South African Negotiation Approaches and Behaviours in the Chinese Business Context

A Research Report Presented to UCT Graduate School of Business

In partial fulfilment of the requirements for the Masters of Business Administration Degree

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FT660
December 2011

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Acknowledgements

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I wish to thank the interviewees who generously gave their time and provided me with valuable insight far beyond the limited scope of this study. In addition I would like to thank those who met with me to discuss my research, providing me with valuable advice as to direction and content. I also wish to thank Professor Barney Jordaan for his advice and guidance. Finally, I wish to thank my wife, family and friends for their support during this year.

I certify that except as noted above the report is my own work and all references used are accurately reported in footnotes.

James Townsend-Rose
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**Definitions**

**Collectivism:** A philosophic, political, economic, mystical or social outlook that emphasizes the interdependence of every human in some collective group and the priority of group goals over individual goals.

**Globalisation:** Globalisation refers to the increasingly global relationships of culture, people and economic activity.

**Individualism:** A moral stance, political philosophy, ideology, or social outlook that stresses "the moral worth of the individual". Individualists promote the exercise of one's goals and desires and so value independence and self-reliance while opposing most external interference upon one's own interests, whether by society, family or any other group or institution.

**Key Performance Indicators (KPIs):** Industry jargon for a type of performance measurement. KPIs are commonly used by an organization to evaluate its success or the success of a particular activity in which it is engaged.

**Memorandum of Understanding (MOU):** A document describing a bilateral or multilateral agreement between parties. It expresses a convergence of will between the parties, indicating an intended common line of action.

**State Owned Enterprise (SOE):** A legal entity created by a government to undertake commercial activities on behalf of an owner government.

**Western culture:** Sometimes equated with Western civilization or European civilization, refers to cultures of European origin.

**Westernisation:** A process whereby societies come under or adopt Western culture in such matters as industry, technology, law, politics, economics, lifestyle, diet, language, alphabet, religion, philosophy, and/or values.
**Chinafication:** A process whereby societies come under or adopt Chinese culture in such matters as industry, technology, law, politics, economics, lifestyle, diet, language, alphabet, religion, philosophy, and/or values.
Abstract

This study examines the cultural influences on South African negotiations in a Chinese business context with an aim to develop a list of approaches and behaviours, the adoption of which would maximise the probability of a successful negotiation outcome for South African businesses when doing business with the Chinese.

The research takes the premise that in order to benefit from the developing economic relationship between South Africa and China it is necessary for South Africans to develop a strategic approach to Chinese negotiations in the business context. The study was conducted using a cross sectional qualitative research approach and involved in depth interviews with twelve South Africans who had extensive negotiation experience with the Chinese.

The study found that from a South African perspective there are eight cultural drivers of Chinese negotiation. These are: guanxi, Confucianism, legality, status and hierarchy, politics, trust, harmony and face. The suggested approach to ensure successful negotiations includes developing trust, a high level of preparation and structure, flexibility, cultural sensitivity, humility and patience and the adoption of a collaborative or co-operative strategy. The study also showed that due to various factors including globalisation and internal modernisation, the cultural drivers of Chinese negotiations are transforming and the ability to adjust to these cultural changes will be necessary to ensure a successful negotiation outcome in the future.

Key Words: Negotiation, culture, China, South Africa, drivers, Westernisation, guanxi, Confucianism, PRC condition, collectivism.
1. Introduction

1.1. Research Area and Problem

In 2010, international trade (total value of imports plus exports) between The Peoples Republic of China (henceforth called China) and Africa exceeded $120 billion (Yin & Vaschetto, 2011, p.43). As a result, China became the third largest international trade partner in Africa after the United States (US) and France. South Africa’s share of Chinese continental trade is currently approximately $20 billion and increasing by 25% annually (South African DTI, 2011) making China South Africa’s largest trading partner (in trade value terms). It has been estimated that 28% of all businesses in South Africa either source materials or machinery from China and for 17% of South African businesses, China is an importer of finished goods or services (Alden & Davies, 2006). China’s level of investment in South Africa is exemplified by their acquisitions, for example, the acquisition of a 20% equity share of Standard Bank for $5.6 billion and several sizeable equity purchases in mining companies such as Gold Fields and the Blue Ridge and Sheba’s Mine. The investment is two-way; SAB, Sasol, Naspers, Anglo American and other large mining firms have either invested in, or are partnered with, Chinese firms and are currently operating in China.

Fig1: Africa/China trade has increased substantially since 1995 and is currently growing at an annual rate of 35%. Source: The Economist (2010)
The relationship is both complex and diverse. South Africa recognises China as an importer of raw materials, an investor in infrastructure and a ‘non-colonial’ alternative partner in development (Pant, 2008, p.39). China identifies South Africa as a source of raw materials, a gateway into an untapped market (continental Africa) and a key ally on the international stage (Naidu, Corkin & Herman, 2009, p.96). Although sizeable, the commercial relationship between China and South Africa is relatively new. In the past the former colonial powers had almost exclusive trade with South Africa, in particular the UK, US and continental Europe, and it has only been in the last 30 years in general and the last ten years in particular where South Africa has experienced rapid growth in Chinese trade (Broadman, 2006, cited by Gunia, 2011, p.570).

While increasingly large in number and size in monetary terms, negotiated deals between African countries and China have often resulted in poor terms for the South African company who is involved in the negotiation (Ancharaz, 2009). Reasons for this are thought to include, lack of knowledge and experience in negotiation best practice, lack of knowledge and experience in negotiating with the Chinese, a poor development or understanding of alternatives to the deal (BATNA), corruption and greed (Carmody, 2010).

1.2. Purpose and Significance of the Question

Academic literature has documented the difficulty of doing business in China (Bates & Adams, 2003). One of the difficulties arise from the differences in culture between China and her negotiating partners whether they be Western or from a developing economy such as South Africa (Fang, 1999). As trade and investment between the two countries increases, South Africans approach to doing business with the Chinese is becoming increasingly more important. If greater understanding and better practical application does not occur then South Africa risks missing out on China’s economic revolution (Davies, 2007, p.20). From a negotiating perspective this means that South African firms should understand the negotiation styles and behaviours of their Chinese counterparts and develop strategically driven negotiation approaches that are sensitive to these cultural nuances (Van der Wath, 2004). It is this aspect of Sino-South African negotiations that this thesis aims to address.

Although there is a significant amount of academic literature relating to negotiating strategies between the West and China, there is limited literature on South African/Chinese negotiation
strategies. Fergusan & Rivett (2002) and Horwitz, Hemmant & Rademeyer (2008) have investigated this issue from a South African perspective. Fergusan & Rivett (2002) specifically looked at key factors to consider when contemplating the establishment of links with Chinese companies (i.e. the pre negotiation phase) and Horwitz et al., (2008) investigated the perceptions that South Africans had of the negotiating behaviours of their Chinese counterparts. This paper will therefore aim to significantly increase the body of knowledge relating to Sino-South African negotiation strategy.

1.3. Research Question and Scope

Horwitz et al., (2008) studied the South African perceptions of negotiating with the Chinese. This study aims to develop upon this earlier work by developing an effective Chinese negotiation strategy for South African businesses.

The key research question can be formulated as follows:

**What practical South African negotiation approaches and behaviours produce superior outcomes in the modern Chinese business context?**

Secondary questions include:

- What are the cultural drivers that influence modern negotiations with Chinese counterparts?
- To what extent are Chinese cultural drivers changing and how will this affect the key research question?

1.4. Research Assumption

Assumptions that are made in this study (excluding research methodology) are:

- That the Sino-South African relationship continues to progress in a way that makes developing an effective Chinese negotiation strategy a useful business tool (thus rendering this thesis relevant and useful).
- That the various influences on South African / Chinese negotiations are relatively stable. If not, any conclusion (i.e. a ‘best practice’ negotiation approach) could be out-dated before publication, making the study irrelevant.
- That the Chinese cultural drivers of negotiation have been affected by globalisation necessitating a comprehensive study of cultural drivers and negotiation approaches in a modern business context.
1.5. Research Ethics

Ethical considerations can be broken down into four constituents: harm to the participants, lack of informed consent, invasion of privacy and deception (Diener & Crandall, 1978, cited by Bryman & Bell, 2007, p.132). Ethical implications to consider in this study are: harming the interviewees, the protection of data (privacy) and consent. Four steps were taken to ensure that all ethical considerations were met.

i. To prevent deception, the individuals interviewed were made fully aware of the implications of being part of the study. In addition they were allowed to read their interview transcript and make amendments if in reflection they felt their responses to the interview questions did not represent their views.

ii. If it was requested, individual and company identities are protected.

iii. The researcher remained neutral, and avoided any temptation to bias or manipulate findings.

iv. Every effort was made to ensure the research and the conclusions drawn were balanced, fair and based on empirical evidence.

As part of the requirement for UCT submission of the research report, the researcher has signed an ethical clearance certificate.

2. Literature Review

2.1 Negotiation and Negotiation Strategy

Druckman describes how varied the perception of the word ‘negotiation’ can be: ‘Some view the process of negotiating as a puzzle to be solved, others see it as a bargaining game involving an exchange of concessions, some consider it to be a way of reconciling differences within and between organizations, and still others think of it as a means for implementing policies’ (Druckman, 1997). A useful definition is that negotiation is a ‘form of social interaction. It is the process by which two or more parties try to resolve perceived incompatible goals’ (Carnevale & Pruitt, 1992, cited by Brett, 2000, p.97). The important aspect of this definition is that negotiation is an ‘interaction’, and as such both parties have an impact on the negotiation (Fang, 1999)

Academics have described negotiation approaches in many ways. Lewicki, Hiam & Olander (2010) refer to a symbiotic and predation technique. Fang (1999) describes either a
A cooperative approach is characterised by ‘the importance placed on open communications, identifying underlying interests driving different positions, the value placed on maintaining relationships and attainment of mutual gain solutions.’ (Anderson, 1992, cited by Horwitz et al., 2008, p.1). A competitive or predation approach does not place high value on relationships and is characterised by a power-based negotiation style (Anderson, 1992).

Ury, Brett & Goldberg (1988) cited by Lewicki, Saunders & Barry (2010) identify three approaches to negotiation. These are power, rights and interests.

i. **Power.** Power is defined as ‘the ability to coerce someone to do something he would not otherwise do.’ (Ury et al., 1988, cited by Lewicki et al., 2010, p.4). In negotiation, a power approach typically means imposing or threatening to impose costs on the opposition. The question of who is more powerful relies on dependencies of each party on the other (Emerson, 1962). There are two types of power procedures; power based negotiations, typified by an exchange of threats and power contests, where actions are taken to determine who will win (e.g. war).

ii. **Rights.** A negotiation approach that uses an independent standard to decide the outcome of a dispute e.g. laws, contracts or accepted standards of behaviour. There may well be contradicting standards that apply and therefore in practice a rights based negotiation often takes the form of both parties presenting an argument (or evidence) to a third party. The third party then has the power to decide the outcome.

iii. **Interests.** Interests can be defined as ‘needs, desires, concerns, fears - the things one cares about or wants,’ (Ury et al., 1988, cited by Lewicki et al., 2010, p.2). Negotiating with an interest approach involves reconciling, or attempting to reconcile, the interests of all parties. This is commonly called a ‘win-win’ approach. This approach may also be termed a problem-solving negotiation approach. In general, ‘reconciling interests is less costly than determining who is right, which in turn is less costly than determining who is more powerful’ (Ury et al., 1988, cited by Lewicki et al., 2010, p.8). In addition, reconciling interests tends to result in a higher level of mutual satisfaction with the outcome than rights of power based negotiation (Brett & Goldberg, 1983; McEwen & Maiman, 1981).

Lewicki et al. (2010) have developed an informative model that presents a desirable and an undesirable approach to negotiation based upon research on the three approaches to
They conclude that in an effective system, the majority of disputes are solved using an interests based approach. The opposite is true of an undesirable system.

Lewicki et al. (2010) also suggest a useful way of dividing negotiation strategy into five approaches: collaborative, accommodating, compromising, competing and avoiding. In their book, *Think before you speak*, Lewicki, Hiam, & Olander (1996), explain that the negotiation strategy used is dependent on two concerns; Firstly, the importance of the opponent relationship, where the past or future relationship of the negotiators may be more important than the negotiated outcome and secondly, the importance of the negotiation outcome which can matter greatly or not at all. This is shown diagrammatically below:

![Diagram showing the five negotiation strategies](image-url)
The most suitable strategy that is adopted should be determined by the particular negotiation context (Lewicki et al., 2010). However in reality there are many influences other than suitability that cause negotiators to chose one strategy over another, these are:

i. *Preference.* Individuals have a natural predisposition towards a particular strategy. This is affected by factors such as the individual valuation of truth, integrity, manner and courtesy.

ii. *Experience.* The more experience a negotiator has in using a particular strategy the better they will be at that strategy and the more likely they are to use it.

iii. *Style.* How two strategies interact. For example a negotiator who normally adopts a competitive approach may adopt another strategy when negotiating with another competitively orientated negotiator.

iv. *Perceptions and past experiences.* A previous negotiation relationship may influence the strategy adopted.

v. *Culture.* This includes patterns, established norms, processes, language, structures and setting. For example, Chinese negotiators are more likely to adopt a competitive strategy than their Western counterparts (Brett & Gelfand, 2005; Horwitz, Ferguson, Rivett & Lee, 2004).

The impact of culture on negotiation is key to understanding how to negotiate with the Chinese.

2.2. **Culture**

Definitions of culture are as numerous and often as vague as definitions of negotiation (Morgan & Stripp, 1991, p.43-46; Zartman, 1993, p.19). Faure & Sjostedt (1993, cited by Sheer & Chen, 2008, p.51) view culture as ‘a set of shared and enduring meanings, values and beliefs that characterise national, ethnic or other groups.’ Tylor, cited by Fang (1999, p.22) proposes that culture is ‘the complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society.’ Fang (1999), citing Root & Lee (1987), suggests that culture is, ‘the unique lifestyle of a given human society: A distinctive way of thinking, perceiving, feeling, believing…that is passed on from one generation to another’ or constitutes ‘many parts ranging from political institutions, economic activities, law, art, science, religion, philosophy, and life values.’
2.3. Cultural Influences on Negotiation

It can be said that people from different nationalities are programmed by their different cultures (Hofstede, 1984 as cited by Fang, 1999; Sheer & Chen, 2008, p.51). Indeed most academics are in agreement on this point. Swidler (1986, cited by Fang, 1999, p.24) wrote that culture shapes ‘the repertoire…of habits, skills and styles from which people construct the ways of their actions.’ Kumar & Worm (2003) add, ‘Cultural factors shape the behavioural, interpretational and conflict management scripts and perceptions that individuals take into negotiations.’ Brett (2000, p.99) suggests that, ‘cultural values direct group members’ attention to what is more and less important. Cultural norms define what is appropriate and inappropriate behaviour…cultural values…provide a context for social interaction.’

As culture affects general behaviour, it also affects negotiation behaviour. ‘National culture shapes negotiators’ assumptions and thoughts, which direct strategy formulation and mould behavioural patterns’ (Cohen, 1993; Rubin & Sander, 1991 cited by Sheer & Chen, 2003). These different behavioural patterns are ‘brought to the negotiation table…where they interact with each other’ (Graham et al., 1994; Tinsley & Pillutla, 1998; Simintiras, 2000, cited by Lin & Miller, 2003, p.286). Providing a contrary argument, Lin & Miller (2003, p.286) argue that ‘treating culture as a predictor variable…is too simplistic in specifying the mechanisms through which culture affects negotiation behaviour.’ They conclude that, ‘there are cultural preferences for negotiation approaches…however the mechanism through which national culture influences negotiation behaviour is more complicated that conceptualising national culture as a predicting variable’ (Brannen & Shen, 2000).

When undertaking a negotiation there is a cultural effect ‘because the negotiators are affected by different cultural dimensions’ (Horwitz et al., 2008, p.1). When negotiations take place intra-culturally, the cultural effect is minimised as individuals from the same cultural background have similar ways of thinking, feeling and acting (Woo & Prud’homme, 1999). Business culture will also affect the negotiation process within any national cultural context (Bloor & Dawson, 1994). There is general agreement that the emergence of a generic global business culture will affect the way that business negotiations are conducted in the future (Sheer & Chen, 2003, p.51). A global business culture will ultimately make it easier for business negotiations to be conducted successfully (Hofstede, 1989).
In contrast to intra-cultural negotiations, cross-cultural negotiations are made more complex by the different negotiation behaviours. During cross-cultural negotiations each party, ‘may bring a different worldview or mental model, referred to by Ting-Toomey (1992) as cognitive constraints, a different conceptualisation of the negotiation process (script constraints, see Kumar & Worm, 2003) and a different set of behaviours’ (Horwitz et al., 2008, p.2). The barriers caused by cultural influences can have a negative effect on negotiations and sometimes cause failure. Sheer & Chen (2003, p.51) argue that, ‘as negotiation practice varies with each culture, culture-specific practices often become a barrier to effective communication in intercultural negotiation. Culture…thus serves as a common explanation of international business negotiation failures.’ Martin, Mayfield, Mayfield & Herbig, (1998) cite cultural influences on negotiation leading to ‘misunderstandings and miscommunications.’ To understand why a particular Chinese negotiation strategy may produce a superior outcome it is necessary to understand the cultural drivers of Chinese negotiation behaviour and their impact on Chinese negotiations.

