



**Department of Strategy and Organisation**

**THE EVOLVEMENT OF SINO-  
WESTERN JOINT VENTURE  
NEGOTIATION AT FORMATION  
PHASE: A PROCESS STUDY**

**KUILIN LIU**

Submitted in fulfilment of the requirements for the degree of Doctor of  
Philosophy (PhD)

Glasgow, 2015

## **Declaration of Authenticity and Author's Rights**

This thesis is the result of the author's original research. It has been composed by the author and has not been previously submitted for examination which has led to the award of a degree.

The copyright of this thesis belongs to the author under the terms of the United Kingdom Copyright Acts as qualified by University of Strathclyde Regulation 3.50. Due acknowledgement must always be made of the use of any material contained in, or derived from, this thesis.

Signed:

Date: 16 July 2015

## Acknowledgements

To make this thesis come to light, I am extremely grateful to individuals who gave me their tremendous help, support and encouragement to complete this long, challenging and interesting journey. First and foremost, I wish to express my deepest gratitude to my supervisor Professor John Sillince for his generous support, patience, and insightful advice in guiding me through this journey. Without his continuous support and encouragement, I could not have completed this thesis. Also, I wish to thank Professor Paul Lynch and Professor Harry Sminia for their roles as my first supervisors and support at the final stage of my study.

I wish to truly thank Professor Simon Harris (University of Edinburgh), his encouragement in the first place strengthened my confidence in pursuit of this doctoral study. He taught me very invaluable knowledge and skills in academic research. Sincere thanks also go to Professor Hugh Scullion (National University of Ireland) for his invaluable help and support at the beginning of my study.

Extensive thanks are to Dr Rajesh Kumar of Nottingham University and Professor Peter McKiernan of the University of Strathclyde for taking up the role as examiners of this thesis.

I would like to acknowledge the support from my colleagues and department administrators in the University of Strathclyde. I am especially thankful to my colleagues Professor Chris Huxham (Emeritus Professor), Professor Barbara Simpson, Professor Robert Chia (University of Glasgow), Professor George Burt (University of Stirling), Professor Paul Hibbert (University of St Andrews), Dr Ying Zhang, Dr Rebecca Kim (University of Nottingham), Dr Zaleha Yazid, Dr Jingxian Zhang, Dr Vicky McConnellogue, Saira Banu.

I also wish to thank some scholars all over the world for their professional advice on my study or assistance in other different aspects in the course of my study. They are Professor Charles Harvey (Newcastle University), Professor Pervez Ghauri (King's College London), Professor Chengqi Wang (Nottingham University), Dr Hui Tan (Royal Holloway, University of London), Dr Yee Kwan Tang (University of Glasgow), Professor Keith Glaister (Warwick University), Professor Jorma Larimo (University of Vaasa), Dr Norin Arshed (Heriot-Watt University), Dr Jing Zhou and Professor Jingxia Dong (Beijing University).

I am grateful to the University for generous financial support for my study. And a thousand flowers each to these people in the University whom I have had the joy and the luck to know: Sarah Lockwood, Colin Flynn, Peter Wright, Emma Nicole, Dr Steven Paton, Nicola Summers, Katharine Blanks, Ian MacLellan, Shirley Kirk, Catherine Bonner, Derek Keenan, Amanda McLean, Maire McLeod, Alison MacLean, Dr Viktor Dörfler, Dr Jillian MacBryde, Dr Stephen Tagg, Professor Chris Robertson, Fiona Conway, Adele McPherson and Kirsty McColl, for their tremendous help and support.

The most genuine thanks are due to the case companies and the interviewees. All interviewees are especially deserving of extensive thanks for devoting their invaluable time to contribute to this study, providing comments on my research topic and making this thesis illuminative, although they remain anonymous.

I would also like to thank my friends around the world. Last, but not least, the greatest contributions have been from my lovely family: my parents and my three sisters, who are always next to me at heart, with unconditional love and patience.

## **Abstract**

This research aims to refine intercultural negotiation theory by providing a holistic picture of the dynamics of the intercultural negotiation process in order to develop a process model of the evolvement of negotiation process, and this is realised by understanding of national negotiation style as a major trigger of the dynamics of negotiation.

The negotiation process was conceptualised as a three-stage process: *preliminary investigation, business proposal and contract negotiation*. Empirically, four qualitative case studies were pursued in a multi-stage data collection process to draw evidence from the Chinese context – specifically via a combination of semi-structured interview and documentation.

This study proposes an integrative theoretical framework based on which this study identifies the dynamics constructs and develops a process model (i.e. the evolvement of the Sino-Western joint venture negotiation process). This study contributes to intercultural negotiation literature by extending Faure's (2000) 4-stage model of Sino-Western joint venture negotiation at the formation phase in specific, which expands our knowledge on international joint venture negotiation and intercultural business negotiation in general.

The emphasis on the major Chinese negotiation style which is derived from high-context communication style (etic) and *guanxi* (emic) at different levels with the local partner / local government / central government provides a strategic perspective and holistic picture on understanding the complexity and evolvement of the Sino-Western joint venture negotiation process in China. Significant practical implications are derived for business practitioners to promote the development and growth of Sino-Western joint venture in particular, as well as international joint venture and as well as international business in general.

# TABLE OF CONTENTS

Declaration of Authenticity and Author's Rights .....	i
Acknowledgements .....	ii
Abstract .....	iii
Table of Contents .....	iv
Lists of Tables .....	ix
Lists of Figures.....	xii
Lists of Abbreviations .....	xiv
<b>Chapter 1 Introduction.....</b>	<b>1</b>
1.1 Introduction.....	1
1.2 Research aim and objectives.....	1
1.3 Literature gaps .....	2
1.4 Theoretical foundations of the research.....	2
1.5 Research questions and theoretical contribution .....	7
1.6 Research methodology.....	9
1.7 Structure of the thesis .....	11
<b>Chapter 2 Literature Review .....</b>	<b>14</b>
2.1 Introduction.....	14
2.2 International business negotiation: overview .....	14
2.2.1 Importance of effective cross-cultural negotiation .....	14
2.2.2 Definition of international business negotiation .....	15
2.2.3 Nature of international business negotiation process.....	15
2.2.4 Characteristics of IB negotiation and IJV negotiation as a distinctive phenomenon .....	16
2.2.5 What makes international business negotiation different? .....	17
2.3 Cultural effects on international business negotiation: overview .....	18
2.3.1 Culture as the most frequently studied aspect of international negotiation .	18
2.3.2 What is culture?.....	18
2.3.3 Conceptualizing culture and negotiation.....	19
2.4 Cultural effects on negotiation: managerial and research perspectives .....	22
2.4.1 Cultural effects on aspects of negotiation process .....	23
2.4.2 Cultural effects on negotiation process .....	30
2.4.3 Culture - negotiation visual model developed in the literature .....	32
2.5 Level of cultural effects on negotiation research.....	34
2.5.1 National culture only.....	34
2.5.2 Culture at multiple level.....	34
2.5.3 Conclusion of cultural effects on negotiation research .....	36
2.6 Applied cultural framework on Sino-Western business negotiation study- guanxi (emic).....	37
2.6.1 Guanxi and other social constructs .....	38

2.6.2	Diverse perspectives on guanxi - static perspective.....	41
2.6.2.1	Importance of Guanxi for Chinese and Western business.....	41
2.6.2.2	What is guanxi? .....	44
2.6.2.3	Guanxi constructs .....	51
2.6.3	Diverse perspectives on guanxi – dynamic perspective.....	51
2.6.3.1	Guanxi activity .....	52
2.6.3.2	Guanxi level .....	52
2.6.3.3	Guanxi transfer: across levels.....	53
2.6.3.4	Guanxi development process.....	53
2.6.3.5	Guanxi dynamics (as unit of analysis) .....	54
2.6.4	Critique of literature on guanxi .....	54
2.6.5	Justification for applied guanxi study .....	55
2.6.6	Summary: guanxi characteristics in China.....	55
2.7	Guanxi influence on Sino-Western business negotiation: emic .....	56
2.7.1	Guanxi influence on Sino-Western business negotiation style .....	56
2.7.2	Guanxi influence on Sino-Western business negotiation process: emic.....	58
2.8	Critique of culture influences on international business negotiation.....	58
2.9	Critique of guanxi influence on Sino-Western business negotiation.....	60
2.10	Synthesis of critique of the literature .....	60
2.10.1	Contradiction of the literature.....	60
2.10.2	Gap in the literature .....	61
2.11	This study.....	62
2.11.1	Scope of this study.....	62
2.11.2	Assumptions of this study.....	63
2.11.3	Integrative theoretical foundation of this study .....	63
2.11.5	Generative research questions from the literature review .....	75
2.12	Summary.....	75
<b>Chapter 3</b>	<b>Methodology .....</b>	<b>76</b>
3.1	Introduction.....	76
3.2	Research methodology: overview.....	76
3.2.1	Main debate of research methodology .....	76
3.2.2	Main stream of research methods .....	78
3.3	Major methodology in international business negotiation literature .....	80
3.3.1	Critical view on major methodology in negotiation research .....	80
3.3.1.1	Major methodology in negotiation research.....	80
3.3.1.2	Trend of qualitative research on international business negotiation .....	81
3.3.2	Critical view of major theory form in negotiation research.....	81
3.3.2.1	Major negotiation theory: variance theory .....	81
3.3.2.2	Need for negotiation theory: process theory .....	82
3.4	Methodology choice for this study .....	82
3.4.1	Nature of this study: exploratory research .....	82
3.4.2	Type of research method of this study: case study .....	83
3.5	Designing case study research .....	84
3.5.1	Defining the case.....	85

3.5.2	Defining the unit of analysis .....	85
3.5.3	Defining the type of case study: Multiple-case design .....	85
3.5.4	Defining case selection: Site selection criteria.....	86
3.5.5	Defining case selection: Participants' selection criteria - case company.....	87
3.5.6	Defining case selection: Participants' selection criteria - informant .....	88
3.6	Conducting case studies: preparing for data collection .....	89
3.6.1	Case study protocol.....	91
3.6.2	Eligibility screen and negotiating access .....	91
3.6.3	Pilot case study.....	92
3.6.4	Pre-test of interview questions .....	94
3.6.5	Back translation of interview questions .....	94
3.7	Conducting case studies: collecting data .....	95
3.7.1	Defining level of theory and sources of data .....	95
3.7.2	Choosing data collection methods and data triangulation.....	96
3.7.3	Collecting data: Semi-structured interview.....	99
3.7.4	Collecting data: Documentation.....	103
3.7.5	Data management.....	106
3.8.1	The nature of qualitative data analysis.....	108
3.8.2	Preparing data analysis.....	109
3.8.3	Conducting data analysis.....	112
3.9	Ethic issues, research relationship and practical considerations.....	114
3.9.1	Ethic issues and practical considerations .....	114
3.9.2	Research relationship and practical considerations.....	114
3.10	Justifications of quality of this research .....	115
3.10.1	Validity .....	115
3.10.2	Reliability.....	116
3.10.3	Generalisation .....	116
3.10.4	Overall quality of this research .....	117
3.11	Summary .....	117
<b>Chapter 4</b>	<b>Findings – Case 1 Roma .....</b>	<b>120</b>
4.1	Introduction.....	120
4.2	Background of Roma Joint Venture .....	122
4.3	Negotiation at Stage 1: Preliminary investigation .....	125
4.3.1	Market research.....	125
4.3.2	Partner selection .....	127
4.4	Negotiation at Stage 2: Business proposal.....	130
4.4.1	Letter of Intent negotiation and signing .....	132
4.4.2	Feasibility Study negotiation and signing.....	135
4.4.3	Feasibility Study Report approval by local government.....	139
4.5	Negotiation at Stage 3: Joint Venture Contract Negotiation .....	140
4.5.1	Joint Venture Contract negotiation and signing.....	141
4.5.2	Joint Venture Contract approval by local government .....	149
4.6	Summary of main findings: Dynamics constructs and dynamics model.....	150

<b>Chapter 5 Findings – Case 2 Sunni .....</b>	<b>158</b>
5.1 Introduction.....	158
5.2 Background of Sunni Joint Venture.....	158
5.3 Negotiation at Stage 1: Preliminary Investigation .....	161
5.3.1 Market research.....	161
5.3.2 Partner selection .....	164
5.4 Negotiation at Stage 2: Business Proposal .....	169
5.4.1 Letter of Intent negotiation and signing.....	172
5.4.2 Feasibility Study and signing of the Feasibility Study Report.....	175
5.4.3 Feasibility Study Report approval by central government.....	185
5.5 Negotiation at Stage 3: Joint Venture Contract negotiation .....	187
5.5.1 Joint Venture Contract negotiation and signing.....	188
5.5.2 Joint Venture Contract approval by central government .....	192
5.6 Summary of main findings: dynamics constructs and dynamics model.....	194
<b>Chapter 6 Findings – Case 3 Losea .....</b>	<b>206</b>
6.1 Introduction.....	206
6.2 Background of Joint Venture Losea .....	206
6.3 Negotiation at Stage 1: Preliminary Investigation.....	209
6.3.1 Market research.....	209
6.3.2 Partner selection .....	211
6.4 Negotiation at Stage 2: Business Proposal .....	215
6.4.1 Letter of Intent negotiation and signing .....	217
6.4.2 Feasibility Study Report negotiation and signing .....	219
6.4.3 Feasibility Study approval by local government.....	222
6.5 Negotiation at Stage 3: Joint Venture Contract Negotiation .....	223
6.5.1 Joint Venture Contract negotiation .....	223
6.5.2 Joint Venture Contract approval by local government .....	226
6.6 Summary of main findings: dynamics constructs and dynamics model.....	227
<b>Chapter 7 Findings – from within-case analysis – Case 4 Flobu .....</b>	<b>235</b>
7.1 Introduction.....	235
7.2 Background of Flobu Joint Venture.....	235
7.3 Negotiation at Stage 1: Preliminary Investigation .....	238
7.3.1 Market research.....	238
7.3.2 Partner selection .....	240
7.4 Negotiation at Stage 2: Business Proposal .....	244
7.4.1 Letter of Intent negotiation and signing.....	246
7.4.2 Feasibility Study Report negotiation and signing.....	250
7.4.3 Feasibility Study Report approval by local government.....	253
7.5 Negotiation at Stage 3: Joint Venture Contract Negotiation .....	254
7.5.1 Joint Venture Contract negotiation and signing.....	255
7.5.2 Joint Venture Contract approval by local government .....	262
7.6 Summary of main findings: dynamics constructs and dynamics model.....	263



<b>Chapter 8 Findings – from cross-case analysis: case 1-4.....</b>	<b>273</b>
8.1 Introduction.....	273
8.2 Background of four case study joint ventures .....	273
8.3 Cross-case analysis and theoretical development.....	274
8.4 Summary.....	282
<b>Chapter 9 Discussion .....</b>	<b>284</b>
9.1 Introduction.....	284
9.2 Restatement of the problem.....	284
9.3 Dynamics of Sino-Western joint venture negotiation process.....	285
9.3.1 Negotiation dynamics.....	285
9.3.2 Guanxi dynamics.....	288
9.4 Dynamics model of evolvement of Sino-Western joint venture negotiation process .....	291
9.5 Summary.....	296
<b>Chapter 10 – Conclusions.....</b>	<b>298</b>
10.1 Introduction.....	298
10.2 Contribution.....	298
10.3 Implications for practice .....	299
10.3.1 Introduction.....	299
10.3.2 Implications for practice in general .....	300
10.3.3 Implications in specific .....	300
10.3.4 Implications for practice in other contexts – speculations.....	310
10.4 Limitations of this study .....	311
10.4.1 Introduction.....	311
10.4.2 Limitations of this study – methodology .....	311
10.4.3 Limitations of this study – cultural and communication issues.....	312
10.5 Suggestions for future research.....	313
10.5.1 Introduction.....	313
10.5.2 Further research followed from the findings of this research .....	313
10.5.3 Further research following on from the methods of this research .....	316
<b>References .....</b>	<b>318</b>
<b>Appendixes.....</b>	<b>335</b>
Appendix 1 Interview questions – first round.....	335
Appendix 2 Interview questions – second round Case 2: Sunni joint venture.....	338
Appendix 3 Informant's information sheet.....	341
Appendix 4 Process flow-chart for Roma joint venture negotiation: case 1.....	342

