations: basic characteristics

Negotiation takes place every day in nearly every facet of life-from national governments negotiating border disputes, to companies negotiating work agreements with labor unions, to real estate agents negotiating the sale of property, to former spouses negotiating the terms of a divorce. This process can be conducted between nations, as in the tripartite negotiations between the United States, Canada, and Mexico to forge the North American Free Trade Agreement (NAFTA); between companies, as in the alliance between British Air and USAir to share routes, airport gates, and reservations systems; or between any two or more parties that need to cooperate or bargain to attain certain common or conflicting ends.

Negotiations occur for several reasons. One of the main is the agreement on how to share or divide a limited resource. When neither party could attain on his or her own to create something new the negotiations will be involved as well. Third reason for creating this process is dispute resolve between the parties. Parties usually negotiate because they think they can get a better deal than by taking what the other side will give them. They prefer to search for agreement rather than fight openly, capitulate or take their dispute to the third party. Parties expect to give and take. They expect both sides to modify or give in somewhat on their opening statements or demands. Successful negotiation always involves the resolving of tangibles for example, the price or the terms of agreement. The resolution of intangibles, underlying psychological motivations should be involved as well. I would like to mention that there is a difference between Bargaining and Negotiation. Bargaining always describes the competitive, win-lose situation; we can call it a "fixed pie". In the comparison, negotiation refers to win-win situations. The goal is to create more value jointly than by ourselves.

Negotiation is a process whereby two or more parties - be they individuals, groups, or

larger social units-interact in developing potential agreements to provide guidance and regulation of their future behavior. This phenomenon occurs in all parts of life from global politics to local business. Negotiation describes any communication process between individuals that is intended to reach a compromise or agreement to the satisfaction of both parties. Negotiation involves examining the facts of a situation, exposing the both the common and opposing interests of the parties involved to resolve as many issues as possible.

Let's take a look at the basic definition of negotiation process:" Negotiation is a dialogue between two or more people or parties, intended to reach an understanding, resolve point of difference, or gain advantage in outcome of dialogue, to produce an agreement upon courses of action, to bargain for individual or collective advantage, to craft outcomes to satisfy various interests of two person/ parties involved in negotiation process. Negotiation is a process where each party involved in negotiating tries to gain an advantage for themselves by the end of the process. Negotiation is intended to aim at compromise."

 Based on the previously mentioned definition the main characteristics of any negotiation process can be selected. There are two more parties, which are involved in the conflict of needs or desires, both sometimes. The "give and take "process is expected to appear. Each side has a strong intention for getting the better deal, instead of simply accepting what the other side offers them. In negotiation, parties need each other to achieve their preferred outcomes or objectives. This term of mutual dependency is called interdependence. Interdependent goals are an important aspect of any negotiation: "win-lose" – I win, you lose; "win-win" – opportunities for both parties to gain. Interdependent parties are characterized by interlocking goals. But it should be mentioned that having interdependent goals doesn't mean that everyone wants or needs exactly the same thing.

There are two primary kinds of any negotiations: Distributive and Integrative.

Negotiation in which the parties compete over the distribution of a fixed sum of value is called distributive. The key question in a distributive negotiation is "Who will claim the most value?" In distributive negotiations, a gain by one side is made at the expense of

the other. The issue here is who will claim the most value. Some people refer to this type of negotiation as zero-sum or constant – sum negotiation. The term win – lose is probably more representative of what's involved. In a purely distributive negotiation, the value at stake is absolutely fixed, and each side's goal is to get, as much of is as possible. The seller's goal in a distributive deal is to negotiate as high price as possible; the buyer's goal is to negotiate as low a price as possible. Let's take a look at the recent example of the distributive negotiations in practice.

Acme Manufacturing and a supplier, Best Parts Company, are negotiating and agreement under which Best Parts will make and deliver 10,000 specified widgets over a period of six months. Acne's purchasing manager has been instructed to get the lowest possible price, so she's pushing for $ 1.75 per widget. Best Parts's sales manager on the other hand, is trying to maximize the price his employer receives; he's asking for $ 2.00 per widget. Neither is willing to discuss anything but price. In the end, Acme Manufacturing gets its price. With several potential sellers to turn to, it's purchasing manager holds out until the other side, which lacks other sales outlets, caves in and takes $ 1.75 per widget.

Here, it is obvious that in such kind of negotiations, a dollar more on one side is a dollar less to the other. Thus, the seller and buyer compete to claim the greatest possible value for themselves.

Negotiation in which the parties cooperate to achieve maximum benefits by integrating their interests into an agreement is integrative. These deals are about creating value and claiming it. In an integrative negotiation, the parties cooperate to achieve maximum benefits by integrating their interests into an agreement while also competing to divide the value. In integrative negotiations you have to be good at both creating the value and claiming it. There are often many items or issues to be negotiated in an integrated negotiation – not simply price, delivery date, or any other single issue. Indeed, opportunities for creativity abound. Here is another relevant business negotiation's example:

Gomez Electronics and one of its primary suppliers, Kraft Components Company, are

negotiating an agreement under which Kraft will build and deliver 10,000 switches over a period of six months. Gomez is interested in getting the lowest possible price, but is likewise interested in maintaining a long-term relationship with Kraft, which has been an innovative and reliable supplier over the years. Kraft's sales manager would like to maximize the price his company receives under the contract, but must think of relationship. He'd hate to lose this long-term customer.

Hence, each side is willing to disclose some of its interests to the other. That way, if one party must give around on price, the other party might be able to offer value on some other front. Together, the two negotiators settle on an agreement that gives Kraft what it wants: $2 per switch. But in return, Kraft agrees to give Gomez Electronics sixty days to pay instead of the usual thirty-day arrangement.

That was the typical example of zero-sum game, which motivates organizations to think more about relationships and less about winning.

The negotiator's dilemma describes the situation faced by people who enter any type of bargaining situation. They must determine which game to play: aggressively claim the value currently on the table, or work with the other side to create even better opportunities that can be shared.

When one party agrees to make a change in his/her position, a concession has been made. As the result, the range of options is reflected. When the concession is made, the bargaining range is further constrained. Two dilemmas can be defined at this point: Dilemma of honesty and Dilemma of trust. The first one runs out from the concern about how much of the truth to tell to the other party. And as the opposite, Dilemma of trust is the concern about how much negotiators should believe what the other party tells them.

Most actual negotiations are a combination of claiming and creating value processes. Negotiator perceptions of that or this situations tend to be biased toward seeing problems as more distributive or competitive than they really are. Negotiator's value differences include: difference in interest, judgments, and risk tolerance, time preferences.

The important characteristic of negotiation process is the conflict. It can be defined as" sharp disagreement or opposition". It includes " the perceived divergence of interest, or a belief that the parties' current aspirations cannot be achieved simultaneously".

3.4.2. Negotiation strategies

In the process of defining all the main traits of negotiation, the term of strategies is absolutely important. Various categories of negotiation strategy can be traced throughout the phenomenon's long history. There are four basic negotiation strategies. They are: problem solving, contending, yielding, and inaction. Problem solving seeks to reconcile the parties' aspirations. Problem solving tactics include increasing available resources, compensation, exchanging concessions on low priority issues, minimizing the costs of concessions, and creating new mutually beneficial options. The advantage of problem solving strategies is that they yield the best outcomes. Mutually beneficial outcomes are more likely to last, to improve the parties' relationship, and to benefit the wider society. Problem solving outcomes are likely to benefit both parties when the situation has high integrative potential and both parties have reasonably high aspirations. In addition parties must be firm about their aspirations or goals, but must be flexible regarding the means used to reach those goals. The risk of problem solving strategies is that they may backfire if the other side pursues a contentious strategy.

Contention seeks to persuade the other party to agree to a solution that favors one's own interests. This strategy has also been called positional bargaining. Contentious tactics include inflated demands, irrevocable commitments, persuasion, and threats. Contentious strategies alone tend to yield poor outcomes. Contending may escalate a conflict. When outcomes are finally reached they may be low-level compromises. Contention is often used as an opening strategy, to be replaced by problem solving at a later stage. In such cases the early use of contention may still yield beneficial outcomes. When parties yield they reduce their aspirations. Yielding is an effective way to close negotiations when issues are unimportant and time pressures are high. Yielding can also contribute to a successful problem solving approach. However, outcomes tend to be depressed when both parties use a yielding strategy. The strategy of inaction is usually used to increase time pressure on the other party.

The forms of negotiations differ throughout the time. Some forms of negotiation have

become so unpopular and discredited that their very name becomes a derogatory label. Appeasement, such as that conducted by the allied nations with Germany before World War Two, is a negotiation in which actors openly come to the table with the intention of compromising their own interests. In the case of the allies before World War Two they made major concessions to Germany in the mistaken assumption it would prevent war. A principled negotiation is one in which negotiators assume that each side of a conflict is a rational actor who will accept the deal that is in its best interest. They assume that the compromise reached, though unsatisfactory, will be preferable to continued conflict. Successful negotiations of this sort have occurred historically in such conflicts as those between labor unions and employers and those between nations that are threatening to go to war.

Détente is the other type of negotiation that is undertaken when two sides have become overtly hostile to one another. It involves the gradual easing of tensions over time until a better understanding can be reached in the future. The name became famous from its use by Henry Kissinger during his negotiations with the Soviet Union for the United States during the Cold War. The two had to gradually reduce their mutual animosity to negotiate.

Many negotiations have proven to be more successful when an outside party could be found to play a mediator role between two parties in conflict. Many peace treaties have been achieved in this way, such as that between Egypt and Israel in the Camp David Peace Accords, which were written with the help of an outside mediator in the United States. Having a party that is at least somewhat neutral involved helps negotiations move forward.

One of the most relevant examples of successful mediator's interaction can be found in the recent events around Russia – Georgia conflict.

The Georgian military launched a military operation over the border of the breakaway territory of South Ossetia at the eve of the opening ceremony of the Olympic games in Beijing on 7 August 2008. The Georgian offensive devastated the South Ossetian capital of Tskhinvali, where a number of Russian peacekeepers and hundreds of civilians were killed or wounded in the attacks.

Russia responded with military force immediately the next day, 8 August. When the EU, under the French Presidency, acted as a peace mediator during the Russo-Georgian war in August 2008, it was widely seen as a sign of the EU's growing role in issues of war and peace in world politics. The EU acted swiftly and in a seemingly united manner in a difficult situation and managed to broker a cease-fire between the conflicting parties. The EU also decided to establish a monitoring mission to Georgia and to launch an international fact-finding mission to investigate the origins and the course of the conflict. The EU reacted to the crisis under the EU presidency of France. The French president's priority was to prevent a major rift between Russia and Europe. That explains the numerous concessions offered to the Russian authorities at different stages: such as the ceasefire documents partially dictated by the Kremlin and the acceptance of a partial retreat by Russian troops.

The relations between the EU and Russia were normalized at the EU-Russia Summit held on 14 November in Nice. The EU saw no further reason to freeze the start of the negotiations for the new strategic partnership agreement, since Russia had for the most part respected its bid to withdraw its forces from Georgia. The EU's response to the conflict in Georgia was rapid and reasonably successful. It persuaded the two parties to accept a ceasefire, and with some delay brought about the withdrawal of Russian troops from all Georgian territory outside South Ossetia and Abkhazia and brought the parties together for talks in Geneva. This success owed much to the effectiveness of a strong Presidency with whom the Russians were prepared to negotiate. The EU was the obvious and perhaps only credible body to act as intermediary in the conflict negotiations, and acted with unaccustomed confidence and authority.

But of course mediator's interaction should not be considered as the only successful form of negotiations as a lot of result in this process depends on different factors including a range of subjective things such as the personality of negotiator, his/her experience, etc.

Let us put here a kind of intermediate conclusion to the things discussed above, we define the negotiations as a discussion between two or more disputants who are trying to work out a solution to their problem. This interpersonal or inter-group process can occur at a personal level, as well as at a corporate or international (diplomatic) level.

Negotiations typically take place because the parties wish to create something new that neither could do on his or her own, or to resolve a problem or dispute between them. The parties acknowledge that there is some conflict of interest between them and think they can use some form of influence to get a better deal, rather than simply taking what the other side will voluntarily give them. They prefer to search for agreement rather than fight openly, give in, or break off contact.

According to the negotiation literature, the measurement of Assertiveness and Cooperativeness requires the consideration of five distinct negotiation styles. The five negotiation styles are:

Competing - Negotiators that exhibit this style are results-oriented, self-confident, assertive, are focused primarily on the bottom line, have a tendency to impose their views upon the other party, and in the extreme can become aggressive and domineering. This style is high in Assertiveness and low in Cooperativeness.

Avoiding - Negotiators that exhibit this style are passive, prefer to avoid conflict, make attempts to withdraw from the situation or pass responsibility onto another party, and fail to show adequate concern or make an honest attempt to get to a solution. This style is both low in Assertiveness and low in Cooperativeness.

Collaborating - Negotiators that exhibit this style use open and honest communication, focus on finding creative solutions that mutually satisfy both parties, are open to exploring new and novel solutions, and suggest many alternatives for consideration. This style is both high in Assertiveness and high in Cooperativeness.

Accommodating – Negotiators that exhibit this style make attempts to maintain relationships with the other party, smooth over conflicts, downplay differences, and are most concerned with satisfying the needs of the other party. This style is low in Assertiveness but high in Cooperativeness.

Compromising – Negotiators that exhibit this style aim to find the middle ground, often split the difference between positions, frequently engage in give and take tradeoffs, and accept moderate satisfaction of both parties' needs. This style is both moderate in Assertiveness and moderate in Cooperativeness.