2.4. The Drivers of Chinese Negotiation Behaviour and their Impact

There are many descriptive accounts of how people from different cultures negotiate (Brett, 2003; Leung & Tjosvold, 1998; March, 1990). These sources agree that ‘there is a major cultural divide between East and West, with the West’s profile generally being individualism, egalitarianism, and low-context communication, and the East’s profile being collectivism, hierarchical, and high-context communication,’ (Brett, 2003, p.103). A result of this is that negotiating with the Chinese is ‘definitely not the same as holding discussions with American, European or Japanese officials,’ (Stewart & Keown, 1989, p.68). These differences in culture and negotiation practices can result in difficult and often unsuccessful negotiation experiences between Westerners and the Chinese (Fang, 1999). It is therefore important to try and understand these differences to increase the probabilities of a successful negotiation outcome. As Woo & Prud’homm (1999, p.315) appropriately point out ‘in a cross cultural negotiation, in addition to the basic negotiation skills, it is important to understand the cultural differences, and to modify the negotiation style accordingly.’

There is some disagreement between researchers as to what ‘cultural drivers’ one should look at to examine its effect on negotiation (Sheer & Chen, 2003, p.52). Usunier (1986) includes language, communication, institutional and legal systems, value structure, time orientation and mind-set, yet Salacuse (1999) considers cultural influences to encompass behaviours,
attitudes, norms and values (cited by Sheer & Chen, 2003, p.52). Sheer & Chen (2003, p.52) summarise five groups of cultural factors that are ‘relevant to an analysis of Chinese negotiation behaviour.’ These are communication, core cultural values, social hierarchy, business practices and system constraints. In the case of negotiating with the Chinese, Fang (1999) offers a thorough discussion of three socio-cultural driving forces that shape Chinese behaviour, which include the PRC condition, Confucianism and Chinese stratagems. Ghauri & Fang (2001) call this the ‘Ping-Pong’ model.

Lin & Miller (2003) offer an alternative model that lists the cultural influences that affect Chinese negotiation as the ‘individualism versus collectivism relationship, high versus low context of communication, tolerance for ambiguity, ingroup-outgroup consciousness, and modes of exercising authority.’ The models suggested by Fang (1999) and Ghauri & Fang (2001) that consist of three influences incorporated with Sheer & Chen’s (2003) model of five influences will be used to explain the cultural influences on Chinese negotiating practices.

a) The Peoples Republic of China (PRC) influencing factor
Also called guoqing, the ‘PRC condition’ is a contemporary social and institutional factor influencing China (Ghauri & Fang, 2001, p.308) that closely mirrors the environmental conditions suggested by Fayerweather & Kapoor (1976) and Ghauri (1996). The cultural effects under this heading include China’s Communist politics, economic planning, legal
framework, technology, large geographic size, backwardness, rapid change and bureaucracy. Sheer & Chen (2003) use the term ‘system constraints’ to sum up these influences.

Of the PRC influencing factors, the Chinese perception of law has a particularly well-documented influence on the Sino-Western negotiation process. Due to a historical distrust of the official legal system and a negative perception of the value of laws and rules, Chinese negotiators often take verbal commitments more seriously than written legal contracts (Kumar & Worm, 2003) and thus prefer to make a business transaction based on relationships (trust and respect) rather than contractual obligation (law) (Graham & Lam, 2003). The result of the Chinese predisposition towards basing business relationships on trust rather than law is that after a contract is signed, negotiation may continue (Fang, 1999). The Chinese do not see a contract as a final document; instead they see it as a sign of a future relationship (Horwitz et al., 2008).

The influences that the PRC factors have on Chinese negotiations are sizeable. It partly explains why they attempt to avoid decision making and taking on responsibility (Fang, 1999). It also explains why the Chinese negotiators fear taking risks and making mistakes and thus take a long time over decisions (Ghauri & Fang, 2001; Miles, 2003).

b) Confucianism

‘Confucianism is a 2,500-year-old Chinese philosophical tradition that has exerted a fundamental influence on the Chinese and East Asian modes of thinking’ (Ghauri & Fang, 2001, p.308). Fang (1999) identifies six Confucian principles that influence the negotiation behaviour of the Chinese people. Each principle will influence how the Chinese approach their negotiations.

(i) Importance of interpersonal relationships. Confucianism teaches relationship principles through the Five Cardinal Relationships. This Wu lun includes relationships between the ruler and subject, father and son, brothers, husband and wife and friends (Fang, 1999). Guanxi is a network of personal relationships (Fang, 1999). It can be defined as ‘a special relationship individuals have with each other in which they can make unlimited demands on the other’ (Fang, 1999, cited by Horwitz et al., 2008, p.2). Guanxi is characterised by the notion of ‘reciprocal obligations’ and is prominent in Chinese business processes. In China it is necessary to use guanxi to get things done (Coggin & Coggin, 2001; Woo & Prud’homme,
Trust is a key proponent of *guanxi*. Those individuals within a network can expect to be looked after by others in times of hardship (Fang, 1999, p.119) however those who are outside the *guanxi* network can expect to be treated with a great deal of distrust (Chen & Starosta, 1997 as cited by Horwitz et al., 2003).

Related to the idea of *guanxi* is that of *shu* (reciprocity). A key impact of *shu* on negotiations is that if you treat a Chinese negotiator in a manner in which he deems disrespectful or disruptive, he/she will treat you the same way and if you treat them well, they will be culturally inclined to treat you well in return. (Yutang, 2008)

*Renquina* and *Keqi* are also Confucian principles on interpersonal relationships. *Renquina* is the obligation a person has to return any social expression in the form of a compliment, congratulation or condolence (Fang, 1999). *Keqi* is an expectation that individuals will display virtues such as politeness, humbleness, respect and modesty (Fang, 1999). These Confucian expectations of interpersonal relationships affect the way in which the Chinese conduct business by shaping the cross communication cultural environment in which the negotiations occur (Chen & Starosta, 1998; Woo & Prud’homme, 1999, cited by Sheer & Chen, 2003).

(ii) *Moral cultivation*. Confucianism bases itself on self-moral cultivation and lifelong learning (Ghauri & Fang, 2001). Fang (1999) identified six ways in which these morals affect the Chinese negotiation behaviour. The impacts of this adherence to Confucian ethical principles on Chinese negotiation practice are numerous.

i. Outsiders of the family group experience a high degree of distrust (as exemplified in *guanxi*).

ii. The Chinese will only do business with those that they do or can trust.

iii. The Chinese take time to develop a trusting relationship with their negotiating counterparts. This process may take some time.

iv. The Chinese are concerned with interpersonal trust not organisational trust (i.e. the trust that is gained in the Western world by an organisation’s brand or image).

v. The Chinese are more concerned with interpersonal trust than the trust formed by common adherence to law.

vi. Chinese people seek restraint in their personal emotions.
iii) **Family and group orientation.** In Chinese society the family is the most basic and important social unit (Ghauri & Fang, 2001). This family, or *jia*, extends beyond blood-relatives and may incorporate a work unit or organisation (*zuzhi* or *danwei*) (Fang, 1999). To some extent this has been caused by the lack of a well functioning legal system for thousands of years (Ghauri & Fang, 2001). The result of this orientation is an increased level of distrust outside the family group (related to *guanxi*) and increased collectivism in society (Fang, 1999). The impact on negotiation is similar to that of *guanxi*: Trust and relationships must be established before the negotiation and the importance of the legal aspects of the deal are reduced. If the Chinese negotiator does not perceive the relationship to be familial then they are more likely to be competitive than collaborative or cooperative. The influence of collectivism on negotiation behaviour is that Chinese negotiators are ‘mutually dependant on one another in their decision making process’ (Fang, 1999, p.135).

iv) **Respect for age and hierarchy.** In Confucian tradition, age is the same as wisdom and should be respected (Ghauri & Fang, 2001, Miles, 2003). Indeed the right to have an opinion is linked to hierarchical position, seniority, status, expertise and authority (Fang, 1999). The affect of this aspect of Confucianism is threefold. Firstly the seniority of the foreign negotiator becomes important. Disrespect would be inferred if the negotiator were not senior or old enough. Secondly, Chinese negotiators may be silent in a negotiation in order to respect the senior foreign negotiator and thirdly a Chinese negotiating team will always defer to the senior person on the team, irrespective of knowledge. This is particularly important to understand when foreign negotiators are asking for specifics in a negotiation. Where a Western team leader might ask a junior person to clarify a point of interest in a specific field of knowledge, a Chinese person would not (Fang, 1999).

v) **Avoidance of conflict and the need for harmony.** ‘Confucius says that a gentleman has no squabbles,’ (Ghauri & Fang, 2001, p.309). As a result of this principle the Chinese avoid challenging ideas and opinions directly as this would be considered offensive (Fang, 1999; Ting-Toomey, 1992). The result of this is that Westerners can encounter difficulties when trying to establish the needs and desires that underpin the negotiation position of their Chinese counterparts (Horwitz et al., 2008). Westerners have commented on the Chinese as being ‘shrewd negotiators,’ Fang (1999) perceives this perception to be related to the Chinese trying to avoid conflict and not to be a specific negotiation technique.
vi) The concept of Chinese face (mianzi, lian). ‘Saving face’ is pertinent to most cultures but is particularly relevant to the Chinese (Ghauri & Fang, 2001). The reason for this is that ‘behind the concept of face lies the Confucian concept of shame’ (Ghauri & Fang 1999, p.309). A loss of face can affect the whole ‘family’ (or guanxi) (Horwitz et al., 2008). As a result of this the Chinese take measures in their interactions to save face and to prevent others from losing face. By doing this they are respecting the status and reputation of their counterpart (Buttery & Leung, 1998). Face is linked to other Confucian principles such as renquin and reciprocity. If ‘face’ is given to a counterpart through social interaction then there is a social expectation that that person should reciprocate by returning ‘face’ (Fang, 1999). Saving face has two major implications on negotiations (Fang, 1999). Firstly if Westerners cause a loss of face through the negotiation process then they can irrevocably damage the harmony that exists between the negotiating parties (Woo & Prud’homme, 1999). Secondly Chinese negotiators will be very well prepared and focused on detail. This is done to prevent face being lost by being made aware of mistakes (Horwitz et al., 2008).

C) Stratagems

In addition to the teachings of Confucius, adherence to stratagems has a profound impact on Chinese negotiation culture (Fang, 1999; Ghauri & Fang, 2001; Horwitz et al., 2008; Stewart & Keown, 1989). Stratagems, or ‘ji’, were first referred to by the Chinese military strategist Sun Tzu in his treatise, The Art of War (Horwitz et al., 2008). Stratagems are schemes that deal with various situations that can be used to ‘gain psychological and material advantage over ones adversary’ (Ghauri & Fang, 2001, p.310). At the centre of all stratagems lies Sun Tzu’s aphorism:

‘To win one hundred victories in one hundred battles is not the acme of skill. To subdue the enemy without fighting is the acme of skill’

Sun Tzu (Griffith, 1982, p.77)

In accordance with the theories of ji, Chinese assert their authority using wisdom rather than engaging in pitched battles with their opponent. This is strategically opposed to Western philosophy, which can be summed up by von Clausewitz’s On War. ‘Where ji advocates gaining victory without fighting, von Clausewitz teaches winning by applying ‘absolute forces’’ (Ghauri & Fang, 2001, p.310). In the late Ming period (1368-1644) The Thirty-Six Stratagems were compiled. These can be applied to any conflict situation to help subdue the
enemy or prevent defeat. They are easily remembered and conveyed through generations by parents, teachers and the media (Fang, 1999). As a result, these idioms have become a strategic driving force behind the Chinese mind and are used intentionally or unintentionally in relationships building, negotiation and discourse (Chiao, 1981). A full list of stratagems and their influence on Chinese negotiation practice can be found at Appendix A (von Senger, 1991).

Stratagems provide the Chinese with a ‘competition–orientated negotiation strategy where the aim is to win as much as possible at the expense of the counterpart’ (Horwitz et al., 2008, p.2). This is clearly in direct opposition to Confucian cooperative teachings as described earlier. The result of this dichotomy is that Chinese negotiators have a ‘three in one negotiating style; they negotiate like bureaucrats, gentlemen and strategists. Trust is a prime indicator showing which role the Chinese are going to play. When mutual trust between the business partners is high, the Chinese will negotiate as gentlemen; when it is low they will negotiate as strategists. The PRC negotiators also negotiate as bureaucrats, particularly when the political wind blows’ (Ghauri & Fang, 2001, p.310).

Salacuse (1991) developed a model that displayed ten factors typical to any negotiation. Three hundred and ten executives from twelve countries were interviewed to ascertain which countries exhibited which characteristics according to each factor. These can be considered to be cultural negotiation traits. The results generally support the arguments made by Fang (1999), Horwitz et al., (2008), Ghauri & Fang (2001), however some results such as the Chinese propensity to risk taking suggest that in practice some theories developed by Fang (1999) may be inaccurate. A full breakdown of results can be seen in Appendix B. In summary, Salacuse (1991) found that in relation to ‘Western’ nations (USA, UK, France and Germany), the Chinese:

i. Were more interested in the relationship than the contract.
ii. Were more interested in a win-win than a win-lose.
iii. Were more formal than informal.
iv. Were more indirect in communication than direct.
v. Had a low sensitivity to time rather than high.
vi. Had a low emotional quotient rather than high.
vii. Had the same level of agreement form.
viii. Had the same method of building an agreement.
ix. Had a ‘one leader’ approach rather than a consensus.

x. Had the same acceptance of risk.

Limitations of the Salacuse (1991) study are fourfold. Firstly, that the interviewees were asked to reflect on their own behaviours which will be different from their actual behaviours (the difference between perception and truth will also be affected by culture as some cultures use exaggeration more than others). Secondly, factors other than culture may have affected the negotiating styles used. Thirdly, all the interviewees spoke English and had extensive international business experience, thus possibly diluting cultural nuances and lastly the key terms of the survey were not strictly defined (such as risk, team organisation etc.) (Lewicki et al., 2010, p.345).

2.5. Westernisation of China and its effects on Negotiation

Westernisation is a ‘process whereby societies come under or adopt Western culture in such matters as industry, technology, law, politics, economics, lifestyle, diet, language, alphabet, religion, philosophy, and/or values’ (Thong, 2011). In addition to national cultural drivers, international business etiquette (or international culture) impacts Chinese negotiation strategy. Sheer & Chen (2003) studied the interaction between Westernisation and negotiation and found that ‘data from the study provided evidence that both the international business professional culture and the Chinese national culture influenced Sino-Western negotiations including choice of strategies.’

Some experts consider the impact of international business etiquette to be increasing in the Chinese business context. Stewart & Keown (1989) noted a change in Chinese negotiating style over time as early as 1989. From results obtained from foreign businessmen based in Beijing, they noted that the Chinese were already spending far less time in negotiations over the previous two years as they became accustomed to international business negotiations. This trend has seen the Chinese becoming increasingly willing to make allowances to accommodate Westerners in international negotiations (Sheer & Chen, 2003, p.80). The impact of international culture may vary across age ranges in China. This is supported by Kumar & Worm (2003, p.282) when they conclude; ‘it may be easier for Westerners to interact with the younger Chinese for the simple reason that the behavioural styles and the objectives of these individuals are likely to be more congruent with Northern Europeans in particular and Westerners in general.’
Some consider that the culture of collectivism in China, which underpins some of the Confucian influences of Chinese negotiation such as face and harmony and trust, is under threat due to the globalisation and modernisation of China (Yan, 2010). To a certain extent the Chinese have welcomed aspects of globalisation (capitalism, industrialism, rationalism, urbanism) through their modernisation policies. Individualism is a by-product of this adoption (Scholte, 2005, p.58). As the globalisation or Westernisation of China endures it would be expected that the trend towards individualism will continue (Hutanuwatr, 1998, p.95). The subsequent impact on cultural drivers of negotiation will depend upon what extent the Chinese adopt a global business culture.

2.6. Negotiating with China – A Western perspective

Lewicki et al. (2010) identify three generic rules that should be used when negotiating with another culture. The first rule is to learn the other sides’ culture. Lewicki et al., (2010) correctly point out that this is important because ‘the degree of a negotiator’s cultural knowledge will influence strategies and tactics during the negotiation’ (Weiss, 1994, p.53) and business transactions are increasingly becoming long-term relationships, which necessitates cultural understanding. The second rule is not to stereotype. The individual context of the negotiation should be taken on its own merit. The ‘other side simply does not run true to the negotiating form suggested by books, articles and the consultants’ (Lewicki et al., 2010). Figure 5 shows how there is often overlap between two cultures and sometimes a negotiator from one culture (N1) may be closer to the opponent’s cultural stereotype (culture B) than his/her own (culture A) (adopted from Lewicki et al., 2010, p.325).

![Figure 5: Cultural Prototypes and Cultural Stereotypes](source: Lewicki et al. (2010))
Rule three is to find ways to bridge the cultural gap, this can be done by using the other sides culture, using your own culture, using a combination of both cultures or using a third culture. By bridging the gap the culture is not seen as an ‘obstacle, weapon or fortress’ which is the common interpretation by (American) negotiators (Salacuse, 1993, as cited by Lewicki et al., 2010).

Many academics centralise their China negotiation advice around the Confucian principles of developing trust and relationships in line with guanxi (Chen & Faure, 1995; Cohen, 1991; Li & Labig, 1996; Luo, 1997; Yeung & Tung, 1996). Fang (1999) suggests ‘foreign negotiators should move Chinese negotiators away from a competitive negotiation approach to a co-operative approach by establishing a strong trust relationship in the pre negotiation phase’ (Horwitz et al., 2008, p.2). Zhu (2011) points out that it is imperative that negotiators develop intercultural alliances that help the building of relational empathy. McKenna & Sun (2007, p.361) recommend that the Western negotiator ‘be patient in non-task sounding process. Chinese usually need time to build trust and create guanxi with their counterparts.’ Hutching (2003) and Kumar & Worm (2003) agree, and add that trust is earned over a long period of time and requires much effort and patience. Sheer & Chen (2003) recommend that a lengthy pre-negotiation period be used to develop trust and respect (social capital).

Katzenstein (1994) investigated the way in which relationships are built in a Chinese business context and concluded that in order to establish bonds the Chinese give ‘face’ to each other. This ‘ritualistic flattery’ is a key element at the start of a dependency relationship. Tsui & Farh (1997) add that once these relationships are established, exchanges of favour and generosity and increased trust and social accommodation will be established. Western negotiators should use similar methods (giving face) in order to develop relationships and trust with their counterparts in China (Li & Labig Jr., 2001).