## Lists of Tables

Table 2.1: The Traits of Guanxi.....	48
Table 2.2: Distinction of guanxi and other related concepts.....	50
Table 2.3: Summary of guanxi characteristics in China .....	56
Table 2.4: National culture, related negotiation factor and negotiation style .....	58
Table 3.1: Evaluation of main stream of research methods .....	79
Table 3.2: Case company selection criteria.....	88
Table 3.3: Interview informant selection criteria.....	89
Table 3.4: Identified case companies for the study.....	92
Table 3.5: Pilot case study on interview (with examples of refining research design)....	93
Table 3.6: Summary of sources of data and data triangulation.....	98
Table 3.7: Interviews in four joint ventures .....	99
Table 3.8: Summary of documents collection .....	105
Table 3.9: Summary of sources of text analysis for the study .....	110
Table 3.10: Case study tactics for four design tests .....	117
Table 4.1: Structure of findings chapters for Cases 1-4.....	120
Table 4.2: Profile of case 1- Roma.....	123
Table 4.3: Main negotiation activities and events at stage 1.....	125
Table 4.4: Main negotiation activities and events at stage 2.....	131
Table 4.5: Main negotiation activities and events at stage 3.....	141
Table 4.6: Summary of negotiation style (etic), key events and negotiation dynamics.	151
Table 4.7: Synthesis of Chinese negotiation style (etic) and negotiation dynamics.....	152
Table 4.8: Summary of Chinese negotiation style (emic), key events, guanxi dynamics .....	153
Table 4.9: Synthesis of Chinese negotiation style (emic) and guanxi dynamics .....	154
Table 4.10: Guanxi interaction with negotiation process through key events .....	155
Table 5.1: Profile of case, Sunni .....	159
Table 5.2: Main negotiation activities and events at stage 1.....	161
Table 5.3: Main negotiation activities and events at stage 2.....	170

Table 5.4: Main negotiation activities and events at stage 3.....	188
Table 5.5: Summary of negotiation style (etic), key events and negotiation dynamics.	196
Table 5.6: Synthesis of Chinese negotiation style (etic) and negotiation dynamics.....	197
Table 5.7: Summary of Chinese negotiation style (emic), key events & guanxi dynamics .....	199
Table 5.8: Synthesis of Chinese negotiation style (emic) and guanxi dynamics .....	201
Table 5.9: Guanxi interaction with negotiation process through key events .....	202
Table 6.1: Profile of case, Losea.....	207
Table 6.2: Main negotiation activities and events at stage 1.....	209
Table 6.3: Main negotiation activities and events at stage 2.....	216
Table 6.4: Main negotiation activities and events at stage 3.....	223
Table 6.5: Summary of negotiation style (etic), key events and negotiation dynamics.	228
Table 6.6: Synthesis of Chinese negotiation style (etic) and negotiation dynamics.....	228
Table 6.7: Summary of Chinese negotiation style (emic), key events and guanxi dynamics .....	230
Table 6.8: Synthesis of Chinese negotiation style (emic) and guanxi dynamics .....	231
Table 6.9: Guanxi interaction with negotiation process through key events at Losea...	232
Table 7.1: Profile of Flobu case .....	236
Table 7.2: Main negotiation activities and events at stage 1.....	238
Table 7.3: Main negotiation activities and events at stage 2.....	244
Table 7.4: Main negotiation activities and events at stage 3.....	255
Table 7.5: Summary of negotiation style (etic), key events and negotiation dynamics.	264
Table 7.6: Synthesis of Chinese negotiation style (etic) and negotiation dynamics.....	265
Table 7.7: Summary of Chinese negotiation style (emic), key events and guanxi dynamics .....	267
Table 7.8: Synthesis of Chinese negotiation style (emic) and guanxi dynamics .....	268
Table 7.9: Guanxi interaction with negotiation process through key events at Flobu...	270
Table 8.1: Profile of the four case companies.....	274
Table 8.2: Synthesis of Chinese negotiation style (etic) and negotiation dynamics across four cases.....	276

Table 8.3: Synthesis of Chinese negotiation style (emic) and guanxi dynamics across  
four cases.....279

Table 9.1: Summary of comparison of the findings and literature .....297

## **Lists of Figures**

Figure 1.1: Theoretical foundations of this study - An integrative framework .....	4
Figure 1.2: Structure of the thesis .....	13
Figure 2.1: Guanxi and other social constructs.....	40
Figure 2.2: The Yin Yang principle .....	46
Figure 2.3: Integrative theoretical foundation of this study .....	65
Figure 2.4: Proposed integrative conceptual framework .....	70
Figure 3.1: Data collection methods and process for the study .....	90
Figure 3.2: Maintaining a chain of evidence.....	108
Figure 3.3: Categorising and coding data for the study .....	111
Figure 3.4: Within case analysis procedure for the study .....	112
Figure 3.5: Cross-case analysis procedure for the study.....	113
Figure 3.6: Convergence and triangulation of multiple sources of evidence.....	118
Figure 3.7: Research design and research process for the study.....	119
Figure 4.1: Proposed integrative conceptual framework .....	122
Figure 4.2: Physical structure of joint venture Roma .....	124
Figure 4.3: Physical structure of Roma and number of negotiators at stage 2.....	132
Figure 4.4: Physical structure of Roma joint venture and negotiators at stage 3.....	145
Figure 4.5: Negotiation dynamics in three-stage negotiation process of Roma .....	152
Figure 4.6: Guanxi dynamics in two-level guanxi development process of Roma .....	154
Figure 4.7: Dynamics model of Sino-Western joint venture negotiation at Roma.....	157
Figure 5.1: Physical structure of Sunni joint venture.....	160
Figure 5.2: Physical structure of Sunni and negotiation teams.....	172
Figure 5.3: Negotiation dynamics in three-stage negotiation process of Sunni.....	198
Figure 5.4: Guanxi dynamics in two-level guanxi development process of Sunni.....	201
Figure 5.5: Dynamics model of Sino-Western joint venture negotiation at Sunni .....	205
Figure 6.1: Physical structure of joint venture Losea .....	208
Figure 6.2: Physical structure of Losea and negotiation teams at stage 2.....	217
Figure 6.3: Negotiation dynamics in three-stage negotiation process of Losea .....	229

Figure 6.4: Guanxi dynamics in two-level guanxi development process of Losea .....	231
Figure 6.5: Dynamics model of Sino-Western joint venture negotiation at Losea.....	234
Figure 7.1: Physical structure of Flobu joint venture.....	237
Figure 7.2: Physical structure of Flobu, negotiation team at stage 2 for LOI negotiation .....	245
Figure 7.3: Physical structure of Flobu, negotiation teams after LOI negotiation.....	251
Figure 7.4: Negotiation dynamics in three-stage negotiation process of Flobu.....	266
Figure 7.5: Guanxi dynamics in two-level guanxi development process of Flobu.....	269
Figure 7.6: Dynamics model of Sino-Western joint venture negotiation at Flobu .....	272
Figure 8.1: Negotiation dynamics in three-stage negotiation process across four cases	277
Figure 8.2: Guanxi dynamics in two-level guanxi development process across four cases .....	279
Figure 8.3: Generic dynamics model of Sino-Western joint venture negotiation process across four cases.....	282

## **Lists of Abbreviations**

IB	International business
JV	Joint Venture
IJV	International Joint Venture
LOI	Letter of Intent
FSR	Feasibility Study Report
JVC	Joint Venture Contract
Q	research question
[ ] in quotation:	note added by the Author
<i>Italic</i> in quotation:	emphasis by the Author

# **Chapter 1 Introduction**

## **1.1 Introduction**

This chapter presents readers with an overview of the research conducted for the thesis. The chapter begins with the aim and objectives of the research, then the existing literature is discussed, based on which the contradictions and gaps in the literature are identified and the focus of the research to address those contradictions and gaps is defined. The theoretical foundations of the research are presented; following which, the main research questions are specified, and related theoretical contributions are described. The research methodology contribution is then explained. Finally, the chapter closes with the structure of this thesis.

## **1.2 Research aim and objectives**

The aim of this research is to refine intercultural negotiation theory by providing a holistic picture of the dynamics of the intercultural negotiation process in order to develop a dynamic model of the negotiation process, and this is realised by exploring the understanding of the national negotiation styles as a major trigger of the dynamics. The objectives of this study are:

For the literature review:

- To examine the negotiation process in international business negotiation literature in general, and Sino-Western businesses negotiation literature in specific, to understand the need for a systematic investigation of the dynamics of the negotiation process itself (i.e. evolution of negotiation process) and the need for a process theory;
- To analyse the rationale of choosing Sino-Western joint venture negotiation as the context for this study;



- To develop an integrative framework as a theoretical foundation to study the dynamics of negotiation processes itself in China;
- To develop an integrative conceptual framework to inform this study (by identifying the key Chinese negotiation styles and exploring the Sino-Western joint venture negotiation processes);
- To formulate generative research questions from the literature review.

For the empirical study:

- To discover how each of these Chinese negotiation styles influences the evolvement of Sino-Western joint venture negotiation process;
- To develop a process model of the evolvement of negotiation process model.

### **1.3 Literature gaps**

The literature sheds light on culture and negotiation research by offering mainly how culture influences some aspects of negotiation process. However, none of these studies empirically investigates *the cultural effects on the negotiation process itself (i.e. the evolvement of negotiation process)*. As a result, there is a lack of research specifically oriented towards *modelling the evolvement of the negotiation process either in text or in visual display* in culture and negotiation research. Nevertheless, the importance of understanding the *evolvement of negotiation process* has been highlighted. Olekalns and Weingart (2008) suggest that “Capturing this dynamic and the emergent aspect of the negotiation process provides managers and organisations with a powerful set of tools for redirecting the negotiation process to more functional and mutually beneficial outcomes, notwithstanding the structural conditions at the start of negotiations” (p137).

### **1.4 Theoretical foundations of the research**

#### **An integrative framework**

The core idea of this study is that “negotiation is one of the most challenging communication tasks in business” (Gilsdorf, 1997, P116). The recent trend has shown the incorporation of the *communication* into the core concepts of *international business negotiation theory and cultural theory* (e.g. Ghauri, 2003; Usunier, 2003). The new theoretical strands have been applied to the study of Sino-Western business negotiations (e.g. Ghauri and Fang, 2003; Faure, 2000).

This study develops an integrative framework (figure 1.1), which incorporates the *communication perspective, international business negotiation theory and cultural theory* as the theoretical foundations of this study. The framework suggests that the communication perspective acts as the initial building block for the theoretical foundation of this study, which enables a shift of focus from a static approach to more dynamic technique, and the adoption of a negotiation process itself instead of negotiation aspect as a unit of analysis in explaining the dynamics of the negotiation process itself (i.e. the evolvement of negotiation process). Also, the integrative framework sets the cross-disciplinary nature of this study by incorporating communication theory to international business negotiation theory.

In addition, this integrative framework also considers the methodological issues of the study (i.e. a combined etic and emic perspective; process study), which lead to different theoretical types, hence this integrative framework reflects the theories based on both etic and emic accordingly and reflect a process view (see detailed methodological discussion in Section 1.6). Each of these theories / perspectives / views is briefly discussed as follows.

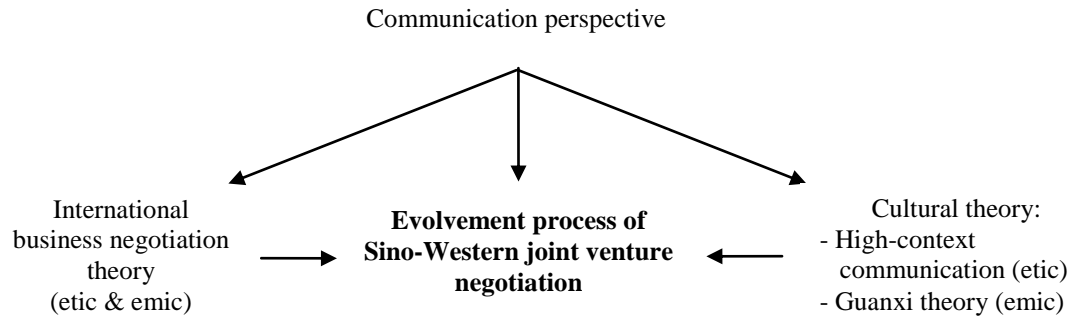


Figure 1.1: Theoretical foundations of this study - An integrative framework

Source: Author

### **Rational of communication perspective**

Communication perspective is important for culture and negotiation research. Because “communication scholarship sets forth a perspective for understanding the negotiation process, for examining bargaining interaction as a system, and for exploring the micro elements and subtleties that frequently alter the course of negotiations” (Chatman, Putnam, and Sondak, 1991, p159).

Moreover, “communication approaches to the study of bargaining are not unidimensional. Rather researchers center on select components of communication, namely verbal and nonverbal messages, information exchange, language, media, symbols, and meaning. These components provide a lens to tap into other dimensions of bargaining such as...the evolution or development of the bargaining process, negotiator relationship, and the role of audiences in the negotiation process” (Putnam and Roloff, 1992, p4).

According to Putnam and Roloff (1992, p7) three key features distinguish a communication approach to negotiation.

First, scholars examine bargaining through micro elements of verbal utterances, nonverbal cues, channels, language, and symbols. These micro elements form patterns, regularities, and subtle meanings that frequently alter the course of negotiation.

Moreover, these micro processes occur in context; hence, bargainers produce message and meaning systems jointly through interactions that occur in situ. The context of communication, then, spans across previous and subsequent messages, communication patterns over time, bargaining context and relationships, and the larger social context from which language systems are derived.

Second, communication scholars center on the dynamic features of negotiation; hence they address such concerns as how goals, strategies, and tactics change over time; how information processing occurs; how offers are formulated and modified; how issues and disputes are transformed; how power and authority are redefined through communication styles and strategies; and how conflict in negotiation escalates and deescalates.

A third feature that constitutes a communication approach is an effort to uncover systems of meaning in the bargaining process. Systems of meaning stem from many elements in the bargaining situation, including the negotiators' interpretations, covert verbal and nonverbal cues, the evolving patterns of behaviour, past and normative practices, and societal texts (Bell, 1988; Stein, 1988). Because communication scholars focus on language and discourse, they can assess systems of meaning from individual, interpersonal, situational, and cultural perspectives. Individual or cognitive approaches to meaning center on negotiators' attributions, expectations, and intentions, while interpersonal approaches focus on co-orientation or the joint constructing of meaning through shared interpretations. Situational meanings stem from past practices, relationships among disputants, procedural and normative behaviors, prenegotiation history, genesis and evolution of the conflict, and organizational context. Finally, societal and cultural meanings impinge on bargaining through stereotype of the activity, cultural language, legal and political constraints, constituents and audiences to the negotiation process, power relationships in society, and mass media coverage of bargaining events.