Negotiations can be of two main types: distributive and integrative. In the first one, a gain by one side is made at the loss of the other. In the comparison, integrative negotiations have to be good at both creating the value and claiming it. There are defined four main basic negotiation strategies. A negotiation is successful if it is efficient, produces a wise agreement when agreement is possible, and improves or at least does not harm the relationship between the negotiating parties. The integral part of the process is the conflict, which plays the key role in the choosing of the best strategy and style of negotiations. In many cases, conflicts become "ripe" for negotiation when both sides realize that they cannot get what they want through a power struggle and that they have reached a "hurting stalemate". If the parties believe that their ideal solution is not available and that foreseeable settlement is better than the other available alternatives, the parties have a "Zone of Possible Agreement (ZOPA)" This means that a potential agreement exists that would benefit both sides more than their alternatives do.

However, it may take some time to determine whether a ZOPA exists. The parties must first explore their various interests, options, and alternatives. If the disputants can identify their ZOPA, there is a good chance that they will come to an agreement. But if they cannot, negotiation is very unlikely to succeed. In addition, each side must believe that the other side is willing to compromise. If the parties regard each other with suspicion and mistrust, they may conclude that the other side is not committed to the negotiation process and may withdraw.

When there is little trust between the negotiators, making concessions is not easy. First, there is the dilemma of honesty. On one hand, telling the other party everything about your situation may give that person an opportunity to take advantage of you. However, not telling the other person anything may lead to stalemate. The dilemma of trust concerns how much you should believe of what the other party tells you. If you believe everything this person says, then he or she could take advantage of you. But if you believe nothing this other person says, then reaching an agreement will be very difficult. The search for an optimal solution is greatly aided if parties trust each other and believe that they are being treated honestly and fairly. Finally, if the "right" people are not involved in negotiations, the process is not likely to succeed. First, all of the interested

and affected parties must be represented. Second, negotiators must truly represent and have the trust of those they are representing. If a party is left out of the process, they may become angry and argue that their interests have not been taken into account. Agreements can be successfully implemented only if the relevant parties and interests have been represented in the negotiations. Negotiators must therefore be sure to consult with their constituents and to ensure that they adequately deal with constituents' concerns.

3.5. Interdependence of culture on negotiation style

It is important to understand that one single factor alone, cannot explain why there are failures and differences in business negotiations. Instead, and in order to get a better understanding, we need to look for more than one explanation at the same time. One of the main terms, which causes huge misunderstanding between the negotiation parties, is the culture. There are numerous different approaches, which try to analyze these differences and apply to the practical situations. In the further part of this diploma thesis three different concepts of how culture affects the negotiation process will be presented.

3.5.1. The Hofstede dimensional model of national culture

The Hofstede model distinguishes cultures according to five dimensions: power distance, individualism/collectivism, masculinity/femininity, uncertainty avoidance, and long-/short-term orientation. The model provides scales from 0 to 100 for 76 countries for each dimension, and each country has a position on each scale or index, relative to other countries.

The power distance dimension can be defined as 'the extent to which less powerful members of a society accept and expect that power is distributed unequally'. In large power distance cultures, everyone has his or her rightful place in a social hierarchy. The rightful place concept is important for understanding the role of global brands. In large power distance cultures, one's social status must be clear so that others can show proper respect.

The contrast individualism/collectivism can be defined as 'people looking after themselves and their immediate family only, versus people belonging to in-groups that

look after them in exchange for loyalty'. In individualistic cultures, one's identity is in the person. People are 'I'-conscious and self-actualization is important. Individualistic cultures are universalistic, assuming their values are valid for the whole world. They also are low-context communication cultures with explicit verbal communication. In collectivistic cultures, people are 'we'-conscious. Their identity is based on the social system to which they belong, and avoiding loss of face is important. Collectivistic cultures are high-context communication cultures, with an indirect style of communication. In the sales process in individualistic cultures, parties want to get to the point fast, whereas in collectivistic cultures it is necessary to first build a relationship and trust between parties. This difference is reflected in the different roles of negotiations: persuasion versus creating trust.

The masculinity/femininity dimension can be defined as follows: 'The dominant values in a masculine society are achievement and success; the dominant values in a feminine society are caring for others and quality of life.' In masculine societies, performance and achievement are important. Role differentiation means a lot here: small in feminine societies, large in masculine societies. In masculine cultures, household work is less shared between husband and wife than in feminine cultures. Uncertainty avoidance can be defined as 'the extent to which people feel threatened by uncertainty and ambiguity and try to avoid these situations'. In cultures of strong uncertainty avoidance, there is a need for rules and formality to structure life. This translates into the search for truth and a belief in experts. People of high uncertainty avoidance are less open to change and innovation than people of low uncertainty avoidance cultures.

Long- versus short-term orientation is 'the extent to which a society exhibits a pragmatic future-orientated perspective rather than a conventional historic or short-term point of view'. Values included in long-term orientation are perseverance, ordering relationships by status, thrift, and having a sense of shame. The opposite is short-term orientation, which includes personal steadiness and stability, and respect for tradition. Focus is on pursuit of happiness rather than on pursuit of peace of mind. Long- term orientation implies investment in the future.

Graph 1: Cultural dimensions (China)
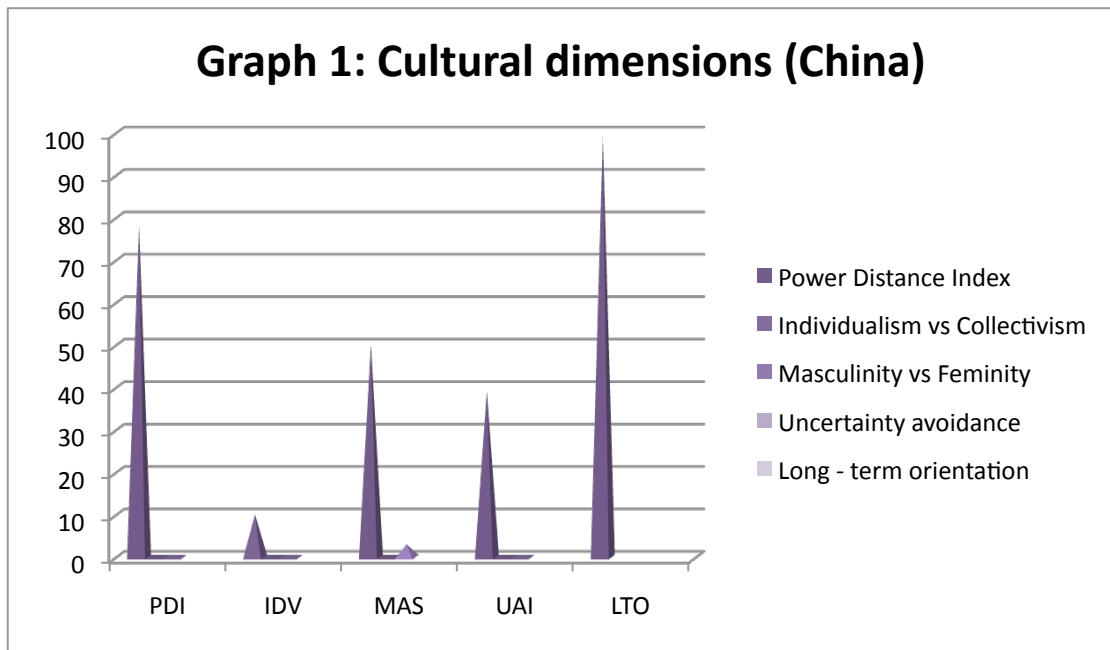
Source: http://www.geert-hofstede.com/hofstede_china.shtml

Several aspects of the Hofstede dimensions must be considered when formulating hypotheses: Some manifestations of each dimension are more work-related, whereas others can be applied to consumer behavior and advertising; often it is a configuration of dimensions that explains variation; value paradoxes have to be taken into account. It is not easy to recognize values in negotiations as negotiations may reflect both the desired and the desirable. Other problems are: misunderstanding the content of a dimension, and the effect of the researchers' cultural roots when selecting and interpreting manifestations of the values of the dimensions.

Power distance is about the relationship between bosses and subordinates, but it is also about everyone having his or her rightful place in society versus equality. An important value of masculine cultures is achievement. When combined with individualism, success can be shown, less so when combined with collectivism. Innovativeness and the wish for change are low in high uncertainty avoidance cultures, but combined with high power distance, appeals like modernity and innovation provide status. Uncertainty avoidance tends to be confused with risk avoidance. The degree to which people insure themselves is not related to uncertainty avoidance. Instead, more life insurance policies are sold in individualistic cultures than in collectivistic cultures. Collectivism is not about subordinating oneself to the group. The latter is the typical description from an

individualistic view of the person. The group itself is one's identity. Power distance is about accepting and expecting inequality – it is a two-way street.

The number of cross-cultural consumer behavior studies has been increasing over the years. The Hofstede model of national culture has proved to be a useful instrument for understanding consumer behavior differences across cultures. Applying the model to cross – cultural differences in negotiation process needs conceptual insight in the various manifestations that are relevant to this research area. These dimensional analyze assumed to be more applicable to the sphere of advertisement and branding. Negotiation process needs to be analyzed in more specific way.

3.5.2. Negotiating Globally by Jeanne Brett

Generally, there are many kinds of cultures e.g. corporate, family and professional cultures and each of them can influence negotiating behavior. It is also important to add that some cultures exist within countries whereas the others extend across the borders (e.g. diplomatic culture).

Cross-cultural communication difficulties make international business negotiations challenging. The main premise of Negotiating Globally by Jeanne Brett, a professor at the Kellogg Graduate School of Management at Northwestern University, is that national culture matters when parties negotiate in modern international business and may affect business outcomes in both positive and negative ways. According to Jeanne M. Brett, Negotiating Globally challenges negotiators to expand their repertoire of strategies so that they will be able to close deals, resolve disputes, and get teams to make decisions regardless of the cultures represented at the table. She provides a model that explains how the cultural environment affects negotiators' interests, priorities, and strategies.

Figure No.2: How culture affects negotiators' behavior
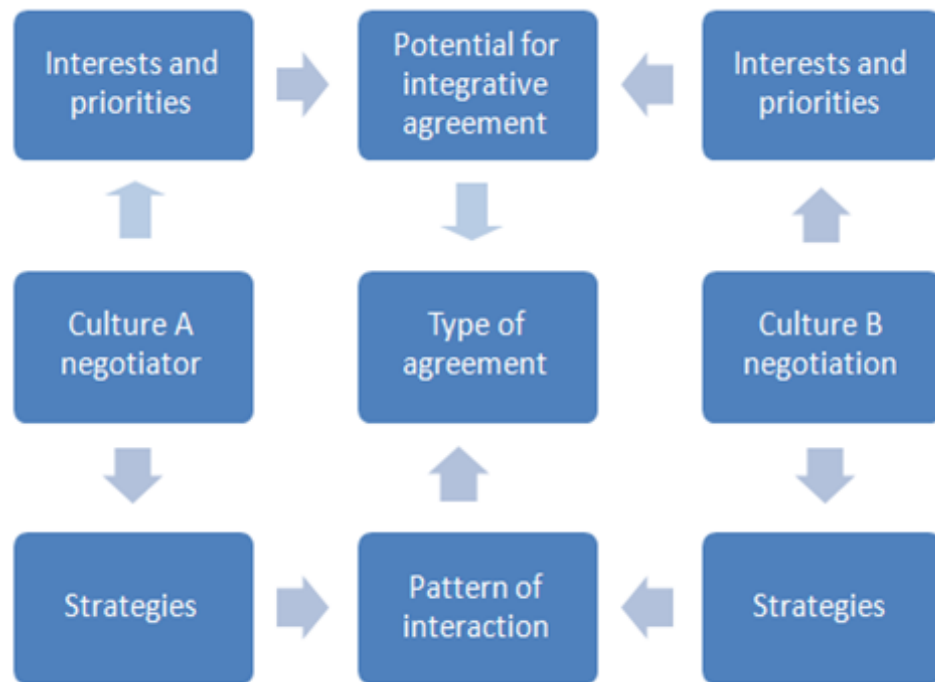
Source: Brett (2000), p.102 1

If culture affects such basic elements of negotiation as: interests, priorities or strategy selection and also given that the influence of culture is mostly subconscious, all differences in any observable aspects of cross-cultural negotiation can always be ascribed to cultural differences between the negotiators. Each individual is emerged in many cultures, which influence his negotiating behavior. At the same time, there are many other variables beside culture that also have similar effects. These include individual variables such as negotiators' personality, as well as structural or process variables. Cultural values have a noticeable influence on negotiation interests and priorities, while cultural norms affect negotiation strategies and patterns of interactions. Brett offers a special concept for diminishing the cultural affect on the negotiations:

1. Anticipate differences in strategy and tactics that may cause misunderstandings –

Negotiators' culture affects their negotiating behavior and style and the differences in culture also result in differences in negotiating style. Anticipating these differences is a source of advantage in international negotiation. Awareness of cultural differences reduces the negative attributions about the negotiation partner and helps view the differences as an inherent part of international negotiation process.

2. Analyze cultural differences to identify differences in priorities that create value – Value in negotiation is created by differences rather than similarities. High level of cultural differences in international negotiation implies also high potential for integrative, or win/win agreement.

3. Recognize that the other party may not share your view of what constitutes power – Power, defined, as the ability to influence other people's decisions, is perceptual and therefore context dependent and highly subjective. International negotiators should be aware that the other party's estimate of power might be based on completely different factors that may even seem unimportant. Engaging in a power contest may reduce the probability of an integrative agreement.

4. Avoid attribution errors – Attribution error occurs when people assume that a person's behavior is based more on what "kind" of person he is, rather than on the social and environmental forces that influence that person. Intercultural sensitive negotiators should view their partners' behavior as a result of cultural and situational norms and not attribute it to their underlying personality.

5. Find out how to show respect in the other culture – It is very important to show respect for the other party before starting negotiation. However, it is wrong to assume that respect is shown the same way in each country.

