



Cross-Cultural Communications Business Report

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Executive Summary

Martin Jones, Chief Negotiator at MVC, has recently returned from China frustrated with his inability to set up a joint venture with a Chinese vehicle-component company (the Company). During the negotiations, Jones encountered many cross-cultural communication problems that collectively lead to the negotiation's failure. To prevent similar failures in the future, Jones has requested for a post-mortem report recommending actions to improve cross-cultural communications in the future.

Commented [AC1]: Summarizing the background situation

This report will analyze why the negotiations failed, with a focus on the Chinese concept of a business relationship and the negotiation tactics of the Chinese. Specifically, Mr. Jones had a very different idea of a business relationship compared to Mr. Wang, hence they had many conflicts, and both felt mistreated. Moreover, Mr. Jones was not familiar with Chinese negotiation tactics. As a result, he felt like the Chinese were being unreasonable and insincere. This led to him cancelling the deal at the very end.

Commented [AC2]: Summarize the key findings in the report

This report recommends MVC to provide training to the negotiation team on cross-cultural communication with the Chinese, specifically on the Chinese concept of a business relationship and on Chinese negotiation tactics. MVC should also issue an apology letter to the Company highlighting that bad intentions did not exist and that MVC hopes to move on from the misunderstandings to close the relationship on a positive note. These actions can help MVC increase the likelihood of a successful negotiation with the Chinese in the future and help MVC close its relationship with the Company as positively as possible.

Commented [AC3]: Summarize the recommendations

Introduction

Background

After failing to negotiate a joint venture with a Chinese vehicle component company (the Company), Martin Jones, Chief negotiator at Major Vehicle Company (MVC), has requested for a post-mortem report on his negotiations in China recommending a course of action that focuses on improving cross-cultural communications. This report has been prepared after reviewing the comments of Jones and Wang, respectively the lead negotiators of MVC and the Company, and researching the Chinese concept of a business relationship and Chinese negotiation tactics.

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Purpose

The purpose of this report is to present the problems that occurred during MVC's recent negotiations in China, to analyze these problems, and to recommend a course of action for improving future cross-cultural communications. Specifically, this report will cover the Chinese concept of a business relationship and Chinese negotiation tactics.

Commented [AC5]: State the purpose of the report

Analysis

The Chinese Concept of a Business Relationship

Understanding that the Chinese do business on the basis of personal relationships, of friendship, and of trust is fundamental to successful negotiation with them.

In Jones' comments, Jones always wanted to discuss specific, detailed issues of the contract right from the first negotiation meeting (48); similar to any American, he views a business relationship as a professional and contractual one. As a result, he became annoyed with Wang's team when they delayed the negotiations with the many lavish dinners and meetings with government officials and when they insisted on having an arbitration clause in the contract. Wang, however, explained in his comments that the Chinese do business on the basis of personal relationships, of friendship, and of trust rather than on the basis of a written document (51). His team invested a lot resources to make Jones' team feel welcome and valued; in Wang's words, "What is the point of hurrying and discussing some details of a contract when you haven't even got to know the people well?" (50).

Wang also explained that the reason he was so insistent on having an arbitration clause is because the success of a business relationship is based on trust between the parties (52). Kiong also supports this concept by explaining that the Chinese see formal legal sanctions as unnecessary to induce performance of exchange nor to stipulate any contractual contingences; instead, they see transactions based on strong, personal relationships as intrinsically superior to those based upon impersonal laws (Kiong).

Because of the importance of friendship and trust in the Chinese culture, MVC should train its negotiators on the Chinese concept of a business relationship for future negotiations, and it should issue an apology letter to the Company to close the relationship positively.

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The Negotiation Tactics of the Chinese

Chinese negotiation tactics are very different from American tactics, and they must be understood in order to negotiate effectively with the Chinese.

