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Cultural Differences in Business Negotiations Between China and the UK

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ABSTRACT

China has been playing an increasingly significant role in nowadays business world. As a result, the need to better understand the Chinese pattern of business negotiation is becoming prominent. In this context, this study sets out to review what the Chinese and British cultural characteristics are and how they would impact their negotiation patterns. It is found that Chinese negotiators tend to be more collectivist while British negotiators are individualist. Also, Chinese negotiators focus more on human relations, and British negotiators are more interest-based. Finally, the Chinese negotiating strategies are oriented on the ultimate results whilst the British pay more attention to whether to abide by the regulations and procedures. With the discussion of two business negotiations cases, the above traits are illustrated. This study finally puts forward an array of recommendations that would help understand business negotiations with the Chinese.

Keywords: Strategic negotiation, Cross-cultural study, Cultural difference, China, UK.

1. INTRODUCTION

With the development of the Chinese economy, China has been playing more and more important roles on the stage of global political and commercial activities. Although China is now one of the most significant economies globally, negotiating with Chinese enterprises is still a great challenge for most Western business negotiators [1]. The main cause of such a barrier for mutual understanding, as per previous studies, is situated in cultural differences.

Most western countries do not share the same historical, economic and social-cultural background as China, making it difficult for them to understand the mindset of Chinese negotiators from the eastern perspective [2]. With such a gap being noticed, this study attempts to review the cultural differences between China and the UK and probe what are the common mindsets of the two countries when conducting business negotiations. After that, this review study selects two business negotiation cases to illustrate how these differences are externalized in real practices. Finally, an array of suggestions for future business negotiation with Chinese negotiators are put forward.

2. DIFFERENCES BETWEEN CHINA AND THE UK

While there are a variety of ways to classify the culture patterns, this study adopts a three-dimensional model to differentiate distinct cultures, namely through values, ways of thinking, and awareness of interests and legal requirements. In this section, China and the UK will be probed from the above three aspects with respect to their cultural differences in business negotiations.

2.1. Differences in Values

The difference in values between China and the UK in negotiations is mainly reflected in the difference in “collective” and “individual” consciousness [3].

China has a long cultural tradition impacted by Confucianism, lasting from 206 BC to 1911 [4]. In the Chinese history of feudal society for more than two thousand years, China has been deeply influenced by the Confucian cultural paradigm whose objective is to achieve social harmony by advocating that people should be humble while not focusing too much on the personal

interests [4]. Meanwhile, Chinese culture emphasizes the interest of groups, and people usually think that the interests of the group should always be put first. Therefore, according to previous studies, Chinese negotiators can be considered collectivists [5].

As for the British culture, both the religious reformation and the industrial revolution have a great influence on the formation of British individualism. In accordance with previous cultural studies, the results reveal that the UK has one of the highest individualism scores among the country in the world. Meanwhile, in modern times, the British are taught to think independently and understand their unique purpose in life. Hence, the whole society respects the value of individuals and emphasizes independence. As a result, more British negotiators tend to be individualists [6].

Therefore, in the dimension of collectivism and individualism, Chinese business negotiators are more euphemistic and reserved and intend to be more inclined to the collected benefits. Meanwhile, they do not easily reveal their personal emotion during the negotiation process. In comparison, the British business negotiators are more aggressive and would also make decisions in line with personal feelings.

2.2. Differences in the Way of Thinking

In terms of the way of thinking, the differences between China and the UK in negotiations are reflected in the opposition between "holistic thinking" and "individual thinking".

Confucianism concentrates on the concept of the unity of man and nature, which refers to the interconnection between nature and mankind. This kind of holistic thinking considers all objects as one piece [7]. Therefore, the Chinese negotiators would know both themselves and the counterpart, and do not treat problems one-sidedly in the way of "partial generality" and "something to cover the face" [8]. In other words, the Chinese negotiators would start from the whole and then to its components.

Nevertheless, the British negotiators regard the living environment as separated pieces and each segment should be treated individually. That is to say, their mindset is decentralized [9]. They prefer to decompose complex issues into simple elements and study them one by one [9]. Thus, it can be said that the British mindset of negotiation would start from the individual parts first and then to the holistic issue.

Therefore, in negotiations, most Chinese negotiators like to focus on the overall situation and tend to establish long-term cooperative relationships [10]. By contrast, most British negotiators would focus more on the current situations. Also, they would value facts and incline to use logical reasoning to express ideas.