In addition to trust, relationship (or network) development is seen by some academics as an important tool in negotiating with the Chinese (Hutching, 2003). Woo & Prud’homme (1999) suggest that foreigners receive very different treatment once they have been invited into the social network and thus developing a network is important in Chinese negotiations. Kumar & Worm (2003, p.281) consider that ‘while it is important to have the ‘right’ individuals who can interact effectively with the Chinese, it is equally essential that the organisation has the right network in place in the Chinese sociocultural context in order to effectively exploit the
emerging opportunities.’ Hutching (2003) acknowledges that although vital, a network inclusion is difficult to achieve due to Chinese mistrust of foreigners.

Based on their ‘Ping-Pong’ model (as discussed earlier), Ghauri & Fang (2001) suggest a method for negotiating with the Chinese based on four principles that are relevant throughout the negotiation process: Priority, Patience, Price and People.

i. **Priority.** Western businesses should be cognisant of the guiding principles of China’s social and economic development as set by the Chinese Communist Party. If the project is wanted or needed by the state it will be much easier to negotiate.

ii. **Patience.** The Confucian notions of etiquette, face, trust, harmony, etc. are time consuming. Westerners should be patient with their Chinese counterparts in order to develop a relationship. The Chinese will also use time as a strategic weapon in negotiations, slowing down and speeding up proceedings when suited.

iii. **Price.** Westerners should calculate prices and bargaining limits very carefully. Dropping price by too much will ensure credibility is lost and yet some discount should be given to allow Chinese to ‘save face.’

iv. **People.** Developing a trusting relationship is essential. It satisfies the Chinese distrust for legal documents and neutralizes their use of stratagems. If possible, the Western party should host the Chinese in their country; through reciprocation the Chinese will negotiate less hard. Ghauri & Fang (2001) also suggested a negotiation middleman is a good way to develop a trusting relationship.

The Confucian principal of respecting elders means that a Western negotiating team must choose their principal negotiator wisely. ‘Chinese negotiators are only willing to negotiate with people of the same or higher hierarchical level’ (Woo & Prud’homme 1999, cited by Horwitz et al., 2007, p.3). Further to this, in order to show respect ‘it is important to look at the principal when speaking and not the interpreter’ (Sheer & Chen, 2005).

This thesis aims to examine South African negotiation approaches and behaviours in the Chinese business context. However the majority of the literature on how to negotiate with the Chinese is Western in origin. Druckman (1997) described negotiation as a ‘form of social interaction.’ Thus there are influences from both cultures involved in the negotiation. It is therefore necessary to understand the difference between South African and Western cultural influences on negotiations in the context of doing business with China.
2.7. Socio-political context of Sino-South African negotiations

There has historically been an understanding that South Africans and Westerners would negotiate differently when negotiating with the Chinese (Rubin & Sander, 1991, cited by Sheer & Chen, 2003). This was expected due to the former's exposure to collectivism in the form of *Ubuntu*, which is underpinned by relationships and social harmony. *Ubuntu* is more closely aligned to the Chinese collectivist culture than the Western individualist culture and the closer the culture the better the chance of a successful negotiation (Christianson, 2006). However, on completion of their study, Horwitz et al. (2008) found that South Africans were no more likely to succeed in negotiations with the Chinese than Westerners. This led Horwitz et al. (2008) to conclude that *Ubuntu* and other cultural influences had relatively little impact on the negotiating process between South Africans and the Chinese.

The study conducted by Horwitz et al., (2008) was sufficiently limited in scope to enable the conclusions to be contested. In particular the qualitative research approach on a limited sample size, which contained only white South Africans. Booysen (2001) established that there are large cultural differences between white and black populations within South Africa in areas such as uncertainty, avoidance and collectivism. This would suggest that a black South African negotiator is more culturally aligned with the Chinese than a white one. Therefore comparing a hypothetical average South African (taking into account all races) with an average Westerner, Booysen (2001) would suggest that the South African’s cultural characteristics would be closer aligned with the Chinese than the Westerners would be, leading to the necessity for the adoption of a different negotiation approach. This would support the view held by Christianson (2006).

2.8. Conclusion

Academic literature supports the view that cultural inputs affect the ways in which two parties negotiate (Fang, 2001; Horwitz et al., 2008; Lewicki et al., 2010). The Chinese cultural influences on negotiations are both diverse and complex. Extensive academic literature has been written on how Chinese culture affects negotiation practices and what approaches should be used to counteract them. This literature is almost entirely based on the perspective of Western negotiators and has largely been conducted over ten years ago. In the context of this study there are two key principles relating to the way in which culture affects negotiation. Firstly, both cultures impact upon the negotiations (Graham et al., 1994; Tinsley & Pillutla, 1998; Simintiras, 2000, cited by Lin & Miller, 2003, p.286)) and secondly, due to
globalisation and internal modernisation, the Chinese culture has changed to an unknown extent over time (Sheer & Chen, 2003, p.51; Yan, 2010).

To address these two key principles the researcher will interview South African negotiation practitioners who are negotiating with the Chinese in a contemporary context (<5 years). Practically, this will be done by establishing the modern cultural drivers of Chinese negotiations, by increasing the understanding of the extent of the effect of Westernisation on the Chinese cultural drivers and ultimately by outlining a practical negotiation framework for South African businesses when negotiating with the Chinese.

3. Research Methodology

3.1. Research Approach and Strategy

The research followed a qualitative approach. A qualitative approach allowed the researcher to focus on the phenomena in its ‘natural setting’ and in ‘all its complexity’ (Leedy & Ormrod, 2010). It also allowed the researcher to obtain insight into complex settings without predicting what those settings were (and thus influencing the outcome of the research) before the research commenced (Denzin, 2000). The purpose of the qualitative analysis was to examine South African negotiation approaches and behaviours in a Chinese business context. Peshkin (1993, cited by Leedy & Ormrod, 2010, p.137) identifies this method as descriptive or ‘a way to reveal the nature of certain situations, settings, processes, relationships, systems or people.’ The study was inductive in nature, that is, ‘conclusions were drawn from specific examples’ and then applied to the wider population (Leedy & Ormrod, 2010).

3.2. Research Design

The research design followed a cross sectional research approach. This entailed ‘the collection of data on more than one case at a single point in time in order to collect a body of data, which was examined to detect patterns of association’ (Bryman & Bell, 2007, p55). Multiple data sources (interviews) were used in order to propose generalisations that increased the validity of the findings (Lin, 2003). Using multiple data points provides more compelling evidence than a single study and thus can be considered to be more robust (Herriot & Firestone, 1983 as cited by Yin, 2009, p.53).
By undertaking cross sectional research on the approaches and behaviours of negotiators in the Chinese business context, the researcher was able to find ‘patterns of association’ between theory and practice (Bryman & Bell, 2007). This enabled the researcher to develop a Sino-South African negotiation model that theoretically is ‘generalizable to other (negotiation) situations’ (Leedy & Ormrod, 2010).

3.3. Data Collection Methods and Research Instruments

‘In cross sectional design the researcher collects extensive data on the…event(s) on which the investigation is focused’ (Leedy & Ormrod, 2010. p.137). In this research the data required was that of how South African businesses successfully negotiate with the Chinese as well as what the South Africans perceived the cultural drivers on Chinese negotiation strategy to be. This data was obtained through interviews with South African businessmen who have negotiated with the Chinese. Given the expected recent changes in Chinese negotiation techniques due to Westernisation (Kumar & Worm, 2003), interviewees were asked to comment only on negotiations that had been conducted in the last five years or less. An exception was made when the interviewees were asked to comment on their perception of the changes in Chinese negotiations over the duration of their negotiation experience.

To address the problems of construct validity and reliability in this study the researcher applied three core principles (Yin, 2009):

i) **Multiple sources of evidence.** Using more than one data collection technique improves reliability of data (Patton, 2002). In this study this was achieved by maximising the number of interviews in the allocated time.

ii) **Database.** This improves reliability by ensuring that all assumptions can be backed up by raw data. The researcher achieved this by recording and transcribing the interviews rather than taking notes. Note taking can affect the reliability as the researcher has an impact on what notes he/she takes and therefore what facts are recorded (Bryman & Bell, 2007, p.489).

iii) **Chain of Evidence.** This improves reliability by providing an evidence chain between the study database and researcher’s conclusions. This was achieved by keeping all transcripts and coding stages to ensure a chain of evidence was maintained.

3.4. Interview Design and Process

Interviews were conducted in a semi-structured format. This allowed for a rich collection of
The development model suggested by Bryman & Bell (2007, p.485) was used to construct the interview questions. The questions that were used followed the approach suggested by Kvale (1996, cited by Bryman & Bell, 2007, p.485), which, when answered, resulted in a rich understanding of the subject area. The interviews started with the researcher explaining the focus and purpose of the study to the interviewee. The interviewee was then asked to provide a background to their experience. The interviewer than followed the questions listed at appendix C. These had been sent to the interviewee before the interview. The questions divided the negotiation experiences, approaches and behaviours into pre, during and post negotiation phases. This allowed for a detailed breakdown of the interviewees’ experiences and perspectives. The interviewer ensured that the interview did not veer from the subject matter yet diversions, where appropriate, were explored in order to fully understand the context. The interview concluded with the researcher asking the interviewee to provide their top three pieces of advice when negotiating with the Chinese in order of importance.

In order to ensure the accuracy of interview summaries and limit omissions the interviews were recorded. This was done with the permission of the interviewees. There were 12 interviews in total lasting between 40 and 60 minutes each. In addition to the interviews there were three meetings in relation to the study. These were with individuals (Dr Martyn Davis, Dr Sven Grimm and Prof John Edwards) who had significant academic experience of the subject area and helped the researcher to structure and focus his research.

### 3.5. Sampling

This research followed a mixture of convenience and snowball sampling (Bryman & Bell, 2010, p.200). The researcher made initial contact with a small group of people who he knew had significant negotiation experience with the Chinese (convenience) and used them to establish contacts with others (snowball). Due to the lack of control over the sample population, the snowball sampling method is deemed to be in no way random (Bryman & Bell, 2010, p.200). However, as concerns about external validity and the ability to generalise are not so important in a qualitative study compared to a quantitative one, snowball sampling...
is an acceptable sampling method in this case (Bryman & Bell, 2010, p.200). Snowball sampling was chosen due to its ability to generate a large number of data points in a relatively short timeframe which suited the research design and project plan timeframe.

Details of the sample list can be found at appendix D. It contains 12 interviewees that have a wide range of Chinese negotiation experience, job roles and industry experience. A summary of these details can be seen in figure 6.

![Figure 6: Interviewee's Chinese negotiation experience and industry background](image)

### 3.6. Research Criteria: Reliability, Replication and Validity

‘The three most prominent criteria for the evaluation of management research are reliability, replication and validity,’ (Bryman & Bell, 2010, p.40). The salience of these factors is particularly poignant in qualitative cross sectional research where the question must be asked; can a relatively small sample size be representative of the whole population? Kanter (1977, cited by Bryman & Bell, 2010) argue that general concepts can be generated which ‘give meaning to abstract propositions’ in cross sectional analysis. The researcher understood the limitations of inferring conclusions based on a relatively small sample of cases and adopted a Kanter (1977) approach. This meant that general concepts are suggested which can be applied to the general population rather than discrete conclusions which are not relatable.

Validity is the ‘most important criterion of research’ (Bryman & Bell, 2010, p.41). Le Compte & Goetz, 1982; Kirk & Miller, 1986 and Perakyla, 1997, suggest four major areas of validity in qualitative research:
i. **Measurement Validity.** Answering the title question involved measuring the ‘success’ of various negotiation approaches and behaviours. Not only was this hard to estimate as a negotiator is never truly aware of what value is left on the table (unless the other party reveals their information) but also was a subjective measure, i.e. the negotiator being interviewed measured his/her own success. This was subject to measurement error and therefore presented a validity issue. In order to address this the researcher ensured that wherever possible success was measured using key principles of negotiation that the researcher identified. These were: Interests reconciled, sustainability, project success, good relationship and repeat business. If the interviewee provided evidence that these targets were met, the researcher considered the negotiation to be a success.

ii. **Internal Validity.** Within any negotiation there are many factors influencing the proceedings. In an unsuccessful negotiation there is potential for the approaches and behaviours to be dismissed as unsuitable although the outcome to the negotiation was unsuccessful due to other unknown influences. This researcher addressed this by using an inductive qualitative approach and semi-structured questionnaires. This allowed the researcher to understand all the variables and influences and prevent approaches and behaviours being mistakenly dismissed as unsuitable.

iii. **External Validity.** The validity of this research was related to the number and variability of samples. By maximising the number of samples within the allocated time the researcher addressed this aspect of validity.

iv. **Ecological Validity.** Cicourel (1982, p.15, cited by Lewicki et al., 2010) argued that business research does not capture the conditions of daily life. The researcher addressed this by using an interview based qualitative approach the researcher accurately reflected the true conditions of the negotiations.

3.7. **Data Analysis Method**

Grounded theory was the framework that was used for data analysis. Grounded theory has two core features; ‘it is concerned with the development of theory out of data and it is iterative. The data collection and analysis proceed in tandem, repeatedly referring back to each other’ (Bryman & Bell, 2010, p.585). By using this data collection method the researcher developed hypotheses during the data collection and coding process.
Data analysis followed the steps suggested by Creswell (1998) and Stake (1995). These steps are suitable for grounded theory data analysis.

i) *Organisation of details.* The specific facts were ordered in a suitable manner that allowed for an understanding of the cultural impacts on the negotiation process, and the suggested negotiation approaches and behaviours. This meant recording and transcribing the interviews into Word format for review and analysis.

ii) *Categorisation of data.* Categories were identified that could help cluster the data into meaningful groups e.g. trust, face, contract/legality etc. (found in Appendix F-H).

iii) *Interpretation of single instances.* Other data was studied for specific meaning. This included the meetings conducted with Dr Martyn Davis, Dr Sven Grimm and Prof John Edwards.

iv) *Identification of patterns.* Themes and patterns were identified. Open coding was used (Strauss and Corbin, 1990).

v) *Synthesis and generalisation.* Conclusions were drawn that are transferable to other contexts or similar contexts at another time.

There were constant movement between steps (i) and (iii). This enabled a constant comparison of indicators and concepts, which in turn generated categories.

### 4. Research Findings

The research questions are repeated and findings relayed. This is followed by a discussion and analysis of the findings with references made to constructs identified in the literature review. The research findings for the primary question are contextualised by the research findings related to the secondary question, ‘what are the cultural drivers that influence modern negotiations with Chinese counterparts?’

#### 4.1. The Cultural Drivers of Modern Chinese Negotiation

Through the coding process the researcher found that cultural drivers of modern negotiation strategy in a Chinese business context could be classified into eight distinct categories. These categories and the constituent propositions can be found at appendix F. The table below identifies the categories, how many of the interviewees stated propositions relating to that category and how many propositions there were in each category. The categories are hierarchical in nature with the categories mentioned more often by a greater number of interviewees deemed to represent a higher level of importance than those that were mentioned
less often. The findings are outlined below and will be discussed further under in the analysis and discussion phase of the report.

<table>
<thead>
<tr>
<th>Position</th>
<th>Category</th>
<th>Number of interviewees included in category</th>
<th>Total Number of propositions within category</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Guanxi</td>
<td>12</td>
<td>32</td>
</tr>
<tr>
<td>2</td>
<td>Stratagems / Strategy</td>
<td>12</td>
<td>30</td>
</tr>
<tr>
<td>3</td>
<td>Legality / Contract / Renegotiation</td>
<td>9</td>
<td>25</td>
</tr>
<tr>
<td>4</td>
<td>Status / Hierarchy</td>
<td>9</td>
<td>23</td>
</tr>
<tr>
<td>5</td>
<td>Politics</td>
<td>7</td>
<td>12</td>
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<td>6</td>
<td>Trust</td>
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<tr>
<td>7</td>
<td>Harmony</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>8</td>
<td>Face</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

Table 1: Table showing 'cultural impacts on negotiation' categories and their popularity.

### i. Guanxi

From the twelve interviews, propositions relating to guanxi were mentioned the most often and by the largest number of interviewees. One hundred percent of the interviewees spoke of the effects that guanxi had on the negotiation process and several mentioned the word ‘guanxi’ itself, suggesting that it is a well known phenomenon when doing business in China. During the interviews guanxi was mentioned in two contexts, building a personal relationship and gaining credibility with negotiation counterparts:

- ‘They deal with you as a person not as a corporation actually’
- ‘For me I have learnt you don’t do business with anyone in China if you don’t know the guy for a year.’

The findings suggest that the Chinese put a very high emphasis on guanxi when doing business with foreigners. They are prepared to assign people specifically to develop guanxi prior to negotiations and will even adopt key performance indicators (KPI’s) to promote relationship building.

- ‘They have people specifically assigned to continuously develop that relationship. To them it is very, very important’
- ‘One of the KPI’s for, especially at director level is to actually to take your customer and cook a meal for him, for the customer in your house.’
ii. Stratagems / Strategy

Identifying the cultural impact of Stratagems is hard as the researcher is unsure if the Chinese negotiation strategies demonstrated come as a result of an adherence to stratagems or have origins in modern negotiation theory (there is substantial overlap). Nevertheless, the results from the interviews show conclusively that strategy is an important influence on Chinese negotiations and that the Chinese are highly strategic negotiators. All of the interviewees mentioned specific strategies adopted by the Chinese. Amongst these were several that were obviously not related to established negotiation theory and thus could have origins in the Chinese adherence to stratagems.