In effect, *a communication perspective* on negotiation operates from different assumptive ground than does a political, economic, or psychological view of bargaining. This assumptive ground derives from attention to elements that are typically ignored in extant literature, specifically, the microprocesses and patterns of bargaining interaction; the dynamic or evolving nature of negotiation; and the systems of meaning enacted through individual, situational, and cultural factors that shape the process. A *communication perspective* also leads to classifying extant literature differently than do scholars who track the historical development of bargaining or the analytical framework of theorists."

### **Communication perspective (etic & emic)**

#### **- Incorporating communication theory to international negotiation theory**

This study argues that a communication perspective is more appropriate than a cultural perspective to study the evolution of negotiation processes, because negotiation is a communicative exchange.

Hall's (1976) communication theory (etic) is based on qualitative research, which can reflect negotiation processes; particularly, it can demonstrate nonverbal communication, which is not covered in traditional cultural theory (e.g. Hofstede, 1980; Trompenaars, 1993), hence providing a better framework to study negotiation processes. Hall further distinguishes between high-context and low-context culture. Hall's study is useful in understanding why different cultures might communicate differently, for example, in developing business relationships, negotiating with insiders and outsiders, and implementing contracts (Mead, 2005).

Guanxi (emic) is regarded as the core of Chinese culture (Child and Lu, 1996) because guanxi relationships are manifested both in social lives and in the business domain (Arogyaswamy, 2001). Recent studies link guanxi to negotiation study, which suggests that *guanxi* is the foundation of Chinese business negotiations (Buttery and Leung, 1997; Li and Labig, 2001), and *guanxi* at different levels (with individual / local partner / local government / central government) plays a crucial role in the negotiation process (Chen, 2001; Fang, 2006; Deresky, 1997; Pudelko, 2005). As guanxi will continue to dominate in Chinese society (Luo, 2007), therefore, applying guanxi for this study is timely and has significant theoretical and practical implications.

Guanxi is a Chinese word, which means relationship or connection in a simple way. A communication contains both contents and relationship, and contents and relationship are essential in a negotiation. In this sense, studying guanxi in the negotiation is communication focused, hence labelled as communication perspective in this study.

### **International business negotiation theory**

#### **- Identifying Chinese negotiation styles shaped by high-context communication (etic)**

Chinese communication is characterised as high-context communication (Hall, 1976). Key Chinese negotiation styles which emerge from the literature include: Indirect

information disclosure, indirect conflict management, top-down decision making, holistic approach (Ting-Toomey, 1999) and polychronic time (Hall, 1976). These Chinese negotiation styles, which are shaped by both verbal and nonverbal communication, are supposed to have significant impact on the negotiation process, hence they can reflect the dynamics of the negotiation process.

### **International business negotiation theory**

#### **- Identifying Chinese negotiation style shaped by guanxi (emic)**

Guanxi, at different levels, plays a crucial role in the negotiation process in China (Chen, 2001; Fang, 2006; Deresky, 1997; Pudenko, 2005). Key Chinese negotiation styles (emic) emerging from guanxi literature include guanxi with the individual, guanxi with a local partner, guanxi with the government (local and central), which are supposed to play a crucial role in the negotiation process. Since international joint venture negotiation is a cooperative behaviour and the Chinese government plays a significant role in the negotiation, this study focuses on guanxi with a local partner and guanxi with the government (local and central), in other words, guanxi at the corporate and government level, while, guanxi with an individual (personal level) is supplementary evidence.

## **1.5 Research questions and theoretical contribution**

### **Research questions**

In the light of the general aim and proposed integrative conceptual framework, generative questions from the literature review therefore include:

- Q1: How does Chinese negotiation style influence the evolvement of Sino-Western joint venture negotiation process?
- Q2: How can the evolvement of Sino-Western joint venture negotiation process be modelled as a process?

Through the investigation of the generative research questions, it is expected that this research may contribute to contemporary international negotiation research by reducing the contradiction between the nature of the negotiation process and the nature of negotiation research, as well as narrowing the gap between theoretical research and practical negotiation application. To be specific, in seeking answers to the research questions, this study attempts to contribute to the theoretical and practical knowledge as follows.

### **Theoretical contributions - intercultural negotiation literature**

This study contributes to intercultural negotiation by extending Faure's (2000) 4-stage model of Sino-Western joint venture negotiation at the formation phase. To be specific:

a. It *identifies dynamics constructs, namely negotiation dynamics (etic) and guanxi dynamics (emic)* through examining the linkage between negotiation style and the evolvement of the negotiation process itself, which informs Western literature as well as reflecting the unique negotiation phenomenon in China. It, hence, raises awareness that the dynamics of the negotiation process itself could be identified through certain negotiation factors (i.e. negotiation style in this study). Also a combined etic and emic perspective could provide a more comprehensive understanding by expanding constructs.

b. It *develops a more comprehensive and efficient framework - dynamics model* to study the evolvement of negotiation process in China, which introduces a conception that realises the existence of a sub-process (guanxi development process) (emic) embedded in the joint venture negotiation evolvement process (etic), hence empirically providing a realistic and holistic picture of negotiation dynamics in China. In this sense, it highlights the importance of process study, which creates an opportunity to look at the potential sub-process and the interaction between the processes.

c. It *discovers the non-linear nature of Sino-Western joint venture negotiation processes*, which contrast with the linear and sequential nature claimed in Faure's (2000) stage model in Sino-Western joint venture negotiation at the formation phase, *moreover it specifies how the linear feature occur*, hence empirically providing a realistic and holistic picture of negotiation dynamics in China.

The above discussion shows that this study expands our knowledge on intercultural business negotiation and international joint venture negotiation in general.

To achieve the above theoretical contributions, addressing the research questions by effective research design is crucial, which is discussed in the next section.

## **1.6 Research methodology**

### **Research methodology**

#### ***Process study***

The dynamics of the negotiation process itself is a neglected area; 'process' study and models that track activities and events over time are needed to fill this gap. The purpose of this study is to understand the sequence of negotiation events (which is associated with negotiation style) leading to the dynamics of negotiation processes over time (Mohr, 1982; Langley, 1994). As Van de Ven and Huber (1990) state 'Process studies are fundamental to gaining an appreciation of dynamic organizational life' (p. 213). In this regard, this study is a process study. Indeed, case study is ideal for process study, which has been employed by leading process researchers (e.g. Langley, 1994; Burgelman, 1994) to produce process theories or models.

#### ***Multiple-case study***

This study applies a multiple-case study to address 'how' questions by examining contemporary negotiation processes in the Chinese business context (Yin, 2003). Case study serves the exploratory nature of the study, which enables the discovery of broader



and richer facets as existing understanding of the subject (i.e. dynamics of negotiation) is limited (Yin, 2003). Case study also best suits the aim of the study of refining intercultural negotiation theory (Denzin and Lincoln, 2005, p.460), which enables the generation of new theoretical inferences grounded in case and cross-case analysis (Miles and Huberman, 1994; Yin, 2003). In addition, the case study method allows retention of the holistic and meaningful characteristics of real-life events of negotiation processes (Yin, 2003, p.2), where negotiation processes unfold, hence offering an opportunity to develop process theory.

Four case studies were pursued in two phases to draw evidence from the Chinese context - via a combination of semi-structured interview and documentation for *data triangulation* (Yin, 2003). Within-case analysis was carried out by 'thick description', while cross-case analysis by pattern matching (Miles and Huberman, 1994; Yin, 2003). Cross referencing between interviews and between primary and secondary data were carried out to establish connections among factors and further verify validity of these data by *triangulation* (Yin, 2003).

#### ***A combined etic and emic perspective***

Scholars have highlighted the importance of culture in shaping negotiation processes and outcomes (e.g. Ghauri, 2003; Brett, 2001; Graham and Lam, 2003; Salacuse, 1999; Faure, 1999, 2000), and most studies are based on comparative analysis to understand culture universal across nations (etic) (e.g. Salacuse, 1999; Brett, 2001), others try to understand specific culture within China (emic) (e.g. Graham and Lam, 2003; Ghauri and Fang, 2003). However, the use of only an etic or emic approach to research does not provide sound data for understanding behaviour across cultures (Stening and Zhang, 2007; Morris et al., 1999). Etic and emic approaches must be combined to give adequate explanations (Gudykunst, 1985), which can offer a best-practices approach for the study of cross-cultural organisational research (Schaffer and Riordan, 2003). Hence, this approach is adopted for this study.

The Chinese negotiation style emerged from the literature, which is derived from both etic (high-context communication) and emic (guanxi) cultural perspective / approach in order to capture a fuller picture of the dynamics of the negotiation process in the Chinese context. In this sense, this study employs the combination of both etic and emic cultural perspectives, offering a best-practices approach for the study of inter-firm negotiation in the context of international collaboration (Schaffer and Riordan, 2003).

## **1.7 Structure of the thesis**

The remainder of the thesis takes the reader through the following chapters (also see figure 1.2):

Chapter 2 explores the literature review. It examines the literature first; based on that the limitations of the literature are discussed, which identifies the contradictions and gaps of knowledge and explains the need for an empirical study with a defined research focus. Following that, theoretical foundations are introduced. Then, an integrative conceptual framework is explained to support and inform the research. Finally, in the light of the general aim and proposed integrative conceptual framework, generative questions from the literature review are formulated.

Chapter 3 describes the methodology. It explains general discussion of the methodology issues and the choice of research methodology for this research, and justifies the appropriateness of its choice. The latter includes the methodology choice and application of the process study, multiple case study, a combined etic and emic perspective, sources of data (primary and secondary data), and types of data collection methods (semi-structured interview, documentation), and methodology justification and evaluation for this study.

Chapters 4-7 present the empirical findings within each case respectively (within-case analysis). They explore the relevant findings around the objectives of this study (i.e.

dynamics of the negotiation process); they also present the emergent additional findings, which are not covered in the existing literature (i.e. dynamics model).

Chapter 8 integrates the empirical findings from chapters 4-7 (cross-case analysis), and present replication of the findings across the four cases.

Chapter 9 discusses the findings from the study. It compares the empirical findings with the existing literature to show findings which confirm and agree with claims made in the existing literature. Particular interest will pay attention to any findings which disagree or contradict with the existing literature and give explanations.

Chapter 10 contains the conclusions with contributions (theoretical contribution, methodological contribution), implications for practice, limitations of this study and suggestions for future research.

This is followed by the references and appendices. The latter explains the sources of the data and contact information for this study.

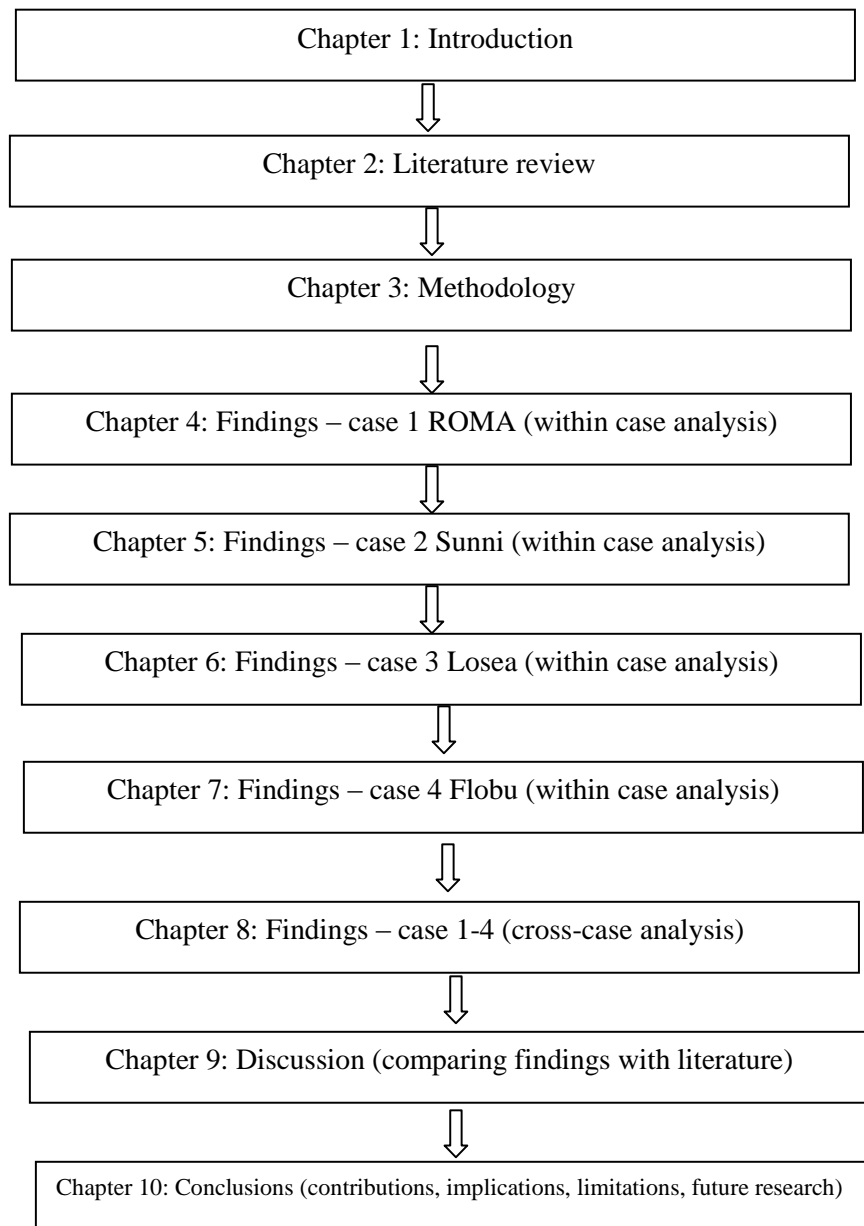


Figure 1.2: Structure of the thesis

Source: Author

## **Chapter 2 Literature Review**

### **2.1 Introduction**

This chapter begins with an overview of international business negotiation, it then discusses cultural effects on international business negotiation and Sino-Western business negotiation in detail. The limitation of the existing literature is discussed, the gaps of knowledge are identified, and the focus of this study is explained, which illuminates the need for an empirical research. Finally, the chapter ends with a brief summary.

### **2.2 International business negotiation: overview**

Negotiation has been a research priority since the earliest days of social psychology (e.g. Deutsch and Krauss, 1962) and organisational behaviour (e.g. Walton and McKersie, 1965). Negotiation research is important for both theoretical and practical reasons. Theory-driven research seeks an understanding of basic processes and outcomes of negotiation, whereas practical research attempts to find ways to help negotiators obtain better results (Gannon and Newman, 2002).

#### **2.2.1 Importance of effective cross-cultural negotiation**

Along with the development of globalisation, the increasing economic interdependence among nations stressed the significance of cooperative behaviours in international commerce (Tung, 1988; Sheth, 1983). The creation of value through the initiation of new transactions within any type of business alliance requires negotiation between the parties, and this is an essential feature of all business interactions (Brett, 2000). In this international context, this is associated with negotiation, agreement and exchange between business partners from different national cultural values and traditions (Harris

and Ghauri, 2000). Therefore, there is a need to better understand how the parties interact with each other, how negotiation process develops over time and how the relationship(s) between parties can best be conducted.