6. Know your options for change – distinguished four choices negotiators have when their cultures clash. These are:

- Integration – occurs when each group maintains its own culture and also maintains contact with the other culture.

- Assimilation – occurs when a group or person does not maintain its culture but does maintain contact with the other culture.

- Separation – occurs when a group or individual maintains its culture but does not maintain contact with the other culture.

- Marginalization – occurs when neither maintenance of the group's own culture nor contact with the other culture is attempted.

As demonstrated by various research results, the differences in cultures are manifested in distinct differences between negotiating styles. This does not mean that all members of a particular culture negotiate in the same way but rather that there are patterns of behavior, which are typical for most of them. To be successful in the international negotiation arena, negotiators need to develop high sensitivity to cultural factors, identify and pursue a culturally responsive strategy.

3.5.3. John L. Graham approach

Another cultural dimension and an important aspect of cultural differences is the high-low context of communication. Contexts are identified as background information, critical to interpersonal interaction such as social status; John L. Graham applied this approach. Members of high-context cultures are not likely to express their opinions openly and explicitly; in the comparison members in low-context cultures prefer openness and directness. This can easily explain why it is difficult to make negotiations work, which leads to frustration for both parties. The communication process can become even more complex and challenging, when two people do not share the same meanings and values. In this Diploma Thesis, we will apply this approach to analyze how differences between cultures and misunderstandings in the communication process become an increasingly important issue for the negotiation outcome.

The challenge of mutual understanding is great; American and Chinese approaches often appear incompatible. Such differences have deep cultural origins. The key of mutually profitable and satisfying business negotiations in knows of navigating and using these cultural differences.

When negotiating with Chinese business people, American business people sometimes feel uncomfortable, puzzled, lost, irritated and the like, based on some unfamiliar customs and behaviors demonstrated by the Chinese business people. Nothing is more comfortable and secure than understanding the cross-cultural aspect. Understanding can facilitate communication and avoid misunderstanding. Understanding then can also make the Chinese business people feel comfortable. This also enhances business negotiations.

Although minor mistakes are permissible, misunderstandings and failure to recognize important cultural subtleties may lead to stagnation or dismissal of the negotiations. In reference to the cross-cultural aspect, more strict rules must be observed for the Chinese culture than for the American culture.

Negotiators' culture is expressed in their negotiating style. Generally, negotiating style is defined as the way persons from different cultures behave in negotiation. This definition implies that:

- There is a strong link between a person's culture and his negotiating style.

- A negotiating style of a certain person can only be evaluated through an analysis of that person's behavior in several negotiation settings.

To identify cross-cultural differences in negotiating styles the focus is typically on selected aspects of negotiators' behavior called negotiation factors or traits. These traits are usually selected based on their relevance and potential variability across different cultures. Various traits have been used by various scholars in their research on identifying the influence of culture on negotiation or on measuring negotiating styles. In this diploma thesis I would like to present and use in the next chapters as the basis for analyzes the approach pursued by William Hernandez Requejo and John L. Graham, «Global Negotiation», USA, 2008. The following table shows the research framework for determining the negotiating styles.

Chart No.1: Framework for determining the negotiation styles

Negotiation Factor	Range of Responses
Goal	Contract ←→ Relationship
Attitude	Win/lose ←→ Win/win
Personal Style	Informal ←→ Formal
Communication	Direct ←→ Indirect
Time Sensitivity	High ←→ Low
Emotionalism	High ←→ Low
Agreement Form	Specific ←→ General
Agreement Building	Bottom up ←→ Top Down
Team Organization	One leader ←→ Consensus
Risk Taking	High ←→ Low

Source: Salacuse (1998), p. 223

A combination of attitudes, expectations, and habitual behaviours constitutes the basic elements for any negotiation styles. Americans see Chinese negotiators as inefficient, indirect, and even dishonest, There are ten critical factors for analyzing the main differences of American and Chinese negotiation styles.

The reason this approach has been taken as a basis for defining the cross-cultural differences in the negotiation process between such countries as China and USA is obvious. Goal, attitude, personal style, communication, time sensitivity, emotionalism, agreement form, agreement building, team organization, risk taking are the most relevant characteristics which should be gone through during any kind of business negotiation process nowadays.

Each of them is discussed separately below, but each factor is connected to the others to form the complete foundation of negotiation strategies and tactics that can reveal the main misunderstandings between American and Chinese negotiation styles. The effective application of these ten basic elements requires the deeper understanding of the international negotiation process between selected countries. The list and full description of every criteria will be described in the next chapter of the diploma thesis.

4. Analyses of American and Chinese negotiaion styles

4.1. Ten basic elements of negotiation style

The impact of culture on the negotiating process has intrigued both scholars and practitioners. Their research and observations indicate fairly clearly that negotiation practices differ from culture to culture and that culture can influence "negotiating style", - the way persons from different cultures conduct themselves in negotiating sessions. Definitions of culture are as numerous and often as vague as definitions of negotiation itself.

For purposes of this diploma thesis, culture is defined as the socially transmitted behavior patterns, norms, beliefs and values of a given community. When persons from two different cultures - for example an executive from Texas and a manager from China - meet for the first time, they usually do not share a common pool of information and assumptions to interpret each other's statements, actions, and intentions. Culture can therefore be seen as a language, a "silent language" which the parties need in addition to the language they are speaking if they are truly to communicate and arrive at a genuine understanding.

The chosen approach of John L. Graham is cross-cultural and comparative. It seeks to identify certain basic elements in negotiating style and to determine how they are reflected in various cultures. The great diversity of the world's cultures makes it impossible for any negotiator, no matter how skilled and experienced, to understand fully all the cultures that he or she may encounter. Based on a review of the literature as well as practical experience the author identified ten factors that have an impact on the negotiating process and are influenced by a person's culture. The ten factors, each of which forms a continuum between two poles, consisted of the following:

1. Negotiating goals (contract or relationship?);

2. Attitudes to the negotiating process (win/win or win/lose?);

3. Personal styles (formal or informal?);

4. Styles of communication (direct or indirect?);

5. Time sensitivity (high or low?);

6. Emotionalism (high or low?);

7. Agreement form (specific or general?);

8. Agreement building process (bottom up or top down?);

9. Negotiating team organization (one leader or consensus?);

10. Risk taking (high or low?).

In this rapid overview, some key issues and characteristics of differing negotiation styles has been described. The purpose is to highlight the significant impact they have upon results and their importance on the negotiation process.

Negotiating Goal: Contract or Relationship?

Different cultures may view the very purpose of a business negotiation differently. For many American executives, the goal of a negotiation, first and foremost, is to arrive at a signed contract between the parties. Americans consider a signed contract as a definitive set of rights and duties that strictly binds the two sides and determines their interaction thereafter.

Chinese, and other cultural groups in Asia, often consider that the goal of a negotiation is not a signed contract, but the creation of a relationship between the two sides. Although the written contact describes the relationship, the essence of the deal is the relationship itself.

The survey results revealed significant differences both among cultures and professions on this question. Thus, with respect to national cultures, the preference for a relationship was not as pronounced among the Chinese as one might have expected from the literature, and the Japanese appeared almost evenly divided on the question, as did the Americans.

Negotiating Attitude: Win/Lose or Win/Win?

Because of differences in culture or personality, or both, persons appear to approach

deal making with one of two basic attitudes: that a negotiation is either a process in which both can gain (win/win) or a struggle in which, of necessity, one side wins and the other side loses (win/lose). Win/win negotiators see deal making as a collaborative and problem-solving process; win/lose negotiators see it as confrontational. In a reflection of this dichotomy, negotiation scholars have concluded that these approaches represented two basic paradigms of the negotiation process: distributive bargaining (i.e. win/lose) and integrative bargaining or problem solving (i.e. win/win), which was mentioned in the previous chapter. In the former situation, the parties see their goals as incompatible, while in the latter they consider themselves to have compatible goals.

Based on the literature research, approximately one-third claimed to see negotiations as win/lose, while two thirds saw it as win/win. Gender appeared to have no influence on responses, for the distribution among men and among women was essentially the same-- one third of the male respondents and one third of the female respondents considered negotiation to be a win/lose process. On the other hand, numerous researches revealed wide differences among the cultures represented in the survey on this question. Whereas 100% of the Japanese viewed negotiation as a win/win process, only 36.8% of the Spanish were so inclined. The Chinese and Indians, the other two Asian cultures represented in the survey, also claimed that negotiation was for them win/win, and the French, alone among Europeans, took a similarly pronounced position on the question.

Personal Style: Informal or Formal?

Personal style concerns the forms a negotiator uses to interact with counterparts at the table. Culture strongly influences the personal style of negotiators. It has been observed, for example, that Germans have a more formal style than Americans. A negotiator with a formal style insists on addressing counterparts by their titles, avoids personal anecdotes, and refrains from questions touching on the private or family life of members of the other negotiating team. An informal style negotiator tries to start the discussion on a first-name basis, quickly seeks to develop a personal, friendly relationship with the other team, and may take off his jacket and roll up his sleeves when deal making begins in earnest. Each culture has its own formalities, and they have special meaning within that culture.

Communication: Direct or Indirect?

Methods of communication vary among cultures. Some groups place emphasis on direct and simple methods of communication; others rely heavily on indirect and complex methods. It has been observed, for example, that whereas Germans and Americans are direct, the French and the Japanese are indirect. Persons with an indirect style of communication often make assumptions about the level of knowledge possessed by their counterparts and to a significant extent communicate with oblique references, circumlocutions, vague allusions, figurative forms of speech, facial expressions, gestures and other kinds of body language. In a culture that values directness such as the American or the Israeli, one can expect to receive a clear and definite response to proposals and questions. In cultures that rely on indirect communication, such as the Japanese, reaction to proposals may be gained by interpreting seemly indefinite comments, gestures, and other signs.

Sensitivity to Time: High or Low?

Discussions of national negotiating styles invariably treat a particular culture's attitude's toward time. So it is said that Germans are always punctual, Latins are habitually late, Japanese negotiate slowly, and Americans are quick to make a deal. A majority of the respondents from all cultural groups surveyed claimed to have a high sensitivity to time; however the strength of the minority view on this question varied considerably among the groups. The Indians, French, and Germans included a substantial percentage of respondents asserting a low sensitivity to time.

Emotionalism: High or Low?

Accounts of negotiating behavior in other cultures almost always point to a particular group's tendency or lack thereof to display emotions. According to the stereotype, Latin Americans show their emotions at the negotiating table, while Japanese and many other Asians hide their feelings. Obviously, individual personality plays a role here. There are passive Latin and hotheaded Japanese. Nonetheless, various cultures have different rules as to the appropriateness and form of displaying emotions, and these rules are brought to the negotiating table as well.

Form of Agreement: General or Specific?

Cultural factors may also influence the form of the written agreement that parties try to make. Generally, Americans prefer very detailed contracts that attempt to anticipate all possible circumstances and eventualities, no matter how unlikely. Why? Because the "deal" is the contract itself, and one must refer to the contract to handle new situations that may arise in the future. Other cultures, such as the Chinese, prefer a contract in the form of general principles rather than detailed rules. Why? Because, it is claimed, the essence of the deal is the relationship between the parties. If unexpected circumstances arise, the parties should look to their relationship, not the details of the contract, to solve the problem.

The survey responses on this point may have been a case where professional or organizational culture dominated over national cultural traits. On the other hand, the degree of intensity of responses on the question varied considerably among cultural groups.

Building An Agreement: Bottom Up or Top Down?

Related to the form of the agreement is the question of whether negotiating a business deal is an inductive or a deductive process. Does it start from agreement on general principles and proceed to specific items, or does it begin with agreement on specifics, such as price, delivery date, and product quality, the sum total of which becomes the contract? Different cultures tend to emphasize one approach over the other. Some observers believe that the French prefer to begin with agreement on general principles, while Americans tend to seek agreement first on specifics. For Americans, negotiating a deal is basically making a series of compromises and trade-offs on a long list of particulars. For the French, the essence is to agree on basic principles that will guide and indeed determine the negotiation process afterward. The agreed-upon general principles become the framework, the skeleton, upon which the contract is built.

Team Organization: One Leader or Group Consensus?

In any international negotiation, it is important to know how the other side is organized and makes decisions. Culture is one important factor that affects the way groups are

organized and the way organizations function. Some cultures emphasize the individual while others stress the group. These values may influence the organization of negotiating teams. One extreme is the negotiating team with a supreme leader who has complete authority to decide all matters. Other cultures stress team negotiation and consensus decision- making.

Risk Taking: High or Low?

Research indicates that certain cultures are more risk averse than others. In deal making, the culture of the negotiators can affect the willingness of one side to take "risks" in a negotiation -- to divulge information, try new approaches, or tolerate uncertainties in a proposed course of action. Knowledge of these cultural differences may help negotiators to better understand and interpret their counterpart's negotiating behavior and to find ways to bridge gaps created by cultural differences. It needs to take into account professional culture, as well as national culture, in the analysis of the impact of culture on negotiating behavior. When faced with cultural differences at the negotiating table, negotiators from different cultures but similar occupational or professional backgrounds might seek to reply on the elements of their professional culture in trying to bridge the cultural gap between them. The combination of these basic elements will be applied for the detailed analyzes of American and Chinese business negotiation styles.

4.2. The American negotiation style

The United States has been a nation influenced by its immigrants. Certainly the continuous mixing of ideas and perspectives brought from across the seas has enriched all the experiences. Every newcomer has had to work hard to succeed; thus the powerful American work ethic. Another quality of immigrant forefathers was a fierce individualism and independence-characteristics necessary for survival in the wide-open spaces. Indeed, The Declaration of Independence both coincided with a seeded history and national identity. But independence often does disservice at the negotiation table. Negotiation is by definition a situation of interdependence- a situation that Americans have never handled well. Americans inherit more of this island/individualistic mentality from frontier history. Americans as a group haven't had much practice negotiating because they have always been able to go elsewhere if conflicts arose. (Graham J., 2008)

The long distances between people allowed a social system to develop with not only fewer negotiations but also shorter ones. A daylong horseback ride to the general store or stockyard didn't favor long, drawn-out negotiations. It was important to settle things quickly and leave no loose ends to the bargain. "Tell me yes, or tell me no-but give me a straight answer." Candor, laying your cards on the table, was highly valued and expected in the Old West. And it still is today.