Jones revealed in his comments that negotiating with the Chinese felt like walking in darkness: whenever he suggested something and explained why it would be good for both parties, the Chinese always agreed and nodded; however, they would end up ignoring what was said or having to refer to their superiors for approval, to which Jones would never receive closure on. Furthermore, every time the Chinese requested a concession, they would demand an unreasonably high price and emphasize the importance of long-term benefits as if disagreeing with their conditions, which are clearly more favourable to them, would be unwise (55). Jones believes that negotiation is a positive sum game, and he was often visibly frustrated because he could not understand the negotiation tactics of the Chinese.

Kirkbride et al. explain that although Americans like to assemble “a series of what they perceive to be logical points and arguments about a specific set of issues, the Chinese seem happy to remain at the level of general principles and in what is often taken to be a rather vague and ambiguous language” (Kirkbride et al.). From Wang’s perspective, he listened to the Americans talk because he believed that they like to feel dominant by talking a lot and because he wanted to gain a better understanding of their intentions (56). Wang also explains that in China, “skillful negotiation is about ascertaining the genuine intention of the other side, and preparing responding strategies so as to reap the most benefits from the final result. This...is far more than ‘haggling’ as the Americans refer to our tactics” (55).

Kirkbride et al. recommend American parties expecting to reach compromise solutions in the bargaining process to give themselves greater room for manoeuvre and movement by setting higher and more extreme initial demands and offers (Kirkbride et al.).

Lastly, visibly showing frustration is a mistake that Jones may not even have realized. Wang revealed that in China, the ability to control emotions is extremely important: the more a person openly shows satisfaction or irritation, the more people will regard that person as shallow, undignified, and inexperienced (56).

The negotiation tactics of the Chinese are often not obvious or intuitive to Americans, so training on Chinese negotiation tactics is important to ensure successful future negotiations with the Chinese.

Recommendations

Based on the report analysis, MVC should follow these recommendations:

1. Issue an apology letter to the Company explaining that MVC has no bad intentions and hopes to move on from all misunderstandings to close the relationship positively.
2. In future negotiations, focus on building the relationship with the Chinese team rather than on the contract details
3. Before future negotiations, provide training on Chinese negotiation tactics.

The first recommendation is based on the fact that many of these conflicts are related to the negotiation team and not the actual contract itself. Therefore, the collaboration can still be done as long as the people forgive each other.

Commented [AC7]: List your recommendations. Then explain each one in more detail below.

The second recommendation is based on the analysis of how the Chinese view a business relationship. Specifically, the team should attend dinner banquets, bring gifts, and have the CEO fly over to greet their CEO.

Commented [AC8]: Notice how the recommendation relates back to the analysis section. It also gives a specific example.

The third recommendation is based on the Chinese having a very different negotiation method from Americans. If we are not familiar with it, we will be very shocked and even upset at them. But if we get used to it, then we know how to negotiate without conflict. Examples include starting high and negotiating down to a reasonable price, or asking for big things and then reducing it to small things.

These actions can help MVC increase the likelihood of a successful negotiation with the Chinese in the future and help MVC close its relationship with the Company as positively as possible.

Anticipated Questions and Answers

Question 1: Is it risky to not focus on the contract details?

Answer:

We can focus on the contract details AFTER the relationship is built. The big mistake was only focusing on the contract right from the beginning.

Question 2: Where can we find a trainer on Chinese negotiation tactics?

ABC company provides this type of training. I have already researched the costs and time.

Question 3: What should we say in the apology letter?

I have already drafted it. You can have a look at your earliest convenience.

Works Cited

Kiong, Tong Chee, and Yong Pit Kee. "Guanxi Bases, Xinyong and Chinese Business Networks." *The British Journal of Sociology* 49.1 (1998): 75-96. Wiley. Web. 29 Nov. 2014.

Kirkbride, Paul, Sara Tang, and Robert Westwood. "Chinese Conflict Preferences and Negotiating Behaviour: Cultural and Psychological Influences." *Organization Studies* (1991). Sage Journals. Web. 29 Nov. 2014.