- ‘They will outnumber you, maybe you are two, they may be ten and they are very different, not really structured, but they are in your face’
- You say okay we are having a meeting at ten o’clock but they will come at nine thirty, basically they swamp your office space. It is a tactic.
- It is more like owning you or owning that relationship, always in your face, sometimes it is like you can’t even breathe

What is abundantly clear is that the Chinese generally arrive at the negotiation phase well prepared having done extensive research and pre negotiation planning. This includes understanding the opponents’ strengths, weaknesses culture and expectations and the position and price of competitors, all of which are based on Confucian principles.

- ‘If they find any weak point in your requirements, or in your basic tender document or something, they will play with it.’
- ‘Where they know exactly where your strengths sort of lie and they work on that, so they sort of neutralize you going to the negotiation’
- ‘They’ve done homework on you; they know what kind of habits are normal in South Africa and what is not normal in South Africa’

iii. Legality / Contract / Renegotiation

Nine of the twelve interviewees mentioned legality and contract issues. The researcher included renegotiation in this category as it is directly related to the initial contract obligation. The findings are conclusive. The Chinese place very little emphasis on the contract and contractual obligation and see it as a contract of understanding and future intent rather than a legal document.

- ‘Chinese contracts don’t really mean that much here’
• ‘More emphasis is placed on what is said, than on what is written.’
• ‘A contract for them is a ceremonial instrument’

The findings suggest that this leads to a lack of concern over contractual details.
• ‘Chinese are much more willing to just take a glance at contracts’

Which leads to long periods of renegotiation over the course of a business relationship. An eventuality that is understood during the primary negotiation phase.
• ‘They negotiate knowing that you will renegotiate later.’
• ‘The actual negation is an on-going process. The contract is like a letter of intent – nothing more. They will want to renegotiate often and harshly.’
• ‘Basically in China the laws are not as strict as they are in the West and you don’t really have to follow things that you put in a contract, so they change it. So we do it (renegotiate) four times a year, every three months.’

iv. Status/Hierarchy
Seventy five per cent of the interviewees mentioned the effect that status and hierarchy have on the negotiation process. Several interviewees commented on the importance of understanding hierarchy and status in a negotiation context.
• ‘Hierarchy is embedded in the Chinese culture and should be understood in a negotiation context.’

The effects of hierarchy on negotiations are wide ranging. It affects various issues including the make up of the Chinese negotiation team and the negotiation structure.
• ‘(Chinese) place a lot more importance on wisdom and age; they don’t place any wisdom on youth’
• ‘So as we started going higher and higher and closer, then we started to see more and more senior people until we came to signing, then you saw the big fish come and do that.’
• ‘Two of us make me look more important in a way.’
• ‘If a decision was made up on high, nobody really - you don’t argue that decision if the top guy says it’

v. Politics
This category related to how Chinese politics influenced negotiations. Seven of the twelve interviewees had an opinion on how Chinese politics influenced their negotiations. The results
returned mixed opinions. Of the twelve propositions, nine suggested that the Chinese political system played a role in influencing the negotiations. These ranged from a light to a heavy influence.

- ‘You never really know what is happening behind the scenes.’ (Light influence)
- ‘There was a very thin line between the company and government.’ (Heavy influence)

The remaining three propositions from three separate interviewees suggested that they did not feel any background political influence during their negotiations.

- ‘I didn't see a political influence at all, in fact quite the opposite. It was very commercial and capitalist.’

vi. Trust

Trust as a cultural influence on negotiations was reported by seven of the twelve interviewees. The position of the majority was that the Chinese start from a level of distrust that comes form a culture of distrusting everything outside their ‘family’.

- ‘Roughly you can assume that everybody in China doesn’t trust the government, they don’t trust the corporations, they don’t trust any institution’
- ‘They don’t trust anyone, especially not a corporation’

The findings suggest that as a result a foreigner cannot rely on their corporate brand in order to be trusted. Trust is developed through developing guanxi or through personal introductions to the negotiating counterpart.

- ‘Even if you are from a recognized company like PWC or Deloitte & Touché, they still don’t trust you unless it is one of their business relations, friends, whatever that introduces you to them.’

vii. Harmony

Propositions relating to Harmony were mentioned by six of the twelve interviewees. The propositions supported the view that the Chinese culture of harmony impacts negotiations by preventing them from saying ‘no.’

- ‘Chinese very rarely say just straight out – no. They would much rather say it like oh that is really interesting, yes definitely I am very interested about this,’

This is done in order to avoid confrontation and keep a peaceful, harmonious atmosphere.

- They really avoid confrontation, and any small problems they always just ignore to keep the peace.
• ‘The Chinese appreciate a relaxed atmosphere.’

viii. Face

Half of the interviewees mentioned how face affects the negotiation process. One interviewee did not consider face to be an important issue as he said,

• ‘I don’t go about giving face so much’

However the rest of the interviewees saw it as an important cultural influence and one that should be addressed when deciding how to negotiate with the Chinese.

• ‘The Chinese are very conscious of losing face. If there is potential conflict – always leave your Chinese counterpart with a way to exit whilst still saving face.’

• ‘Losing temper is losing face and it is basically the end of the transaction’

4.2. Negotiation Approaches and Behaviours

In order to answer the key research question, the researcher recorded and coded any advice given by the interviewees as to how to approach negotiations with the Chinese in the pre, during and post negotiation stages. In addition the interviewees were asked to provide three key pieces of advice (in preferential order) that they would give to a South African businessman/women who had never negotiated with the Chinese before. The advice was scored from three points (for the primary advice) to one point (for the tertiary advice). The results can be found at appendix H and are summarised below. The findings will be discussed further in the analysis and discussion section of the report.

<table>
<thead>
<tr>
<th>Position</th>
<th>Theme</th>
<th>Score (max 36)</th>
<th>Percentage of Max Score (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Developing a relationship / trust</td>
<td>26</td>
<td>36</td>
</tr>
<tr>
<td>2</td>
<td>Preparation and Structure</td>
<td>18</td>
<td>25</td>
</tr>
<tr>
<td>3</td>
<td>Flexibility</td>
<td>10</td>
<td>15</td>
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<tr>
<td>4</td>
<td>Cultural Sensitivity</td>
<td>7</td>
<td>10</td>
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<tr>
<td>5</td>
<td>Humility / Patience</td>
<td>5</td>
<td>8</td>
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<tr>
<td>6</td>
<td>Negotiation strategy</td>
<td>4</td>
<td>6</td>
</tr>
</tbody>
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Table 1: Key themes for negotiation approach and behaviour
i. Developing Relationship/Trust
The most popular advice given by the interviewees related to developing guanxi, or a trust relationship as a result of guanxi. Six of the twelve interviewees said that this was the most important approach/behaviour to ensure a successful outcome in a Chinese negotiation.

- ‘So I would say relationship knowing what we call in Chinese guanxi. Knowing from which tree he is, from which branch he is, from which – you know; it is very important to know this before you go in.’
- ‘Probably the most important thing you need to build and establish is trust between you as a person, as first negotiator, and your counterpart – the other negotiator’
- ‘...(Negotiations are) driven and underwritten by the social interaction; that is very important because we can make people feel more trusting, we can make people feel more willing to compromise, feel more willing to go back to senior management."

Included in this category was those who advised hiring a third party as an intermediary and using Chinese speakers in the negotiating team as these points were made in the context of gaining guanxi with the opposite negotiation party.

- ‘That is important– if you can bring a local, a Chinese person to the party’
- ‘Sometimes you need to bring in a third party’
- ‘Absolutely; that is exactly what you do (using a 3rd party in an effort to develop guanxi)’

ii. Preparation and Structure
Negotiation preparation and structure was the second most popular advice category for successful negotiations with the Chinese. Proper planning is essential in any negotiation approach irrespective of culture however in the case of dealing with the Chinese, planning appears to be essential as a way to minimise the effects of culture and language differences.

- ‘That is where a lot of people fall short, they rely on experience, on gut feel, on instinct and they think they can muddle through in China; and I actually think one can do quite a lot of preparation on the plan. It is more important in China.’

In addition, negotiation structure and management was deemed to be important, again as a way of reducing the language and cultural effects on the negotiations.

- ‘Managing it (the meeting) in a very disciplined manner, almost scientifically, systematically’
- ‘Research based, analytical, rigorous, in your entire process management’
iii. Flexibility

Flexibility was the third most popular form of advice for South African negotiators. The advice was to remain flexible in terms of expectations, timelines and details.

- ‘Be prepared for lengthy delays and not expect too much too quickly, take time and recognize that whatever investment you put in in terms of time and travel’
- ‘Not to have high expectations’
- ‘Be prepared to accept uncertainty and variations from the rules’

Three of the interviewees suggested that negotiators should think of their negotiations in the context of a long-term relationship based on short-term goals.

- ‘We have an extreme long term view as a development bank’
- Those people who have a long term goal but think on their feet and don’t plan ahead, they just adopt and have a short term view; they are pretty much successful in China

Flexibility should not be confused with lack of planning. As stated above (ii), a detailed strategic plan is vital, but one must be flexible with that plan.

iv. Cultural Sensitivity

Cultural Sensitivity was the fourth most popular form of advice. It relates to how you pick your negotiating team and how the negotiations are conducted in a behavioural sense. The negotiation individual/team selected should be the kind that can adapt to the cultural nuances of doing business in China.

- ‘Select the right people; send the right team basically.’

It is also concerned with the need to understand the negotiation counterpart from a cultural perspective.

- ‘Understand the other party in terms of where they sit on the continuum of Westernization, where are they located, how old are they and how Westernized are they going to be in their approach to us’

It also is important to act appropriately in the negotiations in respect of Chinese business culture.

- ‘Make sure that the senior guy mustn’t lose face’
- ‘You need to take a very wide sort of view and comprehensively factor in what is the system in China.’
• ‘Showing respect is so important to the Chinese when you are doing negotiations, showing respect and being aware that it is Chinese culture’

Failure to do this can result in catastrophic failure for the negotiator.

• ‘Going into China and teaching the Chinese how to do things, saving the Chinese so to speak; and that never really stood a chance’

v. **Humility and Patience**

In addition to cultural understanding the two Confucian principles of humility and patience were well represented as the fifth most popular piece of advice.

• ‘You have to be patient; that is basically the bottom line of it’
• ‘The third one is being patient’
• ‘Showing respect and being humble is so important to the Chinese when you are doing negotiations, showing respect and being aware that it is Chinese culture’

vi. **Negotiation strategy**

The category that represents the least support from the interviewees was the adoption of particular negotiation strategies to ensure a successful negotiation with the Chinese. The advice given was not that of a particular discreet strategy but instead was general advice on adopting a collaborative stance and an interest based negotiation style and avoiding a power based style.

• ‘The most common mistake is to be competitive from the outset just because they are Chinese. So my third piece of advice is to be collaborative, as you would be when negotiating in the West’
• ‘Do not play the power card, they will always win as they always have the power.’
• ‘The Chinese will prefer a win-win so help them achieve this by using interest based negotiations’

4.3. **Westernisation and Change in China**

Findings for the third research question, ‘How are the drivers changing and how will this affect the key research question?’ were obtained by recording and coding all information given by the interviewees pertaining to perceived changes in cultural drivers. In addition, a specific question was asked in the interview that addressed the Westernisation of China and its impact on the cultural influences on negotiation. Ten of the twelve interviewees mentioned how Westernisation of China is affecting the way in which negotiations are being conducted.
Two of the interviewees did not think that they had enough experience with Chinese negotiations to comment on any Westernisation trend or otherwise (Edwards and Shaw). The results can be found at appendix G and are summarised below. They will be discussed further in the analysis and discussion phase of the report.

Of the ten interviewees who responded, eight suggested that the Chinese are increasingly becoming Western in their outlook and dispensing with the ancient Chinese culture that affects negotiation strategy.

- ‘It is completely different now to it was ten, even five years ago. Now you are far more likely to be speaking English in suits than drinking in a karaoke bar.’
- ‘That I think more and more we are seeing a normalization between the issues that the Chinese look at and what I would say the Western approach would have looked at’
- ‘The older traditional ways are definitely on the way out and you are going to find it a little bit easier to get things going in the Chinese environment.’

The results returned present perceptions of varying rates of change in the Chinese negotiation context.

- Things are changing and are changing slowly
- The way in which China negotiates is changing by the day.

The results show that this is dependant on several variables.

- Cultural curve that is so broad, depending on how old, how young, west, east, north, south.
- It depends from which area and what age as to whether they (Chinese) are changing. Young and East China are very different to old and West China.

A further variable is based on demographic spread in that Westernisation seems to be affecting the younger generation more than the old.

- The old order is passing and the new generation are more Eurocentric
- It makes a big difference, over 30’s or under 30’s

Two interviewees suggested that the Westernisation has not and will not have an effect on how to deal with the Chinese.

- I think they will always have that (Confucian approach), perhaps in lesser degrees as they get older, but there will always be that whole mentality
- Confucianism has been around for hundreds of years and is set to continue for many more
One interviewee suggested that although China might have been affected by Westernisation in the past, the business culture was now retreating to the old style due to ‘supply and demand’ (i.e. Western companies are increasingly wanting access to China’s markets and wealth which often results in the Chinese being the negotiating party in the stronger position).

- ‘Now it is what’s the point because there is so many foreign companies trying to get involved with China, Chinese companies have so many interested parties. Supply and demand has just shifted so much in the favour of Chinese I would say, that they are less inclined to change in that respect.’

5. Research Analysis and Discussion

The discussion and analysis phase of this report compares the findings from interviewees with constructs identified in the literature review. The discussion and analysis will be orientated around the three key questions as outlined in the introduction and as reported on in the findings. In addition, the differences between South African negotiation approaches and western negotiation approaches in a Chinese business context are discussed.

5.1. The Cultural Drivers of Modern Chinese Negotiation

The interview results correspond with perceptions outlined in academic literature that Chinese negotiators place great value on personal relationships (Fang, 1999). All of the participants interviewed in the study agreed that the Confucian principle of guanxi continues to have an influential role in shaping Chinese negotiation strategies and approaches. The study also established that guanxi influences the negotiations throughout the lifecycle from pre to post negotiation phases. This is congruent with the views of Ghauri & Fang (2001). It is manifested in the Chinese spending a considerable amount of time developing a relationship prior to and during negotiations. This supports the work done by Horwitz et al. (2008) who identified, from their research in 2003, that guanxi was the primary influence on Chinese negotiations.

The results suggest that secondary to guanxi, strategy had a sizeable influence on Chinese negotiations. These results support Fang (1999) and Ghauri & Fang (2001), who concluded that the adherence to stratagems has a profound impact on Chinese negotiation culture. Horwitz et al. (2008) described the resultant Chinese strategies as ‘competition-orientated
negotiation strategy,’ however the results from this study refute this claim. Power, a senior strategist at Investec, suggested that they have ‘more of a corporative approach’ and Man reported that he had found the Chinese ‘no more competitive than Western companies.’ The results of this study therefore suggest that Ghauri and Fang (2001, p.316) were closer to the true role of stratagems in Chinese negotiation when they suggested that the Chinese could negotiate as ‘bureaucrats, gentlemen and strategists.’ Which role is chosen is largely dependant on the level of guanxi obtained prior to the negotiation (Ghauri & Fang, 2001).

The cultural approach to the legalities of the negotiated contract and renegotiation were the third most popular drivers of Chinese negotiations. Seventy five percent of the interviewees mentioned how the cultural indifference to the legal system impacted upon their negotiations. This is part of guoqing or the PRC condition that Ghauri & Fang (2001) described as, ‘a contemporary and institutional factor influencing China.’ Kumar & Worm (2003) suggested that the Chinese legal system is treated with disregard and as such, trust is more important than a watertight contract. The results from this study are aligned with this view. Van de Wath explained that despite many contracts being broken, ‘in (his) 15 years career with China, (he hadn't) ever seen a contract challenge successfully go to court.’ The consequence of this is that the Chinese generally treat a contract as a marque of a relationship or MOU (memorandum of understanding) rather than a legal document. This was experienced by several of the interviewees including Power who said, ‘The contract is like a letter of intent – nothing more,’ and French, when he added, ‘A contract for them is a ceremonial instrument’.

Other influences on negotiations caused by the PRC condition that have previously been identified by academics were not evidenced in this study. This includes a Chinese adversity to taking responsibility (Fang, 1999) and risk (Ghauri & Fang, 2001), which leads to long decision making cycles (Miles, 2003). This may result from a lessening of the PRC influence as China modernises. De Lorenzo would support this view. He recently worked on the M&A deal between SAB (South African Breweries) and CRE (China Resource Enterprises) and noticed a different legal influence to that of the other interviewees. He noted, ‘They normally adhere to the terms of the agreement’ and, ‘the matter of the law and the implications of law and legal principles are becoming more and more powerful’ and, ‘so now before the Chinese provide you with any information, they will ask you to sign an NDA (non disclosure agreement).’ The researcher acknowledges that one of the disparities between de Lorenzo’s experience and those of the other interviewees was due to the scale and public nature of the
negotiations. The SAB/CRE deal, valued at $26 million, was unlike the majority of the negotiations conducted by the other interviewees, which were smaller import-export or product/service provision negotiations that would not have had the profile or consequence level that the SAB/CRE did. However it may also represent a change in the role of the PRC condition, as described by Ghauri & Fang (2001), on Chinese negotiations as a result of the modernisation of China.

Five of the nine interviewees who spoke of the legal or contract issues relating to their negotiation spoke of the resultant renegotiation post contract. In one case, Tretheley, he found that he ‘had to renegotiate three or four times a year’. This comes as a direct result of the prevalent attitude towards the initial contract and supports the view held by Fang (1999) who stated that negotiation continues post contract signing as a direct result of the Chinese predisposition towards basing relationships on trust rather than law. The degree to which the contract is adhered to in the future will largely depend on the efficiency of the legal system for it is the deficiencies rooted in this system that are considered to be the cause of the irrelevant status that contracts currently hold (Ghauri & Fang, 2001).