2.3. Differences in the Awareness of Interest and Legal Requirement

Confucian culture makes Chinese societies more human-relation-based. In this case, interpersonal networks play an important role in negotiations, and people emphasize that they should not be based on the exchange of interests and should pay more attention to human relationships [11]. According to previous studies, it shows that China is a country with high power distance [9], and Chinese people generally believe that the most important thing is the relationship. Therefore, before formal negotiations, Chinese negotiators tend to focus on optimizing the relationship between the two parties involved in the negotiation. If other negotiators do not show kindness and trust, they may refuse to reach an agreement in the negotiation. Therefore, the Chinese usually avoid positive friction in negotiations and do not easily resort to the law. The negotiating team is usually large and built on a complex network of interpersonal relationships.

According to previous studies, the UK has a lower score on power distance [6]. Affected by Western culture, British negotiators seek to maximize their interests. In other words, the interpersonal relationship formed in society is interest-based. In addition, Britain was affected by a long period of feudal rule. This ancient traditional culture made the British hierarchical concept very intensive. Thus, they pay great attention to fairness, by following the rules of business affairs, and putting all the divergence into the law. They often follow the suggestions from their legal advisers in the negotiation process. In contrast, from the perspective of the Chinese, bringing a lawyer to the negotiation may seem insincere.

As a summary, different patterns of negotiation between the Chinese and British are concluded in Table 1. These different characteristics are further illustrated with two cases in the following section.

Table 1. Characteristics of business negotiation

Country	Characteristics
China	Prefer to establish good relationships Slow pace, many links With a large number of people Implicit, not easy to show interests Multi-consideration, overall thinking Don't like to talk too directly Long-term cooperative relations
The UK	Focusing on facts Show ideas with logical reasoning Show the individualism Principles of obeying procedures Decentralization of thinking

3. CASES ILLUSTRATION

The above characteristics of culture are discussed in this section with a demonstration of two negotiation cases. More specifically, the facts of the negotiation process are based on their negotiation journals. The first case is about Canwall, a wallpaper manufacturer company in China. This case is used to illustrate how Chinese negotiators perform in business negotiation scenarios.

This case happened when Canwall negotiated a sales contract with a wallpaper retailer in Jiangsu, China. According to the negotiation journal, on the first day, Canwall held a welcome banquet for the retailer at a 5-star hotel. The next day, Canwall organized a sightseeing tour for that retailer. It can be seen that these practices are not directly related to the negotiation but aimed to show their hospitality to establish a good personal relationship with the retailer.

The negotiation process only started on the third day. 10 representatives from both sides attended the meeting. During the negotiation, it can be found from the journal that even though both sides were friendly to each other, no official agreement was made on the third day, which shows that Chinese negotiators are implicit, and it would be not easy for them to show their feeling.

On the fourth day, it is found from the journal that although the retailer appreciated the high quality of the wallpaper, they made a comprehensive check-up about the products. This can manifest that the Chinese negotiators are always with multi-consideration. When confirming that the quality of the products is acceptable, the retailer demanded a 20% discount. At this time, Canwall disagreed with their proposal and finally decided to talk another day.

Although they did not achieve any agreements in the end, Canwall still held a farewell banquet for the retailer, and they still communicated with an easy-going atmosphere and talked about the cooperation prospects of the two companies and hoped that a long-term friendly cooperative relationship can be established. This shows that the Chinese negotiators would always want to avoid disputes and make the negotiation atmosphere friendly. In addition, the inclination of focusing on the long-term benefits can be seen in this case as well.

In comparison, the second case shows how British people make negotiations. The case selected in the following discussion is the one between Mrs. Thatcher and the European Economic Community (EEC).

This is a negotiation that happened in December 1979. This was a meeting about the budget reduction. Mrs. Thatcher demanded that the UK's payment every year has to reduce by £1 billion. During the negotiation, she kept showing the reasoning and proof of this request. For instance, she widely used economic statistics to convince the EEC to reduce the amount. Nonetheless, the

negotiation failed the first time.

At the following meeting, the EEC conceded by saying that it could reduce £350 million each year. The UK, however, rejected this proposal. In the following, EEC made another proposal with an £800 million concession, but only for one year. The UK refused this proposal again. This has shown the principles of the UK as they are uncompromising when they constructed valid reasoning.