The uniqueness of the fundamental driving forces behind the social and business systems must be also recognized. Adam Smith in his *Wealth of Nations*, published in 1776, well justified their emphasis in perhaps the most important sentence ever written in English: "By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it."

Of course, the educations system also reflects the way American negotiation style was developed. Throughout the American educational system people are taught to compete, both academically and on the sporting field. Adversarial relationships and winning are essential themes of the American socialization process. But nowhere in the American

educational system is competition and winning more important than in case discussions in the law and business school classrooms. Those who make the best arguments, marshal the best evidence, or demolish the opponents' arguments win both the respect of classmates and high marks. Such skills will be important at the negotiation table. At the same time Americans are not the fans of asking question, which is a big issue during the negotiation process. In fact, in most places in the world, the one who asks the questions controls the process of negotiation and thereby accomplishes more in bargaining situations.

Team Organization: One Leader or Group Consensus?

Most American executives feel they should be able to handle any negotiation situation by themselves. "Four Germans versus one American is no problem. I don't need any help. I can think and talk fast enough to get what I want, what the company needs." So goes the John Wayne rationalization. And there's an economic justification: "Why take more people that I need?" Another more subtle reason might be, "Why not take full credit for success? Why split the commission?" Often, then, the American side is outnumbered when it shows up for business discussions.

Being outnumbered or, worse yet, being alone is a severe disadvantage in any negotiation situation. Several things are going on at once talking, listening, preparing arguments and explanations, formulating questions, and seeking approval. Numbers help in obvious ways with most of the above. Indeed, on a Chinese negotiation team one member may be assigned the task of carefully listening with no speaking responsibilities at all. Consider for a moment how carefully negotiator might listen to a speaker if he or she didn't have to think up a response to his or her next question. But numbers on one side is the powerful, subtle influence of nodding heads and positive facial expressions. Negotiation is very much a social activity, and the approval and agreement of others can have critical effects on negotiation outcomes. Numbers can also be a subtle indicator of the seriousness and commitment of both parties to a negotiation.

Personal Style: Informal or Formal?

Americans more than any other cultural group value informality and equality in human relations. The emphasis on first names is only the tip of the iceberg. They go out of their

way to make the clients feel comfortable by playing down status distinctions such as lengthy introductions. But all too often they succeed in making only themselves feel comfortable, while international clients are often uneasy or even annoyed.

In many countries, interpersonal relationships are vertical; that is, in almost all two-person relationships, a difference in status exists. The basis for this status distinction may be any of several factors, including age, sex, place and level of education, position in a firm, which firm, or even one's industry of employment. For example, the president of the number one firm in an industry holds a higher status position that the president of the number two firm in the same industry. The Chinese, in particular, are very much aware of such distinctions and of their positions in the hierarchy. And for good reason: Knowledge of their status positions dictates how they will act during interpersonal interactions. Thus, it is easy to understand the importance of exchanging business cards in Japan or China; such a ritual clearly establishes the status relationships and lets each person know which role to play. The roles of the higher status position and lower status positions are very different, even to the extent that different words are used to express the same idea, depending on which person makes the statement. Such rules for conducting business discussions are difficult for Americans to understand. We can perhaps get by with our informal, egalitarian style when we're dealing with foreigners in the United States. And, creativity can be enhanced in more egalitarian contexts-more ideas tend to be put on the table when status distinctions are minimized.

American's biggest communications disadvantage is the weakness of foreign language skills. Having to bargain in English puts a second, very powerful negotiation tool in the hands of our opponents. On the face of it, bargaining in our first language should be an advantage, but even the most powerful argument fizzles when the other side responds, "Sorry, I'm not sure I understand. Can you repeat that please?" Bargainers listening in a second language have more freedom to use the tactic of selective understanding. It also works when they speak. Previous commitments are more easily dissolved with the excuse, "That isn't exactly what I meant." It is a surprisingly common mistake to assume that the one who speaks English best is also the most intelligent and influential in the group. This is seldom the case in foreign business negotiations.

Negotiating Goal: Contract or Relationship?

It is not always easy to identify the key decision maker in international business negotiations. Indeed, American bargainers become very upset when halfway through a negotiation the other side says, "I'll have to check with the home office," thus making it known that the decision makers aren't even at the negotiation table. In such a situation, Americans feel they've wasted time or even been misled.

Having limited authority at the negotiation table is a common circumstance overseas and can be a useful bargaining tactic. In reality, the foreign executive is saying, "In order to get me to compromise you have to convince not only me, but also my boss who is 7,000 miles away." Thus, the arguments must be most persuasive. Additionally, such a bargaining tactic helps to maintain harmony at the negotiation table by letting the home office take the blame for saying no.

But such tactics go against the grain of the American bargaining style. Americans pride themselves in having full authority to make a deal. Knowledge about authority limits on the other side of the negotiation table will often be crucial. (Graham J., 2008)

Communication: Direct or Indirect?

As mentioned earlier, Americans don't like to beat around the bush, but prefer to get to the heart of the matter as quickly as possible. Unfortunately, what is considered the heart of the matter in a business negotiation varies across cultures. In every country business negotiations proceed in the following four stages:

- Non-task sounding
- Task-related exchange of information
- Persuasion
- Concessions and agreement

The first stage includes all those activities that help establish rapport. It does not include information related to the business of the meeting. The information exchanged in the second stage of business negotiations has to do with the parties' needs and preferences. The third stage involves their attempts to change each other's mind through the use of

various persuasive tactics. The final stage is the consummation of an agreement, which is often the summation of a series of concessions or smaller agreements.

From the American point of view, the heart of the matter is the third stage-persuasion. They have a tendency to go through the first two stages quickly. American negotiators do talk about golf or the weather or family, but relative to other cultures, spend little time doing so. They state their needs and preferences, and are quick about that, too. Americans tend to be more interested in logical arguments than in the people with whom are negotiating.

In many other countries the heart of the matter, that is, the key knowledge pertains not so much to information and persuasion as to the people involved. In Saudi Arabia, much time is spent getting to know one another. Americans call the "wristwatch syndrome." In the United States, looking at your watch usually gets things moving along. In Saudi Arabia, such impatience signals apprehension and thus necessitates even longer periods of non-task sounding. (Graham J., 2008)

Negotiating Attitude: Win/Lose or Win/Win?

Americans expect honest information at the negotiation table. When they don't get it, negotiations often end abruptly. They also understand that, like dollars, information must be traded. "You tell me what you want and I'll tell you what we want." And there is an uncommon urgency to this request for reciprocity. Compared to the negotiation styles of managers in the 20 other cultures, Americans expect information in return almost instantly. (Graham J., 2008)

Americans begin to feel very uncomfortable if something is not given in return. Reciprocity is important in all cultures, but because relationships tend to last longer elsewhere, foreign negotiators are willing to wait until later to see their partner's cards and they are therefore more patient communicators.

Sensitivity to Time: High or Low?

Americans are uncomfortable with silence during negotiation. This may seem a minor point, but Americans getting themselves into trouble by filling silent periods. Such subtleties in the communication styles of their foreign counterparts are often missed.

The American style of conversation consists of few long silent periods-that is, any pause of ten seconds or greater. Alternatively, in some parts of Asia, the conversational style includes occasional long periods of silence, often in response to an impasse. American negotiators react to Thai or Japanese silence in one of two ways. Either they make some kind of a concession or they fill the gap in the conversation with a persuasive appeal. The latter tactic has two counterproductive results: (1) the American does most of the talking, and (2) he or she learns little about the others' point of view. (Graham J., 2008)

Form of Agreement: General or Specific?

Persistence is highly valued by Americans. Subsequently, they view a negotiation as something to be won. Americans expect a negotiation to have a definite conclusion, a signed contract. Moreover, they are dissatisfied and distressed if they don't get the bigger piece of the pie. But even worse than losing a negotiation is not concluding a negotiation. Foreign clients and vendors do not necessarily share negotiation. Negotiations are viewed in many countries as a means of establishing long-term commercial relation, which have no definite conclusions. Negotiations are considered a cooperative effort through which interdependence is manifest and each side tries to add to the pie, to be creative. Most Japanese executives, for example, see negotiations as a ritual in which harmony is foremost. In China, minds are changed behind the scenes.

Building An Agreement: Bottom Up or Top Down?

Another factor hurting creativity is the American tendency to attack a complex negotiation task sequentially. That is, they separate the issues and settle them one at a time. For example, American bargainers say, "Let's settle the quantity first and then discuss price." Thus, in an American negotiation, the final agreement is a sum of several

concessions made on individual issues, and progress can be measured easily: "We're halfway done when we're through half the issues." However, in other countries, particularly Eastern cultures, concessions tend to be made only at the end of a negotiation. All issues are discussed using a holistic approach, and nothing is settled until the end.

American executives often interpret this holistic approach as though "the other side cannot commit to anything," and therefore feel that little progress is being made. Agreements are often unexpected and often follow unnecessary concessions by American bargainers.

Risk Taking: High or Low?

When an American makes an agreement, he or she is expected to honor the agreement no matter what the circumstances. But agreements are viewed differently in other parts of the world. In some parts of the world it is impolite to openly refuse to do something that has been requested by another person.

What a Westerner takes as a commitment may be little more than friendly conversation. In some societies, it is understood that today's commitment may be superseded by a conflicting request received tomorrow, especially if that request comes from a highly influential person. In still other situations, agreements merely signify intention and have little relation to capacity to perform; as long as the person tries to perform he feels no pangs of conscience, and he makes no special effort, if he is unable to fulfill the agreement. Obviously, such circumstances make business dealings much more uncertain, especially for new undertakings.

Indeed, deals sealed by ironclad contracts often work against creative adjustments to unforeseen circumstances and opportunities. For example, such ironclad contracts with several Latin American governments are at the time of this writing being toughly tested by $95-a-barrel oil and generally escalating energy prices. But, it's quite difficult for litigation-inured Americans to find advantage in flexible agreements.

Emotionalism: High or Low?

Most Americans take pride in determination, not changing one's mind even during difficult circumstances. Many Americans bargainers take the same determined attitudes with them to the negotiation table: competition, persistence, and determination no matter what. But during international business negotiations, inflexibility can be a fatal flaw. Inflexibility can damage creativity. There simply isn't a strategy or tactic that always works. Different countries, different personalities, and different circumstances require different approaches. Americans biggest communications disadvantage is the weakness of foreign language skills. Wherever they go, they expect to find someone who speaks English. But when they don't, Americans are left to the mercy of third-party translators.

As the short conclusion, it can be defined that most Americans are not aware of a native negotiation style. They tend to perceive bargaining behavior in terms of personality: the Texas "good ole boy" approach, that of the Wall Street "city slicker," or the "laid-back" Californian. But when viewed through the eyes of their foreign clients and partners, Americans have an approach to bargaining all own. And this distinct flavor they bring to the bargaining table is the source of many problems overseas. Much of American style works against them gaining knowledge, communicating accurately, and creating value for all partners to negotiations. Americans has a tendency to adjust their behavior and gain an appreciation for subtler forms of negotiation that often work well around the world. Americans are frequently associated with arrogance; however, this quality may not be a strictly American characteristic, simply often associated with them due to their unique status as the 'global hegemony'. They are often viewed as 'risk-takers' due to their willingness to make decisions on their own. They are also known to be impatient, which stems from the American tendency to get straight to the point and go for the goal. They focus on the contract and usually find anything outside the boundaries of the contract superfluous. American negotiation style is considered to be the gage among all business negotiation styles, due to the several historical, geographical and economic reasons.

4.3. Chinese negotiation style

As it was mentioned before culture starts with geography. China is a continental country, surrounded by the Gobi desert, Siberia, the Tibetan Plateau, and the seas. Even with their long coastline, the Chinese had no maritime tradition of exploration and trade. Chinese philosophers have historically distinguished between "the root"(agriculture) and "the branch"(commerce). In such a agrarian society as China, social and economic theories and policies have always tended to favor the root and slight the branch. A family tradition of "studying and farming" was something of which to be proud. Despite the burgeoning modern cities that represent the Westerners' views od modern Chine, some 70% of the Chinese workforce is still involved in the production of food and live in rural areas.

Different cultural factors may result in cultural differences, and consequently,the acknowledgment of the factors that affect the cultural differences will facilitate the understanding of such differences, part of which will vie discuss in the followings. Since it is impossible to cover all of the factors in this thesis, the factors discussed here are some important ones. Factors affect cultural differences1. Cultural Background One of the cultural different reasons between China and western is cultural background. In Spring and Autumn and Warring s periods of China emerged Confucianism, Taoism and other ideologies.As different ideologies developed and combated each other, the basic framework of Chinese civilization was established. And then Confucianism became the foundation stone of Chinese philosophy system. Confucianism's central doctrine is that of the virtue of Ren. What is Ren? Ren is translated variously as goodness, benevolence, humanity and human-heartedness. In short, Ren means affection and love. For more than 2 thousand years it has molded and shaped the civilization of China and exerted a profound influence upon almost one fourth of human race. The top ten social values for Asian people were maintenance of an orderly society, harmony, accountability of public officials, openness to new ideas, freedom of expression, and respect for authority. This study finds that unlike Americans, East Asians are generally more respectful of authority and prize an orderly society, however in concurrence with the West, Asians honor new ideas, official accountability, and free expression. The combination of famine, unstable political systems, and agressive

foreogners yields a cynicism about the ruleof law and rules in general. Chinese invest trust only in family and a big bank account.(Lucian W. Pye, 1993)

The cultural influences outlined above have given rise to a clearly defined set of elements that underpins the Chinese negotiation style. Most American businesspeople we have worked with often find those elements mysterious and confusing. But if Americans ignore them at any time during the negotiation process, the deal can easily fall apart.

