

Business comparison of china and usa



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This essay critically analyses the differences and similarities between the United States of America and the Republic of China. Firstly, this essay identifies the main theories of intercultural communication by applying Hofstede's intercultural framework. Secondly, the Chinese and United States negotiators style will be discussed followed by an explanation about how to manage negotiation in both countries. Thirdly, the similarities and differences between China and the United States will be compared.

“ Negotiating with the Chinese is an important topic in international business and cross-cultural management since China is playing an increasingly active role in doing business with the western countries [...] negotiating with Chinese is also becoming increasingly important for international business successes in particular, since after China joined WTO in December 2001”.

(Zhu et al., 2007: 354)

The aim of this study is to compare the Chinese and United States American negotiation styles on the general cultural differences to help to get a better understanding when doing business in China or the United States. Chaney and Martin (2004) as cited in Zhu et al. (2007: 355) “ define cross-cultural negotiation as” conversation or “ discussions of common and conflicting interests between persons of different cultural backgrounds who work to reach an agreement of mutual benefit”. International managers can profit from studying similarities and differences in negotiating behaviours to recognize what precisely is happening during the negotiating process (see Appendix A). However, managers first need to understand their own negotiation styles, to understand the similarities and differences in intercultural communications (Deresky, 2000).

2. Intercultural communication and their main theories

In 1959 the phrase ‘intercultural communication’ was firstly used by the cross-cultural researcher Edward T. Hall as he divides cultures into two types, high-context culture and low-context culture (Aneas and Sandín, 2009; Hall, 1976). Further in 1980 the management researcher Geert Hofstede analysed data from more than 100, 000 IBM employees and developed his Cultural Dimensions Model. His theory is based on the assumption of four dimensions: Power Distance Index (PDI), Individualism versus Collectivism (IDV), Masculinity versus Femininity (MAS) and Uncertainty Avoidance Index (UAI) (Powell, 2006). The fifth dimension Long-Term Orientation versus Short-Term Orientation (LTO) was identified by Geert Hofstede and Michael H. Bond in 1988 (Fang, 2003). Finally, Fons Trompenaars and Charles Hampden-Turner developed a model of seven dimensions of culture to help explain intercultural differences. These dimensions are called Universalism versus Particularism, Individualism versus Communitarianism, Specific versus Diffuse cultures, Affective versus Neutral cultures, Achievement versus Ascription, Sequential versus Synchronic cultures and Internal versus External control (Trompenaars and Hampden-Turner, 1998).

3. Hofstede’s intercultural framework

In this study the focus is on Hofstede’s well-established management theory. Figure 1 displays the intercultural framework of Hofstede. According to Hofstede and his model it is of high significance to consider the high cultural

differences between Chinese and American people to be successful in doing business across borders.

Figure 1: The 5D Model of professor Geert Hofstede

Source: Adapted from: Itim International (n. d.). ' Geert Hofstede™ Cultural Dimensions' [online]. Available at: URL: [http://www.geerthofstede.com/hofstede_dimensions.php?](http://www.geerthofstede.com/hofstede_dimensions.php?culture1=18&culture2=95#compare)

[culture1= 18&culture2= 95#compare](http://www.geerthofstede.com/hofstede_dimensions.php?culture1=18&culture2=95#compare) [Accessed 20 January 2010].

The Power Distance Index (PDI) stands for the hierarchy of power within a society and its general acceptance amongst the country's people. China's ranking is almost 80 which is a very high level compared to United States ranking with 40. The level of inequality of power and wealth is high but, according to Hofstede, accepted by the Chinese society. Thus, that the level of power distance is very high in China, the boss is in the authority and in the position to decide over everything. American culture however allows more equal power and respect for every rank in a business, which means for our business that our Chinese employees will probably need to be educated to make decisions on their own.

Regarding Individualism versus Collectivism (IDV) China ranks noticeably low in individualism (20) compared to the United States (91). Consequently, the Chinese culture is strongly collectivist; being integrated into a group is crucial and society values loyalty as well as strong relationships to both friends and family. The high ranking of the United States means that the

society is very individualistic. More precisely the integration into groups does not play such a big role as it does in China.