### **2.2.2 Definition of international business negotiation**

“International business negotiation is a young field – much younger than international business itself” (Maude, 2014, p.8). There are various definitions of negotiation. According to Harris and Moran (1991) “Negotiation is a process in which two or more entities come together to discuss common and conflicting interests in order to reach an agreement of mutual benefit. In international business negotiation, there are cultural dimensions in every aspect of the negotiations” (p.56)

While, Adair and Brett (2004) define “negotiation is a communication process by which two or more interdependent parties resolve some matter over which they are in conflict” (p.158). Similarly, Putnam and Poole (1987) describe negotiation as a communicative exchange, through which participants ‘define or redefine the terms of their interdependence’ (Walton and McKersie, 1965).

### **2.2.3 Nature of international business negotiation process**

Despite various definitions of negotiation, one thing is common that is negotiation is a process. Moreover, this process is dynamic (Olekalns and Weingart, 2008), and the *dynamic nature of negotiation* is widely recognised by negotiation scholars (e.g. Olekalns and Weingart, 2008; Tung et al., 2008; Ghauri, 2003; Faure, 2000; Fang, 2006). Ghauri and Usunier (2003) suggest that this dynamic process can move in a positive as well as a negative direction at any time, for example, after or during each session. Furthermore, based on complexity theory, Wheeler and Morris (2002) indicate that negotiation process is non-linear in nature.

## **2.2.4 Characteristics of IB negotiation and IJV negotiation as a distinctive phenomenon**

### **Characteristics of international business (IB) negotiation**

According to Ghauri (2003), negotiations, whether international or not, share some universal characteristics (p.146):

- Two or more parties with (partly) conflicting interests;
- A common need for agreement because of an expected gain from such an agreement;
- An initially undefined outcome;
- A means of communication between parties;
- A control and decision-making structure on either side by which either side's negotiator(s) is /are aligned to his/their superiors.

However, in international negotiations, the following characteristics vary according to the national negotiation styles of either side:

- The nature of the control and decision-making structure in either side;
- Reasons for trusting or distrusting the behaviour of the other side (a certain amount of trust is an indispensable ingredient for successful negotiation);
- Tolerance for ambiguity during the negotiation process;
- Emotional needs of negotiators, e.g. ego boosting or ego effacement.

### **International joint venture (IJV) negotiation - a distinctive phenomenon**

#### ***Definition of international joint venture***

Joint ventures and wholly owned subsidiaries are the main forms of foreign direct investment. 'When two or more companies share ownership of a foreign direct investment, the operation is called a joint venture' (Daniels et al., 1998, p.17). An IJV could be best defined as 'a partnership of two or more independent firms which share resources when at least one partner's headquarters are located outside the ventures

country of operation or when the venture operates outside all the partners' home countries (McDonald and Burton, 2002, p.224).

### ***Difference with other international business negotiation***

IJV negotiations differ from those of other international businesses because firm motivation, project longevity, and resource commitment are different for IJVs. The resulting terms, clauses, and conditions are distinctive, venture specific, and complex. Because it concerns the establishment and development of a new, independent entity involving long-term commitment, negotiating the contract is an *ex ante* governance vehicle for ensuring long-term, joint payoffs for both parties. By contrast, contract terms for other international businesses, such as import and export, are generally standardized globally by organizations such as the International Chamber of Commerce (Luo, 1999).

### **2.2.5 What makes international business negotiation different?**

Phatak and Habib (1996) suggest that **two contexts** have an influence on international negotiations: the environmental context and immediate context. The *environmental context* includes the environmental forces that neither negotiator controls that influence the negotiation (political and legal pluralism, international economics, foreign governments and bureaucracies, instability, ideology, culture, and external stakeholders). Among these forces “*Culture has received by far the most attention by those examining international negotiation*” (Lewicki et al., 2010, p.445), and it is discussed in the following section.

While, the *immediate context* includes factors over which negotiators appear to have some control (relative bargaining power, levels of conflict, relationship between negotiators, desired outcomes, and immediate stakeholder).

Understanding the role of factors in both the environmental and the immediate contexts is important to grasping the complexity of international negotiation process.



## **2.3 Cultural effects on international business negotiation: overview**

### **2.3.1 Culture as the most frequently studied aspect of international negotiation**

National culture is “perhaps the broadest social context within which negotiation can occur” (Carnevale, 1995, p. 310).

When individuals conduct business across national borders, they often bring to the negotiation table diverse cultural predispositions in which they interact with one another (Graham et al., 1994; Faure, 2000).

“The most frequently studied aspect of international negotiation is culture, and the amount of research on the effects of culture on negotiation has increased substantially in the past 20 years” (Lewicki et al, 2010, p.449).

These include studies from some scholars who have highlighted the importance of national culture in shaping negotiation processes and outcomes (e.g. Brett, 2001; Brodt and Tinsley, 1998; Gelfand and Dyer, 2000; McCall and Warrington 1990; Graham and Sano 1990; Bazerman et al., 2000; Graham et al., 1988; Campbell et al., 1988; Weiss 1993; Fisher et al., 1994; Salacuse, 1998, 1999).

### **2.3.2 What is culture?**

#### ***Culture definition***

Definitions of culture are as numerous (Hofstede, 1980, 1991; Trompenaars, 1993; Triandis, 1988; Schwartz, 1994; Salacuse, 1998; Mead, 2005; Hall, 1970, 1976; Brett; Ting-Toomey, 1999; Avruch, 2007), and often as vague, as definitions of negotiation itself (Mead, 2005). Hofstede’s (1980, 1991) research is the most long-standing and has been replicated the most (Sondergaard, 1994), whose definition (1980) is still the best known to management scholars:

Culture is ‘...the collective programming of the mind which distinguishes the members of one human group from another... Culture, in this sense, includes systems of values; and values are among the building blocks of culture.’ (p.21)

Although there are many different meanings of the concept of culture (see Avruch, 2007), but all definitions share two important aspects. First, culture is a group-level phenomenon. That means that a defined group of people share beliefs, values, and behavioural expectations. The second common element of culture is that cultural beliefs, values, and behavioural expectations are learned and passed on to new members of the group (Lewicki et al, 2010; Mead, 2005).

### ***Cultural levels***

It has been recognised that culture operates at multiple levels. National culture is that component of our mental programming which we share with more of our compatriots as opposed to most other world citizens (Hofstede and Usunier, 2003).

Besides the national component, cultural programs contain other components including our profession, regional background, sex, age group and the organisations to which we belong (Hofstede and Usunier, 2003; Lewicki et al, 2010; Maude, 2014; Leung et al., 2005; Faure, 1999; Locker and Kaczmarek; 2007).

### **2.3.3 Conceptualizing culture and negotiation**

Robert Janosik (1987) identified four ways that culture has been conceptualised in international negotiation: as learned behaviour, as shared values, as dialectic, and in context.

#### ***Culture as learned behaviour***

One approach to understanding the effects of culture documents the systematic negotiation behavior of people in different cultures. This pragmatic approach concentrates on creating a catalogue of behaviors that foreign negotiators should expect when entering a host culture (Janosik, 1987). Many popular books and articles on international negotiation treat culture as learned behaviour, providing useful lists of dos and don'ts to obey when negotiating with people from different cultures (Lewicki et al, 2010).

However, “the focus of this approach is often primarily on what negotiators *do*, rather than what they *think*. It is quintessentially pragmatic. There is little felt need for detailed analysis of when, why and how a pattern of behaviour occurs; rather, the primary consideration has to do with the reliability and sensitivity of the observer” (Janosik, 1987, p.385).

### ***Culture as shared values***

The second approach to conceptualizing culture concentrates on understanding central values and norms and then building a model for how these norms and values influence negotiations within that culture (Faure, 1999; Sebenius, 2002a). Cross-cultural comparisons are made by finding the important norms and values that distinguish one culture from another and then understanding how these differences will influence international negotiation.

Greet Hofstede's model of cultural dimensions (1980a, 1980b, 1989, 1991) and Edwin Hall's model of cultural values (1959;1976; Hall and Hall, 1990) are widely used by this approach (Lewicki et al, 2010). (These two popular models is discussed in more detail in later section 2.4.1)

This approach represents a higher level of abstraction than the first approach – culture as learned behaviour – “since implicit in it is a causal relationship between the values of a cultural group and bargaining behaviour” (Janosik, 1987, p.385).

The *culture-as-shared-values perspective* provides explanation for why cross-culture negotiations are difficult and have a tendency to break down.

Despite the influence and importance of it, there is some concern that variation *within* cultural value dimensions is underrecognized. Hence, interpretations of the effects of cultural value dimensions on negotiations should be treated with caution.

### ***Culture as dialectic***

The third approach to using culture to understand international negotiation identified by Janosik (1987) recognizes that all cultures contain dimensions or tensions that are called *dialectics*.

According to Janosik (1987), the culture-as-dialectic approach has advantages over the culture-as-shared-values approach because it can explain variations within cultures (i.e., not every person in the same culture shares the same values to the same extent). However, this approach does not provide international negotiators with simple advice about how to behave in a given negotiation. Rather, it suggests that negotiators who want to have successful international negotiations need to appreciate the richness of the cultures in which they will be operating (Lewicki et al., 2010).

### ***Culture in context***

Proponents of the fourth approach to using culture to understand international negotiations recognize that human behaviour is not determined by a single cause, and culture is not the only factor which determines negotiation behavior. Other factors that may be important determinants of negotiation behaviour include personality, social context and environmental factors (Rubin and Sander, 1991). Hence, using culture as the sole explanation of behaviour is oversimplifying a complex social process.

The culture-in-context models are becoming more and more complex in order to explain nuanced differences in cross-cultural negotiations. As this complexity increases,

however, they become less useful for practitioners of cross-cultural negotiation to put into practice (Janosik, 1987). Their strength, however, is in forging a deeper understanding of how cross-cultural negotiations work and using that understanding to prepare and engage more effectively in international negotiation (Lewicki et al., 2010).

### ***Summary***

The first two approaches allow a high degree of predictability concerning the negotiating behaviour of the culture group being analysed. The third and fourth approaches are rather less deterministic, and they make prediction a more complex and risky enterprise (Janosik, 1987). Despite the limitations, the insights garnered from all approaches are important. Therefore, practitioners prefer to employ the “culture as learned behaviour” or the “culture as shared value” approaches; the academics more frequently use the “culture as dialectic” or “culture in context” approaches.

Based on the above illustration, there are similarities and differences among the four approaches, each stresses the importance of understanding how culture affects negotiation (Janosik, 1987; Lewicki et al, 2010). The discussion for the next section mainly focuses on the first two approaches (culture as learned behaviour and culture as shared values), because they are used by majority research, and they offer both theoretical insights and practical significance for understanding cultural effects on negotiation. While, the other two approaches (culture as dialectic and culture in context) are employed by few scholars, although they both provide theoretical significance they are difficult for practitioner’s utility.

## **2.4 Cultural effects on negotiation: managerial and research perspectives**

This study intends to develop a process theory on the evolvement of negotiation process, hence the literature review focuses on the area of the linkage of culture and negotiation process. Here it is important to understand the definition of process.

Van de Ven (1992) has offered an instructive formal definition of what is process. He argues that “process is often used in three ways in the literature: (1) as a logic used to explain a causal relationship in a variance theory; (2) as a category of concepts that refer to activities of individuals or organisations; and (3) as a sequence of events that describes how things change over time” (p169). “Of these three approaches only the third explicitly and directly observes the process in action and thereby is able to describe and account for how some entity or issue develops and changes over time” (process theory) (Pettigrew, 1997, p.338). While, the first two meanings are associated with the development of what Lawrence Mohr (1982) and others have labelled variance theories (Langley, 2009).

#### **2.4.1 Cultural effects on aspects of negotiation process**

##### **a. Culture and negotiation research without cultural framework**

There has been considerable research on the effects of culture on the aspects of negotiation process in the last decade. Findings suggest that culture has important effects on the following negotiation aspects (elements / factors):

- negotiation style (Salacuse, 1998; Tung, 1998; Nardi, 2010; Adair et al, 2001; Cohen, 1997; Graham and Sano, 1984; Worm, 1997),
- negotiation strategy (Lewicki et al., 2010; Brett, 2001; Adair and Brett, 2004),
- negotiation tactics (Lewicki et al., 2010; Saner, 2003);
- information exchange / disclosure (Ghauri, 2003; Mead, 1990; 1994; Graham, 2003; Graham and Sano, 2003; Adair and Brett, 2005; Volkema and Fleury, 2002; Zueva et. al., 2007);
- decision making (Ghauri, 2003; Graham, 2003; Stewart, 1985; Nadler et al, 1985; Hargie and Dickson, 2004),
- time (Ghauri and Usunier, 2003; Usunier, 2003; Hall, 1976; Salacuse, 1998),
- conflict management (Lewicki et al., 2010; Ting-Toomey, 1985, 1999; Mead, 1994; Pye, 1985; Nadler et al., 1985; Tinsley, 2004),

- negotiation logic (Ting-Toomey, 1985),
- relationship (Lewicki et al, 2010; Graham, 1985; Graham, 2003; Ghauri, 2003; Usunier, 2003),
- communication (Salacuse, 1998; Graham, 1985; Lewicki et al, 2010; Putnam and Roloff, 1992; Weingart and Olekalns, 2004)
- power (Lewicki et al., 2010; Ghauri, 2003; Hofsted and Usunier, 2003)
- motion (Salacuse, 1998; Ghauri, 2003; Usunier, 2003; Barry et al, 2004; Kumar, 2004).
- negotiator cognition (Lewicki et al., 2010; Gelfand and Brett, 2004)
- negotiator ethics and tactics (Lewicki et al., 2010)

### *Critiques*

In sum, culture has been found to have significant effects on several aspects of the negotiation process, which highlights the importance of national culture in shaping negotiation processes. However, these studies do not address how culture influences negotiation process itself (i.e. evolvement of negotiation process).

McGinn (2006) stresses that the process itself becomes an important product of negotiations, because ethical, efficient processes have long-term relations and reputational benefits and unethical, inefficient processes have parallel costs, independent of the parties' immediate economic payoffs. This view is supported by Adair et al. (2004), who suggest that learning about how another culture shares information and structures the negotiation process may help negotiators plan more strategically for the negotiation.

On the other hand, research has realised the gap between negotiation theory and practice. For example, Maude (2014) points out that in theory, the negotiation process involves an exchange of information, identification of a number of options, and a movement (gradual or abrupt) towards an agreement. In practice, however, this kind of systematic

process may be overridden. Hence studying negotiation process itself has significance of practical implications, which can reduce the distance between the theory and practice.

Indeed, Graham (1985) suggests that substantial differences in bargaining style exist across cultures, and stresses the importance of investigations not only culture → process relationship but also more complex relations such as culture → process → negotiation outcomes. Hence, this suggests an agenda for future research, this also indicates a hint for this study on the way of examining negotiation process (i.e. through the lens of negotiation style).

## **b. Culture and negotiation research with cultural frameworks**

### *Culture and negotiation research with cultural framework – Hofstede*

The more recent approach is the cultural dimensions approach. The development of conceptual frameworks that identify key cultural dimensions provide the basis for most of the analysis of cultural differences (eg. Hofstede, 1980, 1991; Laurent, 1983; Trompenaars, 1993; Hampton-Turner and Trompenaars, 1994; Hampden-Turner, 1994, 1997; Schwartz, 2012).