4.4. Elements of the Chinese style of business negotiation

Chinese negotiators can be both obstinate and flexible in that they may be very tenacious in holding to their "principles" while surprisingly flexible about "details." They are quick to point out any "mistakes" by the other party, and they expect that others will be put on the defensive by such errors. They genuinely believe that people will be shattered by the shame of their faults, and they can be very persistent in making an issue over trivial slip-ups and misstatements. In the middle of negotiations Chinese have no hesitation in presenting what they must understand are unacceptable demands. They hint, however, that the demand can be tabled if the other side will make only modest concessions. They may also use extreme language to gain symbolic victories. (Graham J., 2008)

Guanxi (Personal Connections)

The English "personal connections" doesn't do justice for this fundamental concept of business negotiations with Chinese. Everyone knows about the importance of networking of the United States. For the Chinese, nothing is more important than one's place within his or her social network. The importance of guanxi hat its roots in filial piety, but the notion is extended to include friends, friends of friends, former classmates, relatives, and associates with shared interests.

Good guanxi depends on a strict system of reciprocity. This doesn't mean immediate American reciprocity:" I make a concession, and I expect one in return at the table that

day." In China, there 's no hurry; agrarian rhythms run long. Favors are almost always remembered and returned, though not right away. This long-term reciprocity is a cornerstone of enduring personal relationships. Ignoring reciprocity in China is not just bad manners it's immoral. Though the role of guanxi is fading a bit against the backdrop of population mobility and the Westernization of some Chinese business practices, it remains an important social force. More often than not, the person with the best guanxi wins. (Sebenius K., 2003)

Guanxi also provides a source of influence during negotiations. Impasses can be addressed by consultation with influential connections. Indeed, mere references to one's guanxi bolster a negotiation position better than a mountain of technical information. What some Americans might derive as "name dropping" isn't a matter of personal puffery for Chinese negotiators; it's the matter of necessity.

Mianzi (Face or Social Capital)

It seems all Asian cultures have some notion of face: in Japan it is called *omoiyari;* in the Philippines, *pakikisama*; in Korea, *kibun*; and in Thailand, *krengchai*. The notion of face for the Chinese is closely associated with American concept of dignity and prestige. *Mianzi* defines one's place in his or her social network. It is the most important measure of social worth. Sources of face can be wealth, intelligence, and attractiveness. Skills, position, and, of course, good *guanxi*. In Chinese business culture, a person's reputation and social standing rest on saving face. If Westerners cause the Chinese embarrassment or loss of composure, even unintentionally, it can be disastrous for business negotiations. But, while Americans tend to think in absolute terms – a person either has prestige and dignity or doesn't – the Chinese think of face in quantitative terms. Face, like money, can be earned, lost giver, or taken away. (Sebenius K., 2003)

Breaking promises, displays of anger, or other disreputable behaviors at the negotiation table can cause the client or business partner the loss of face. Public praise and social recognition are the means for giving a business partner face. However, going too far or praising too frequently can suggest insincerity. Care must be taken. There are several ways to cause a loss of face. Casual kidding may do it. Insults, criticism, or a lack of respect fro status will subtract substantially from the partner's mianzi.

Shehui Dengji (Social Hierarchy)

The crowding and collectivism of Chinese culture provide fertile ground for hierarchy. Status relationships are central for understanding Chinese business systems. Confucius defined five cardinal relationships: between ruler and ruled, husband and wife, parents and children, older and younger brothers, and between friends. Except for the last, all the relationships were hierarchical. (Graham J., 2008)

Geert Hofstede's studies of work values at IBM defined the importance of social hierarchy across cultures. As it was mentioned in the previous chapter, the indicator called Power Distance Index scores the perception of differences between superior and subordinate and a belief that those who hold power are entitled to privileges. (Hofstede G., 2001) A low score reflects more egalitarian views. As might be expected, Hofstede reports high PDI scores for Chinese and a low score for Americans. Chinese tend to address others by their official titles plus their family names. American informality and egalitarianism will not play well on the western side of Pacific.

At some point negotiations may require a meeting of equals in the hopes of stimulating more cooperation. But top-level Chinese executives will not be prepared to bargain and will not be persuaded. It's simply not their role.

Renji Hexie (Interpersonal Harmony)

The Confucian grassroots approach to peace preached interpersonal harmony as key. The saying goes," A man without a smile should not open a shop".(Graham J.,2008)Harmonious relations between business partners are essential for successful commercial negotiations and relationships with Chinese. While respect and responsibility are the glue that binds hierarchical relationships, friendship and positive feelings hold horizontal relationships together. Rather than saying "no", Chinese negotiators are more likely to change the subject, turn silent, ask another question, or respond by using ambiguously and vaguely positive expressions with subtle negative implication. The subtle of these expressions is hard to translate and explain in English though.

Usually only native Chinese speakers can tell the difference during a formal negotiation session, through consideration of their moods and intonations, facial expressions, and body language. Hearing what one wants to hear may not promote efficiency in communications, but it does promote harmony at lest in the immediate context. Expressions of negative emotions are most inappropriate in negotiations with the Chinese. "Getting mad" may work with Americans, but it most often ends talks with Chinese. (Sebenius K., 2003)

In the final analysis, trust and harmony are more important to Chinese businesspeople than any piece of paper. Until recently, Chinese property rights and contract law were virtually nonexistent – and are still inadequate by Western standards. So it's no wonder that Chinese businesspeople rely more in good faith than on tightly drafted deals.

Qundai gianxi (Nepotism)

It was already mentioned how important is family in Chinese society. Chinese-owned companies seldom grow beyond the bonds and bounds of the extended family. Family businesses are autocratic, with the father usually in charge. Squabbles can break out in family boardroom meetings, but a united front will always be presented to outsiders. Moreover, persuasive appeals composed of benefits targeting individual negotiators will be of little or perhaps negative consequence. Benefits offered should be directed toward the welfare of the company/family. Negotiation strategies must take into account these strong social and family ties prevalent in the Chinese business system.

Zhengti Guannian (Holistic Thinking)

Surely, the holistic thinking of the Chinese comes from the years of learning the thousands of ideographs or characters. Words for them are more like pictures rather than the sequence of letters. Thus, people themselves must be evaluated in the context of their overall social relations or *guanxi* in China. Americans identities are more defined by individual accomplishments.

The implications of these differences in thinking patterns hold significant salience for international business negotiations. Americans consider the negotiations finished when they have come to the end of the list. No so their Chinese counterparts, who feel it's at

that point they can begin thinking about the package as a whole. Chinese think in terms of the whole while Americans think sequentially and individualistically, breaking up complex negotiation tasks into a series of smaller issues: price, quantity, warranty, delivery, and so forth. Chinese negotiators tend to talk about those issues all at once, skipping among them, and, from the Americans' point of view, seemingly never settling anything. This difference in style can frustrate Westerners accustomed to measure progress in a linear way. (Lam M., 2003)

Chiku Nailao (Enduring or "Eating Bitterness and Enduring Labor")

The Americans and Chinese are famous for their work ethic. Long hours, long weeks, and long school years are prevalent in Chinese cultures, although this is changing some recently. Where Americans place value on talent as a key to success, Chinese see endurance as much more important and more honorable. Chinese list persistence, determination, and preparation as key traits. According to Mark Lam's research, Chinese diligence primarily reflected in two ways at the negotiation table. First, the Chinese will have worked harder in their preparations for the negotiations. Second, they will have expectations about longer bargaining session.(Lam M., 2003)

Finally showing patience is a sign of chiku nailao. The Chinese rarely make concessions immediately following persuasive appeals without broader consultation. Indeed, the combination of group decision-making and social status can make things quite complicated in the Chinese side. Moreover, Chinese are skilled in using delay as a persuasive tactic.

Jiejian (Thrift)

Price will often be the crucial issue. Among all the issues involved including quantity, product options, service contracts, terms of payment, warranty, and so on, price ends up being the central point of disagreement. China's long history of economic and political instability has taught its people to save their money. The focus on saving results, in business negotiations, in a lot of bargaining over price usually through haggling. (Graham J., 2008)

Chinese will pad their offers with more room to maneuver than most Americans are

used to. And the Chinese will make concessions on price with great reluctance and only after lengthy discussions. Chinese negotiators do expect concession to be made by both sides, particularly on prices. Indeed, they expect that everyone pads prices as they do. This is a case where American negotiators will do well to meet Chinese expectations.

Linghe Tanpan (Zeri-Sum Negotiations)

In Chinese cultures, cooperation and trust among family members is standard procedure. Reciprocity and creative business negotiations among friends and acquaintances result from the degree of interdependence that has been established and the face invested in them. The Chinese distrust outsider and expect competitive negotiations with them. The fundamental notion of expanding the pie before dividing it up common in the West is not shared by them. Indeed, they expect to be distrusted and they expect competitive behavior.

Only well-managed, long-term relationships with Chinese partners will result in anything resembling creative, mutually beneficial business negotiations. Since initial negotiations are apt to be zero-sum, they should involve relatively small numbers of dollars. Once trust is established and insider status is confirmed then, can the best kinds of substantial commercial relationships be negotiated? (Graham J., 2008)

Jiao ta Liangshi Chuan (Threatening to Do Business Elsewhere)

Chinese seem to use this tactic with little regard for its aggressiveness as perceived by most Americans. American negotiators tend to be in a hurry and tend focus on "one thing at a time", the development of a symmetrical set of alternatives begins only when troubles appear with the focal business deal.

Indeed, in many ways the Western approach and negotiation processes are about as different as they can get. However, business still gets done and commercial relationships thrive across the Pacific because the opportunities and economics of cooperation are great. Moreover, when both sides take into account the many predictable differences in expectations, values, and behaviors, business can be conducted more efficiently and with more creativity and more mutual gain.

To make a short conclusion let's define main threads, which influence Chinese

negotiation style. Four thick threads of culture have bound the Chinese people together for some 5000 years. As was already mentioned, two-thirds of the Chinese people still live in rural areas, laboring primarily in rice or wheat cultivation. It is communal, not individualistic; survival depends on group cooperation and harmony.

The second thread is morality. Confucius maintained that a society organized under a benevolent moral code would be prosperous and politically stable and therefore safe from attack. (John L. Graham and N. Mark Lam, 2009). Chinese negotiators are more concerned with the means than the end, with the process more than the goal.

The third cultural thread is the Chinese pictographic language. In Chinese, words are pictures rather than sequences of letters, Chinese thinking tends toward, and that's where the holistic approach is coming from.

The fourth thread is the Chinese people's wariness of foreigners, which has been learned the hard way—from the country's long and violent history of attacks from all points of the compass.

Chart No.2: Summmary of Differences in American and Chinese Negotioan Styles

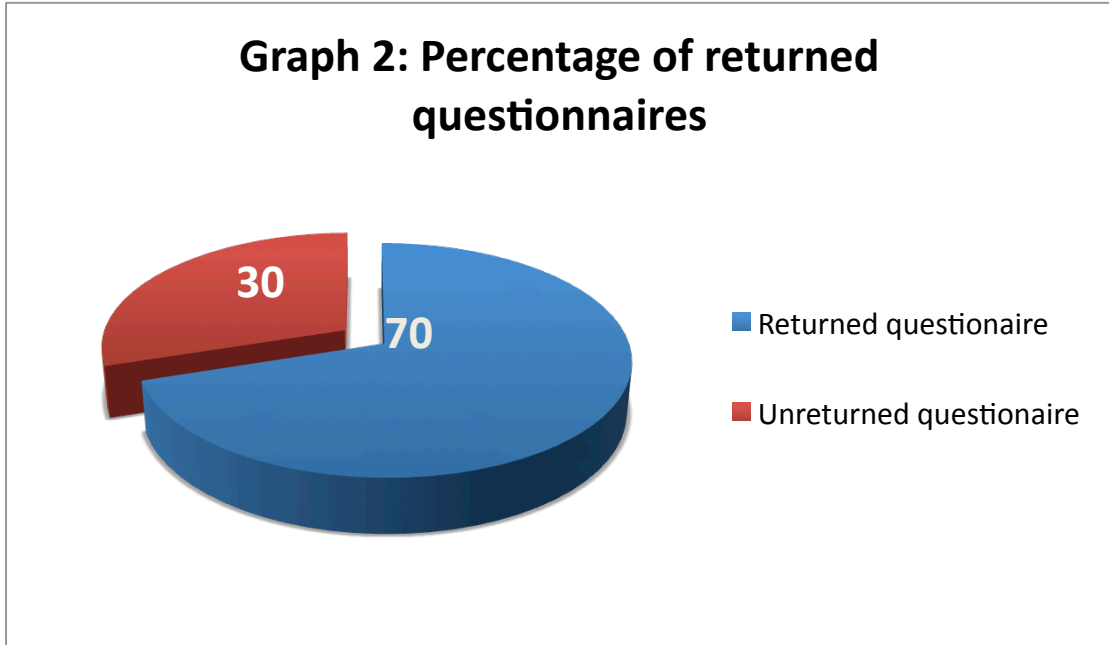| CATEGORY	AMERICAN	CHINESE
Basic Cultural Values and Ways of Thinking	Individualism Egalitarianism Information - Oriented Focus, foreground, Object Reductionism Content The Truth	Collectivism Hierarchy Relationship – Oriented Big picture, Background, Environment Holism Context The Way, compromise
Negotiation process 1. Non – task Sounding	Short Informal Cold calls	Long, expensive Formal Intermediaries
2. Task-related exchange of information	Full authority Directness „Cards on the table" Proposals first	Limited authority Indirectness Intermediaries Explanation first
3. Persuasion	Aggressive, persuasive tactics (threats, promises, arguments, and logic: „You need this.")	Questions, competing offers, delays
4. Concessions and agreement	Sequential Goal = „a good deal"	Holistic Goal = relationship

Source: own input

5. Practical Part

While much has been written about Russian negotiation styles and approaches, few empirical studies of Russian negotiation behavior have been conducted. Questioning measures of negotiation processes in the two cultural groups are the focus of this study. The behaviors of forty-six Russian entrepreneurs, thirty interpreters and twenty-four representatives of organization team participated in Questionnaire negotiation simulations. Their answers have been analyzed using a content analysis scheme. Frequencies of results have been divided in 3 groups. Additionally, the relative influences of the gender and age also have been included in the outcomes of respondents.