The Chinese government are currently modernising the Chinese legal system with the investiture of the Administrative Permission Law (APL) in 2003 (Lu & Yao, 2003 cited by Pascha, Storz & Taube, 2011, p.39). The aim of the APL is to increase the power of the judiciary and the ‘rule of law’ in China. This will affect the way in which the Chinese perceive and address their contractual obligations, which will in turn have an effect on Chinese cultural negotiation drivers in a legal context. As a result the researcher would expect to see an increase in adherence to legal and contractual obligations in the future. However, it is highly likely that this change will take some time as there are many legal, structural and cultural barriers to overcome before the Chinese are expected to embrace the APL (Pascha et al., 2011)

It is interesting to note that the three influences described in the ‘Ping-Pong’ model (Ghauri & Fang, 2001) have been represented in the top three influences as identified by the interviewees in this study. These were Confucianism (represented by guanxi), the PRC condition (characterised by the perceived influence on the legal system) and stratagems. This suggests that although the relative weighting and content of the influences may have changed, the characteristics of the three strongest influences have not. This result also goes some way
to support Horwitz et al. (2008) who suggested that there was little difference between the cultural drivers of Sino-Western negotiation and Sino-South African negotiations as the ‘Ping-Pong’ model (Ghauri & Fang, 2001) was based in research done on Sino-Western negotiations. This will be commented upon later in the report.

Status and hierarchy were deemed by the interviewees to have the fourth largest influence on South African-Chinese negotiations. Although the interviewees agreed with the general concept, that status and hierarchy influences negotiation, as described by Fang (1999), they did not support all of the three discreet influences that Fang describes. Of the three influences described, the necessity for a senior negotiator delegation to show respect was supported. Cameron said ‘Two of us makes me look more important in a way. It gives me more kudos in their eyes’. This view was reinforced by Trividi who said, ‘It should not be that you are negotiating on behalf of somebody else. If you are doing that, they will not bother about you.’ The other two influences described by Fang (1999), which are silence on the Chinese negotiating team to respect the foreign negotiator and deference to seniors on their own team, were not spoken of. Based on these findings, the researcher would not go as far as to suggest that the model suggested by Fang (1999) is inaccurate, however it would be worth further investigation to understand more fully the changes in level of effect that status and hierarchy are having on Chinese negotiations in a modern business context.

Two interviewees made noteworthy points about how senior managers were brought into the negotiation process during the latter stages in order to give weight to the proceedings. De Lorenzo said, ‘So as we started going higher and higher and closer, then we started to see more and more senior people until we came to signing, then you saw the big fish come and do that.’ This is a good example of the hierarchical influence on Chinese negotiations. It is however, not the preserve of Chinese negotiators. In a Western business context a senior manager is often bought in at the final stages of a negotiation after the contractual details have been discussed and agreed (Ghauri & Usunier, 1996, p.225). According to Fang (1999) it may be more prevalent in a Chinese business context because of the effect that a senior Chinese manager would have on the negotiation team if he/she were involved at earlier stages of negotiation. The effect would be that the younger members would feel obliged to defer to the senior person on all matters, including those that they are expert in, to the detriment of a successful negotiation.
The influence of politics, a tenant of the ‘PRC condition’ described by Ghauri & Fang (2003), remains a critical influence on Chinese negotiations. Over half of those people interviewed mentioned how politics affects the Chinese negotiation process. There was a sizeable spread of impact experienced ranging from no impact, ‘They acted independently’ (Bilsen) to a large impact ‘There was a very thin line between the company and government’ (Kabile). The diversity is expected to be a result of the globalisation of China and the resultant privatisation of many companies that are now managed as commercial ventures without government interest or influence. The political influence on a negotiation process with one of these companies will be less than a state owned enterprise (SOE) that is controlled or owned by the government.

Van der Wath conducted negotiations where there was a high level of political influence, ‘A lot of ordinary employees are party members. They are members of the communist party and the minute you are talking with a communist party member there is a lot of influence.’ In this case the negotiation was with a SOE that had close ties to government. Van der Wath described this experience as ‘negotiating with a silent third partner, where considerations towards government interests had to be made at every turn.’ The level to which politics influences Chinese negotiation can this be considered to be almost entirely dependent on the business itself and its proximity to government. In 2011, the percentage of China’s GDP that can be attributed to the private sector is 50 % and increasing (Szamosszegi & Kyle, 2011). This trend implies that the numbers and/or size of private sector businesses are increasing. As a result the researcher suggests that the level to which politics influences negotiations will diminish in future Chinese negotiations. There will however, continue to be a large amount of political interference in SOE’s and other businesses with a government interest such as those industries that have been designated as important to China’s future growth by the government, e.g. oil & gas extraction, transport and equipment and chemicals (Mattlin, 2010, p.19).

Tretheley commented that a Chinese firm with whom he was negotiating had neither a commercial nor a political agenda. He described situations where the Chinese negotiators ‘valued national interests, such as developing the nation or contributing to the country’s modernisation drive.’ This is highly suggestive of a collective culture where decisions are made for the good of the collective goal (in this case the modernisation of China). The collective nature of China’s culture in relation to Western culture is well documented (Salacuse, 1991; Ting-Toomey, 1988) and is considered one of the key underlying cultural
influences on Chinese negotiations (Lin & Miller, 2002; Trubisky et al., 1991). However the lack of interviewee responses relating to collectivism suggest that cultural influence of the Chinese collective culture might have a lesser effect on negotiations than they have in the past. This could be a result of an increasingly capitalist Chinese culture as described by Szamosszegi & Kyle (2011), which is by its nature competitive and therefore individualistic (Hsu, 1985). A shift from a collectivist Chinese culture to an individualist culture would have a deep impact on Chinese negotiations as it underpins many of the cultural influences on negotiations such as face, trust, honesty and harmony (Ghauri & Fang, 2001).

Trust remains an important influence on Chinese negotiations although the results of this study, when compared to Horwitz et al. (2008), suggest that its influence is diminishing. Based on their survey results, Horwitz et al. (2008) concluded that the necessity for trust had the greatest influence on Chinese negotiations whereas the results from this study suggest that trust, although still an influence is not a strong one. However, the results did agree with accepted literature that the Chinese distrust anyone outside their collective as identified by Fang (1999). As van der Wath said, ‘you can assume that everybody in China doesn’t trust the government, they don’t trust the corporations and they don’t trust any institution’ and Bilsen added, ‘they don’t trust anyone, especially not a corporation.’ In addition, a specific distrust of foreigners as suggested by Hutching (2003) was evidenced. Lack of trust in a corporate brand was also a common theme; Supporting van der Wath and Bilson, Kabile spoke of the distrust of corporate brands ‘Even if you are from a recognized company like PWC, Deloitte & Touché, whatever – they still don’t trust you.’ The result of this is that South African negotiators are unable to rely on their company reputation or image to engender trust with their Chinese negotiating counterpart. Instead a trust relationship must be developed on a personal level.

According to the findings, the two Confucian principles of harmony and face are the two least imposing influences on Chinese negotiations with only half of the interviewees mentioning the effects that these have. Ting-Toomey (1992) and Fang (1999) suggest that the Chinese will actively avoid confrontation in order to maintain a harmonious atmosphere. Kabile, Trividi, Power and Tretheley have experienced this in their negotiations with the Chinese. That the issue of harmony is not represented to a greater extent supports the conclusion that Chinese negotiation cultural drivers may be changing as the texts of Fang (1999), Ting-
Toomey (1992) and Woo & Prud’homme (1999) placed great emphasis on the influence of harmony.

The same conclusion may be made of the concept of *mianzi* or face. Buttery & Leung (1998), Fang (1999) and Ghauri and Fang (2001) stated that ‘saving face has a major implication on negotiations.’ This is a view that was supported by only two of the seven propositions relating to face, for example, ‘losing temper is losing face and it is basically the end of the transaction’ (Tretheley). Kabile represented the majority view when he said ‘I don’t go about giving face so much.’ According to Lin & Miller (2002, p.291) face and harmony come as a result of a collectivist culture. The lessening of face and harmony as an influence therefore supports the researchers earlier conclusions that China’s collectivist culture may be reducing, being replaced by a more individualist one. This supports the view of Yan (2010) who proposed that China has entered onto a path of individualisation as a result of modernisation.

In addition to the absent cultural influences on negotiation as a result of the PRC condition, several Confucian based cultural influences that had been previously identified in academic literature were not supported by this study. Included in this are reciprocity (Fang, 1999; Yutang, 2008), shrewdness (Horwitz et al., 2008), contradictory behaviour (Woo & Prud’homme, 1999) and inefficiency (Graham & Lam, 2003). The absence of evidence does not prove that these are no longer factors that play a role in influencing Chinese negotiation however the researcher finds it interesting to note that these factors were strongly represented in the latest academic research into the cultural influences on Chinese negotiation as conducted by Horwitz et al. in 2004 and yet were absent from the findings of this study. This adds weight to the conclusion that the categories and strengths of Chinese culture influences are changing in a Chinese business negotiation context.

5.2. **Negotiation Approaches and Behaviours**

The findings from the key research question result in a systematic list of negotiation behaviours and approaches that should be adopted by South Africans in order to accomplish a successful negotiation with the Chinese in a modern business context. Considering the interviewee response that the primary influence on Chinese negotiations was guanxi, there is little surprise that the majority of the interviewees said that in order to achieve successful results the primary concern of the South African negotiator should be the development of
guanxi and trust with the Chinese counterpart. This is closely aligned with accepted theory of developing Guanxi in negotiations, initially suggested by Cohen (1991) and reinforced since by Chen & Faure (1995), Li & Labig (1996), and Luo (1997).

Several interviewees suggested that time was an important factor in the development of guanxi. This is aligned with the conclusions drawn by McKenna and Sun (2007, p.361) when they said, ‘be patient in non-task sounding process, Chinese usually need time to build trust and create guanxi with their counterparts.’ Man agrees with this principal and said that he would not start negotiating with a Chinese company until he ‘had known them for a year’. Man declared that his company found guanxi to be valued by his company to an extent that it had become company policy to have a long courtship period before proceeding with negotiations. Advice was given to South African negotiators to see long pre-negotiation phases as a method for developing guanxi and not a process inefficiency as described by Horwitz et al. (2008). Developing guanxi over time leads to a strong trust relationship (Fang, 1999) that in turn leads to a collaborative negotiation approach rather than a competitive one (Lin & Miller, 2002, p.292). Adopting a collaborative approach will increase the likelihood of a successful result, as negotiation success is more likely to result from a collaborative environment than a competitive one (Lewicki et al. 2007). It is therefore beneficial to spend time developing guanxi to ensure a collaborative relationship and increase the probabilities of a successful negotiation.

There is little academic reference to the specific need for preparation and structure when negotiating with the Chinese however the results from this study suggest that it is strongly advisable to focus on these areas of negotiations in order to achieve a successful outcome. The interviewees placed great emphasis on team selection, preparation, strategic planning, the use of interpreters, systematic meeting management and the influence of language. Van de Wath sums it up well when he said there was a need to be ‘research based, analytical and rigorous in the entire process management.’ In addition there was evidence to suggest that ignoring preparation and structure was often the cause of failure, Man said ‘…that is where a lot of people fall short they rely on experience, on gut feel, on instinct and they think they can muddle through.’ The interviewees proposed that the need for systematic research and process planning was required for two reasons. Firstly it ensures that the South African negotiator is fully prepared to strategically negotiate with the Chinese counterpart. This is in response to the high level of influence that Confucianism and strategy has on Chinese negotiations as
discussed earlier (i.e. the Chinese will be well prepared). The second reason that the interviewees gave was that by managing the meetings in a structured format the Chinese cultural influences on the negotiations were minimised. In effect the South Africans have been westernising the process by controlling the negotiations in a manner to which they find more acceptable. The researcher suggests therefore that the adoption of a methodical meeting structure may be considered to be a South African negotiation tactic, which is used to distance the Chinese from their usual form of disorderly negotiations as described by Salacuse (1991).

Although considerable importance was placed on the need for strategic planning and process management the interviewees maintained that flexibility was also an important approach to ensuring a successful negotiation outcome. The reason for this is likely to be that although a structured approach is desirable to South Africans, it is foreign to Chinese businessmen (Fang, 1999) and thus will probably not be adhered to. The reason for this is that many Chinese stratagems are orientated around making use of chaos (this can be seen in appendix A), which results in a Chinese predisposition to a chaotic negotiation environment (Salacuse, 1991). Therefore, while the intention may be for a structured meeting, in all likelihood the negotiations will be less organised demanding flexibility from South Africans as a counter response to ensure success.

Cultural understanding is a common theme in negotiation literature. Weiss (1994) identified cultural sensitivity as a key proponent of successful negotiation. The responses from the interviewees suggest that understanding remains an important enabler towards a successful negotiation outcome although it is perhaps less important than Weiss (1994) implied. There are two logical reasons that may explain the different levels of importance placed on cultural sensitivity by Weiss (1994) and this research. Firstly, the effects of Westernisation in China may have led to an assimilation of cultures that has reduced the need for foreigners to exhibit such high levels of cultural sensitivity. Secondly, due to a propensity towards collectivism in the South African culture and the subsequent proximity of Chinese and South African cultures, South Africans may have a reduced requirement for cultural sensitivity when negotiating with the Chinese than Westerners. The extent to which Chinese business culture has changed in recent history may help in evaluating which of these two conclusions are the more likely. Irrespective of the result, if the Chinese and South African cultures were culturally aligned we would expect to see a higher level of successful negotiations between South Africans and
Based on their ‘Ping-Pong’ influence model, Ghauri & Fang (2001) suggested a four-pronged approach to ensure successful negotiations with the Chinese. Of these four approaches, one was patience, the others being priority, price and people. Patience was a quality supported by the results from this study and was proposed to be the fifth most important approach or behaviour when negotiating with the Chinese. The need for patience, in a Chinese business negotiation context, results from the requirement to develop trust and guanxi over the entire negotiation lifecycle. It was commented upon by several interviewees that the negotiation process can be slow with short meetings followed by long ‘social’ intermissions including, ‘tourist visits, meals and karaoke bars’ (Edwards). If the South African negotiator responds negatively to this process and becomes impatient it is likely that the negotiations will fail due to the lack of guanxi development. Patience, as an enabler of guanxi, is therefore vital in order to produce successful negotiation outcomes.

It is interesting to note that an adherence to a particular strategy was the least popular advice given by the interviewees. Of the twelve interviews conducted, two interviewees stated that a particular strategy was the second most important approach to consider and two stated it was the third. Eight interviewees did not recommend any approach or behaviour specifically relating to tactics or strategy. It would follow that if the Chinese exhibited a predictable negotiation strategy than it would be likely that our interviewees would mention a particular counter strategy. This they did not, which leads to the conclusion that the Chinese exhibit a variety of strategies during negotiations to which no counter strategy blueprint is applicable.

Brett & Gelfand (2005) suggest that the Chinese are more likely to be competitive than Westerners and Fang (1999, p.135) stated that the Chinese cultural influence on strategy was closely related to the level of guanxi with the foreigner. The importance that the interviewees in this study placed on the development of the relationship and trust goes some way to supporting Fang (1999) in his conclusion that the way to succeed strategically is based more on the ability to reduce the levels of competition by developing guanxi rather than by adopting a particular tactic or strategy when negotiating. The exact strategy that should be adopted will relate to the negotiation context as it would in a Western style negotiation and will depend on several factors as outlined by Lewicki et al. (2010, p.16), such as the
importance of the outcome and the importance of the relationship. However taking into consideration the need for guanxi to ensure negotiation success (as supported by this research), it follows that the importance of the relationship will have a higher role to play in deciding the strategy than it would in a Western negotiation context. The conclusion is therefore that in a Chinese negotiation, adopting a accommodating or a collaborative negotiation strategy (as described by Lewicki et al., 2010, p.16) is more important than it is in a Western negotiation because by adopting one of these strategies, guanxi (the relationship) is nurtured and protected.

5.3. **Westernisation and Change in China**

The research results largely support the view that international business culture is affecting the way in which negotiations are conducted in China. Eight of the ten interviewees who mentioned change in negotiation cultural drivers agreed with Sheer and Chen (2003, p.80) who suggested that the Chinese are increasingly making allowances in order to accommodate Westerners in their negotiation and are becoming increasingly Westernised as the cultural characteristics of China and the West become assimilated through globalisation (represented by fig.6 below). In addition, many of the findings discussed above relating to changes in cultural drivers suggest a considerable transformation in Chinese culture, in particular a shift from a collectivist culture towards individualism due to the privatisation of the Chinese economy as described by Yan (2010).

![Figure 7: Westernisation of the Chinese stereotype](source: Adapted from Lewicki et al. (2010,p.325))
The findings also support the view that the younger generation of Chinese will prove to be easier negotiating partners due to the fact that their behavioural styles and objectives are more congruent with Westerners (Kumar & Worm (2003, p.282). Four interviewees mentioned the difference between negotiating with the under thirty’s and over thirty’s, emphasising the considerable influence that this had on the planning and conducting of their negotiations.

