

A Comparative Study of Sino-US Business Negotiations Based on Hofstede's Cultural Value Dimension of Power Distance

Xiaoying Yao*

School of Foreign Languages, Henan Engineering University, Zhengzhou 451191, China

*Corresponding author: Xiaoying Yao, 1310181446@qq.com

Copyright: © 2024 Author(s). This is an open-access article distributed under the terms of the Creative Commons Attribution License (CC BY 4.0), permitting distribution and reproduction in any medium, provided the original work is cited.

Abstract: With the in-depth development of economic integration and globalization, international trade exchanges are becoming increasingly frequent. Many people engaged in international trade and investment have found that the economic ties between China and the United States are closer and more interdependent. At the same time, some people have also found that cultural differences between countries have hindered the normal play of their ability to conduct effective negotiations. The United States is a superpower with a developed economy, while China is a rising country in the world. There are obvious cultural differences and conflicts between the two countries. Due to the influence of cultural differences, business negotiations have become more complex. As a major element of international business negotiations, culture is often compared to the tip of the iceberg. Its hidden dimension determines the success or failure of international business affairs. Therefore, researching the topic of Sino-US business negotiations from a cultural perspective is of great significance. This article conducts research based on Hofstede's cultural dimensions by comparing the influences of different cultural dimensions and respective cultural characteristics of China and the United States on business negotiations. At the same time, the article further conducts a case analysis of Sino-US business negotiations from ten aspects of Salacuse's business negotiations. Through comparative analysis and research, the author aims to clarify the cultural differences between China and the United States and the impacts on Sino-US business negotiations caused by these differences, provide some feasible suggestions for people engaged in Sino-US business negotiations, and try to provide some reference opinions for people who will study this topic in the future.

Keywords: Comparative study; Cross-cultural business negotiation; Value dimension; Power distance

Online publication: December 31, 2024

1. The significance and purpose of the study

With the prosperity of the global economy nowadays, international transactions and foreign trade are increasing rapidly. Many different business settings are involved in intercultural business communication, such as business

etiquette, business advertisement, and business negotiation. It is evident that the success of international business activities requires reaching agreements between corporations smoothly, meanwhile, satisfaction of agreements begins with available business negotiation and effective communication. In reality, misunderstandings and communication conflicts always occur and tend to make the business negotiation inefficient. It is obvious that cultural difference is one of the vital factors that cause communication failures. If people cannot understand or deal with cultural differences, international negotiation may be impeded seriously. Hence, mastering cultural differences in business negotiation is a benefit of the triumph between the negotiating parties.

As people know, effective negotiations not only need to acquire skillful communicative abilities but also understand the cultural backgrounds of the negotiation mutually ^[1]. Culture plays a major role in international negotiation practice. Culture not only influences people's thoughts, communication, and behavior profoundly but also affects the patterns of transaction and negotiation during business activity. Cultural differences certainly affect the strategies and behaviors of negotiation, which may hinder the negotiating process and result in negotiation breakdowns or failures. A variety of cultures in the world makes it impossible for any experienced or skilled negotiator to master completely the situations that may be encountered. People should prepare to cope with any unexpected matters during the business processes. Hence, it is important to study the various cultural issues to avoid the failure of intercultural business negotiation.

China and America are two typical countries with cultural differences, so a comparative study of Sino-US business negotiation is a requirement of social development and it is of realistic significance, which is helpful to negotiation. There are some incompatible appearances between American and Chinese approaches. Americans regard Chinese negotiators as ineffective, roundabout, and even tricky, while the Chinese regard American negotiators as radical, selfish, and aggressive. These differences are rooted in their cultural backgrounds and may result in misunderstanding of negotiation. It is complicated to handle the situations of business negotiation. Hence, a better understanding of the mutual cultural differences can avoid conflicts between two parties and then produce harmonious business relationships in the Sino-US business negotiation.

Because of enormous cultural differences between Chinese and Americans regarding faith, values, customs, and viewpoints of the world, negotiation failures cannot be avoided. The purpose of this thesis is to express how culture influences negotiation and misunderstandings are made due to different cultural values between Chinese and American business negotiations to show further research of the cultural differences during business negotiation depending on comparative analysis and case study, thus giving some tentative advice for future scholars to research the Sino-US business negotiation to come up with some reasonable proposals to decrease avoidable miscommunications or failures in intercultural business negotiations. Based on this, people who engage in negotiation can scheme the process and adopt proper strategies for the sake of achieving anticipative agreements and accomplishing business cooperation. The research questions are as follows: (1) How does cultural difference affect the intercultural business negotiations between Chinese and American? (2) How then should negotiators prepare to cope with cultural differences successfully in making deals when negotiating between China and America?