The structure of the practical part is presented in 4 parts. First, the methodological tool and development of the content analysis scheme are described. The discussion there includes the description of main group of respondents and how they have been questioned. Next, the literature regarding Russian negotiation styles are reviewed, including hypotheses about cultural differences. Third, the main method is described. Fourth, results are reported. The final section of the practical part includes the limitations and strengths of the study, and directions for future research.
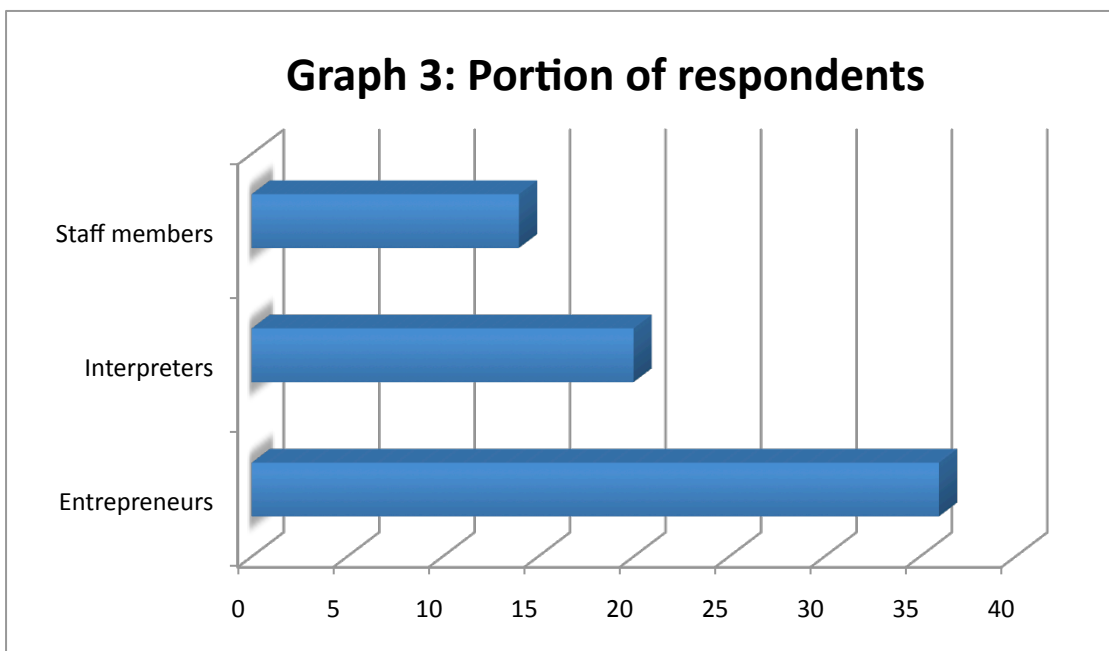
5.1. My approach

Since the major part of this diploma thesis has a descriptive formation, the most useful methodological tool is the Questionnaire. All the data selected for the following research have been taken from the International relations Office of Stavropol State agrarian University, Stavropol, Russia. This organization has a huge experience in hosting and organizing business negotiation meetings during long period of time. It is one of the most important negotiation spots of the Northern Caucasian Federal District. The following database provided the list of most relevant business negotiations, which have been held during last 3 years. The amount of international meetings is not high, but however might give an overview on the main tendency of the results. There were 100 respondents chosen, among them: 46 entrepreneurs, 30 interpreters and 24 representatives of staff members of

International Relations Office.

Graph 2: Percentage of returned questionnaires

30

70

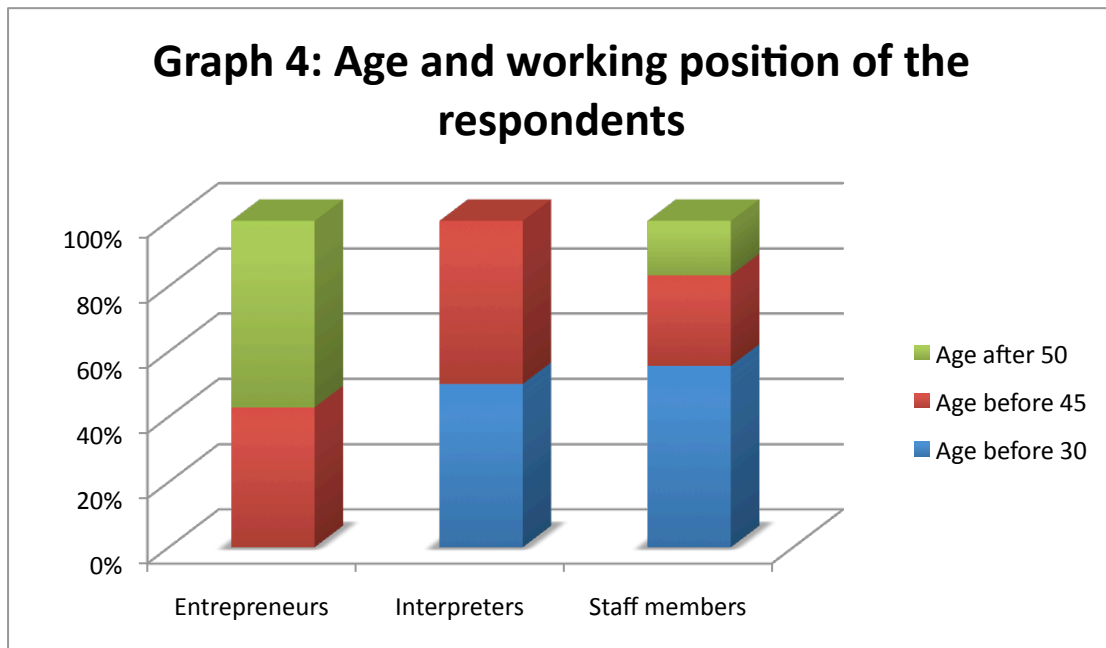- Returned questionaire
- Unreturned questionaire

Source: Own input

Since 30 % of questionnaires were not returned and had no feedback the total amount of respondents at final was - 70. The following figure is showing the number of representatives of each chosen group of replicates.


Graph 3: Portion of respondents

Staff members

Interpreters

Entrepreneurs

0 5 10 15 20 25 30 35 40

Graph 4: Age and working position of the respondents

The participants of the following Questionnaire were offered to answer on 10 multiple-choice questions. The questions were developed according to the 10 basic traits of any business negotiation style. Thereafter the answers were built on the idea of the defining attribute of belonging to following business negotiation styles: Chinese or American. Also the other option was included. The third answer of each question had a combined meaning, identified as the tendency to the mixed business negotiations style. Each answer has been evaluated from the level of suitability to the previously mentioned negotiation styles. Each "A" answer is an indicator of American negotiation style choice, "B" - Chinese, "C" – mixed negotiation style.

First of all the interesting tendency has occurred among representatives of different genders as shown in Graph 3.

Graph 5: Gender role in choosing the negotiation style
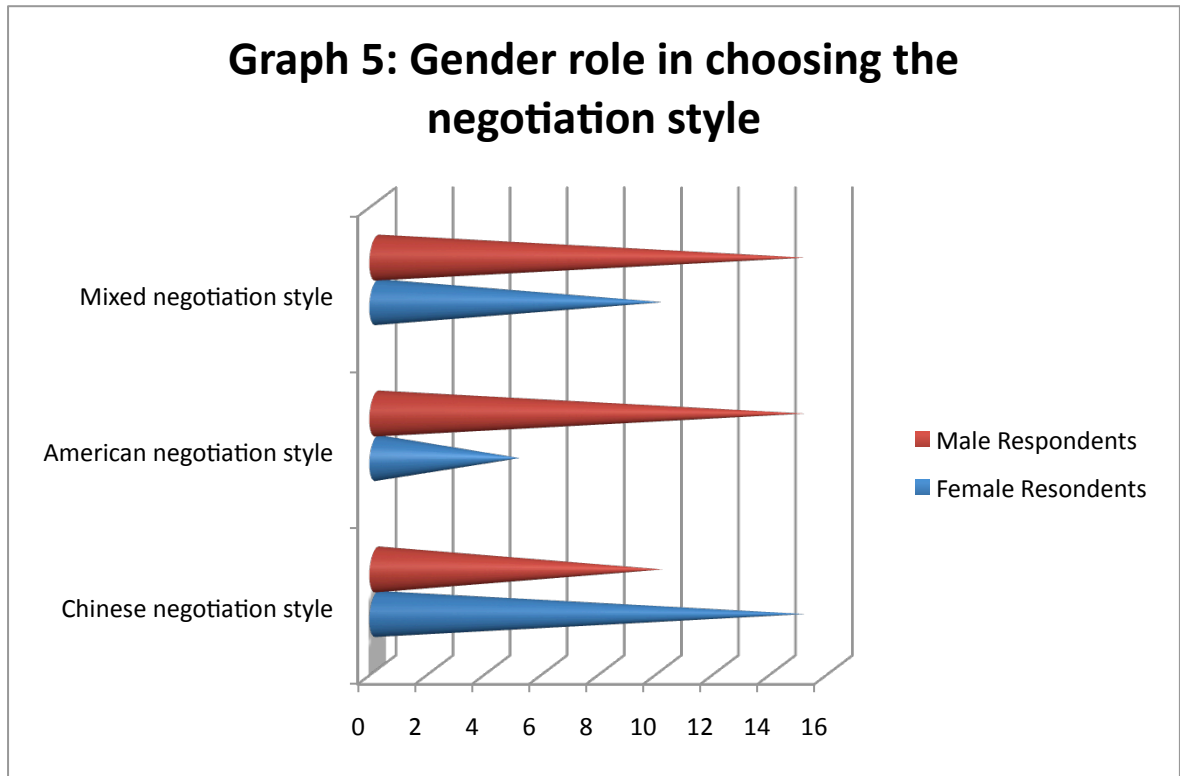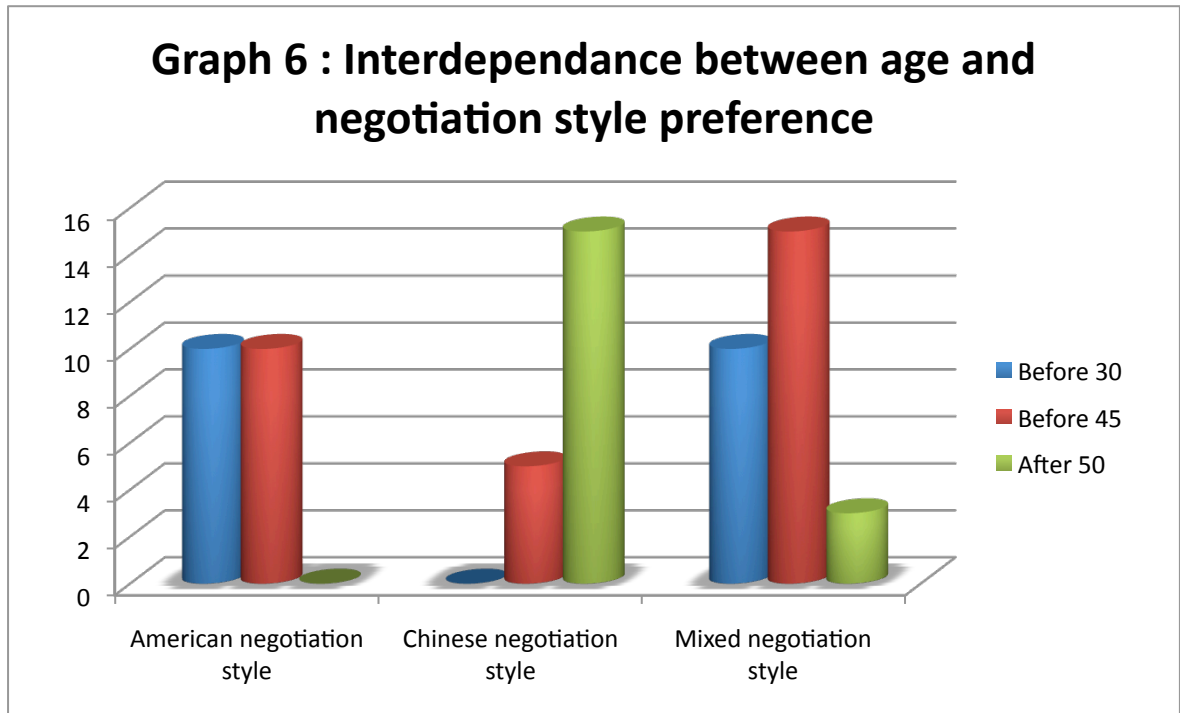

Source: Own input

Analyzing the answers of representatives of opposite gender in the process of negotiations, the specific differences can be defined. Making a short overview on the most crucial points, the conclusion can be formulated as following: during the negotiation process female respondents have a tendency to behave mush more similar to the Chinese business negotiation style. The similarity can be explained by the fact that Chinese culture is fundamentally feminine, which absolutely influence the way of doing the negotiations.