By comparing the importance that the interviewees from this study placed on individual cultural influences compared to those in previous studies (Fang, 1999; Ghauri & Fang, 2003; Horwitz et al, 2008) the researcher is led to the conclusion that Westernisation has influenced the cultural influences on negotiation in varying degrees. As well as supporting the research conducted by Kumar & Worm (2003) and Sheer & Chen (2003) on Westernisation, this study emphasised the importance of geography on the scale and rate of Westernisation that subsequently affects the congruence of cultures and ease of negotiations. Three of the interviewees reported that the cultural variances between eastern and western China had a significant impact upon the way in which negotiations were conducted, with eastern China being more Western (Eurocentric) in outlook. The researcher suggests that the key influence in this variation is the difference in modernisation and industrialisation between east and west China. 90% of China’s total international trade volume is concentrated in nine provinces in eastern China (see fig.7). This has resulted in a congruence of cultures between the eastern Chinese and ‘Westerners’ that has not occurred in Western China. This is an alignment that was initially proposed by Kumar & Worm (2003)

Figure 8: China total trade volume by province.
Source: China Monthly Economic Indicators; The Beijing Axis, 2008
One interviewee proposed a counterargument. Kabile stated that although he had experienced Westernisation of Chinese negotiation culture in the past, he was now seeing a cultural reversal. Kabile supported his view by stating; ‘as China feels more confident as a global economy and realises the commercial power that it wields, it is becoming resilient to Westernisation and retreating to historical cultural norms.’ Although Kabile’s views are not supported by academic literature it is interesting to note his perspective. Westernisation theory (Kumar & Worm, 2003) suggests that the more powerful culture will impose its norms and values on the other, hence for the last two hundred years, colonisation and globalisation has led to an increasingly Western global business culture (Huntingdon, 1992, cited by Fox, 2005). The fact that China is becoming more powerful may mean that Kabile witnessed an example of Chinafication, where Western culture was shifting closer to Chinese culture in order to benefit from the commercial rewards that China can offer (as shown in fig.8). In order to clarify this theory, further research would need to be done on the effects of China’s economic rise on its business culture.

The two interviewees (Edwards and Shaw) who refute the claim that Westernisation is affecting the Chinese business culture are an important consideration when establishing whether Chinese negotiations will change in respect to Westernisation. Both interviewees based their arguments on the premise that Confucian culture has been in existence for hundreds of years and would therefore always underpin Chinese negotiations. As an argument

![Figure 9. Chinification of the Western stereotype](source: Adapted from Lewicki et al. (2010 p.325))
in itself this is not valid. Literature suggests that cultures are susceptible to change however ingrained in national psyche. In her book, *Theory of Culture Change: the Methodology of Multilinear Evolution* (1972), Steward supports this when she wrote, ‘all societies have lived in different historical environments and have passed through different vicissitudes, their traditions have diverged and so ethnography reveals a multiplicity of cultures, just as does archaeology.’ As such any culture is capable of changing given a different historical environment, in this example the Chinese culture could theoretically become distanced from Confucianism. As a result the statements made by Edwards and Shaw, that China’s culture could not change as it is too embedded in Confucian principles, can be discredited (Lincoln & Guba, 1985, p.316).

The findings confirm that Westernisation of the Chinese economy and business processes have led to a modification in the way the Chinese conduct their negotiations. With the expected continued privatisation of China’s industries and internal modernisation drive together with increases in other influences such as foreign education for Chinese students, it is likely that this transformation will continue. The way in which South Africans adapt to this changing Chinese cultural environment in a business negotiation context will theoretically become a determinate of success in future Chinese negotiations.

5.4. **South African vs. Western negotiation approaches in a Chinese context**

Literature is divided over whether South Africans should adopt a unique approach to negotiations with the Chinese or if a Western approach would suffice. The generally accepted theory is that the cultures of both negotiating parties influence the negotiations (Brett, 2009). The fact that no two cultures are identical thus necessitates the need to adopt a different approach (Kumar & Worm, 2003). In this case that would mean South African businessmen should theoretically adopt a distinctive approach from Westerners. Contrastingly, Horwitz et al. (2008) concluded that in reality South African and Western approaches to Chinese negotiations are very similar, yet admitted in their limitations that they had only got responses from white South Africans who are commonly culturally Eurocentric.

The cultural drivers of Chinese negotiation and the subsequent South African approaches outlined in this study are unlike those suggested by western academic literature in terms of type and weighting. It would therefore be possible to draw a conclusion that a South African
approach to Chinese negotiation should be different from a Western one. However, this study has also shown that due to globalisation, the cultural drivers of Chinese negotiation are transforming. As there are no contemporary Western studies on Chinese cultural negotiation drivers to compare these results with, it is thus impossible to say whether the results found in this study are due to the cultural differences between South Africans and Westerners or the effect that globalisation has had on the Chinese culture. In order to understand this relationship more fully, a concurrent study would have to be done on Sino-South African negotiations and Sino-Western negotiations in a way in which all other factors such as the effects of globalisation are normalised.

5.5. Research Limitations

Although qualitative research is often perceived as being not as reliable as quantitative research (Seale, 1999), every effort was made to improve the validity of the study. There are however, some limitations that can be identified post research.

- The absence of an authoritative database of South African firms that trade with China made it difficult to establish the exact size of the target population and thus may limit the relevance of this study.
- A convenience/snowball sampling method does not give an accurate cross section of the population. An example of this is that only white males were interviewed. Black South Africans may have bought a different perspective on negotiation practices as they have a more collectivist culture (Booyson, 2001).
- Although the collective negotiation exposure of the interviewees is very high. The context of these negotiations differed. Some were routine or transactional where trust is not necessarily a prerequisite for a successful negotiation result and others were long-term negotiations requiring significant relationship development (consistent with Van der Wath, 2004).
- South Africa has eleven official languages. The researcher did not use an interpreter due to cost implications and only speaks English. Therefore all the interviewees had to speak English. This artificially reduced the population eligible for study.
- Due to time and cost restrictions, a limited number of interviews could be conducted.
- Negotiators gave their own account of their actions. This may not have represented their true actions in the negotiations. The subjective nature of these results will affect the credibility of the study. The researcher made every effort, through the interview
process, to triangulate the interviewee’s negotiation experiences and thus reduce the impact of the subjective nature of their experiences (Bryman & Bell, 2010, p.412).

### 5.6. Credibility, Transferability, Dependability, Confirmability and Authenticity

The credibility of the interviewees’ responses are dependent on several factors. The predominant dependency is that the interviewees relay a true account of their negotiation experiences. This was addressed to some extent by adopting a thorough interview design and process. In addition the interviewees would gain no conceivable benefit from relating an untrue account of their experiences, nevertheless limitations as discussed earlier remain. Secondary to this, credibility is related to the level of negotiation experience (number of negotiations), the variety of negotiation experience and the level of experience (time). The experience (time) that the interviewees have is particular relevant to the credibility of their answers to the third research question, that of the effect of Westernisation on changes in cultural influences. With over 160 years of Chinese negotiation experience spanning over twenty-five years in various industries, the quality of interviewees address these secondary aspects of credibility.

As Lincoln & Guba (1985, p.316) stated, ’whether or not findings hold in some other context at some other time, is an empirical issue.’ As such the researcher followed the advice of Bryman & Bell (2007, p.413) and used what Geertz (1973a) called ‘thick description’ in the analysis, discussion and conclusions. This then allows the reader to make a judgment as to the transferability of the analysis, discussions and conclusions to other contexts or other times.

By maintaining a log of interviews, transcripts and coding practices and making these available for peer review and/or audit, the researcher has achieved a level of dependability that is acceptable (Bryman & Bell, 2007, p.414). In addition the research design and interview template prevented the researcher influencing the direction of the interview and the answers to the research question, which addresses the issue of confirmability. To some extent the authenticity of this research, as described by Guba & Lincoln (1985), is limited. According to Starbuck (1981) one of the key tenants of authenticity is representative fairness. The views from twelve interviews are unlikely to represent the views of the South African population. This aspect of authenticity is an inherent problem with qualitative research and can only be partially addressed through a rigorous sampling method. Limitations relating to the sampling
method in this research have been discussed. Ontological, educative and catalytic authenticity has been achieved in that from this research, ‘members are helped in arriving at a better understanding of their social milieu, members are able to appreciate the perspectives of other members and members have been empowered to take steps to improve results’ (Bryman & Bell, 2007, p.414).

6. Research Conclusions

In 2010 China became South Africa’s largest trading partner with a total trade value of $30 billion (South African DTI, 2011). The economic and political relationship between South Africa and China is destined to become closer in the future as China seeks to benefit from South Africa’s raw materials and its African market expertise and South Africa attempts to develop a market for South African goods and services in China (Pant, 2008, p.39). In order to benefit from this expanding relationship it is vital that South African businesses develop a strategy that maximises the probability of a successful negotiation.

This research will assist negotiation practitioners achieve this goal by helping them to understand the Chinese cultural influences on negotiation. In addition, by examining current successful South African negotiation practices the researcher is able to suggest a prioritised list of negotiation approaches and behaviours that will increase the chance of success. Also, through an increased understanding of the effect of Westernisation on the collective Chinese culture, the researcher is also able to suggest how negotiations with the Chinese in the future may be different from today. A model representing the research findings is seen below.

![Figure 10. Model to show the cultural influences, approaches and behaviours in a modern Chinese business context](image-url)
Globalisation and modernisation have affected the Chinese negotiation landscape. They have led to an increase in individualism that has affected the Chinese negotiate approaches and behaviours. If the current trend of privatisation, modernisation and overseas education evidenced in this study endures, a continued shift to individualism would be expected. Business negotiations with the Chinese would become increasingly more Western in structure as a result. The effect that Westernisation and modernisation has had on Chinese negotiations is evident when examining the changes in cultural influences.

The cultural drivers influencing current Sino-South African negotiations are: guanxi, Confucianism, legality, status and hierarchy, politics, trust, harmony and face. Although not dissimilar to cultural drivers identified in previous studies such as Fang (1999), Guari & Fang (2001) and Horwitz et al. (2008), several drivers have become significantly less important to a point where some that have been observed in previous studies are not exhibited. Culture affects the way in which people negotiate (Cohen, 1993; Rubin & Sander, 1991 cited by Sheer & Chen, 2003). Thus due to the changing cultural influences on negotiations the Chinese negotiation approaches, behaviours and strategies are transforming. As a result the approaches and behaviours of their counterparts, in this case the South Africans, have to adapt in order to secure a successful negotiation outcome in the modern Chinese business context.

In answering the key research question a list of approaches and behaviours that should be adopted by South Africans in a modern business context in order to ensure a successful negotiation outcome has been developed. This list includes: developing trust, preparation and structure, flexibility, cultural sensitivity, humility, patience and strategy. By allocating resources to these approaches and behaviours, South Africans should be able to maximise the probability of a successful negotiation. Taking into account the changes in cultural influences on Chinese negotiations as described above, the researcher would add that in order to be successful over the long term, the list should be seen as a flexible model which a practitioner can use as a toolbox to apply to each unique setting (level of Westernisation, modernisation etc.) rather than a set framework.

6.1. Future Research Directions

This study has yielded some interesting insights relating to the cultural drivers of Chinese negotiation, negotiation approaches and behaviours and the effect of globalisation on future negotiations with the Chinese.
Firstly, it has become evident that in recent years, globalisation and internal modernisation have affected the way in which the Chinese approach their business negotiations. The researcher expects that the rate of this change will depend on many factors including location and industry type. It would be interesting to investigate the specifics of this trend in order to better understand the way in which it will affect the cultural influences on Chinese negotiation in the future.

Secondly, although the researcher tried to contact black and coloured South Africans who had Chinese negotiation experience the sample remained overwhelmingly white. Due to the expected differences in negotiation style between white and black South Africans it would be worthwhile to repeat the study with a larger sample size that included black and coloured South Africans. This would produce a model that was more relevant in the wider South African population.

Thirdly, the importance of guanxi as a Chinese cultural driver and a South African negotiation approach has been identified in this study. It has also been identified that the development of guanxi is a time consuming process. It would give a South African business a distinct competitive advantage if it could develop guanxi with the Chinese in a time efficient way, making Chinese negotiations faster and more effective. Thus a time-benefit analysis of the different ways guanxi is developed would be useful from a South African perspective.

As identified earlier, the results pertaining to the distinction in negotiation approaches between Western and South African when negotiating with the Chinese were inconclusive. A concurrent study would normalise the effects of globalisation and modernisation and allow for a detailed analysis on the differences between South Africans and Europeans in terms of the cultural effect on Chinese negotiations.

Lastly, the study looked at the South African perspective of Chinese cultural drivers. It would add weight to the understanding of cultural drivers on Chinese negotiations if the Chinese were interviewed to assess their perspective on what aspects of their culture influence their negotiation approaches and strategies. In so doing the complexity of cultural drivers would be better understood and the list of South African negotiation approaches and behaviours would become more robust.
7. Bibliography


Appendix A. The Impact of Strategems on Negotiations (von Senger, 1991)

Stratagem 1: ‘Cross the Sea without Heaven’s Knowledge’ (Man Tian Guo Hai)
‘A Chinese negotiator will use false authority (secret government regulations etc.) to push a foreign negotiator into complying with his demands’

Stratagem 2: ‘Besiege Wei to Rescue Zhao’ (Wei Wei Jiu Zhao)
A Chinese negotiator will attack weak spots in the position or the personality of the foreign negotiator

Stratagem 3: ‘Kill with a Borrowed Knife’ (Jie Dao Sha Ren)
A Chinese negotiator will use negotiations with competitors as a way to put pressure on the foreign negotiator

Stratagem 4: ‘Await Leisurely the Exhausted Enemy’ (Yi Yi Dai Lao)
A Chinese negotiator will prefer to conduct negotiations on Chinese soil and to solve disputes in Beijing

Stratagem 5: ‘Loot a Burning House’ (Chen Huo Da Jie)
A Chinese negotiator will seek to exploit crises and chaos in the foreign negotiating team to his advantage

Stratagem 6: ‘Make Noise in the East but Attack in the West’ (Sheng Dong Ji Xi)
A Chinese negotiator will be unclear about his real priorities and spend a lot of time discussing insignificant details to bring the foreign negotiator off course

Stratagem 7: ‘Create Something out of Nothing’ (Wu Zhong Sheng You)
A Chinese negotiator will always claim that the seller’s price is too high

Stratagem 8: ‘Advance Secretly via Chencang’ (An Du Chen Cang)
A Chinese negotiator will negotiate openly with one supplier but secretly with another

Stratagem 9: ‘Watch the Fire Burning from Across the River’ (Ge An Guan Huo)
A Chinese negotiator will deliberately use stalling tactics and let the foreign negotiator wait

Stratagem 10: ‘Hide a Dagger behind a Smile’ (Xiao Li Cang Dao)
A Chinese negotiator will hide a strong will under a compliant appearance, being generous and hospitable while being hard on principles

Stratagem 11: ‘Let the Plum Tree Wither in Place of the Peach Tree’ (Li Dai Tao Jiang)
A Chinese negotiator will seek to make a small sacrifice to gain a large profit

Stratagem 12: ‘Lead Away a Goat in Passing’ (Shun Shou Qian Yang)
A Chinese negotiator will take advantage of opportunities when they appear e.g. by attempting to reopen negotiations

Stratagem 13: ‘Beat the Grass to Startle the Snake’ (Da Cao Jing She)
A Chinese negotiator will ask a lot of questions and apply pressure to the foreign negotiator in order to test reactions

Stratagem 14: ‘Borrow a Corpse to Return the Soul’ (Jie Shi Huan Hun)
A Chinese negotiator will seek to establish a partnership with a foreign company when his own company is having problems
Stratagem 15: ‘Lure the Tiger to Leave the Mountains’ (Diao Hu Li Shan)
A Chinese negotiator will seek to control the location and the schedule of the negotiation.

Stratagem 16: ‘In Order to Capture, First Let It Go’ (Yu Qin Gu Zong)
A Chinese negotiator will urge the foreign negotiator to make further concessions by calling his initial concessions e.g. ‘a certain progress’.

Stratagem 17: ‘Toss out a Brick to Attract a Piece of Jade’ (Pao Zhuo Yin Yu)
A Chinese negotiator will apply different standards for compliance of the contract – specific for the foreign negotiator and at a general level for the Chinese.

Stratagem 18: ‘To Capture the Bandits, First Capture Their Ringleader’ (Qin Zei Qin Wang)
A Chinese negotiator will prefer to deal with the top executives of the foreign company first, and the Chinese will not negotiate with someone of considerably lower rank or age.

Stratagem 19: ‘Remove the Firewood From under the Cooking Pot’ (Fu Di Chou Xin)
A Chinese negotiator will seek to undermine the strong arguments of the foreign negotiator, e.g. discussing price when the quality is high and quality when the price is low.

Stratagem 20: ‘Muddle the Water to Catch the Fish’ (Hun Shui Mo Yu)
A Chinese negotiator will seek to wear the foreign negotiator down and confuse him, e.g. by excessive entertaining or changing the elements of the deal, in order to make him comply with the demands of the Chinese.

Stratagem 21: ‘The Golden Cicada Sheds Its Shell’ (Jin Chan Tuo Qiao)
A Chinese negotiator will sometimes secretly withdraw from a negotiation, while still appearing to participate, thereby making the foreign negotiator the breaching party.

Stratagem 22: ‘Shut the Door to Catch the Thief’ (Guan Men Zhuo Zei)
A Chinese negotiator will seek to learn the time of departure for the foreign negotiator and then push for concessions in the final days or hours before that.

Stratagem 23: ‘Befriend the Distant States While Attacking the Nearby Ones’ (Yuan Jiao Jin Gong)
A Chinese negotiator will treat the members of the foreign negotiating team differently, e.g. by befriending subordinate members of the team, in order to unsettle the balance of the team and to use the information gathered in the negotiations.

Stratagem 24: ‘Borrow the Road to Conquer Guo’ (Jia Dao Fa Guo)
A Chinese negotiator will sometimes be less interested in sealing the deal than to gain as much information about the foreign technology as possible in order to use it in negotiations with competing foreign negotiators.

Stratagem 25: ‘Steal the Beams and Change the Pillars’ (Tou Liang Huan Zhu)
A Chinese negotiator will change both negotiators and location of the negotiations if they are not happy with the progress being made, thereby starting the negotiations from scratch and ignoring previous understandings.

Stratagem 26: ‘Point at the Mulberry Tree but Curse the Locust Tree’ (Zhi Sang Ma Huai)
A Chinese negotiator will sometimes display anger and temper in order to get what he wants.