2. Theoretical foundations

With the swift development of economic globalization, a large number of international corporations have been spawned, international trade has grown rapidly, and international negotiations also are thriving. Negotiators always are aware of cultural interference in terms of intention, pattern, and behavior. In the Sino-US business

negotiations, many Americans attach importance to action based on their ideology and personal interests. In their opinion, communication is a medium of successful business and realizing individual value. While many Chinese negotiators regard communication as a tool to maintain harmonious and comfortable relationships with their partners as a result of relationship orientation, they believe that building a long-term relationship between business partners is the ultimate goal in the business transaction. It is obvious that culture affects all aspects of business negotiation, if people who are engaged in culture-border business negotiation cannot dispose of the cultural factors reasonably, negotiation failures would occur promptly. Hence, in the following part, the theoretical framework will be presented to support this study.

With the rapid economic globalization, people who engage in intercultural communication attach more emphasis on making good use of cultural differences, because culture is the covered program of people's minds and behavior, it can distinguish the members' own values from given groups. As a cultural dimension, power distance has already centralized governments and influenced democracies in some countries profoundly since 4000 years ago. Although there have been many research achievements about culture in recent years, it is impossible to totally get wise to other peoples' cultures.

To help people distinguish the multiple cultural differences in the world, Hofstede summarized the core contents of the questionnaires from subsidiaries of IBM, thus identifying a theory of several four cultural dimensions according to his earlier diligent and qualitative research in a systematic perspective ^[2]. There are four dimensions for identifying the major cultural differences: individualism/collectivism; power distance; uncertainty/avoidance, and masculinity/femininity. The dimension of individualism refers to the relationship and distinction between the collective and the individual; the dimension of power distance is about human inequality; the dimension of uncertainty avoidance argues tolerability of ambiguity and uncertainty in a specific society; the dimension of masculinity focuses on the characteristics of men and women in different nations. Hofstede proposed that business transactions, decision making, and business negotiations were impacted by cultural differences, thus it is important to improve the sensibility of culture for international businessmen. Later, Hofstede and Bond supplied another dimension to complete the earlier theories, this fifth cultural dimension was regarded as Confucian dynamism by them to differentiate Chinese cultural values from Western cultural values ^[2]. Hofstede and Bond realized that the cultural characteristics of a specific nation practically remain the same over time. For instance, Chinese culture has been dominated by the pragmatic and moral principles of Confucius since 500 BC, people's thoughts and actions, parental control, and gender roles have all been guided by the rules of Confucius persistently. Although some Chinese people have migrated to Western countries to seek more development opportunities, Confucianism continues to influence their behaviors intensely.

Power distance means the extent of distribution of power, prestige, and wealth. The dimension of power distance emphasizes the degree of inequality among different people. Power distance is defined by Hofstede as "a measure of the interpersonal power or influence between boss and subordinate as perceived by the less power of the two" ^[2].

In general, hierarchy in high power distance culture is regarded as the foundation for people to build and sustain relationships with others ^[3]. In high power-distance cultures, social power is distributed according to a vertical social structure. People's statuses and functions from their perceptions in social interactions are largely unequal and complementary, and they accept the reality of inequalities in aspects of prestige, law, politics, fortune, status, and so on. Social status is closely bound up with social power. The authority figures invariably make decisions due to vertical interpersonal relationships. Also, parents expect children to be obedient. People

who have higher status expect respect from others. Countries in high power distance cultures tend to be more authoritarian, thus reinforcing the differences among people. The relationships between superiors and subordinates in the high power distance workplace are regarded as existentially unequal, as there is a deep gap maximized by power ^[4].

Low power distance cultures tend to apply a relative horizontal structure in terms of social relationships. People judge other people based on their deeds rather than their age, social roles, and power. They adopt the tolerated attitudes to different opinions and behaviors. They try to be more informal and direct in social interactions. Egalitarian cultures prevail and people share the decision-making authority of democracy. Application of power is quite limited except for legitimate purposes. Subordinates and bosses have equal status in the low power distance workplace, democracy is a significant characteristic, bosses can consult their subordinates instead of making arbitrary decisions by themselves, and the ideal bosses are more accessible. Furthermore, a lower power distance is related to higher national wealth. By contrast, high power distance is associated with a large population.