Literature has shown that Hofstede's and Trompenaars' research provides the most widely used reference basis for studying the negotiation behaviours in different countries with a cultural distance (eg. Hofstede and Usunier, 2003; Usunier, 2003; Chang, 2003; Zhu et al., 2006; Graham et al. 1994). Research in this tradition often derives predictions about negotiation behaviour and outcomes based on broad cultural-level dimensions, (Hofstede, 1980, 1983, 1989). As Hofstede and Usunier (2003) suggest that "If one knows the approximate position of a country's national cultural value system on the various cultural dimensions, one can predict aspects of the negotiation style of its negotiators" (p.146).



To be specific, based on statistical analysis, Hofstede (1980a, 1980b, 1989, 1991) suggests that five dimensions could be used to describe the important differences among the cultures in the study: power distance, individualism-collectivism, uncertainty avoidance, masculinity-femininity, and long-term vs. short-term orientation. The predicted negotiation style by Hofstede's cultural dimensions include decision-making, relationships, negotiation behaviour and conflict resolution, degree for tolerance for ambiguity and trust in opponents, perseverance for achieving desired ends (e.g. Tinsley, 1998; Hofstede, 1980, 1983, 1989; Hofstede and Usunier, 2003; Chang, 2003; Zueva et al., 2007; Manrai and Manrai, 2010; Kale, 2003).

### ***Critiques of culture and negotiation research with cultural framework – Hofstede***

Hofstede's cultural dimensions provide the predicted aspects of the negotiation style (i.e. one aspect of negotiation process), which shifts the focus of investigation in an important way by creating cultural explanation for behaviour rather than a mere description of a pattern of negotiating behaviour (Janosik, 1987). However, it does not address cultural effects on negotiation process itself.

Attempt has been made to apply Hofstede's framework to studying negotiation process. However, this invites argument. As Perks and Sanderson (2000) argue that "Although the methodological approach has been extended to explore the effect of culture on international cooperation (Johnson et al., 1993; Graham, 1988) the difficulties of measuring and monitoring exchange processes have been noted." The major reason is that the traditional cultural dimensional framework is derived from quantitative research, it does not directly observe the process (Van de Ven, 1992), hence it can only reflect average negotiation behaviours, but it cannot account for the evolvement of negotiation process (i.e. negotiation process changes over time) (Ghauri and Fang, 2003).

Hofstede's model has become a dominant force in cross-cultural research in international business, although the model is not without its skeptics (see, e.g. Kale and Barnes, 1992; Schwartz, 1994; Triandis, 1982). The most important criticism of the

model is that the research was conducted with a sample of participants that was not truly representative of the richness of different cultures. However, in assessing Hofstede's research, Mead (1998) concludes that '... these weaknesses are dwarfed by the strengths of Hofstede's work in comparing cultures and applying cultural analysis to practical management problems' (p.43). This approach offers a much-needed 'theoretical' boost to the study of negotiation within the etic, comparative tradition by incorporating cultural dimensions into negotiation theory (Gelfand and McGusker, 2002). However, there is little empirical study on it (Hofstede and Usunier, 2003; Zueva et al., 2007).

### ***Culture and negotiation research with cultural framework - Hall***

The work of cultural anthropologist Edwin Hall (1959;1976; Hall and Hall, 1990) has been very influential in conceptualizing cultural values.

High-context culture versus low-context culture (Hall, 1976) is another cultural dimension that has been consistently linked to cultural differences in negotiation behaviour (Graham et al., 1994), and has been used to explain communication behaviour in negotiation both theoretically and empirically (Adair and Brett, 2004; Adair and Brett, 2005; Graham et al, 1994; Palich, 2002; Reynolds et al, 2003).

Hall specified a limited number of cultural values that could be used to understand differences between cultures, and two of them have been applied to international negotiations: *communication context* and *time and space*. Hall argued that cultures can be differentiated on the basis of whether they engage in low- or high-context communication. Low-context cultures tend to communicate directly, with meaning clearly and explicitly conveyed through words themselves. On the other hand, high-context cultures tend to communicate less directly, with meaning inferred from the surrounding context. Hall's second dimension, time and space, refers to differences between cultures in how they relate to, manage, and schedule events. Hall suggested that some cultures were *monochromic* in that they prefer to organize and schedule things sequentially, while other cultures are *polychromic* in that they are characterized by the

simultaneous occurrence of many different activities. Negotiators from cultures with different time expectations will find it quite frustrating to negotiate with each other unless they understand the traditions of the other negotiator (Lewicki et al, 2010).

Normally Hall's work is incorporated in Hofstede's (1989, 1997) work to investigate negotiation (eg. Zueva et al., 2007; Graham et al, 1994; Reynolds et al, 2003). For example, recent study by Zueva et al. (2007) selected Hofstede's (1989, 1997), Hall's (1959, 1976) and Trompenaars' (1993) frameworks as a lens to examine the influence of culture on negotiation process. It creates a profile of the negotiating styles of the two nations New Zealand and the UK. Hall's work in this study is used to examine two aspects of the negotiation process named explicit written vs verbal contracts and use of time.

#### ***Critiques of culture and negotiation research with cultural framework – Hall***

Hall does not supply numerical data and, hence, comparisons between national cultures can only be made on a subjective basis. He can only support his theory with anecdotes. In general, anecdotes can serve a useful function in illustrating and illuminating arguments, but do not provide hard data from which to develop a model that can be applied.

Hall's study is useful in understanding why different cultures might communicate differently, for example, in developing business relationships, negotiating with insiders and outsiders, and implementing contracts (Mead, 2005).

#### **Summary of critiques of Hofstede's and Hall's frameworks**

Hofstede' and Hall's frameworks can be used to differentiate negotiation styles (i.e. one aspect of negotiation process) from across different cultures, which shifts the focus of investigation in an important way by creating cultural explanation for behaviour rather

than a mere description of a pattern of negotiating behaviour (Janosik, 1987). However, they do not address cultural effects on negotiation process itself.

Hofstede's model has become a dominant force in cross-cultural negotiation research and frequently work with Hall's model (eg. Zueva et al., 2007; Graham et al, 1994; Reynolds et al, 2003). This means that there is relatively less research based on Hall's work.

Hofstede's model has proved to have difficulty to examine exchange process due to methodological issue and the difficulties of measuring and monitoring exchange processes have been noted (Perks and Sanderson, 2000). While, Hall's study is useful in understanding why different cultures might communicate differently. However, there is little empirical study on both models (Hofstede and Usunier, 2003; Zueva et al., 2007).

The above discussion suggests that there is relatively less negotiation research based on Hall's work comparing with the use of Hofstede's work. However, the importance of communication in negotiation is stressed (eg. Putnam and Roloff, 1992; Weingart and Olekalns, 2004; Lewicki et al., 2010; Zartman, 1976; Chatman et al., 1991). Zartman (1976) points out, "Negotiation is by nature a communication encounter, not a physical encounter (like war) or a mechanical encounter (like voting)... Controlled communication is the essence of negotiation" (p.14). Similarly, Lewicki et al. (2010) state that "reduced to its essence, negotiation is a form of interpersonal communication. Communication processes, both verbal and nonverbal, are critical to achieving negotiation goals and to resolving conflicts." (p172). This is supported by Chatman et al. (1991), who suggest that "communication pervades the negotiation process, accordingly, research on communication sheds light on negotiation both *as a process of interaction* and *as a context for communication subtleties* that may influence processes and outcomes" (Chatman et al., 1991) (p172). Therefore, it is important and necessary to understand negotiation through communication lens.

Culture as shared values approach offers a much-needed ‘theoretical’ boost to the study of negotiation within the etic, comparative tradition by incorporating cultural dimensions into negotiation theory (Gelfand and McGusker, 2002). However, the importance of combination of etic cultural dimensions and emic indigenous constructs is stressed by some scholars (eg. Gelfand and Brett, 2004; Gudykunst, 1985).

#### **2.4.2 Cultural effects on negotiation process**

The preceding section advises that prior researches focus on cultural effects on aspects of negotiation process and of these researches, majority are theoretical studies. Attempt has been made to understand cultural effects on negotiation process (rather than aspects of negotiation process) based on empirical study (Adair and Brett, 2005).

Adair and Brett (2005) move beyond the emphasis of focusing on negotiation behaviors to propose a normative model of transactional negotiation in which cooperative and competitive behaviors wax and wane across four sequential stages: relational positioning, identifying the problem, generating solutions, and reaching agreement. (Based on a classic proposition of communicative flexibility in high-context cultures, they propose culture-specific dyadic movements within and across these stages.)

The model they proposed is a sequential 4-stage model, a prototype representing the evolutionary progression of complex, integrative transactional negotiations. It allows a more finely grained analysis of the evolution of negotiations as well as the identification of cultural differences in negotiators' behaviors at different time periods.

#### **Critiques of Adair and Brett’s model**

There is limited empirical research on stages in cross-cultural negotiation (Adair and Brett, 2004). Adair and Brett (2005) move us beyond studying cross-cultural differences in frequencies of negotiation behaviour to a more theoretical and dynamic account of culture and communication sequences in negotiation (Gelfand and Brett, 2004). The

model is useful for negotiators to manage the evolution and strategic focus of their negotiation (Adair and Brett, 2005). However, it also raises two issues below.

#### ***Sequential 4 stage model***

The 4-stage model developed by Adair and Brett (2005) is linear sequence of stage. However, based on complexity theory, Wheeler and Morris (2002) suggest that negotiation process is nonlinear. This view is supported by other scholars (Weiss, 1993; Gulliver, 1979; Maude, 2014; Langley, 1999). Gulliver's (1979) premise is that there are common patterns and regularities of interaction between the parties in negotiation. He describes the "processual patterns" in terms of two interconnected models of negotiation (the cyclical and the developmental). The cyclical process consists of the repetitive exchange of information between the parties, its assessment, and the resulting adjustments of expectations and preferences. The developmental process comprises a series of eight overlapping phases in the movement from the initiation of the dispute to its conclusion. Since the two processes are going on at the same time Gulliver concludes that negotiations are a dynamic process of exploration in which change is intrinsic: changes in each party's assessment of his requirements, in his expectations of what is possible, preferable, and acceptable, and changes in his understanding of the opponent's assessments and expectation. In the same vein, Langley (1999) stresses that the passage from raw data to synthetic models, whether expressed in terms of phases or otherwise, is far from simple.

#### ***Variance theory: test hypothesis by variables***

Adair and Brett (2005) defined the interval-driven approach rather than event-driven approach is most appropriate for their study. Because their research question asks whether they can characterize negotiations with a four-stage model and then identify culture-specific patterns within those stages, and they are interested in testing both the etic and emic aspects of a four-stage evolutionary negotiation model. Consequently, their study did not directly observe negotiation process and did not focus on sequence of

events (Langley, 1999, 2009; Van de Ven, 1992; Pettigrew, 1997), hence it cannot develop process theory to capture the changes over time of negotiation process.

### **2.4.3 Culture - negotiation visual model developed in the literature**

Visual graphical representation is importance for a process theory (Langley, 1999). The purpose of this section is to discuss the extant negotiation visual model, which links culture and negotiation, and includes temporal dimension of negotiation process in a visual display, because cultural effects on negotiation is the focus of this study, based on which this study develops a process theory.

Attempt has been made to develop an overall negotiation framework / model, where culture as one of the elements which has effects on negotiation process. These include the research by Ghauri (2003) and Weiss (1993). This section centrally discusses the model developed by Weiss (1993), because this model visually displays temporal dimension of negotiation by 3-stage negotiation model with a clear visual timeline. In contrast, Ghauri's (2003) framework only lists the names of 3 stages of negotiation, its timeline is implicit within the names of the stages.

Similarly, in the context of IJV negotiation at formation phase, Luo (1999) presents an integrated conceptual framework on IJV negotiations in a general context, where cultural as a factor of antecedent affecting negotiation process. This framework has visual display, but does no include temporal dimension, hence it is not included in discussion here.

Weiss (1993) develops an analytic perspective that focuses on three key facets of negotiation — parties' *Relationships*, parties' *Behaviours*, and influencing *Conditions* (RBC) — and their basic  $B \rightarrow R \rightarrow C \rightarrow B$  interaction (i.e. the RBC Framework, coupled with the Basic Model). The Relationship and Behaviour facets incorporate multiple levels of analysis (organizational, group and individual). Conditions encompass

four types (circumstances, capabilities, cultures and environments). A temporal dimension completes the framework. The RBC Perspective is an inclusive perspective, which integrates existing knowledge and has potential to stimulate future work in the field (Weiss, 1993).

Weiss's (1993) RBC model suggests three issues: first, it depicts culture as one of the factors affecting negotiation process (i.e. what question), which stresses the importance of culture in shaping negotiation process and outcome (Hofsted, 1989; Hall, 1976; Ghauri, 2003; Salacuse, 1990). However, it does not present in which way culture affects negotiation process (i.e. how question).

Second, it includes visual display of sequential 3-stage negotiation model with a timeline, which highlights the importance of temporal dimension in negotiation process (Usunier, 2003; Hall, 1976; Lewicik et al, 2010). However, as discussed in the previous section, negotiation process is nonlinear (Wheeler and Morris, 2002; Gulliver, 1979; Maude, 2014; Langley, 1999). Although Weiss (1993) points out that "the three-period sequence does not constrain an analyst to a linear view of the finer-grain activity within periods" (p290), the visual model does not reflect this important feature within periods. Moreover, the model does not reflect nonlinear feature between periods either. This can be attributed to the fact that RBC Framework is only a useful analysis tool for studying complex negotiation, as Weiss (1993) states that "the three broad time periods of the RBC Framework appear generally applicable and sufficiently useful for analysis" (p290). Therefore, the model can only simplify the complex evolvement of negotiation process by sequential 3-stage model, which is not the representation of the reality of complex negotiation process in a real life setting.

Third, to elaborate further, RBC model tends to develop a variance theory rather than process theory, because its key element is three key facets (variables) rather than sequence of events, and it does not directly observe the negotiation process, hence it is



unable to capture how negotiation process changes over time (Langley, 1999, 2009; Van de Ven, 1992; Pettigrew, 1997).

As a result, there is no model in the extant literature which visually explicitly depicts how culture influences the evolvement of negotiation process, in other words, how negotiation process changes over time by cultural influence.

## **2.5 Level of cultural effects on negotiation research**

### **2.5.1 National culture only**

Much of culture and negotiation study theoretically focus on national culture only, these include studies from Ghauri (2003); Hofstede and Usunier (2003), Usunier (2003); Adair and Brett, 2004 and Metcalf et al. (2007). There are some empirical studies which focus also on culture at national level only (e.g. Maude, 2014; Adair et al., 2005; Graham et al., 1988; Adair and Brett, 2005; Zueva et al., 2007, Rogers et al., 2007; Tung, 1998; Graham, 2003; Graham and Mintu-Wimsat, 1997; Lin and Miller, 2003)

### **2.5.2 Culture at multiple level**

#### ***Research by multiple cultural level: theoretical study and empirical study***

Some culture and negotiation research examine the role of culture at multiple levels. According to Hofstede and Usunier (2003), the behaviour of negotiators in international negotiations will be influenced by at least three levels of culture: national, organisational and professional, besides the contribution of their own personal skills and character. This view is supported by some scholars such as (Faure, 1999; Lewicki et al., 2010; Leung et al., 2005). Moreover, some scholars also suggest other levels of culture, for example, apart from national culture, Weiss (1993) also suggests ethnic and organisational culture, negotiator subculture, international business (or government)

elite. Some other scholars also point out the existence of regional culture effects on negotiation (Lewicki et al., 2010).