Stratagem 27: ‘Play a Sober-Minded Fool’ (Jia Chi Bu Dian)
A Chinese negotiator will sometimes pretend to be ignorant or absentminded, or remain silent for longer periods, thereby making the foreign negotiator uncomfortable and begin to talk.
Stratagem 28: ‘Lure the Enemy onto the Roof, Then Take Away the Ladder’ (Shang Wu Chou Ti)
A Chinese negotiator will keep pressing to the brink of terminating the negotiations in order to reveal the true bottom line of the foreign negotiator

Stratagem 29: ‘Decorate the Tree with Fake Blossoms’ (Shu Shang Kai Hua)
A Chinese negotiator will use external force such as government approvals or internal regulations to gain bargaining power

Stratagem 30: ‘The Guest Becomes the Host’ (Fan Ke Wei Zhu)
A Chinese negotiator will point out that the foreign company has far greater resources than the Chinese company, and that the foreign negotiator should therefore offer concessions

Stratagem 31: ‘The Beautiful Woman Stratagem’ (Mei Ren Ji)
A Chinese negotiator will use banquets, sightseeing, karaoke bars and gifts to assess the foreign negotiators and to capture feelings of kindness and friendship

Stratagem 32: ‘The Empty City Stratagem’ (Kong Cheng Ji)
A Chinese negotiator will sometimes use foreigners’ knowledge of Chinese cultural stereotypes, complications and political bureaucracy, and deliberately misinterpret things said and use it to their own advantage

Stratagem 33: ‘The Counterespionage Stratagem’ (Fan Jian Ji)
A Chinese negotiator will apply pressure specifically to the native Chinese negotiator on the foreign side, in order to make him serve their purpose instead of that of the foreign side

Stratagem 34: ‘The Self-Torture Stratagem’ (Ku Rou Ji)
A Chinese negotiator will use arguments of Chinese poverty and backwardness in order to attract sympathy and concessions from the foreign side

Stratagem 35: ‘The Stratagem of Interrelated Stratagems’ (Lian Huan Ji)
A Chinese negotiator will combine the tactics mentioned in the other statements

Stratagem 36: ‘Running away is the Best Stratagem’ (Zhou Wei Shang Ji)
A Chinese negotiator will postpone or avoid direct confrontation whenever possible
Appendix B: The impact of Culture on Negotiation (Salacuse, 1991)

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<td><strong>General:</strong> Jap Ger Ind Fra Chin US Bra USA Nig Mex Spn UK</td>
</tr>
<tr>
<td><strong>Percentage:</strong> 46 46 45 30 27 27 22 22 20 17 16 12</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>8.Building an Agreement: Bottom up or Top down</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Top Down:</strong> Ind Arg Fr UK Chin Ger US Nig Spn Jap Bra Mex</td>
</tr>
<tr>
<td><strong>Percentage:</strong> 67 61 60 59 55 55 54 54 53 36 33 33</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>9.Team Organisation: One Leader or Consensus</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One Leader:</strong> Braz Chin Mex UK US Spn Arg Ger Jap Ind Nig Fr</td>
</tr>
<tr>
<td><strong>Percentage:</strong> 100 90 90 64 63 58 58 55 55 44 40 40</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>10.Risk Taking: High or Low</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low:</strong> Fr Ind UK Chi USA Nig Arg Ger Braz Mex Spn Jap</td>
</tr>
<tr>
<td><strong>Percentage:</strong> 90 89 88 82 78 73 73 72 56 50 48 18</td>
</tr>
</tbody>
</table>
Appendix C: Interview Questions

General Questions
1. What is the context of the negotiation in question?
2. What is your experience and your company’s experience with negotiating with the Chinese.
3. Are/were you aware of any specific strategies approaches or behaviours that you should adopt when negotiating with the Chinese?

Pre Negotiation
1. What do you consider to be important when negotiating with the Chinese in this phase of the negotiation?
2. How do you prepare for negotiations?
3. What role do the differences in culture play at this stage in the negotiation?
4. Were you aware of the political implications (Chinese) of your negotiations?
5. Did you at any time host the Chinese delegation or give them cause to develop a reciprocal relationship?
6. How do you develop trust in this stage of the negotiation?

During Negotiation
1. What do you consider to be important when negotiating with the Chinese in this phase of the negotiation?
2. Did you adopt any particular tactics or strategies during the negotiations? If so, why?
3. What role did the differences in culture play at this stage in the negotiation?
4. Did you feel that there were any specific ‘sticking points’ during the negotiations?
5. How much emphasis did you put on contractual detail?
6. How did the relationship develop during this part of the negotiation and what did you do to direct this development?

Post Negotiation
1. What do you consider to be important when negotiating with the Chinese in this phase of the negotiation?
2. What role did the differences in culture play at this stage in the negotiation?
3. Would you consider the negotiation to have been successful? Why?
4. What would you have done differently?
5. Did you leave the negotiation with a good working relationship? Have you had repeat business or is the business engagement ongoing?
6. What do you perceive to be the largest differences between negotiating with the Chinese and ‘Westerners’ (European centric cultures)?

**Concluding Questions**
1. What has made you successful when negotiating with the Chinese?
2. If you were to choose a workmate of colleague to negotiate with the Chinese on your behalf, what characteristics would you look for?
3. What would be your top three pieces of advice (in order) before he/she started the negotiations?
4. Have you seen the negotiation strategy required to do business in China change over time? Why do you think this is?
5. Any other comments or points on negotiating with the Chinese?
### Appendix D: List of Interviews / Meetings

<table>
<thead>
<tr>
<th>Series</th>
<th>Name</th>
<th>Role/Company</th>
<th>Experience* (Years)</th>
<th>Interview (I) Meeting (M)</th>
<th>Length of Interview (minutes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>George Kabile</td>
<td>Engineer</td>
<td>4</td>
<td>I</td>
<td>46</td>
</tr>
<tr>
<td>2</td>
<td>A.M. Trividi</td>
<td>Geophysicist / Petrochemicals</td>
<td>9</td>
<td>I</td>
<td>34</td>
</tr>
<tr>
<td>3</td>
<td>Brent Bonnes</td>
<td>CEO/Trading</td>
<td>8</td>
<td>I</td>
<td>32</td>
</tr>
<tr>
<td>4</td>
<td>Michael Power</td>
<td>Corporate Strategy / Investec</td>
<td>25</td>
<td>I</td>
<td>59</td>
</tr>
<tr>
<td>5</td>
<td>Marc Edwards</td>
<td>Business Development / China State Television</td>
<td>3</td>
<td>I</td>
<td>48</td>
</tr>
<tr>
<td>6</td>
<td>Nick French</td>
<td>CEO / Asian Ways consultancy</td>
<td>18</td>
<td>I</td>
<td>47</td>
</tr>
<tr>
<td>7</td>
<td>Kobus van de Wath</td>
<td>CEO / The Beijing Axis consultancy</td>
<td>20</td>
<td>I</td>
<td>62</td>
</tr>
<tr>
<td>8</td>
<td>Dr Martyn Davis</td>
<td>CEO / Asian Frontiers consultancy</td>
<td>17</td>
<td>M</td>
<td>45</td>
</tr>
<tr>
<td>9</td>
<td>Dr Sven Grimm</td>
<td>CEO / Centre for Chinese Studies, Stellenbosch, SA</td>
<td>16</td>
<td>M</td>
<td>38</td>
</tr>
<tr>
<td>10</td>
<td>Prof John Edwards</td>
<td>Academic / SOAS, London</td>
<td></td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>11</td>
<td>Domenic de Lorenzo</td>
<td>Corporate Finance / SAB</td>
<td>16</td>
<td>I</td>
<td>51</td>
</tr>
<tr>
<td>12</td>
<td>Johannes Bilsen</td>
<td>CEO / Trading Company, Cape Town</td>
<td>13</td>
<td>I</td>
<td>40</td>
</tr>
<tr>
<td>13</td>
<td>Hang-Wa Man</td>
<td>Director / Development Bank</td>
<td>10</td>
<td>I</td>
<td>35</td>
</tr>
<tr>
<td>14</td>
<td>Cameron Shaw</td>
<td>CEO / Executive Brands, Beijing</td>
<td>4</td>
<td>I</td>
<td>45</td>
</tr>
<tr>
<td>15</td>
<td>David Tretheley</td>
<td>Consultant / Education</td>
<td>4</td>
<td>I</td>
<td>60</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>167</td>
<td></td>
<td>687</td>
</tr>
</tbody>
</table>

*Experience is measured by counting the total number of years in which the individual conducted business with the Chinese where there was some business negotiating within that year.
# Appendix E. Coding Key

<table>
<thead>
<tr>
<th>Series</th>
<th>Interviewee Name</th>
<th>Colour Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>George Kabile</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>A.M. Trividil</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Brent Bonnes</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Michael Power</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Marc Edwards</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Nick French</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Kobus van de Wath</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Domenic de Lorenzo</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Johannes Bilsen</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Hang-Wa Man</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Cameron Shaw</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>David Tretheley</td>
<td></td>
</tr>
</tbody>
</table>
### Appendix F. Coding Level I: Cultural influences on Chinese negotiation Strategy

<table>
<thead>
<tr>
<th><strong>Guanxi</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The core of it really concerns to who introduces you to them because you just can’t approach them yourself for the total lack of trust, even if you are from a recognized company like PWC, Deloitte Touche, whatever – they still don’t trust you unless it is one of their kind of business relations, friend, whatever that introduces you to them</strong></td>
</tr>
<tr>
<td><strong>What give us credibility is of course the partners we already have</strong></td>
</tr>
<tr>
<td><strong>I am a young guy with a new company which perhaps they haven’t heard of, so in terms of giving myself credibility, I find it actually helps to have a Chinese assistant employee to introduce me as the boss</strong></td>
</tr>
<tr>
<td><strong>The Chinese treat their friends and family and people in their known circle very well</strong></td>
</tr>
<tr>
<td><strong>Apathy towards people that they don’t know.</strong></td>
</tr>
<tr>
<td><strong>The Chinese are not looking for friends – the best you can hope for is a mutual respect and if this grows beyond, that is an unexpected bonus</strong></td>
</tr>
<tr>
<td><strong>The better relationship you have with the person you are dealing with, the more likely your business venture is going to be successful</strong></td>
</tr>
<tr>
<td><strong>but if you do it (visit) twice during the year you are going to create something that it a lot stronger and put a lot more together</strong></td>
</tr>
<tr>
<td><strong>Massive part – for example when we bring like government to China, basically they will come for like a two week trip or a three week trip and they will go to a few different places around China – say three days in Sheehan, three days in Shanghai, three days in [unclear]: by the end of that week they are complaining that they are too fat and they’ve eaten too much because everything is like a quick meeting, and then a long dinner – quick visit to the area to take some pictures, big long lunch</strong></td>
</tr>
<tr>
<td><strong>They are interested in getting a relationship</strong></td>
</tr>
<tr>
<td><strong>Tourist visits, meals and karaoke bars</strong></td>
</tr>
<tr>
<td><strong>Building the relationship or ‘guanxi’</strong></td>
</tr>
<tr>
<td><strong>Not trust, guanxi</strong></td>
</tr>
<tr>
<td><strong>Without working relationship program is impossible.</strong></td>
</tr>
<tr>
<td><strong>Trying to know you quite well and even maybe before you even do the meeting they will invite you for dinner</strong></td>
</tr>
<tr>
<td><strong>Try to learn as much as they can, even your private life; if you go out, which club you go to and that kind of stuff. So it was more in your face.</strong></td>
</tr>
<tr>
<td><strong>I think their aggressiveness is maybe their thoroughness in doing the relationship thing</strong></td>
</tr>
<tr>
<td><strong>That starts to break down the barriers and before you start the meeting they kind of talk about other stuff unrelated and try to pick your interests. So when you start then that kind of leads into – the mood leads into the negotiation not a very aggressive kind of arrangements.</strong></td>
</tr>
<tr>
<td><strong>They have people specifically assigned to continuously develop that relationship. To them it is very, very important</strong></td>
</tr>
<tr>
<td><strong>One of the KPI’s for, especially for [unclear] at pure director level is actually to take your customer and cook a meal for him, for the customer in your house</strong></td>
</tr>
<tr>
<td><strong>But for them they want to know almost every detail about you because to them that is important.</strong></td>
</tr>
<tr>
<td><strong>So I think it is a tactic, I think it is a tactic that they have employed, especially in emerging countries, because there they can see one of the beauties or they can see opportunities that they can use to their benefit.</strong></td>
</tr>
<tr>
<td><strong>They deal with you as a person not as a corporation actually</strong></td>
</tr>
<tr>
<td><strong>For me I have learnt you don’t do business with anyone in China if you don’t know the guy for a year</strong></td>
</tr>
<tr>
<td><strong>Do that on the basis of a basic relationship that is broader and deeper than just the negotiation; the negotiation can sit on that relationship</strong></td>
</tr>
<tr>
<td><strong>It depends on what; if it is an aggressive negative negotiation, it may be undesirable.</strong></td>
</tr>
<tr>
<td><strong>A lot of it was based around food</strong></td>
</tr>
<tr>
<td><strong>You need to be able to get on with the Chinese people in the first place for them to really even want to deal with you in the first place</strong></td>
</tr>
<tr>
<td><strong>It really is down to who you know</strong></td>
</tr>
<tr>
<td><strong>They just want to negotiate with you by liking you.</strong></td>
</tr>
<tr>
<td><strong>Having to drink it even if you don’t drink, again because again it is a show of cultural deference.</strong></td>
</tr>
<tr>
<td><strong>They pull all the stops out</strong></td>
</tr>
<tr>
<td><strong>They are going to want to ‘suss’ you out, evaluate you and how they can trust you and relate to you, as you would want to be doing with them</strong></td>
</tr>
</tbody>
</table>
### Status / Hierarchy

- You can always tell who the top guy is and they will always bring - they will never come on their own, they will always bring people below them with them.

- Hierarchy is embedded in the Chinese culture and should be understood in a negotiation context.

- Place a lot more importance on wisdom and age; they don’t place any wisdom on youth.

- Having to drink it even if you don’t drink, again because again it is a show of cultural deference.

- Status is vital.

- My assistant said thank you so much for taking the time to meet with us, and as soon as she said that I thought oh gosh this is not going to go well now; and the guy said yes you’re welcome you’re welcome; and then he had this attitude like impress me now because you thanked me for my time, I am obviously more important than you.

- Two of us makes me look more important in a way.

- I am a young guy with a new company which perhaps they haven’t heard of, so in terms of giving myself credibility, I find it actually helps to have a Chinese assistant employee to introduce me as the boss.

- It gives me kind of more kudos in their eyes.

- They said later to my assistant who was there, oh yes he is really that big time boss isn’t he, he just has that kind of presence.

- If you are tall, some Chinese may feel intimidated by your height.

- If they are older and male even better.

- Make him feel important.

- So as we started going higher and higher and closer, then we started to see more and more senior people until we came to signing, then you saw the big fish come and do that.

- You are very clear of the hierarchy at the dinners.

- Should put a little bit of emphasis on is make sure that the Chinese community seniority counts.

- You have to understand first of all who within the team who holds the power.

- They are very hierarchical kind of people.

- They are not as patronizing as maybe other cultures maybe might be, so I think that is also disarming kind of.

- If a decision was made up on high, nobody really - you don’t argue that decision if the top guy says it.

- They see that as a sign of cultural deference, as a sign of you are now bowing down (learning Chinese).