3. Power distance

3.1. Power distance in China and America

Influenced by Confucianism, the Chinese pay more attention to social hierarchy and order rather than social equality and freedom. “The Five Cardinal Relationships” in Chinese traditional culture refers to the relationships between ruler and ruled, husband and wife, parents and children, older and younger brothers, friends and acquaintances. It seems that “The Five Cardinal Relationships” consists of the relationships of hierarchy and order except the last. The Chinese traditional culture emphasizes respect for one’s elders, obedience to leadership, and women’s submission to men. It is comfortable for people to face vertical and clear relationships. Furthermore, from ancient times to the present, it is evident that age and hierarchy exist in Chinese social life. For instance, plenty of words are used to show the distinction of age: specific terms referring to elder uncle are *bobo* and *bofu*, younger uncle is called *shushu* or *shufu*, and so on; it is very popular to use the family name attaching occupation to call someone, such as “Professor Li”, “Director Wang”, and “Manager Zhang.” The cultural phenomenon that addresses forms that are treated as the proper noun in Chinese vocabulary is the result of human cognition, collecting mode of thinking, and cultural traits of human beings. Moreover, there is no sharp distinction between free time and working hours in China. The subordinate should sacrifice their own time and energy to correspondingly respect superiors’ wishes.

The American government attaches importance to equality and human rights. It is vital that the right to vote be given to every adult. Certainly, there also is equality in the aspect of social relationships. People call others by their first name without lowliness or nobleness. The expression that “every man is born equal” is the core and essence of “The Declaration of Independence.” There are the same opportunities for people to seek and realize individual happiness, especially, laws and educational opportunities should be ensured by the state. It is believed that any person has the right to pursue success in life. When Americans interact in business, politics, school, and so on, they are required to be treated in the same ways instead of attaching to family background, social status, and other considerations ^[5]. Hence, there is a lower power distance between the superior and subordinates, anyone can rely on his or her capability and intellect to achieve success owing to equal opportunities. On the other hand, due to minimized hierarchy and status differences in America, they find it easy to interact with each

other when equality exists in communicative environments. They are proud of the egalitarian nature and tend to believe that it is a universal value for society. Many subordinates in America feel that their free time belongs to themselves. Hence, it is not necessary to spend free time following the requests of leaders.

3.2. The impact of power distance on Sino-US business negotiations

Owing to the high power distance, decision-making authorities in Chinese culture are at the top and the leader finalizes all of the major decisions. In general, the important negotiations should be determined by senior executives and negotiating teams should consist of superiors who can control the situation in Chinese business culture. The leaders of enterprises generally usually are the chief negotiators in the negotiation as a result of their powers of decision-making, even though they may be not familiar with technical specifics ^[6]. Sometimes, even though the Chinese technical group shows a high level of interest in the proposal from the American side, a decision or agreement still cannot be reached or signed, the reason is that the technical staff is in charge of explaining the details of the negotiation and analyzing pros and cons of the Americans' proposals, and the leader is the ultimate authority. Naturally, according to experience, supervisors of negotiation frequently approve proposals and issues of their subordinates, which results in a slower negotiation procedure. Many egalitarianists cannot tolerate the fact that the Chinese leader has the authority to interrupt staff's professional and private lives ^[7].

In addition, the Chinese negotiators enter the assembly room in a hierarchical order, the leaders of delegations first enter the room. According to this clue, it is easy to identify the supervisor who owns the authority of the negotiation. Meanwhile, participants' rank and status are likely to be displayed by punctuality expectations. The Chinese ensure punctuality to avoid wasting a superior's time. It is a serious affront that the negotiators are late without valid and reasonable excuses, thus being present on time is indispensable ^[8]. On the contrary, for Americans, although some people are leaders and others are workers in the negotiation, the relationships between them are horizontal and comfortable. The negotiators run meetings flexibly, there is a set of start times to prepare the meeting contents, and the meeting even might be delayed resulting from the counterparts' inconvenience.

The most experienced negotiators who have profound expertise are assigned as the chief negotiators in America. They can come to an agreement with the opponents independently. While influenced by the negotiating experience in the domestic setting, the American negotiators always observe and lay emphasis on the technical personnel's reactions of the other side when negotiating with the Chinese, but neglect that these technical personnel have little power for decision-making.