Furthermore, we have to consider that in the index of Masculinity (MAS) China arrives at a rank of 66 which could be interpreted as a rather masculine society. Chinese people do not show their feelings and try to be calm in every situation. However, between China and the United States (62) is no big difference. This points out that both countries value assertiveness, success, power and competition.

The Uncertainty Avoidance Index (UAI) shows that the Chinese are rather accepting new uncertain situations than avoiding them (rank 30), so they seem to be more tolerant to different opinions; however, it is not a country that embraces risky situations, it rather accepts them. People in uncertainty-accepting countries usually do not express their feelings. The United States ranks higher (46), which means compared to China the American culture is not open to new situations. People here act influenced by their emotions and tend to be more nervous.

Regarding Long-Term Orientation (LTO) it is manifest that Chinese culture is much more committed loyalty to and respect for traditional business strategies than the United States (29). This shows the highest ranking factor worldwide in long-term avoidance (118). Chinese people never want to lose face and are short-term oriented. The United States, on contrast, is a long-term planning country in which thrift, perseverance and persistence are valued to deal with. For instance, to deal with economic changes or with adaptation to new situations.

4. Chinese Negotiators

The Chinese business culture is especially affected by the term ‘guanxi` and the notion of saving face. In a culture, which is focused on relationships, it is important who you know. Chinese people get things done through relationships with family, friends and contacts (Gesteland, 1999). Tung and Worm (2001: 521) argues that “ guanxi refers to relationships among people” and that “[t]hey are dyadic, personal relations between people who can make demands on each other” (see Figure 2). Further, ‘guanxiwang` is the social network in the Chinese business culture and for them it is fundamental to avoid “ upsetting anyone in the network” because it “ can lead to destabilizing the web of connections” (Chee and West, 2007: 57). A key component of ‘guanxi` is the notion of saving face. A Chinese person’s reputation and social position are based on it. Loosing their face involves reduced social resources, wealth and connections (Ma, 2006).

Figure 2: Dyadic relationship in guanxi network

Source: Adapted from: Tung, R. L. and Worm, V. (2001). ‘ Network capitalism: the role of human resources in penetrating the China market’. International Journal of Human Resource Management. Vol. 12, No. 4, pp. 517-534.

5. Managing Negotiation with the Chinese

To manage negotiation with the people from different cultures it is important to keep in mind that “ the individuals involved in the negotiation are of different cultures” and that “ there is likely to be some misinterpretations

because of their chosen methods of communication” (Woo et al., 2001: 351). There are several reasons for the cultural differences. Most of the Chinese business persons are obsessive about price details, because of the fact that China has a traditional agrarian culture. The Communism system and “Confucianism”, the traditional Chinese way of thinking, “affects the negotiation process” recognizable through their “respect for hierarchical relationships, preservation of face, and group harmony” (Chee and West, 2007: pp. 97-98). Tung and Worm (2001) as cited in Davison and Ou (2008: 290) suggest

“Negotiation outcomes depend on the degree of mutual understanding achieved by the transacting partners [...] the quality of the guanxi developed during negotiations may actually be more important than either the price or the product quality [...] eventual price or product quality may vary subject to the guanxi.”

If a person, who is doing business in China, is already in a ‘guanxi` network, this business person has to intensify this relationship. If a business person is not involved in a ‘guanxi` network, then it is important getting into a network and getting in touch with influential Chinese business persons (Holt and Chang, 2009). Furthermore, when negotiating in China, business persons have to be prepared to discuss all issues at the same time and in an apparently disorganised order (Deresky, 2000).

6. United States Negotiators

The United States business culture is focused on deals with foreign or unknown people and especially affected by notions “prestige, honor, status,
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dignity and authority” (Yabuuchi, 2004: 264). Gesteland (1999: 272) suggests that

“ an American negotiator’s degree of expressiveness in communication is likely to be strongly influenced by his or her particular ethnic background”.

For United States business people it is important to be issue-related, objective and time-conscious. However, Zhu et al. (2007: 357) argue that “ Americans tend to pay less attention to social ranking”.