Two months later, the negotiation continued. At the same time, the EEC was discussing another case on the budget increase in compensation payments to the Farmer Community. Mrs. Thatcher, however, didn't disagree with the farmer's issue, even though she could have taken advantage of this issue as bargaining power for its own case. This reflects the decentralization of thinking because she focused on solving problems one by one. At the end of the day, while no agreement was made about the budget reduction of the UK, this case clearly shows the negotiation style of the UK.

The two cases above have evidently shown the differences in the negotiation characteristics of China and the UK. Regarding conflict, Chinese negotiators are influenced by the collectivist culture and pay much attention to constructing friendly relationships and harmony while rejecting any unnecessary conflicts. In contrast, the UK is influenced by individualist cultures regards conflict as a collection of different views, being good at directly expressing personal views and opinions with a positive attitude.

In the process of conflict resolution, the Chinese people care more about their counterpart's sincerity, so they tend to spend a lot of time maintaining a friendly relationship. Due to the influence of collectivist and high-power distance culture, Chinese businesspeople usually have to undergo a long-term discussion and then make decisions collectively with a mindset of "not up to speed", and "always think twice", so the pace of resolving conflict is relatively slow.

Results-oriented countries, such as the UK, value continuous progress and always find it necessary to guide the negotiation process by setting goals. When the conflict occurs, their first reaction is to take conflict resolution as the goal, dig into the roots, and find out the reasons in time. Conflict resolution is also the embodiment of the ability. Influenced by the culture of low uncertainty aversion, what they pursue is solving conflicts quickly and accomplishing tasks, with their view of "time is money" and "efficiency is life". Plus, the culture of the English-speaking country is a low-right distance culture, everyone has the right to raise objections, and everyone performs their own duties, so their decisions are usually decided by the designated person, in a very efficient way and fast pace of conflict resolution.

Moreover, the Chinese business people pay great attention to “face”. If you express your strong “disapproval” to Chinese business partners, publicly criticize them or show disrespectful actions to them, it would make them feel “lose face”. Making them seriously “lose face” will completely destroy an originally very promising business negotiation. Regarding this point, the culture of English-speaking countries is different. In the face of conflict, business people in English-speaking countries basically do not consider their own “face” problem. Instead, they believe that resolving conflicts is more important than “face”, and even believe that some problems should be raised face to face and solved on the spot, and that nothing is more important than solving problems. Between “face” and “interest”, people in English-speaking countries do not hesitate to choose “interest”.

4. CONCLUSION

In conclusion, as can be seen from the above review and cases illustration, Chinese negotiators are more concerned with the means than the end, with the process than the goal. In comparison, British negotiators weigh the goal more than the process. Thus, a set of suggestions can be put forward below.

First and foremost, since the Chinese are euphemistic and like to hide their emotion, it would be necessary to test the limits of the Chinese step by step and then push the negotiation process slowly. Also, because Chinese people value harmony, western negotiators should not be too direct on the problem and use an implicit way to express their opinions. Nevertheless, western cultures often perceive their ethical norms to be universally applicable, and consequently categorically view deception as evil. However, in neo-Taoist societies such as China, ethical duties are viewed as contextual. Thus, to enhance the effectiveness of the negotiation, it is crucial to change the mindset first.

Second, it should be well noticed that China is deeply influenced by Confucianism that focuses on the construction of relationships, in particular, interpersonal relationships. From the perspective of Chinese people, any relationship between businesses is ultimately built upon relationships between individuals. Thus, for western negotiators, they could deliberately reduce the influence of law on the negotiation and focus on improving personal relationship optimization.

Third, as China, in general, has a conservative culture, it is indispensable for western negotiators to respect the Chinese norms during negotiation. For instance, the formal and conservative dress should be selected by both men and women, and wearing series-looking colors such as black or dark blue will show respect. Meanwhile, as the western communication style seems relatively

straightforward, a word of caution should be made before the negotiation.

Last but not least, since the speed of negotiation pace of Chinese and British people do not match, so, keeping calm is essential for both sides. In other words, rush too quickly cannot get a satisfactory result for both sides. Alternatively, listen and think before talk will be the best solution. Only in this way can the negotiation have a high opportunity to get a happy ending.

Finally, even though this study has proposed a number of recommendations for western negotiators, it is always necessary to do research to find points that others care about or points that are important to each other. Since there could be no one-size-fits-all solution, flexibility is needed to improve our relationship and help us succeed in negotiation.

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