Table 5.2. Negotiator style and influence in multi-party negotiations: exploring the role of gender

| Masculine Tendencies	Feminine Tendencies
One-shot deal	Long-term relationship
Win – loose situation	Seek mutual gain (win-win)
Emphasize rules-of-the-game and power positions	Emphasize fairness
Explain logic of their position	Inquire about others' needs
Aggressive (speak in a dominating manner)	Tempered (use powerless speech)
Be inappeasable about their position	Willing to compromise
Interrupt and deceive the other party	Avoid tactics that might harm long –term relationships

Source: (Lewicki et al., 1993)

Graph number 4 shows how age of the respondents influenced on the level of suitability of this or that negotiation style.

Graph 6 : Interdependance between age and negotiation style preference

Source: Own input

Analyzing this graph, it can be defined that "old school negotiators" at the age after 50 years old are absolutely comfortable with Chinese business negotiation style. The reasons for this were detaily described in the previous chapters. Shortly reminding, the 50 years of the common political formation, sharing the border, long history of trade all have a huge influence on similar negotiation behavior of the representatives of this countries. Representatives of the age group before 30 have a tendency to find common language much quickly with representatives of American business culture. That's the modern trend of rapidly growing Russian integration into the world trade arena. Young participants of the negotiation process from Russia find it easy to keep things informal, aggressively get the results as soon as possible, and compete to get the win/loose situation. All the previously mentioned criteria's are common for the American negotiation style.

The basic result of the following Questionnaire is shown on the graph number 7.

Graph 7: Final result of respondents

- Chinese negotiation style
- American negotiation style
- Mixed negotiation style

0% 20% 40% 60% 80% 100%
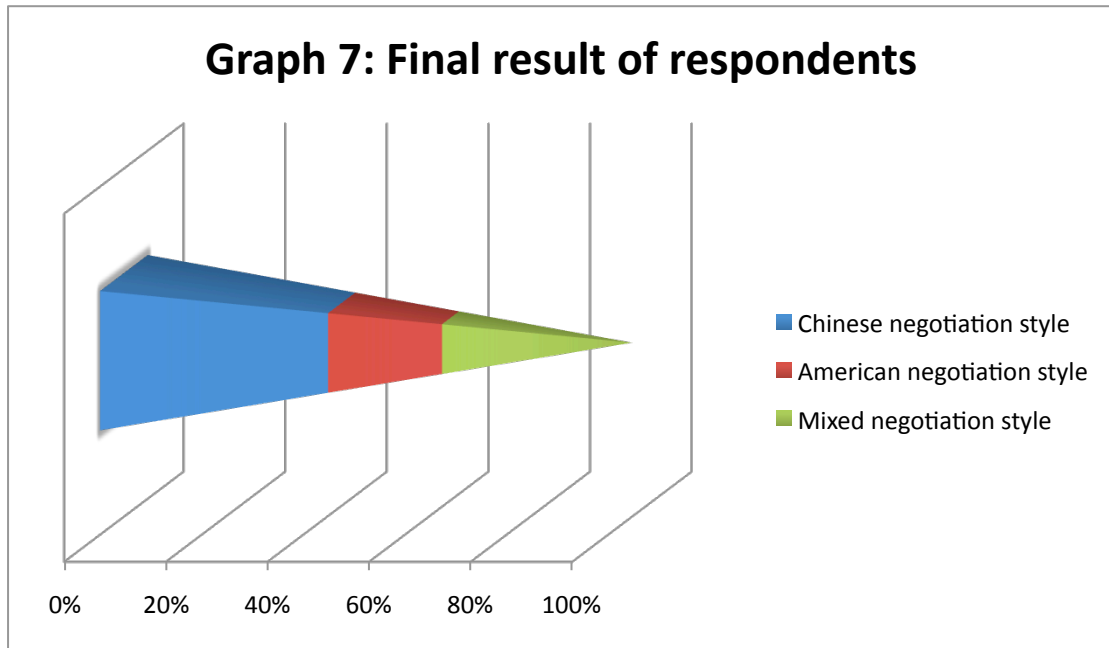
Source: Own input

The following methodological tool gave the result of absolutely clear tendency of Russian negotiation style to be similar to the Chinese negotiation style. More than 50 % of respondents, by answering on the questions chose the answers, which defined this suitability level. It is absolutely fair to say that 70 people are not enough to be considered as the full-scale research though. However, the literature overview chapter showed the relevant background of studies, which gave the same conclusion on the following topic. What should be pointed is the second popular result, which showed 30 % of respondents. The Mixed type of business negotiation process includes basic characteristics of both Chinese and American business negotiation styles. Which means, that modern Russian entrepreneurs can negotiatiate and combine both of this so opposite styles. That brings us to the topic of defining the Russian business negotiation style as such.

5.2. Russian Business negotiation style

Despite the geographical proximity to Western Europe, the cultural differences between Russia and the West are still very high. As an example, the American style of business communication is considered to be too superficial and unnecessary by Russian businessman.

For centuries, Russia was at the crossroads of trade routes going from north to south (from the Vikings to the Greeks) and from east to west (from Europe to China and India). As a result, Russian culture includes many other neighboring cultures of Scandinavia, Byzantium, the Southern and Western Slavs, Germany, Italy, and Caucasus.

National identity formation was influenced by two factors: on one side - the Soviet norms, rules of business communication, value orientation, formed at this time, on the other - features of the Russian national character.

Participants in the negotiations with the Soviet side were evaluated by many foreign partners as excellent professionals, especially with regard to good knowledge of the subject of negotiations. The solution could not be taken for a long time, but eventually once it is accepted and the contract is signed, it is strictly enforced. The same punctual observance has been expecting from foreign partners.

Often foreign partners have described the soviet style as isolated. However, sometimes negotiation tactics of the Soviet side was to take a position, which was significantly, overstated their claims. Then, after long discussions the rapprochement took place.

Composition, structure of the Soviet delegation at the negotiations had been built, usually on a rigid hierarchical principle. At the talks the Soviets preferred to act cautiously, not willing to take risk. Soviet negotiators are likely to respond on what the partner proposed, rather than put forward their own solutions.

Many noted that the emotional side is part of the Russian negotiating style. From one point of view, Russian negotiation style can cover the following traits: the ability to deal with the representatives of various countries and nationalities, the ability to feel a partner and be open to his/her negotiating style. At the same time on the other hand Russian style can be attended by frequent mood swings and attitudes in respect of a partner: a very friendly disposition, then suddenly a manifestation of formality, excluding any personal sympathy.

Negotiations for a Russians – are a serious matter, and this fact develops the main behavior. It is focused on the person, but process itself is important as well. Therefore, good personal relationships are important for the negotiation and conclusion of transactions. One manifestation of this trend is the extensive network of personal connections, which covers the entire country. Often success in Russia can be achieved by the principle of reciprocity ("you're me, and I '), and far more less chances to win using official appeals or petitions.

Russia's negotiating partners expect from a German manager primarily punctuality and commitment. They are often guided by emotion - as opposed to 'Western negotiators', which largely distinguishes sober calculation, accuracy and specificity. West professionalism in conjunction with the whole person is a combination of qualities that will allow currying favor with the Russian business partner.

Negotiating Attitude: Win/Lose or Win/Win?

Russian negotiating style sometimes can be similar with the style of the South European managers. Rigidity and endurance are also required for the negotiation in the CIS countries. Bazaar technologies are common; therefore, making an offer, you must provide in advance the possibility of concessions. Blows with his fist on the table can be consequences of misunderstanding. In the outburst of emotions partner may simply broke off negotiations and leave the room.

Sometimes, quite unexpectedly rationale of the transaction is changing, and the other party is required to patiently listen to presentation of contradictory facts. In the continuation of negotiations, Russians can customize the partner, pointing to a lack of time, but after all quietly take dinner and say meaningless toasts.

This tactic should be treated with patience, as Russian negotiators just want to play on the fact that the other side is on the foreign territory, feeling unsecure. This tactic is used to make the second part bring the concessions. The high degree of improvisation is required during the negotiations and the further implementation of the project

Russian negotiating team is often composed of proven, experienced experts. Their style is associated with the chess match, meaning negotiators calculate a situation several moves ahead. Unlike businessmen from the southern countries, Russian partner in the negotiations will not show excessive flexibility for unexpected changes or new ideas.

The counterpart's willingness to compromise might be perceived as weakness. Therefore, the negotiations might reach a deadlock. In this case, it is also important to demonstrate the strength and endurance, refusing to make concessions.

Negotiating Goal: Contract or Relationship?

Here the situation on the negotiation table can really get confusing. By agreeing to minor concessions, the Russian partner requires major concessions from the counterpart. It is important to include a few points on which the negotiation process could be phased out under the guise of concessions in the preliminary draft of the treaty. Foreign negotiators should be well prepared for the fact that the other side, above all, require to state your position in the negotiations, then to give their answer. If a businessman is easy to agree to concessions, it causes distrust among the Russian partners. Due to the historical background, in Soviet times all the decisions were difficult and complex, so fast assignment can be associated with the trick.

The Russians expect that the Western negotiating partners will immediately give an answer to any question and offer a solution to every problem. When it is delayed, they begin to show slight impatience. But if there is a counter-question or a counter offer, it takes a very long time before the other side gets the answer. If the answer is negative, the Russian partners will try any means to delay the talks. Once the right partner is found and business relationships are established, the long-term cooperation will start.

Personal Style: Informal or Formal?

Aside from contacts with individual government officials who are aware of their role and value, the atmosphere of negotiations with the Russian is generally nice and pleasant.

Whether it is the Minister himself or the managers of large enterprises - they are usually friendly and courteous.

A case may move slowly or quickly depending on the extent to which your partner influences on decision-making. Private enterprise owners seek to conclude a deal with the West. Summarizing, we can say that the negotiations, including in Russia - an art that is still undervalued.

'New Russian' - it's nouveaux riches, which are prototypes of Russian businessmen. Having a modest education and social background, New Russians are perceived as arrogant and gaudy, conspicuous consumers with poor taste. Money and status symbols are prominently displayed by the New Russian, in particular jewelry and luxury cars. In the early 1990s, prominent attributes of the New Russian stereotype also included mobile phones and crimson jackets. Acting in the service industry and trade, especially in financial services and sales of consumer goods, as well as in information technology, they are within a short time became rich people and pretentious. (http://en.wikipedia.org/wiki/New_Russian)

Sensitivity to Time: High or Low?

Another factor that should be considered when dealing with the nouveau riche - is the speed of business communication. It is them who set the tempo. To get something from them, the foreign party needs patience and endurance. But it can happen the other way round. Once the other side is involved in this circle, they begin to think rapidly and already can't stand when their Western partners are being slow in transactions of local importance.

In fact, the first encounter with Russians usually runs quietly and formally. Only later, when "the log jam has broken", the stereotypes about their too emotional behavior appear.

Team Organization: One Leader or Group Consensus?

Russians tend to behave competitively, and within in-group negotiations Russians tend to behave cooperatively. Basically negotiators from four formerly communist cultures, including Russia behaved more cooperatively than their counterparts. Negotiation teams can be very hierarchical, and people expect to work within clearly established lines of authority. Openly disagreeing with or criticizing superiors is unacceptable. Decision makers are usually senior executives who consider the best interest of the group or

organization. They will likely consult with others before making the call. Subordinates may be reluctant to accept responsibility. Decision makers also rarely delegate their authority, so it is important to deal with senior executives. Decisions can take a long time and requires patience.

Communication: Direct or Indirect?

The Russian delegation at the talks often speaks with one voice - namely, the voice of their leader. In the majority of cases, CEO is main speaker with the strong support of a head of commercial department behind the scenes. However, there can be a situation where the other party will have to deal with a 'mediator', which actually is not empowered to make decisions. He will make concessions only with the guarantee of the counter- move.

Expect negotiations to be very slow and protracted. Especially during the early bargaining stages you may feel that you are making little progress; discussions often stay high- level for quite some time until your counterparts eventually decide to get down to the details of the deal. Success requires extreme patience in this country.

Russians generally employ a polychromic work style. They are used to pursuing multiple actions and goals in parallel. When negotiating, they often take a holistic approach and may jump back and forth between topics rather than addressing them in sequential order. It is not unusual for them to re-open a discussion over items that had already been agreed upon. Negotiators from strongly monochromic cultures, such as Germany, the United Kingdom, or the United States, may find this style confusing, irritating, and even annoying. It is crucial to keep track of the bargaining progress at all times.

If your counterparts appear to be stalling the negotiation, assess carefully whether their slowing down the process indicates that they are evaluating alternatives or that they are not interested in doing business with you. More often than not, though, this behavior indicates an attempt to create time pressure or 'wear you down' in order to obtain concessions.

Sensitivity to Time: High or Low?

If possible, schedule meetings at least two to three weeks in advance. Since Russians want to know whom they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. It is unlikely that you will meet the top executive of an organization at the first meeting, so be prepared to deal with subordinates. They may have significant influence over the final decision. Confirm your meeting several

times, and be prepared for your counterparts to cancel or postpone meetings with little or no notice. Unless you are sure that your counterparts are sufficiently fluent in English, keeping your correspondence in Russian is strongly advisable.

While meetings may start considerably late, Russians expect foreign visitors to be punctual. Being late by more than 10 to 15 minutes without having a valid and plausible excuse can be an offense. Do not show signs of impatience if you have to wait, even if the other side is an hour or more late.

Form of Agreement: General or Specific?

Capturing and exchanging written understandings after meetings and at key negotiation stages is useful since oral statements are not always dependable. The Russian side may insist on having a protocol (meeting minutes) signed by both parties at the end of a meeting. It serves to record what was discussed, is not a contract, and should not be mistaken for a final agreement. Any part of an agreement may still change significantly before both parties sign the final contract.