Beyond the mere discussion of culture and negotiation, some scholars theoretically investigate the cultural effects on negotiation at multiple levels (eg. Kale, 2003). For example, Kale (2003) actually investigates how national culture, organizational culture and personality impact buyer-seller interactions by incorporating Hofstede's (1980) four national culture dimensions, Reynolds (1986) five aspects organisational culture and the most popular way of depicting personality by the Myers-Briggs Type Indicator (MBTI). However, the framework is not empirically tested. It also does not explicitly consider the notion of overlap of national culture and organisational culture (Locker and Kaczmarek, 2007).

There are a small amount of empirical research employed multiple cultural levels. It is recognised that negotiators may be as much influenced by their organisational cultures as by their national cultures, for example, Gelfand et al. (2011) produce evidence to show that in international business negotiations, organisational culture and the structure of organisational rewards can, together, provide a situation strong enough to override the effects of national cultures. Salacuse's (1998) survey, respondents from various countries listed their preferences in such matters as negotiation outcome, and negotiation process. There were striking cultural similarities at the national level, respondents' choices were also mediated but organisational and professional cultures.

### ***Difficulty of conducting multiple level study on negotiation***

However, "disentangling the impact made by their organisational cultures or by their national culture is extremely difficult" (Maude, 2014, p.37). One of the reasons could be that national culture, organisational culture, and personal culture overlap, this indicates the methodological issues, for example, the complication of the data analysis (Locker and Kaczmarek, 2007). Schein (1986) expresses the similar view that organisational culture is an amalgamation of the national culture and the backgrounds of individuals

assembled in the organisational setting, that is, the pattern of shared values and beliefs that provides the norms directing employee behaviour.

Gelfand and Brett (2004) concludes that “culture and negotiation research has generally ignored organisational, job, and individual differences factors, no doubt because so much of the research is experimental; yet, without an examination of the contextual complexity in which negotiations are embedded in organisation, we risk developing an oversimplified picture of culture in negotiation” (p.420).

In addition, some researchers suggest regional culture within a geography area or within a national boundary. (eg. Lewicki et al., 2010; Woo and Prud'homme, 1999). For example, China is a vast country covering nearly 10 million square kilometres. Over 6,000 years of history and tradition are spread throughout many provinces and cities. Thus, regional approaches to business can also be expected to be different, but these may eventually contribute only minor variations in an overall Chinese approach to negotiation (Woo and Prud'homme, 1999).

Consequently, current empirical culture and negotiation research still remains focusing on culture at national level although Gelfand and Brett (2004) suggest that “Future research needs to build multilevel models of culture and negotiation that examine the role of culture at multiple levels and also examine the role of culture together with other contextual factors in negotiation.” (p421) As we can see that this is still the key challenges for integrating culture and negotiation research.

### **2.5.3 Conclusion of cultural effects on negotiation research**

In conclusion, *culture research* is well developed and more advanced than *culture and negotiation research*. Culture and negotiation research has recognised culture as a multilevel phenomenon (with national, organisational, professional, individual levels), and there are many theoretical discussions about incorporating multilevel culture into

negotiation research. However, there is only a very small amount of empirical research on it. Moreover, much of culture and negotiation research still focuses primarily on national culture only, and ignores other culture levels (eg. organisational culture in IB negotiation and IJV negotiation). Therefore, it can be seen that culture research and culture and negotiation research do not develop in parallel. (This is why this study focuses on cultural at national level. However, culture at organisational culture is reflected in certain ways through the lens of national culture, which is discussed in more detail in later section).

## **2.6 Applied cultural framework on Sino-Western business negotiation study-guanxi (emic)**

‘To really understand another culture and the ways in which it is different, we first need to have a clear understanding of our own culture’ (Ghauri and Usunier, 2003, p465). This is true for both host and home countries. Culture for the home country – the Western culture has been discussed; now turn to culture for the host country – Chinese culture.

There is a large body of literature on Chinese culture (eg. Lockett, 1988; Luo, 2000; Buttery and Leung, 1997; Luo, 2000; Li and Labig, 2001 Buckley et al., 2006; Fang, 2006; Buttery and Leung, 1997; Yeung and Tung, 1996; Ting-Toomey, 1999; Graham and Lam, 2003; Brunner and Wang, 1988; Graham and Lam, 2003). Chinese culture is considered to be different from that of the West in many ways (Chen and Francesco, 2000; Child and Lu, 1996; Tung, 1986). Face (Lian and Mianzi), favour (Renqing), trust (Xinreng) and guanxi are unique Chinese cultural concepts, which are widely applied to Chinese business negotiation study. Among them guanxi is regarded as the core of Chinese culture (Child and Lu, 1996). To have a full picture about China’s unique culture, there is a brief discussion about the first three Chinese cultural concepts before moving to engage in the larger discussion of guanxi.

### **2.6.1 Guanxi and other social constructs**

To build and sustain a position within a guanxi network requires some knowledge of Chinese concepts of face (Lian and Mianzi), favour (Renqing) and trust (Xinreng) (Buttery and Leung, 1997; Luo, 2000; Li and Labig, 2001). Each of these social constructs is discussed in detail as follows.

#### **Face (Lian and Mianzi)**

Face is one of the most significant mechanisms in Chinese social psychology. ‘The Chinese are face conscious; they can go to great lengths to avoid saying the word “No”’ (Fang, 2006, P57). In Chinese, face is *lian* (good moral character) and *mianzi* (achieved reputation), which refer to behaviour that meets criteria of harmony, tolerance, and solidarity, they reflect a concern with social virtue (Buckley et al., 2006). There are three dimensions of face namely saving face, losing face and giving face.

‘Saving one’s face and that of other group members – in particular the superior – is of central importance in Chinese highly integrated and authoritarian cultures’ (Mead, 1994, p.290).

*Mianzi* is the Chinese concept of giving face. This translates into giving one's respect and recognising status and moral reputation. It is important to protect one's face but it is perhaps even more important to give face to others, which involves a reciprocal relationship of respect and courtesy to and from your counterparts (Buttery and Leung, 1997).

To get someone to lose face is to denounce status and reputation. It also indicates a loss of confidence and a lack of trust (Brunner and Wang, 1988). In confronting business situations, aggressive behaviour from either party can damage the face of the other party (Buttery and Leung, 1997).

It can be argued that face exists everywhere. However, it is important to understand that there is a distinction between Eastern face with Western face. First, face giving. American subjects could not offer a meaning for face giving, whereas Asian business people and students could talk about the meaning of this term. 'To Asians, face giving means allowing room for the other person to recover his or her face – room to manoeuvre, to negotiate – so both can gain face in the end' (Guirdham, 1999, p.143). Second, face losing: For Americans, loss of face means persona failure, loss of self-esteem, or loss of self-pride on an individual attribution basis (Guirdham, 1999). While, people who have lost face in Confucian societies are more than social outcasts: a loss of face brings shame not only to individuals, but also to family members. 'Because of this shame, the family members are unable to function in society' (Yeung and Tung, 1996, p.56). Third, face maintenance or face management: Although the concern for face maintenance is universal, how to manage face issues is a cultural-specific phenomenon (Ting-Toomey, 1999; Graham and Lam, 2003, p.82).

### **Favour (Renqing)**

Closely associated with giving face is the performance and exchange of favours and giving gifts which in China is called renqing. Thus, a businessperson may make a donation to the Department of Transport for infrastructure provision, a professor could send books to a Chinese university, or an individual can participate in a public ceremonial function and present the flag of their country. Further, the business person may lend his/her support to negotiations to introduce a Chinese official to representatives of another company which may be interested in negotiations with China (Brunner and Wang, 1988).

### **Trust (Xinreng)**

Trust is defined as 'the extent to which a person is confident in, and willing to act on the basis of, the words, actions, and decisions of another' (McAllister, 1995, p.25).

The trust developed among members of a guanxi network means that doing business within the network is at a lower cost than doing business outside the network. Such lower costs might include, for example, lower risks of default on loans or credit sales, or lower legal costs due to simpler contract requirements. In fact, although today's China has a well-developed legal system, maintaining a rules-based economy is still quite costly (Ziegler, 2000), which means that the relation-based economy has a competitive advantage (Geddie et al., 2005).

Trust exists everywhere in the business worldwide, it is worth noting that trust building in China is from before business starts alongside guanxi, not after business as in the West; moreover trust in Chinese society needs to be nurtured and maintained (Graham and Lam, 2003, p.82).

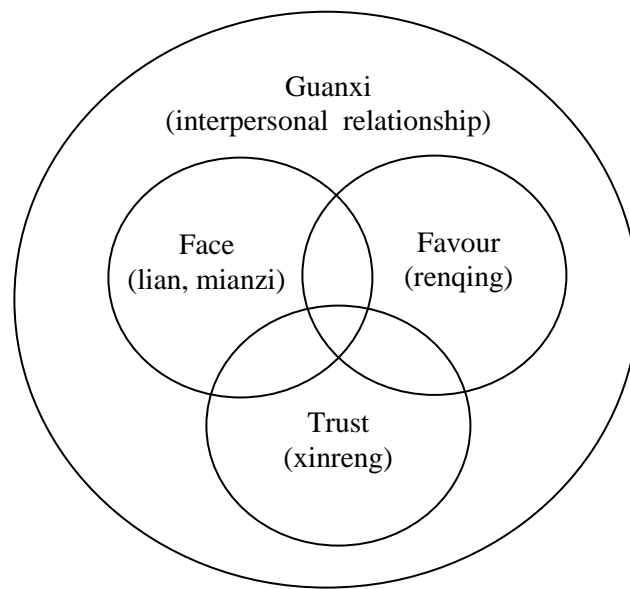


Figure 2.1: Guanxi and other social constructs

Source: Adapted from CrystalPan China Consulting (2005)

Guanxi and these social constructs are interrelated (Figure 2.1). In Confucian societies, face is contextual; it can be given and taken away only within the broader context of

social interactions. Thus, to maintain Guanxi, extra care must be taken in the acquisition and maintenance of face, generally referred to as "face works" (Yeung and Tung, 1996, p.56).

Due to uncertainties in the business environment and possible opportunistic behaviours of partners, trust is regarded as one of the most important managerial issues of the corporate agenda (Buckley and Casson, 1988). Because national culture can influence the development of trust (Doney et al., 1998; Schoorman et al., 1996), it is noted that in the context of China, developing guanxi and saving face (lian) and giving face (mianzi), exchange of favours (although it is not about immediately returning one favour with another (Buttery and Leung, 1997) can create trust between partners (Luo et al., 2002; Xin and Pearce, 1996). Although guanxi is often said to be the source of sustained competitive advantage for foreign companies doing business in China (Tsang, 1998), trust has to be nurtured and maintained to reduce risks and afford better business control in unstable environmental conditions (Xin and Pearce, 1996).

## **2.6.2 Diverse perspectives on guanxi - static perspective**

### **2.6.2.1 Importance of Guanxi for Chinese and Western business**

#### **Significance of Guanxi**

Since Walton and McKersie's (1965) classic book on behavioural theory applied to bargaining or negotiation was published, the importance of the nature of the relationship between parties has been posited to have a major impact on negotiation outcomes. Long-term relationships in international markets in South America, the Middle East and East Asia are thought to be most critical (Li and Labig, 2001).

Guanxi has been suggested to be important in social life and business in Asia, such as China, Hong Kong, Taiwan, Singapore, Japan and Korea. The Japanese refer to this as kankei, Koreans, kwanky (Yeung and Tung, 1996; Mead, 2005; Arogyaswamy, 2001).



As one popular saying in Chinese society notes, 'Who you know is more important than what you know' (Yeung and Tung, 1996). Guanxi is a pervasive part of the Chinese business world; it is the lifeblood of both the macro-economy and microbusiness conduct. Any business in this society, local firms and foreign investors and marketers, inevitably faces guanxi dynamics. No company can go far unless it has extensive guanxi networks in this setting (Luo, 2000). 'Nothing much happens in China other than through this Guanxi network, and certainly little is sustainable without it' (Buttery and Leung, 1997, p.382).

With the continued opening up of China's economy, it has been suggested that the concept of guanxi will continue to diffuse and influence Western business practices (Chan et al., 2002).

### **Guanxi and firm performance**

Guanxi binds literally millions of Chinese firms into a social and business web. It is widely recognised that guanxi is a key business determinant of firm performance (Luo, 2000). Studies have proved that guanxi can improve firm performance (e.g. Luo and Chen, 1997; Luo, 2000; Park and Luo, 2001), marketing expansion (e.g. Lee et al., 2001) and trade (e.g. Chan et al., 2002; Chadee et al., 2000). Transaction cost theory indicates that guanxi can help with financial gain (e.g. Buckley et al., 2006; Standifird & Marshall, 2000).

For foreign investors and marketers, guanxi is especially important in the early stages of business development in China (Lee et al., 2001). Indeed, it has been suggested that guanxi constitutes the most effective and efficient marketing tool (Luo, 1997b). Guanxi has also been shown to be strongly favourable to the performance of international joint venture in China (Luo, 1995, 2000; Wang, 2000).

Multinational companies, such as Nokia, Boeing, Motorola, Corning, and AIG have built and maintained strong guanxi over extensive periods of time, largely due to the

personal efforts of leaders to form trusting and continuing relationships with partners and associates in China and elsewhere. Boeing, to take one example, has solidified its position in China by contributing to the development of a modern air-traffic control network, donating flight simulators to local colleges, and training mainland mechanics and pilots in the US (Chen, 2001).

However it is important to understand that although it is true that the Chinese business world is still largely driven by relationships, in different markets the actual influence of guanxi can vary greatly. High-tech industries, for example, rely little on the power of human connections, while in more traditional businesses, such as real estate, it remains an important factor (Chen, 2001).

### **Guanxi and long-term business success in China**

The effective development and use of guanxi is seen as a requirement for the successful establishment of new business ventures and for the effective day-to-day management of Chinese enterprises (Buckley et al., 2006). Although the importance of guanxi in financial affairs has been widely recognised, the study by Yeung and Tung (1996, p.64) indicates that guanxi alone is not enough to guarantee long-term success in China and the significance of guanxi in ensuring continued success decreases over the life of the venture.

Yeung and Tung (1996) further conclude that guanxi is a necessary but insufficient condition to long term business success in China. And in the established phase of business operations in China, technical competence gains importance. To be successful, it is important to build strong relationships with the right individuals. To maintain long-term relationships, trust is essential. This can only come about if there is a genuine attempt on the part of the foreign investor to understand Chinese culture.

### **Guanxi as a business strategy for foreign investment in China**

It appears that guanxi will continue to be a dominant aspect of society for some time in China. There is a continuing need for foreign investors who seek to do business in China to understand the dynamics of guanxi building and maintenance (Yeung and Tung, 1996). In other words, ‘companies that seek to operate successfully in a relationship-based system must be able to treat relationships not as incidental accessories to their strategy, but rather as the strategic starting point for doing business in the Chinese context’ (Chen, 2001, p.64).

Meanwhile, it is important to understand both the positive and negative side of guanxi (Yeung and Tung, 1996). On the negative side, decision making in such networks tends to be highly centralised; management processes are neither clearly defined nor formalised and, thus, tend to be conducted on an ad hoc basis; such networks are mistrustful of outsiders, hence it is difficult to gather information about such groups.

On the positive side, centralised control accelerates decision making to enable business opportunities to be seized; and to adopt a long-term perspective in their business strategies. Foreign investors who know the pros and cons associated with guanxi societies can take the strengths of the system and obtain business success in China.