3.2.1. Team organization: One leader or group consensus

In the negotiation, it is vital to know how the counterparts are organized, who has the right to make decisions, and how commitment is made. As one crucial factor, culture affects how executives organize their team for negotiating a deal. One organization type of negotiation is just with a leader who has the final say on the negotiation. Influenced by a low power distance culture, the competent person instead of the authority is appointed to a representative of the team, they make decisions independently without concerning the viewpoints of others on the team ^[9]. Notably, the Americans belong to this approach, and the negotiating team is usually small. The team organization moves negotiations on at a quicker pace. The other approach to the negotiation tends to be consensus. The majority of Chinese teams are apt to follow this approach, it would be common for at least five people can engage in the negotiation. They usually prefer larger groups for consensus building on

site but final authority is usually held by someone at the head office. As members of negotiation, the technical staff are seldom given absolute commitments for the negotiation. This reflects the significance of hierarchy and interdependency in the Chinese culture. When negotiating with such a group, it may not be manifest who the leader is or who has the right to make a decision. Thus, it is not efficient for this approach of team organization to make a deal.

Case 4: There was a negotiation between an American company and a Chinese firm. The negotiation team of the Chinese firm consisted of twenty members. In the negotiation, the American engineers showed the first-class performance of the products, and the majority of Chinese technical experts also showed great interest in these products and asked lots of questions in detail. However, some of the Chinese officials and senior leaders talked little, even when discussing prices. It seemed that they were not interested in these products. Near the end of a negotiation, The American counterparts thought that it was an unsuccessful negotiation. Unexpectedly, several days later, the Chinese sides agreed to place an order for this product.

A more centralized decision-making and control structure can be formed in the high power distance culture. Naturally, the top authority can decide the outcome of the negotiations. In this case, Chinese culture belongs to the high power distance, as the Chinese officials and senior leaders obviously have the power to make decisions, although they may be not good at the technical expertise about the products.

On the contrary, American culture is low power distance. The experienced technical staff that has highly skilled expertise are surely assigned to take charge of the negotiation. They usually fit the role of chief negotiator in the business negotiation. Influenced by the negotiating experience domestically, during the Sino-US business negotiation, the American negotiators always paid attention to and observed the response of the Chinese technical staff that may not have the power of decision making, rather than the chief negotiators who had the power to sign the agreements. This is why sometimes business agreements can be signed slowly.

Case 5: A Chinese company has business connections with a firm in Chicago. Once, the treasures that were traded were so valuable that they needed to be insured, but both of these two companies wanted to do it. The Chinese wanted to insure with the Chinese People's Insurance Company, and the Americans insisted on insurance with the local insurance company in Chicago. The two sides could not agree on this matter, thus reaching an impasse in the negotiation. The Chinese discussed and consulted for a very long time. Meanwhile, they waited for the instructions of higher authorities. In the end, they reached a consensus. If the Chinese are insured with the Chinese People's Insurance Company, this insurance company would be quite happy to provide insurance at \$2 million. The American side was satisfied with this result, readily agreed on the spot, and signed the contract (Analysis of Complex Negotiations in International Business: 270).

From the above case, we can see that the Chinese negotiation teams make decisions through group discussion and consulting superiors. They always depend on the authorities rather than themselves at crucial moments. Of the Chinese negotiation members, there is not a single one to say yes or no definitely. Instead, the decisions could be arrived at by reasonable consideration and consensus of layers of committees of authorities, not just the subordinates who have no say in the final decision in the negotiation team. Thus, Chinese decision-making power does not rest with individuals, and when they have already unanimously agreed upon solutions, the alteration cannot be made arbitrarily at the negotiation table. On the contrary, American negotiators are empowered to make decisions, they negotiate on behalf of the company. It is quicker and more flexible for them to make decisions and respond to change.

3.2.2. Personal style: Informal or formal

Personal style refers to the forms that people use to interact with their counterparts when engaging in a negotiation. It is obvious that the personal style of a negotiator is influenced by culture strongly. There are two kinds of personal styles in the negotiation: informal or formal, people from formal styles prefer to address counterparts by their titles and refrain from discussing personal anecdotes and private family matters. On the contrary, people from informal cultures always attempt to build friendly relationships hastily. Americans may address each other by their first names even though they are just acquaintances. When beginning the deal-making in earnest, they enjoy making jokes, always make noise with slaps here and there, and bang the table and all that. Some male negotiators even take off their jackets and roll up their sleeves. They want to create an informal and flexible atmosphere, which is the complete opposite of Chinese behaviors. As people all know, the Chinese have a reputation for formality, it is disrespectful for them to address each other informally at the first meeting. Only when they are familiar with each other, can they use names instead of respectful salutations. Taken as a whole, negotiators should adopt a suitable personal style to facilitate the process of negotiation.