Written contracts should be clear and concise, without too many detailed terms and conditions. Signing the contract is important not only from a legal perspective, but also as a strong confirmation of your Russian partners' commitment.

A local legal expert should definitely take part in this stage of negotiations, ideally throughout the negotiation or at the very least before signing a contract. For the time being, it is wise to recognize that the country's legal system is in a transitional mode, so be prepared for laws to change on short notice. Because of that, bringing an lawyer to the negotiation table may not help much, while it could make the negotiation even tougher.

After signing the contract, invite your counterparts to a lunch or dinner to celebrate the beginning of a long-lasting personal and business relationship is integral part of negotiations to show that you are not only a business partner, but also as a trustworthy contact.

Contracts alone are not dependable. Russians may continue to press for a better deal even after a contract has been signed, or they may ignore some of its terms. Your best chance to ensure that your partners follow through on their commitments is to stay in regular contact and nurture the relationship throughout your business engagement.

Risk Taking: High or Low?

Russians are often reluctant to take risks. If you expect them to support a risky decision,

you may need to find ways for them to become comfortable with it first. You are much more likely to succeed if the relationship with your counterparts is strong and you managed to win their trust.

Emotionalism: High or Low?

Russia's culture expects its members to have a sense of belonging to and conforming to their group. At the same time, it leaves some room for individual preferences. If Russians engage in business without first establishing personal relationships, proceed with great caution. They may be looking to take unfair advantage of you if they get a chance. Generally, it is best to give your counterparts time to become comfortable with you. This includes letting them see your personal side, as Russians often mistrust people who are 'all business.' Relationship building is normally a slow process here, since people dislike being rushed or having to follow the fast-paced western approach. Patience is of critical importance in this country.

Business relationships in Russia usually exist both at the individual and company level. Russians may want to do business only with those they like and trust. However, if you introduce someone else from your company into an existing business relationship, that person may quickly be accepted as a valid business partner.

You may be able to establish trust by emphasizing common ground. For example, express your own distrust of authority or bureaucracy whenever there is an opportunity for it. However, refrain from praising or rewarding anyone in public. Unlike in many other cultures, doing so may raise suspicion about your motives.

In Russia's business culture, the respect a person enjoys depends primarily on his or her rank and status. Age and education are less important than in most other countries. Be careful never to come across as patronizing a senior Russian manager. Admired personal traits include firmness, sincerity, and dependability.

Russia had difficulties to enter the world market. While globalization was already involving all other countries, it did not "touch" Russian business and management styles until the 90th, when the country started reforming its own business style. Now, Russia constitutes a part of the business world and is interconnected with the world system. Russia adopted some well-known management models as well as developed its own business strategies. What model of business style has Russia chosen? It is hard to define the model itself, as it is still being developed, but we can characterize Russian management style as

more autocratic (hierarchy and power relations between boss and employees) than democratic, with flat organization. Although the tendency in management here is to get more people-oriented, less "power-oriented". Employees get more and more appreciation for their knowledge, experience, and creativity. Summing up, it can be recognized that due to the relevant economical and political factors, Russian negotiation culture is experiencing the rapid changes, which make the Russian negotiation style absolutely unique. Defining the main traits of this style, it can be concluded that the major suitability can be seen in the Chinese negotiation style; however, lots of American tactics and approaches influenced a lot on the Russian negotiation style formation.

5.3. Practical recommendations

The manipulative behavior of Russians observed throughout negotiations goes beyond this process and influences the entire cooperation lifespan. So, having their roots in rather fluid ethical standards in Russia, attitude to power control and intellectual property rights are two major reasons why the partnerships and alliances are almost inexistent today.

The first barrier that has important implications for international communication with Russian businessman could be seen in the subtleties of language and the crucial problem of grasping meaning, not only words (Kopper, 1996).

As language reflects the parting values of societies, appropriate translation and usage of a correct word seems to be a problem. Especially in Russia, much of business language is still new to Russian managers who often interpret the business terminology in their own way.

Establishing personal relations and experience in the country are very important. "Personal relationships are really critical in Russia. In UK, US Corporation is corporation and that's it – they have systems and processes. Here they have systems and processes but still a personal touch is worthwhile " – that's' a relevant opinion, given by Business Development Manager of British oil field service.

Building personal ties is prior to transacting any business In Russia. This negotiation style tends to trust more in relationships than in contracts. Furthermore, Russians prefer exclusive relationships; emphasize the exclusive nature of your order and the significance of your company.

Russians expect that foreign negotiators will make concessions on price from the very

beginning and feel sometimes offended when the other side is not ready to so. Therefore is better to invest time and endurance into negotiations. Using the" we know best" – syndrome would push Russians to stick more strongly to their positions and create antagonism.

In order to "get the Russia right", western managers have to understand that there are sometimes different layers behind decisions and actions of people. In other words, Russian negotiators sometimes make decisions based on their previous old experience, not taking into consideration the relevant situation or existing realities.

When foreign negotiator goes to the negotiations he or she must have a mentality that everything that comes out of mouth of Russian speakers is going to be a "NO", because they have to take the high ground. And morally speaking, they actually feel like they fell and must take the high ground. Even if they wrong or right it does not matter – they have to stand their position to show a compromise will be considered a weakness. It is just a different way of approaching business.

To avoid problems inherited in joint ventures and alliances in the oil field for example almost all oil service and equipment companies have preferred acquisitions and green field investments as the most appropriate choice for Russia, since the level of trust is still very low.

Summarizing the findings, this descriptive overview highlighted the fact that the specifics, underlying societal and cultural values in Russia, need to be explored as predictors and determinants of established norms, which might appear during the negotiation process. Often missing in traditional due diligence studies, these "salient issues" might be crucial for overall success of negotiations. The question then becomes how to prevent Western managers underestimating the importance of specific features of the Russian mentality by projecting its own way of doing business on this country. (Snavely et al. 1998)

An example of the negotiating team, set-up by a western multinational during acquisition process of the Russian oilfield company. This example is absolutely relevant in defining the most properly organized team composition and management during the negotiation process with Russian representatives. (Is appropriate in a large acquisition debates).

 Moreover, the composition of the committee should remain constant throughout the time of negotiations. The delegation should be carefully selected. Women and young managers may have a much harder time gaining the trust or respect of Russian managers. The

authority of counterpart must be clarified. Because the decisions can be made only by chief executives or director, that could delay negotiations.

There is no doubt that Russians and Westerners differ not only in terms of national culture, but also in the economic, political, ideological, religious, and social systems from which they come, the approaches to negotiations is thus completely different. Culture has a direct influence on the Russian negotiating style, which, in words of one respondent is "rigid". The Russian fur hat (*shapka*) or wood doll (*matrëshka*) is for tourists. In business life here there are certain laws of the game, which differ from the western mentality. (Gorlin 1979)

6. Conclusions

Well, there is no doubt that culture impacts the way people communicate defining in many ways their manner, style, behaviour during the communication process and many other aspects integral to this huge notion of integration. Coming to the conclusion of the diploma thesis it worth mentioning that this reaserch proved as well the influence the culture occurs on the communication style of the people.

Having analysed the topic of the cross-cultural differences in business negotiation process based on the case study of China, the USA and Russia some interesting results have come out.

As far as the Americans is concerned, most of them are not aware of a native negotiation style. They tend to perceive bargaining behavior in terms of personality: the Texas "good old boy" approach, that of the Wall Street "city slicker," or the "laid-back" Californian. But when viewed through the eyes of their foreign clients and partners, Americans have an approach to bargaining all own. Americans are frequently associated with arrogance; however, this quality may not be a strictly American characteristic, simply often associated with them due to their unique status as the 'global hegemony'. They are often viewed as 'risk-takers' due to their willingness to make decisions on their own. They are also known to be impatient, which stems from the American tendency to get straight to the point and go for the goal. They focus on the contract and usually find anything outside the boundaries of the contract superfluous. American negotiation style is considered to be the gage among all business negotiation styles, due to the several historical, geographical and economic reasons.

It should be mentioned that the analysis that we have successfully carried out has been based ton the ten critical factors for analyzing the main differences of American and Chinese negotiation styles. William Hernandez Requejo and John L. Graham have originally elaborated these ten factors. However in this Diploma thesis these factors have been altered in compliance with the main objective of the research and interpreted to the objectives set at the beginning.

The reason this approach has been taken as a basis for defining the cross-cultural differences in the negotiation process between such countries as China and USA is obvious. Goal, attitude, personal style, communication, time sensitivity, emotionalism, agreement form, agreement building, team organization, risk taking are the most relevant characteristics which should be gone through during any kind of business negotiation process nowadays.

Exploring the Chinese negotiation style we defined that it is much more communal, not individualistic; survival depends on group cooperation and harmony. Chinese negotiators are more concerned with the means than the end, with the process more than the goal, the holistic approach runs in their blood and in most cases they experience a kind of alert in front of the foreigners.

To make the best of the practical part of the thesis the questionnaire method has been applied to fulfill the three dimensional analysis of the three negotiation styles in the focus of our attention.

As far as the Russian negotiation style is concerned, the most important element here is the role of decision-making people who must be able to apply a veto. Moreover, the composition of the negotiation team dealing with the Russian partners should remain constant throughout the time of negotiations. The delegation should be carefully selected. Women and young managers may have a much harder time gaining the trust or respect of Russian managers. The authority of counterpart must be clarified. Because the decisions can be made only by chief executives or director, that could delay negotiations.

There is no doubt that Russians and Westerners differ not only in terms of national culture, but also in the economic, political, ideological, religious, and social systems from which they come, the approaches to negotiations is thus completely different. Culture has a direct influence on the Russian negotiating style, as well as on the negotiation styles.

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8. Enclosures

Enclosure 1:

Questionnaire template

- 1. You are to carry out negotiations with one American partner. How many people will you involve?

    a) Nobody, I shall do it myself
    b) A group of 4 people (each responsible for a certain topic in negotiations)
    c) More than 4 people

- 2. How do you usually address you negotiation partners?

    a) By first name only
    b) By first and middle name (including the title)
    c) Depends on how close I know the person

- 3. How many foreign languages do you speak?

    a) Only Russian
    b) Russian and English
    c) More than one foreign language

- 4. What's your attitude to the limited authority at the negotiation table?

    a) It makes the negotiation longer
    b) It is a normal thing
    c) I usually have no such problem

- 5. What if the heart of the negotiations matters in your opinion?

    a) Profit\signing the agreement
    b) Long term relations
    c) Both

- 6. «You tell me what you want and I'll tell you what we want». This quotation is true about you at the negotiation table.

    a) Yes
    b) No
    c) Depends on the partner

- 7. What do you do when your negotiation partner makes a pause?

    a) I usually try to fill it, because it makes me feel embarrassed
    b) No problem with that, I let the partner take his\her time
    c) I make the longer pause in my turn

- 8. How do you feel when you hear «No» for an answer at the negotiation table?

    a) "No" means "no"
    b) I try to resume the negotiations later
    c) I try to find out what could be done to make it "yes"

- 9. How do you measure progress in negotiations?

    a) By the number of the separate topics discussed and agreed (like price, terms of delivery etc.)
    b) By the general result of the negotiations
    c) By the future possibility to cooperate again
  - 10. What things can make you change the contract conditions after it has been signed?

a) Nothing because contract means contract

b) Force-majeure

c) Anything (from personal request till force majeure)

Enclosure 2

An example of the negotiating team, set-up by a western multinational during acquisition process of the Russian oilfield company. This example is absolutely relevant in defining the most properly organized team composition and management during the negotiation process with Russian representatives. (Is appropriate in a large acquisition debates).
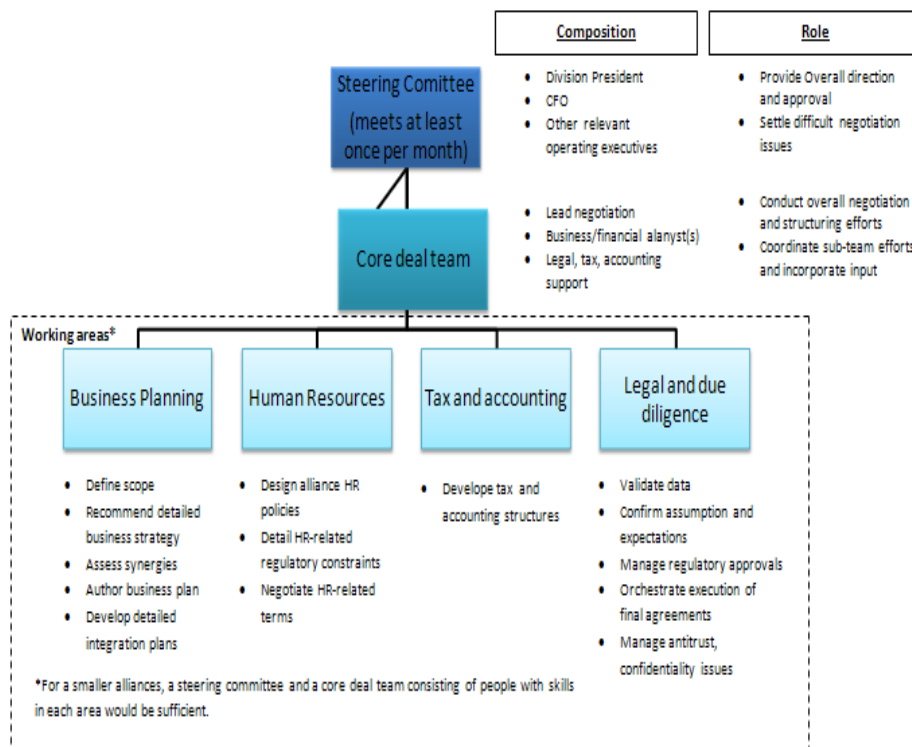

Figure: Negotiation Team Structure