#### **2.6.2.2 What is guanxi?**

##### **Background of guanxi – Chinese philosophical traditions and regulations**

Guanxi exists in every Chinese individual’s social life, and many aspects of Chinese society. Although the cultivation of guanxi has become the focus of researcher attention only since the decentralisation and privatisation of the Chinese economy, its roots are deeply embedded in 2000 years of Chinese culture (Luo, 2000). Guanxi helps to maintain harmony in the Chinese system of doing things and this is where it ties in closely with Confucian thought, even though guanxi is not a word which was used by Confucius (Buttery and Leung, 1997).

In the past two decades the doctrines of Confucius have become popular with Western and Chinese scholars as the conceptual source of understanding of Chinese principles of interaction. Confucianism, Rujia has shaped Chinese culture for 2000 years. And the influence of Confucianism is not limited to China but also overseas Chinese (Luo (2000).

Confucianism, Rujia, is actually a school of thought. The Confucian philosophical principle of ‘being in the middle’ – of maintaining a balanced and integrated life and worldview (Fang, 2006, p.53). Confucianism is concerned with the question of how to establish a harmonious secular order in a man-centred world. According to Confucianist philosophy, ‘the individual is never an isolated, separate entity. All humans are social or interactive beings’ (Luo, 2000, p.12). Confucianism emphasises family as the key unit in society, the need for the head of the family to exemplify the right behaviour, the need for hierarchy to structure relationships, and the need for the head of state to exhibit virtuous behaviour in order to win subordinates' loyalty and obedience. The tenets of correct behaviour are the characteristics of a ‘true gentleman, or junzi’ (Beamer, 2000, p.102).

Roughly contemporary with Confucius was Lao Tsu, the inspiration for Taoism, whose fundamental notions involve the relationship of yin (the feminine, dark, and passive force) to yang (the masculine, light, and active force) (Figure 2.2). The two forces oppose and complement one another simultaneously. They cannot be separated but must be considered as a whole. The implications of the collision and collusion of yin and yang are pervasive, affecting every aspect of life from traditional medicine to economic cycles. According to Lao Tsu, the key to life was to find the Tao – “the way!” between the two forces, the middle ground, a compromise (Graham and Lam, 2003, p.82). Both Lao Tsu and Confucius were less concerned about finding the truth and more concerned about finding the way.



Figure 2.2: The Yin Yang principle

Source: Fang (2006)

The influences of Confucianism and Taosim on contemporary Chinese society can be seen from the incredible degree of unity in China, despite China being one of the most diverse countries with the country's ethnicity (fifty-six ethnic groups), its dialects (200 still in use), and a chaotic century of political events that has seen no fewer than four radically different political systems (imperialism, warlordism, republicanism, and communism), the most important reason is that the unity stems from a long tradition of Confucian values (Chen, 2001, p.3). Meanwhile, other scholars suggest, in view of China's poorly-developed legal and distribution systems, guanxi networks may provide the only efficient alternatives (Wong and Chan, 1999; Luo, 1997b; Blackman, 2001; Kumar and Worm, 2004).

Having discussed guanxi significance and its cultural roots and regulatory background, the following examines guanxi in detail.

### **Definition of Guanxi**

In contrast to the West's transaction-based business culture, Chinese business society is relationship-based. Guanxi has received a great deal of media attention in the East. There is no direct English translation for the word guanxi, a fact that has created much confusion over its precise meaning. The conventional translation as "connections" touches on only one aspect of its meaning. 'Guanxi does consist of connections, but more specifically of connections that are defined by reciprocity and mutual obligation' (Chen, 2001, p.46).

Davies (1995) defines guanxi as ‘the social interaction within a networked group where repeated favour exchanges ensure a measure of trust among the participants of this network’. Guanxi-based relationships can grow into highly-complex networks.

### **Traits of Guanxi**

Descriptions of guanxi have been provided by several prior studies (e.g. Yeung and Tung, 1996; Chen, 2001). However, perhaps the most comprehensive treatment of guanxi is that offered by Luo’s book *Guanxi and Business* (2000). According to Luo’s research, there are several important attributes of guanxi detailed as below:

First, guanxi is essentially a utilitarian concept. Guanxi bonds two persons through the exchange of favours rather than through sentiment. This relationship does not have to involve friends, though, where possible, this is preferred. Guanxi-related ties that are no longer seen to achieve objectives are easily broken.

Second, guanxi is reciprocal. Guanxi implies reciprocity in exchange for favours. The relationships established through the performance of reciprocal obligations tend to be seen as perpetual, with one repayment requiring yet another expression of favour or consideration. It is, however, worth noting that guanxi is not necessarily *equally* reciprocal (Alston, 1989). Indeed frequently the exchange relationships tend to favour the weaker partner.

Third, guanxi is transferable. If A has guanxi with B, and B is a friend of C, then B can introduce or recommend A to C or vice versa. The extent and success of the transferability of guanxi mainly depends on how much satisfaction B feels about his guanxi with both A and C. In China, B is called the intermediary. Here, Luo (2000) points out that “affection is important but not a prerequisite” for guanxi (p.10).

Fourth, guanxi is a highly personal concept. It operates at the level of the individual. Its essential ingredients are trust, honesty, reciprocity, respect and social status (Davies et

al., 1995). This explains why interpersonal loyalty is often more important than organisational affiliation or legal status in Chinese society.

Fifth, guanxi is long-term oriented. Every guanxi relationship is regarded as a stock of relational capital which is to be conserved or augmented in times of abundance and plenty, but drawn upon in times of need. It is developed and reinforced through continuous, long-term interpersonal associations and interactions.

Sixth and lastly, guanxi is an intangible asset. People who share a guanxi affinity are committed to one another by an informal and unwritten code of trust, forbearance, reciprocity and equity. The main enforcement mechanism is that disregarding these virtues can, and often does, seriously damage one's respectability and social standings. Table 2.1 summarises these six traits of Guanxi.

Table 2.1: The Traits of Guanxi

<b>Traits</b>	<b>Description</b>
• Utilitarian	Guanxi is purposefully driven by personal interests
• Reciprocal	An individual's reputation is tied up with reciprocal obligations
• Transferable	Guanxi is transferable through a third party as a referral: intermediary
• Personal	Guanxi is established between individuals
• Long-term	Guanxi is reinforced through long-term cultivation
• Intangible	Guanxi is maintained by an unspoken commitment

Source: Dunning and Kim (2007), based on Luo (2000).

While there seems to be a consensus about the importance of guanxi in Chinese societies, there is debate over the extent to which guanxi is something unique to Chinese culture. Some view guanxi as a phenomenon deeply rooted in the Chinese culture, while others view it as little more than a Chinese idiom of social capital and networks (see Gold et al., 2002, for a review; Chen, 2001; Luo, 2000). The exploratory study by Dunning and Kim (2007) appears to favour the view that guanxi is a cultural phenomenon. 'What makes Guanxi indigenous to Chinese culture is the fact that it

originates from the Confucian legacy with the high value it places on harmony and hierarchy' (Dunning and Kim, 2007, p.339).

### **Comparing Guanxi and Related Concepts**

Guanxi shares some common traits with Western networking (Usunier, 2003). There are, however, some significant differences between them. Guanxi concerns relationships to be cultivated and maintained among individuals, not organisations (Luo and Chen, 1997; Chen, 2001). Table 2.2 shows a clear picture of the differences between guanxi and Western networking as well as other related concepts.

If Western managers are to be effective in China, they need to establish relationships which transcend the Western boundary between work and non-work relations (Gannon and Newman, 2002). Faure (1999) points out that in the Chinese tradition, managing relationships is an art, a sign of civilisation. Any attempt to bypass this stage only leads to mutual misunderstanding, personal offence and the paralysis of the whole process.



Table 2.2: Distinction of guanxi and other related concepts

<b>Guanxi</b>	<b>Western networking</b>	<b>Author</b>	<b>Year</b>
Personal relationships have organisational implications, and vice versa	Clear distinction between individual and organisational relationships	Chen	2001 p.64
Personal and trust-based	Contract-based		
Symbiotic relationship between organisations	High independence of organisations		
Motivated by economic and social concerns	Motivated primarily by economic concerns		
Flexibility and informality	Formality and clearly defined roles		
Involved with other business and government officials	Not involved with other business and government officials	Tsui	2001 p.410
<b>Guanxi</b>	<b>Interpersonal relationship</b>		
Involved with reciprocity and obligation	Not involved with reciprocity and obligation	Luo	2000 p.2
<b>Guanxi</b>	<b>Friendship</b>		
Affection is important but not a prerequisite	Affection is necessary	Luo	2000 p.10
Only strong guanxi relationships contain affection and, hence, friendship	Weak guanxi partners, however, are not necessarily friends.		
<b>Guanxi</b>	<b>Relationship marketing</b>		
Applies to all types of human interaction, not limited to business	Applies to business only	Geddie, DeFranco & Geddie	2005 p.615  p.626
Relationship built prior to the transactions	Relationship built based on satisfactory transactions		
Company and customer adapt to each other	Company often tries to help the customer adapt to the company (e.g. Educating customer about how to use the product)		

Source: Author, adapted from Chen (2001), Tsui (2001), Luo (2000), Geddie et al. (2005)

### **Guanxi and ethical issues**

Westerners often view guanxi as related to unethical behaviour. Li and Wright (1999) note that personal guanxi might lead to corruption - this view is supported by Snell (1999). Since guanxi is based on trust leading to reciprocal obligations that are almost impossible to refuse (Hong and Speece, 1998; Luo, 1997; Tsang, 1998), under conditions of poor legal infrastructure (e.g., an under-developed commercial law

system), guanxi might result in such unethical business practices as rendering privileged treatments to members within the same Guanxi networks and under-table dealing (Standifird and Marshall, 2000; Xin and Pearce, 1996). Davies (1995) suggests that China can be mitigated with further development of the open economy, improvement of legal / anti-corruption measures, improvement of government control and technological development of information systems.

However, it is argued that the practice of guanxi may have different ethical meaning between Chinese and Western businessmen. While Westerners perceive certain business practices (e.g. gift giving) as bribery, their Chinese counterparts may regard them as totally acceptable and necessary for cultivating mutual trust and long-term relationships. In short, in the eyes of Chinese executives, a guanxi-oriented business system not based on Westerners' ethical standards is not necessarily unethical (Lovett et al., 1999). As Kung (1997) argues, generally-accepted ethical precepts are indispensable if globalisation is to spread. Within this context, guanxi can be viewed as quite different from bribery and corruption (Steidlmeier, 1999).

### **2.6.2.3 Guanxi constructs**

Research indicates that guanxi has different type such as shengren, shuren and qinren (Chen and Chen, 2004), different base such as none or undiscovered, common social identities and kinship (Chen and Chen, 2004) as well as different quality such as strong guanxi (tie) and weak guanxi (tie) (Tung, 1998).

### **2.6.3 Diverse perspectives on guanxi – dynamic perspective**

Most guanxi research focuses on guanxi constructs; there is relatively less research on guanxi dynamics, which is discussed in this section.

### **2.6.3.1 Guanxi activity**

#### **Guanxi building, maintaining, breaking down, repairing**

Knowing how to build, maintain, and reinforce guanxi relations is imperative for any businesses in China. This knowledge has a favourable impact on both effectiveness and efficiency of operations. It also affects a firm's long-term growth. To this end, Luo (2000) provides practical guidelines to companies operating in China with respect to properly cultivating guanxi connections; this includes eight suggestions: (1) constructing your own network; (2) utilising intermediaries; (3) searching for the right people; (4) transforming individual guanxi into organisations; (5) hiring locals and dispatching ethnic Chinese; (6) monitoring guanxi within an organisation; (7) maintaining guanxi relations; (8) improving credibility (p.245).

There is indication of guanxi repair, for example, guanxi repairing appears in recent research by Buckley et al. (2006), although not the focus of their research, their research partially indicates the importance of guanxi repairing in the Chinese business context such as technology transfer.

### **2.6.3.2 Guanxi level**

#### **Personal level, corporate level, government level**

In addition, guanxi dynamics also can be explained from guanxi at different levels (personal, corporate, governmental) (Buckley et al., 2006; Chen and Chen, 2004). Guanxi is a predominant cultural characteristic associated with inter-personal relationships (personal level) in China (Buckley et al., 2006). Its importance in Chinese society and its pertinence for business negotiation in the Chinese context is emphasised in the literature.

Guanxi with local partner and local / central government (guanxi at corporate and governmental level) started to attract researchers' attention, but they can only be calculated in a fragmented way from some research (eg. Li and Labig, 2001; Faure, 2000; Ghauri and Fang, 2006). Recent study started to focus on guanxi at corporate and government levels, for example, in the study by Buckley et al. (2006), guanxi was extended to corporate and government levels in the process of knowledge transfer to China.

### **2.6.3.3 Guanxi transfer: across levels**

Guanxi dynamics not only show at different guanxi levels (individual, corporate and government level) but, also, can transfer across these levels. Recent study by Zhang and Zhang (2006) provides a conceptual framework in which to systematically characterise the link between guanxi at the individual level and organisational dynamics: that is, how is guanxi at the individual level shifted to a firm and how does it affect organisational dynamics of that firm at the organisational level.

### **2.6.3.4 Guanxi development process**

Attempts have been made to understand the guanxi process, for example, Chen and Chen (2004) propose a sequential three-stage model of *guanxi* development process: initiating, building and using stage (to be specific a process model of guanxi building) in the Chinese business context, this model is at personal level and based on theoretical study. This model only studies guanxi building development, other guanxi constructs such as guanxi maintenance, guanxi break down and guanxi repair are not included. Hence, the guanxi development process is not fully addressed in this study.

While, Guo and Miller's (2010) study "Guanxi Dynamics in Entrepreneurial Firm Creation and Development in China", develops a stage model of guanxi network

development in the entrepreneurial process, this research focuses on the growth of size of guanxi network based on empirical case study.

Critique: These models only study the development of guanxi building (the former) and guanxi network, other guanxi constructs such as guanxi maintenance, guanxi break down and guanxi repair are not included. Hence, the guanxi development process is not fully addressed in these studies.

### **2.6.3.5 Guanxi dynamics (as unit of analysis)**

Luo (2000, 2007) suggests that guanxi should be studied in a more dynamic way for a better understanding the relationship between guanxi and business in the Chinese context.

Recent study has taken guanxi dynamics as unit of analysis; for example, Wong and Tam (2000) develop a “SPACE” approach to the guanxi network dynamic to summarise socio-psychological dimensions by using a guanxi dynamics approach, and the model is tested by a case study.

More recently, Chen and Peng’s (2008) study “Guanxi Dynamics-Shifts in the Closeness of Ties Between Chinese Co-workers” is based on quantitative research on workplace relationships; their findings add important empirical insights to the literature on *guanxi*. Meanwhile, Fu et al. (2006) study the dynamics of guanxi in Chinese high-tech firms, which provides implications for knowledge management and decision making.

### **2.6.4 Critique of literature on guanxi**

#### **a. Little knowledge about how guanxi dynamics works**

As discussed earlier, guanxi dynamics can be explained only in a fragmented way, because the guanxi dynamics study was mainly conducted by quantitative research. As a

result, although guanxi is widely studied, little is known about *guanxi dynamics* in a process view, in other words how guanxi develops over time (i.e. guanxi development process).