Case 6: Once, a Chinese negotiator, Manager Chen, met an American negotiator, Johnson, after Chen entered the conference room, Johnson came up immediately and outstretched his hands, trying to shake hands with Chen. Then, Johnson roared: "How are you? Long trip from Shanghai, sit down, please." Chen smiled, pulling a business card out of his pocket, and then presented it. While Johnson returned to his original position and said: oh, Weihua Chen, your business card? Chen answered seriously: "Yes, yes." Johnson put this card into his pocket without a glance. However, when Johnson handed his card to Chen, Chen read slowly and loudly: oh, President Johnson, I have heard a lot about you. Your company is very reputed in China. Johnson replied unexpectedly: You know me? After those greetings, they started to discuss the business dealings. In the middle of the meeting, Johnson interrupted the topic and asked suddenly: Chen, what is your first name? It made Chen very embarrassed and uncomfortable (US-China Trade Negotiations: 35).

This case shows that the American personal style is quite informal and persistent, while the Chinese is relatively formal. There is high power distance for China, due to being influenced by the Confucian tradition, so "status" has a profound meaning in Chinese minds. A name card is a status symbol and should be taken seriously. People should have status consciousness and be respectful of seniority, they expect that the leaders should be treated respectfully like "leaders", the leaders also should behave formally and seriously like "leaders." When Johnson puts Chen's card aside casually, Chen might feel that Johnson does not pay attention to him and this negotiation, thus viewing Johnson as being unbecoming of a leader. Thus, these cultural differences block the Chinese negotiator mentally and may lead to an adverse effect on negotiation.

For Americans, their country has a lower power distance, so everybody can be treated equally and informally due to the horizontal distribution of power. Naturally, egalitarianism is the social convention, people strive to pursue justice and uniformity. In this case, Johnson acted almost casually during the process of the negotiation, while he could not be conscious that his informality was entirely inappropriate in the view of the Chinese.

4. Conclusion

To some extent, the deep-rooted cultural values and norms unconsciously influence and stereotype the negotiating styles between China and America rather than anyone's intention. The great cultural diversity makes it impossible for any negotiators from China and America, no matter how sophisticated and skilled, to understand fully all

the cultures that they may encounter. One approach that negotiators prepare to cope with cultural differences successfully in making deals when negotiating between China and America is to identify important areas where these cultural differences may arise. Knowledge of those factors can contribute to understanding counterparts from another culture, anticipating possible sources of misunderstandings and friction, and thus bridging the gap for the sake of reaching an effective negotiation. Moreover, with the development of the world economy, more and more Chinese have learned and mastered advanced negotiation theories and management skills proposed by Americans. They gradually observe and accept international negotiation principles and show internationalization both in behavior and language. It is the same for the American negotiators due to the increase in Sino-US business transactions. The author proposes that the negotiators need not fully adapt to the counterparts' cultural norms when engaging in the negotiation, but should be aware of the mutual cultural differences and respect each other's culture.

Disclosure statement

The author declares no conflict of interest.

References

- [1] Chen GM, Starosta WJ, 2020, *Foundations of Intercultural Communication*. Wiley-Blackwell, New Jersey.
- [2] Hofstede G, Bond MH, 1997, Confucius and Economic Growth: New Trends in Culture's Consequences. *Organizational Dynamics*, 25(4): 5–21.
- [3] Liu S, Wang L, 2021, Cultural Differences in Business Negotiation: A Comparison between China and the United States. *Journal of Business and Economics Research*, 19(2): 101–115.
- [4] Zhang Y, Li X, 2019, The Impact of Cultural Intelligence on Cross-Cultural Business Negotiation Effectiveness. *International Journal of Business and Management*, 14(8): 1–12.
- [5] Smith J, Johnson M, 2022, Cultural Adaptation in Sino-US Business Negotiations: A Longitudinal Study. *Journal of International Business Studies*, 53(3): 456–472.
- [6] Wang Q, Liu H, 2020, Cross-Cultural Training and Its Effectiveness in Sino-US Business Context. *Asia Pacific Journal of Management*, 37(3): 789–808.
- [7] Brown A, Green E, 2023, The Role of Trust in Overcoming Cultural Barriers in Sino-US Business Negotiations. *Journal of Business Ethics*, 181(2): 433–448.
- [8] Lee C, Kim Y, 2018, Cultural Values and Negotiation Styles: A Comparative Analysis of Chinese and American Business People. *Journal of Cross-Cultural Psychology*, 49(1): 3–18.
- [9] Zhao X, Zhang J, 2021, The Influence of Globalization on Sino-US Business Negotiation Strategies. *Journal of Global Business and Economics*, 14(4): 321–338.

Publisher's note

Bio-Byword Scientific Publishing remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.