7. Managing negotiation in the United States

The United States culture is affected by their immigrant society and that is the reason for the cultural diversity. As mentioned above it is all but impossible to predict and esteem specific the negotiating styles of the United States business people. The business people in the United States are time-conscious because of the fact that they don’t waste their valuable time for the company. There exists no allegiance to the company (Chua et al., 2009; Gesteland, 1999).

8. Similarities and Differences between China and the United States

After analyzing the negotiation style in China and the United States and its reasons, several similarities as well as differences can be pointed out. First of all, it is important to understand the effect negotiating perceptions have on the negotiating outcomes (see Figure 3).

Figure 3: The relationship model

Source: Adapted from: Ma, Z. (2006). ' Negotiating into China: the impact of individual perception on Chinese negotiation styles'. International Journal of Emerging Markets. Vol. 1, No. 1, pp. 64-83.

Both countries put emphasis on assertiveness, success, power and competition through their closely index of Masculinity in the intercultural framework of Hofstede. Further, look on China's and the United States' concession behaviour both countries are doing their utmost to achieve their goal and get as much profits as possible (see Appendix A). According to Hofstede, differences between the two countries can be shown in their Long-Term Orientation. The United States (118) are long-term oriented and China (29) short-term oriented. This means that China is more committed to loyalty to and respect for traditional business strategies than the United States. Furthermore, one of the biggest differences is their decision-making behaviour (see Appendix A). United States business people are known as the fastest decision makers in the world whereas China doesn't rush to take a decision. Finally, both countries have a different pursue a different goal in the negotiation process. For the Chinese it is a kind of dialogue, more precisely an exchange of information. In the United States negotiation is associated with an outcome which could be a contract.

9. Conclusion

Summarising the findings and arguments shows that both countries should have an understanding of the traditions and culture. Woo et al. (2007: 351) suggest that "[w]hen negotiating with the Chinese it is imperative to be conscious of [...] the structural collectivism of those involved in business

negotiations”. Especially the business people from the United States should be prepared for a long visit when doing business in China. The best way to be successful in China is to build guanxi, which is a time-consuming procedure but essential. The Chinese business people have their focus more and more on the content of the deals and the details of the prices. In comparison to the business negotiation in the United States soft handshakes should be avoided because for some of them it reflects weakness (Gesteland, 1999).

Appendix

Appendix A: Negotiation Procedures

à Business Protocol

Chinese Negotiator

United States Negotiator

Dress Code

àmen: suit, white shirt,

conservative tie

àwomen: conservative

suit or dress

àvaries somewhat

according to location and

type of business

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Meeting and Greeting

+ soft handshake/ moderate

eye contact

- bone-crushing handshake/

overly direct gaze

+ firm handshake/ direct

eye contact

- some believe soft

handshake reflects

weakness

Exchanging Business Cards

+ exchange of name cards is

done using both hands

+ read the business card

+ put the card away in a

leather card/ place it on

the table in front of you

- don't write on someone's

name card

à may not initiate the

exchange of business

cards

Exchanging Gifts

à be prepared with

appropriate gifts/ present

gift with both hands

+ expensive cognac/ items

typical of your own

country/ logo gifts

à is not a gift-giving

gift-giving culture

- many feel uncomfortable

if presented with an

expensive gift

Winning and Dinning

+ master the fine arts of

eating with chopsticks

+ toasting your counterparts

àmany prefer to maintain

a separation between

their professional and

private lives

à Negotiating Behaviour

Chinese Negotiator

United States Negotiator

Bargaining Range

àoften bargain vigorously

àexpect major concession

on price and terms

àexpect them to test your

opening offer for

flexibility

Concession Behaviour

àexpect pressure tactics

àbe prepared for some

hard bargaining

Plays and Counter-Ploys

àgenerally mask negative

emotions

àmay on occasion display

anger as a pressure tactic

àa favourite bargaining

tactic is time pressure

àanother is to ask for

quotations on a sliding

scale by quantity

Decision-Making Behaviour

àa long time-consuming

process

àdecisions take time

àfastest decision makers

in the world

Source: Adapted from: Gesteland, R. R. (1999). Cross-cultural business behavior: marketing, negotiating and managing across cultures. 2nd ed. Copenhagen: Handelshøjskolens.