- It should not be that you are negotiating on behalf of somebody else. If you are doing that, they will not bother about you.
<table>
<thead>
<tr>
<th>Confucianism / Strategy / Tactics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese side are very very inactive I find</td>
</tr>
<tr>
<td>They don’t fully understand a lot of the things they have agreed to, or they don’t follow through on them even if they know what they are</td>
</tr>
<tr>
<td>Done some research and got some understanding so they are not coming in like totally unprepared</td>
</tr>
<tr>
<td>They will outnumber you, maybe you guys are like two, they maybe ten and they are very different, not really structured, but they are in your face</td>
</tr>
<tr>
<td>You say okay we are having a meeting at ten o’clock but maybe they will come at nine thirty, basically they swamp your office space. It is a tactic.</td>
</tr>
<tr>
<td>Once you get into tricky issues where you really need clarity or where they don’t want to be forthcoming, then they kind of switch and say no we can’t really express that and they switching to Chinese and that kind of thing</td>
</tr>
<tr>
<td>You sense then that language becomes like, not a barrier, but it is used to get around some of the tricky contractual issues</td>
</tr>
<tr>
<td>But they had people coming in and going out, depending on what level of negotiations</td>
</tr>
<tr>
<td>As we started going closer and closer to the negotiations leading to signing, then even their hierarchic sort of changed</td>
</tr>
<tr>
<td>I think it is more of a cooperative kind of approach that is what I found</td>
</tr>
<tr>
<td>They are very good at maybe breaking you down, for another word, breaking those defensive mechanisms down before you get to the negotiations</td>
</tr>
<tr>
<td>Exactly and they are quite, also generous with information</td>
</tr>
<tr>
<td>That also gives them a little bit of power because they know of how much they have given you and how much you know, so you cannot really argue too much</td>
</tr>
<tr>
<td>Where they know exactly where your strengths sort of lie and they work on that, so they sort of neutralize you going to the negotiation</td>
</tr>
<tr>
<td>It is a collaborative thing exactly</td>
</tr>
<tr>
<td>They switch between collaborative and competitive. They can be highly competitive.</td>
</tr>
<tr>
<td>They are not as patronizing as maybe other cultures maybe might be, so I think that is also disarming.</td>
</tr>
<tr>
<td>So there was that leverage where you also hold back, it was more like [unclear] and then you play that card at the critical stage of the - because they are very aggressive when, especially if it is a key deal like the (deleted) deal was a key deal for them to get a foothold into the South African market, so there they are allowed to lose a bit of ground just to get in because then they use it as reference to the other, now they got to (deleted) oh we have this with (deleted); so we can do business</td>
</tr>
<tr>
<td>So depending on how critical the deal is then they do that kind of - they adopt that kind of strategy.</td>
</tr>
<tr>
<td>It is more like owning you or owning that relationship, always in your face, sometimes it is like you can’t even breathe</td>
</tr>
<tr>
<td>So I think it is a tactic, I think it is a tactic that they have employed, especially in emerging countries, because there they can see one of the beauties or they can see opportunities that they can use to their benefit.</td>
</tr>
<tr>
<td>Getting to the deal takes so much longer</td>
</tr>
<tr>
<td>Not more than Western companies (using time as a strategy)</td>
</tr>
<tr>
<td>They’ve done homework on you; they know what kind of habits are normal in South Africa and what is not normal in South Africa</td>
</tr>
<tr>
<td>They will take your price and your terms and then get things going and then suddenly they will start applying the screws a bit</td>
</tr>
<tr>
<td>They have already spoken to the competition and got a feel for things</td>
</tr>
<tr>
<td>They collect all the information about you and your requirements beforehand</td>
</tr>
<tr>
<td>They don’t come without a strategy;</td>
</tr>
<tr>
<td>They will have all your background information about the market and about the availability</td>
</tr>
<tr>
<td>If they find any weak point in your requirements, or in your basic tender document or something, they will play with it.</td>
</tr>
</tbody>
</table>
## Face

<table>
<thead>
<tr>
<th>I don’t go about giving face so much</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Chinese are very conscious of losing face. If there is potential conflict – always leave your Chinese counterpart with a way to exit whilst still saving face.</td>
</tr>
<tr>
<td>Who looks a little bit better or gives the Chinese side a vote of face; so basically if the principal of the school can go to a restaurant and the principal of the school in Australia is with him, basically (it) instantly gives him credit and he feels like you know a big man</td>
</tr>
<tr>
<td>Once they don’t show face, it is like they leave room for others to come and start talking to you.</td>
</tr>
<tr>
<td>When you really negotiating; now in my belief if you are sitting around a table in the boardroom of a Chinese company, and the theme is negotiating the terms, it is basically not. What it really is, is finalizing the transaction and giving the Chairman face.</td>
</tr>
<tr>
<td>So if the Chairman signs an agreement it is not the physical agreement that is important, but more the losing of face of the Chairman.</td>
</tr>
<tr>
<td>Losing temper is losing face and it is basically the end of the transaction</td>
</tr>
<tr>
<td>Legality / Contracts / Renegotiation</td>
</tr>
<tr>
<td>-------------------------------------</td>
</tr>
<tr>
<td>Chinese contracts don’t really mean that much here</td>
</tr>
<tr>
<td>Chinese are much more willing to just take a glance at contracts</td>
</tr>
<tr>
<td>It does not matter what is committed to paper – if there are production delays due to national holidays, raw material shortages, equipment failures – or shipment delays due to port congestion or customs delays, there is not much you can do</td>
</tr>
<tr>
<td>Each new order is like starting from stage one– you cannot simply tell them to ship same as last time!</td>
</tr>
<tr>
<td>More emphasis is placed on what is said, than on what is written.</td>
</tr>
<tr>
<td>The contract is like a letter of intent – nothing more</td>
</tr>
<tr>
<td>Laws are not as strict as they are in the West and you don’t really have to follow things that you put in a contract, so they change it.</td>
</tr>
<tr>
<td>When you sign a contract with the Chinese, you pay particular attention to the language because that will come and hurt you at a later stage</td>
</tr>
<tr>
<td>Chinese are a little bit more restricted than general Western parties because they always need government approval to do all kind of cross border transactions</td>
</tr>
<tr>
<td>Basically in China the laws are not as strict as they are in the West and you don’t really have to follow things that you put in a contract, so they change it. So we do it (renegotiate) four times a year, like every three months.</td>
</tr>
<tr>
<td>For them to change details of how the deal will be executed because they have to satisfy approval agencies in China</td>
</tr>
<tr>
<td>A contract for them is a ceremonial instrument</td>
</tr>
<tr>
<td>The actual negation is an on-going process. The contract is like a letter of intent – nothing more. They will want to renegotiate often and harshly.</td>
</tr>
<tr>
<td>I haven’t seen in my 15 years career with China, ever seen a contract successfully goes to court.</td>
</tr>
<tr>
<td>Negotiating with a silent third partner, where considerations towards government interests had to be made at every turn</td>
</tr>
<tr>
<td>You have to go in and trust that you did your relationship building thoroughly enough that they will give you enough face.</td>
</tr>
<tr>
<td>Chinese side still want to discuss many things during this phase</td>
</tr>
<tr>
<td>Every time it is renegotiated</td>
</tr>
<tr>
<td>They normally adhere to the terms of the agreement</td>
</tr>
<tr>
<td>The matter of the law and the implications of law and legal principles are becoming more and more powerful and more [fact].</td>
</tr>
<tr>
<td>So now before Chinese provide you with any information, they will ask you to sign an [NDA]</td>
</tr>
<tr>
<td>I don’t think that put as much emphasis on contracts, anyway near as much emphasis on contracts.</td>
</tr>
<tr>
<td>It is like contracts are not really that binding, they are more like a guideline</td>
</tr>
<tr>
<td>They negotiate knowing that you will renegotiate later.</td>
</tr>
<tr>
<td>They were able to renegotiate and get more money out of the whole thing</td>
</tr>
<tr>
<td>You go on the legal side, the international law firms don’t have right to practice in China, they consult when they are there.</td>
</tr>
</tbody>
</table>
## Harmony

- Chinese very rarely say just straight out – no
- They would much rather say it like oh that is really interesting, yes definitely I am very interested about this
- Basically don’t really like the confrontation
- Am I being too aggressive or rude – they think I am not cooperating so they don’t want to do this with me, so it is basically to avoid confrontation
- They really avoid confrontation, and any small problems they always just ignore to keep the peace.
- Losing temper is losing face and it is basically the end of the transaction
- The Chinese appreciate a relaxed atmosphere.
- I have never heard a Chinese person say no.
- What you never do, or as a last resort, is walk out of the room [unclear] it doesn’t work – you always say okay we understand, it is different from yesterday, let’s see what implications we have and go through it and do it.
- never talk loudly to you, they are very humble people.

## Trust

- The core of it really concerns to who introduces you to them because you just can’t approach them yourself for the total lack of trust
- Even if you are from a recognized company like PWC, Deloitte & Touché, whatever – they still don’t trust you unless it is one of their kind of business relations, friend, whatever that introduces you to them.
- It is ways that people would like in a community of friends and family, and those people who you care about and trust
- They like to take short cuts, whereas from the other guys you can rest and go home and sleep and know that they will do a good job; but with the Chinese you need to constantly be there.
- So you can’t go with that trust relationship and just say okay things are there, you have to test.
- Roughly you can assume that everybody in China don’t trust the government, they don’t trust the corporations, they don’t trust any institution.
- They don’t trust anyone, especially not a corporation.
- They want to know who I am dealing with.
- That if the Chinese sign an agreement there is a lot of trust in that agreement for specific reasons.
- Generally they are trustworthy if you build the relationship, honour their agreements, if they cannot honour for whatever reason [unclear] if the market turns against you or whatever, they will go out their way to salvage the relationship and to give you a fair deal.
- Chinese I found – and again it is easier to get a trusting loyal relationship with them
<table>
<thead>
<tr>
<th>Political Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>There was a very thin line between the company and government</td>
</tr>
<tr>
<td>Before they came to you they would have gone maybe to the minister;</td>
</tr>
<tr>
<td>There you kind of had that sense that I was dealing with the company and not the political establishment as in the other company</td>
</tr>
<tr>
<td>I didn't see a political influence at all, in fact quite the opposite. It was very commercial and capitalist.</td>
</tr>
<tr>
<td>Political context for whatever they did.</td>
</tr>
<tr>
<td>They are very very good at playing the power of politics within the organization</td>
</tr>
<tr>
<td>I think things you have to understand the political power play within the Chinese context</td>
</tr>
<tr>
<td>You never really know what is happening behind the scenes.</td>
</tr>
<tr>
<td>A lot of ordinary employees are party members. They are members of the communist party and the minute you are talking with a communist party member there is a lot of influence there because that person can obviously influence other members higher up in the state or in the hierarchy of the country</td>
</tr>
<tr>
<td>They acted independently</td>
</tr>
<tr>
<td>Sometimes they also value national interest, such as developing the nation or contributing to the country’s modernization drive.</td>
</tr>
<tr>
<td>They get all sort of support from their government in China, very fast</td>
</tr>
</tbody>
</table>
### Appendix G. Coding Level I: Change in Cultural Influences

**Change**

<table>
<thead>
<tr>
<th>Change</th>
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<tbody>
<tr>
<td>Now it is kind of like well what’s the point because there is so many foreign companies trying to get involved with China, Chinese companies have so many interested parties.</td>
</tr>
<tr>
<td>Supply demand type things have just shifted so much in the favour of Chinese I would say, that they are left inclined to kind of [unclear] in that respect.</td>
</tr>
<tr>
<td>Confucianism has been around for hundreds of years and is set to continue for many more</td>
</tr>
<tr>
<td>The old order is passing and the new generation are more Eurocentric</td>
</tr>
<tr>
<td>Things will change and are changing slowly</td>
</tr>
<tr>
<td>It is completely different now to it was ten, even five years ago. Now you are far more likely to be speaking English in suits than drinking in a karaoke bar.</td>
</tr>
<tr>
<td>That I think more and more we are seeing a normalization between the issues that the Chinese look at and what I would say the Western approach would have looked at</td>
</tr>
<tr>
<td>Cultural curve that is so broad, depending on how old, how young, west, east, north, south.</td>
</tr>
<tr>
<td>The young are very different to the old.</td>
</tr>
<tr>
<td>Absolutely, you have a younger generation coming through</td>
</tr>
<tr>
<td>The way in which China negotiates is changing by the day.</td>
</tr>
<tr>
<td>The older traditional ways are definitely on the way out and you are going to find it a little bit easier to get things going in the Chinese environment.</td>
</tr>
<tr>
<td>East is meeting West.</td>
</tr>
<tr>
<td>More and more Chinese are being educated abroad. It is making them increasingly Western in their approach to doing business</td>
</tr>
<tr>
<td>It depends from which area and what age as to whether they (Chinese) are changing. Young and East China are very different to old and West China.</td>
</tr>
<tr>
<td>They will always have that (Confucian approach) I think, perhaps in lesser degrees as they get older, but there will always be that whole mentality but in terms of commercial ability and knowledge and education, they are going to be on a higher platform than they were in the past.</td>
</tr>
</tbody>
</table>
## Negotiation Behavioural Approach

<table>
<thead>
<tr>
<th>Topic</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>They know that so you don’t have to try to be too Chinese, just do your own thing.</td>
<td>Those people who have a long term goal but think on their feet and don’t plan ahead, they just adopt and have a short term view; they are pretty much successful in China.</td>
</tr>
<tr>
<td>Making sure you understand the seniority and sensitivity and people losing face etc.</td>
<td>You have to be patient; that is basically the bottom line of it.</td>
</tr>
<tr>
<td>This process is sometimes tedious and you need people that can survive this</td>
<td>The third one is being patient.</td>
</tr>
<tr>
<td>Driven and underwritten by the social interaction; that is very very important because we can make people feel more trust, we can make people feel more willing to compromise, feel more willing to go back to senior management, if they have to defer to senior management to ask another area where they need to compromise something.</td>
<td>Having this reciprocity in visits.</td>
</tr>
<tr>
<td>You need to actually internalize what people say, and you need to listen to the right people</td>
<td>You have to be very polite.</td>
</tr>
<tr>
<td>Showing respect is so important to the Chinese when you are doing negotiations, showing respect and being aware that it is Chinese culture</td>
<td>Just learn to say “Hello, how are you?” in Chinese.</td>
</tr>
<tr>
<td>Tried to be credible, and try and promote the trust level as much as possible</td>
<td>Show them that we can help them beyond just whatever it is that we are talking about.</td>
</tr>
<tr>
<td>Be prepared to accept uncertainty and variations from the rules</td>
<td>About having a good a relationship and collaborating together to get to a good situation.</td>
</tr>
<tr>
<td>Generally been humble and not terribly arrogant and aggressive</td>
<td>Ask them about their environment and what that city has to offer and talk about drinking and get on that common ground.</td>
</tr>
<tr>
<td>Be very very clear in your needs, desires and what you are thinking and very – your blueprint should be very well marked</td>
<td>Find some common ground.</td>
</tr>
<tr>
<td>Make sure when you hand out business cards you do so with both hands</td>
<td>Don’t say no.</td>
</tr>
<tr>
<td>Really try to push that relationship along</td>
<td>Try to be as accepting of their hospitality as possible.</td>
</tr>
</tbody>
</table>
### Negotiation Approaches

What you should do is a little bit of homework and figure out who is on the other side of the table.

Probably the most important thing you need to build and establish is trust between you as a person, as first negotiator, and your counterpart – the other negotiator.

I don’t think that South Africans are that much behind to their European or American counterparts.

So I would say relationship knowing what we call in Chinese guanxi, knowing from which tree he is, from which branch he is, from which – you know; it is very important to know this before you go in.

Build the relationship first.

Make sure that he doesn’t have to say no in public.

It is very important to ensure that your team understands the approval approach that is in China.

Then you need two types of people in your team. One that is extremely versed in what I call babysitting; entertaining, babysitting and making sure that everything goes smoothly; and one guy who is razor sharp and can think quick and can put transactions together or mediate between two positions very quickly.

We have an extreme long term view as a development bank.

Work on the counterparty that is the first one. Who you are dealing with, what is his background, is he a 30 plus guy – that means a guy growing up under the old regime, and under stringent rules and laws etc., or is he one of the younger generation, fully exposed to the American society, that makes a hell of a difference the way you approach the two.

You need to understand what the alternatives to a negotiation are. You need to have all the related information on the internal side, internal equation.

You find it difficult to get that information set that you would’ve liked.

There needs to be a plan and that plan is not just done in isolation, it will have to respond to the other parties plan; and as that is revealed, you have to be at least flexible enough to accommodate one or two surprises.

So I would definitely say that makes a huge amount of sense, plus it unravels and unlocks the language and the cultural dimension more broadly speaking.

So negotiation is therefore strategic.

I think it is important to know who is participating and to keep the participants involved.

Don’t underestimate the impact and influence of language.

Managing it in a very disciplined manner, almost scientifically, systematically.

Make sure that the right people talk to the right people.

Language, not having the right person in the room, not having good documentation, missing a session; these are really the things that you should try and avoid.

you need to understand who you are going to talk to, what is the position, the place of your counterpart on the other side. Understand what their strategy is as well as you can.

(failure) very particular cultures, going into China and teaching the Chinese how to do things, saving the Chinese so to speak; and that never really stood a chance.

Select the right people; send the right team basically.

would be to be systematic with your process.

Absolutely; that is exactly what you do,(3rd party).

The Chinese will prefer a win-win so help them achieve this by using interest based negotiations.

Somebody who looks old.

How old they are, where are they located, are they a private entity or a public entity or a semi government entity.

In Asia you have to ratchet up your performance in terms of service.

That is important by the way – if you can bring a local, a Chinese person to the party,

Be prepared for lengthy delays and not expect too much too quickly, take time and recognize that whatever investment you put in in terms of time and travel, getting drunk, is all part of an investment towards the future and that it may take much longer to get there than you would like.

Do your homework on the company.

Understanding that they don’t trust anybody and everything they do is relying on personal relationships.

But a general concept in South Africa is that there is much more short term focus than the average [unclear] because the environment is so dynamic you can’t plan for five or ten years in Africa.

Really try to build and increase the comfort level with them.

Make sure that the senior guy mustn’t lose face.
In the bars or in lounges that is where you talk terms

There is not much that the South Africans do wrong – they have an extremely good reputation in China, hard workers; everybody says South Africans are reputable, trustworthy, and good to deal with.

the most common mistake is to be competitive from the outset just because they are Chinese. So my third piece of advice is to be collaborative and competitive, as you would be when negotiating in the West

Try to keep the legal guys out as long as possible because the thing is what they discuss is not final until the Chairman says now it is final.

We have Chinese content in our team which makes it a little bit easier to translate it back into the institutions

Knowing your own position very well; knowing your own stance on the issue

But secondly you need to understand who you are going to talk to, and I think you can’t spend enough time understanding who will be in the room the next day or the next month, or whenever things kick off.

I think going in and just seeing how it evolves is not good

That is where a lot of people fall short is that they rely on experience, on gut feel, on instinct and they think they can muddle through; and I actually think one can do quite a lot of preparation on the plan, and how you open and how you share information

You need to understand that when are you dealing with an SOE are they a consolidator, a consolidatee, are they backed, who are they backed by, which factions, which government parties, which regions of the country, all of those things matter a great deal

You need to take a very wide sort of view and comprehensively factor in what is the system in China.

You need to understand who really makes the decisions and sometimes it is impossible to talk to those people, they are just not available

Program managing the negotiation

Making sure that you have law firms oh hand that have the in-house language capacity to ensure that the President of the Chinese company and the President of the foreign company, reads the same end result

So making sure that you are staffed up for it (breakout sessions)

Something as simple as reading back to people what they have said, what they agreed to, what is the current position; is so important, so important

Must continue to grapple with difficult technical detail perhaps

So having the wrong people in that team

Research based, analytical, rigorous, in your entire process management

Use information well,

Have somebody who has definitely had some sort of, something to do with China; even if it is literally just you have been for a week’s holiday in Beijing, I would choose that person over a person who hasn’t

Not to have high expectations.

Something about preparation, if you can have somebody in the organization, Chinese perhaps, translate literature, okay that helps, have your name cards printed in Chinese, which always helps and select your name carefully

Sometimes you need to bring in a third party

Do not play the power card, they will always win as they always have the power.

Understand the other party in terms of where they sit on the continuum of Westernization, where are they located, how old are they and how Westernized are they going to be in their approach to us