### **2.6.5 Justification for applied guanxi study**

There are diverse perspectives on guanxi (static perspective and dynamic perspective). Guanxi is at the core of Chinese culture, it has been suggested to be important in social life and business (including business negotiation) in China (Yeung and Tung, 1996; Mead, 2005; Arogyaswamy, 2001). Moreover, it appears that guanxi will continue to be a dominant aspect of society for some time in China. Furthermore, there is a continuing need for foreign investors who seek to do business in China to understand the dynamics of guanxi building and maintenance (Yeung and Tung, 1996; Chan et al., 2002; Tung, Worm and Fang, 2008; Luo, 2007). Hence, it is valuable to incorporate guanxi into Chinese negotiation study.

### **2.6.6 Summary: guanxi characteristics in China**

Table 2.3 summarises guanxi characteristics in China, which synthesises the guanxi literature discussed in the previous sections.

Table 2.3: Summary of guanxi characteristics in China

<b>Cultural dimensions</b>	<b>China</b>
Static perspective	Guanxi importance
	Guanxi meaning
	Other guanxi constructs a. guanxi type: shengren shuren qinren jiaren b. guanxi base: none or undiscovered common social identities kinship c. guanxi quality: strong guanxi (tie) weak guanxi (tie)
Dynamic perspective	Guanxi activity a. guanxi building b. guanxi maintenance c. guanxi breakdown d. guanxi repair
	Guanxi level a. personal level b. corporate level c. government level
	Guanxi transfer across levels
	Guanxi development process
	Guanxi dynamics (as unit of analysis)

Source: Author, literature synthesis

## **2.7 Guanxi influence on Sino-Western business negotiation: emic**

### **2.7.1 Guanxi influence on Sino-Western business negotiation style**

By contrast, some seek to focus on describing and analysing the negotiation styles of particular groups, this is called the ‘negotiating with...’ literature. For example, numerous books and articles bearing such titles as ‘Negotiating with the Japanese,’ ‘Negotiating with the Arabs’, and ‘Negotiating with the Chinese’, which seek to lead to

novice through the intricacies of negotiating in specific cultures (e.g. Salacuse, 1999; Fang, 2006; Graham and Lam, 2003). This is a more emic approach to study negotiation in a specific country. This section presents how guanxi influences Sino-Western business / joint venture negotiation styles.

In Chinese society, guanxi has started to be applied to negotiation study. Although the importance of relationship-building in business negotiation has been stressed by a number of authors (Chen and Faure, 1995; Cohen, 1991; Li and Labig, 1996; Luo, 1997; Yeung and Tung, 1996), there is a lack of empirical evidence describing the nature of relationship-building throughout negotiations or its contributions to negotiation outcomes (Graham and Mintu-Wimsat, 1997; Kirkbride et al, 1991; Yeung and Tung, 1996).

Effort has been made by Li and Labig (2001) through interviews with 27 ethnic Chinese managers to gain insight into characteristics of relationship-building in the process and outcomes of negotiations in China, however, it is simply from the Chinese perspective alone.

Alternatively, other studies include a Sino-Western comparative study, which is a typical study of Western versus Chinese culture (e.g. Adler et al., 1992; Graham et al., 1994; Buttery and Leung, 1997). An example for the latter is Buttery and Leung's (1997) conceptual study in marketing negotiation; they also propose an integrated model. This model integrates the marketing, psychological and economic approaches of the Western negotiators with the Sino-Western aspects of their experience in the West at doing business in China. It shows, also, the economic, technological, political, social and cultural environmental aspects of this process which are particular to the environments in which negotiations take place. However, this integrative model is not empirically tested.



Negotiating styles in China are different from those in the West (Pye, 1982). There are numerous studies on Chinese negotiation style (for example, Pye, 1982; Blackman, 1997; Woo, 1999; Herbig and Gulbro, 1997; Osman-Gani and Tan, 2002; Graham and Lam, 2003; Ghauri and Fang, 2003; Faure, 1999, 2000; Zhao, 2000; Li and Labig, 2001; Salacuse, 1998, 1999; Fang, 2006; Kumar and Worm, 2004; Lee et al., 2006; Shenkar, 1987; Lin and Miller, 2003) (Faure, 2000, derived from Sino-Western joint venture negotiation).

Table 2.4 summarises the link between national culture, related negotiation factor and negotiation style.

Table 2.4: National culture, related negotiation factor and negotiation style

<b>Cultural dimensions</b>	<b>Negotiation factor</b>	<b>Negotiation style</b>
Guanxi	Guanxi	Guanxi with local partner
		Guanxi with government

Source: Author, derived from Luo (2000), Li and Labig (2001) etc.

### **2.7.2 Guanxi influence on Sino-Western business negotiation process: emic**

Li and Labig (2001) studied relationship building in the Chinese business negotiation, finding that relationship building facilitates negotiation processes.

## **2.8 Critique of culture influences on international business negotiation**

### **a. Little knowledge on culture influence negotiation process**

There is little knowledge about how culture influences the evolvement of negotiation process, because much research focuses on how culture influences negotiation style. In

fact, Tung (1998) called for study on how culture influences negotiation style, which, in turn, influences negotiation processes.

**b. Variance theory**

As a result of the above, much negotiation research has produced variance theory, hence little process theory exists.

**c. Cultural perspective: mainly etic or emic**

The majority of research on negotiation is based on the etic cultural perspective (eg. Brett, 2001; Salacuse, 1998; Adair and Brett, 2005; Gelfand et al., 2006). A relatively small amount of study on Chinese negotiation reflects the etic perspective (eg. Fang, 2006; Ghauri and Fang, 2003; Graham and Lam, 2003).

However, the use of only emic or etic perspectives to research does not provide sound data for understanding behaviour across cultures, etic and emic must be combined to give adequate explanations (Gudykunst, 2000), and to provide a “best-practice approach” for cross culture studies (Stening and Zhang, 2007). Borrowed from this idea, the etic and emic perspectives should be combined for negotiation study in the Chinese context.

**d. Theoretical framework: mainly etic or emic**

As a result of the above (c. cultural perspective: mainly etic or emic), the theoretical framework applied to cultural study on negotiation is mainly by etic or emic.

Hofstede's work has frequently been used as a starting point to identify and model cultural clusters (Kogut and Singh, 1988; Ronen and Shenkar, 1985). Additionally, recently, literature has shown that Hofstede and Trompenaars' research, provides the most widely used reference basis for studying the negotiation behaviours in different countries with a cultural distance (eg. Hofsted and Usunier, 2003; Usunier, 2003; Chang, 2003; Zhu et al., 2006).

However, this invites argument. The major reason is that the traditional cultural dimensional framework is derived from quantitative research, in this way it can only reflect average negotiation behaviour, it cannot account for the evolvement of negotiation process (Ghauri and Fang, 2003).

This argument is supported by Perks and Sanderson (2000), who point out that “Although the methodological approach has been extended to explore the effect of culture on international cooperation (Johnson et al., 1993; Graham, 1988) the difficulties of measuring and monitoring exchange processes have been noted.”

In addition, the traditional cultural dimensional framework fails to reflect the basic features of communication identified in interpersonal communication theory, such as two way communication (dyadic nature of negotiation), content and relationship, verbal and nonverbal channels, formal and informal channel. Hence, the traditional cultural dimensional framework cannot address interaction of both parties, hence it will fail to capture the dynamics of the negotiation process.

## **2.9 Critique of guanxi influence on Sino-Western business negotiation**

### **a. Little knowledge about how guanxi influences negotiation processes itself**

Since the majority of the research focuses on how guanxi influences negotiation styles, little is, consequently, known on how guanxi influences evolvement of negotiation processes, hence, little is known about guanxi dynamics in the negotiation process itself.

## **2.10 Synthesis of critique of the literature**

### **2.10.1 Contradiction of the literature**

There is a contradiction in the negotiation literature, that is, negotiation is a dynamic process (Olekalns and Weingart, 2008), and the *dynamic nature of negotiation* is widely

accepted by negotiation scholars (eg. Olekalns and Weingart, 2008; Tung et al., 2008; Ghauri, 2003; Farue, 2000; Fang, 2006), particularly, in an international context, negotiation process stages have added complexities (Ghauri, 2003). However, much research is mainly based on comparative study by quantitative research, which is static in nature, and focuses on some aspects of the negotiation (eg. negotiation factors, activities or issues) to produce variance theory. Consequently, little study is carried out by qualitative research to produce process theory, hence little is known about *the dynamics of negotiation process itself (i.e. the evolvement of negotiation process)* theoretically and empirically. But it can be argued that representing negotiations as static over time is implausible (Olekalns and Weingart, 2008).

### **2.10.2 Gap in the literature**

The literature offers a number of different perspectives on the international business negotiation process. However, none of these studies empirically investigates *the dynamics of the negotiation process itself (i.e. the evolvement of the negotiation process)*. Hence, there is a lack of research specifically oriented towards *modelling the evolvement of the negotiation process*. This study aims to address these two issues in the setting of Sino-Western joint venture negotiation in China.

In addition, negotiation scholars have linked negotiation to culture, and in this research stream, the majority of studies focus on how culture influences negotiation style. Consequently, there has been relatively little empirical research on how negotiation style impacts on *the evolvement of negotiation process*, which informs how this study could be conducted (i.e. by investigating the evolvement of the negotiation process through the lens of negotiation style).

In conclusion, the literature sheds light on culture and negotiation research by offering mainly how culture influences some aspects of negotiation process. However, none of these studies empirically investigates *the cultural effects on the negotiation process itself*

(i.e. *the evolvement of negation process*). As a result, there is a lack of research specifically oriented towards *modelling the evolvement of the negotiation process either in text or in visual display* in culture and negotiation research.

## **2.11 This study**

The literature provides a view of where the discipline currently is and where it might be going - giving a clear direction of this study, which is discussed below.

### **2.11.1 Scope of this study**

This study should be read bearing in mind that the scope of the study is described as follows:

#### **Research focus**

Informed by existing literature, the focus of this study is the identification of *the evolvement of the negotiation process* in order to develop a dynamic process model; this is realised through the possibility of a link between negotiation style and the dynamics of the negotiation process.

It should be noted that the focus of this research is defined to associate negotiation style and the evolvement of the negotiation process in the broad sense, however, the research focus is not placed on if negotiation style *terminates* the negotiation process, but on how negotiation style *shapes* the dynamics of the negotiation process itself.

#### **Cultural issues**

This study focuses on how Chinese culture (etic and emic perspective) influences negotiation rather than a comparative study between Chinese and Western negotiation differences because of cultural differences. However, Western culture is illustrated to understand the cultural difference between China and the West.

## **Research setting**

- Setting: Sino-Western joint venture negotiation in China.
- Joint venture phase: joint venture formation phase due to lack of research on this important stage (not operational phase or end phase).
- Type of joint venture: this study focuses on equity Sino-Western joint ventures only, other types of joint venture are beyond this study.
- Joint venture location: the joint venture is located in China, rather than in the West, hence the business licence is issued by the Chinese authority; consequently, joint venture establishment procedure has to be under the Chinese joint venture rules and regulations.

### **2.11.2 Assumptions of this study**

The assumptions of the study are: Regarding the negotiation process: first, negotiations, regardless of their participants' national culture backgrounds, follow generalisable underlying processes - the processes proposed in this study. Second, participants are sincere to negotiate the joint venture. Third, this study accepts that negotiation in essence is communication, which contains content and relationship.

Regarding culture, first, Chinese nationals neglect Chinese regional culture; second, Western cultures are similar (data were collected from negotiation between Chinese companies and British, Canadian, French companies, which is called Sino-Western joint ventures in this study, because these countries are characterised as low-context communication).

### **2.11.3 Integrative theoretical foundation of this study**

Negotiation is one of the most challenging communication tasks. The communication perspective, which underlines the embeddedness of the firm in negotiation and the vital

role of communication in the success of a joint venture negotiation acts as the initial building block for the theoretical foundation of this study.

In order to address the shift of focus from the cross cultural comparative study to intercultural insightful exploratory study on joint venture negotiation processes, etic and emic cultural perspectives are integrated with the communication perspective on high-context culture (etic) and guanxi (emic) to provide the theoretical underpinnings. This theoretical foundation can be illustrated in figure 2.3, and is discussed below by synthesising the literature.

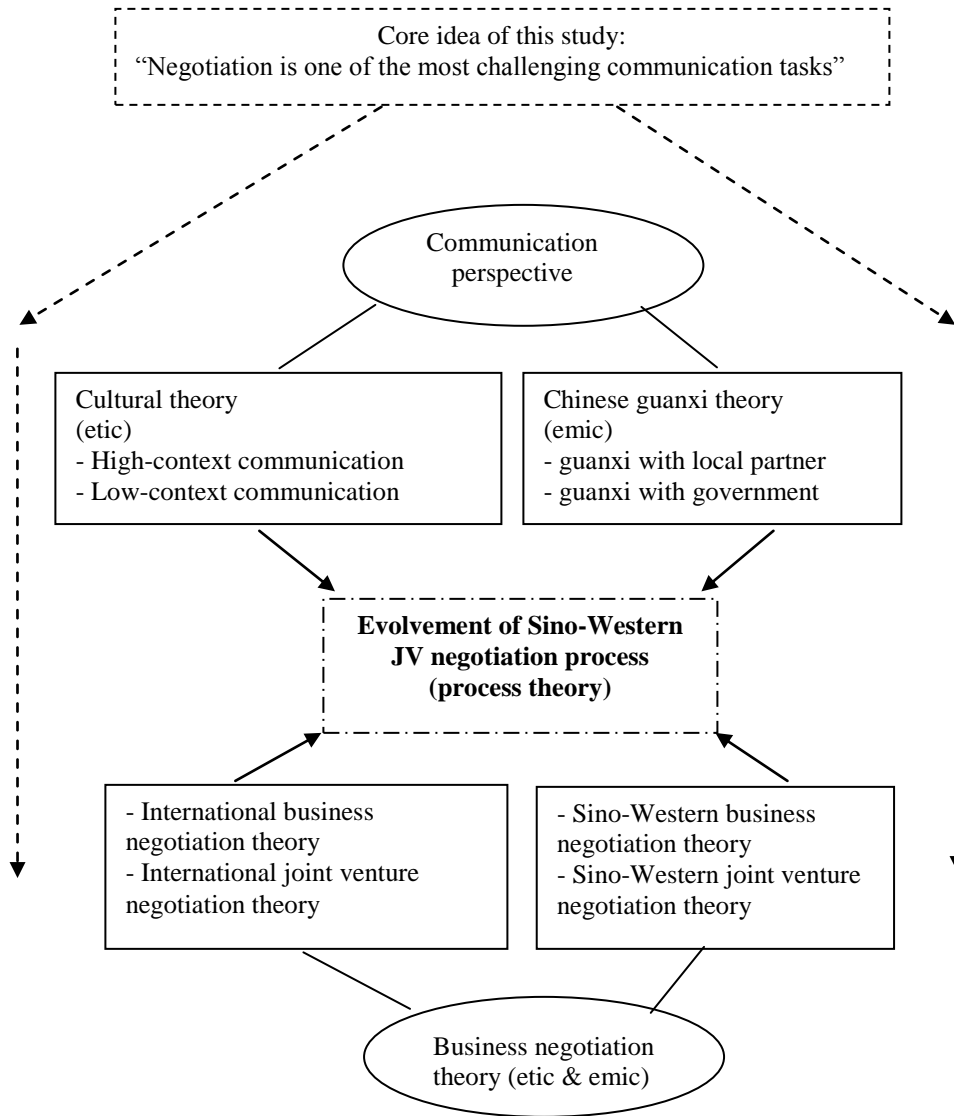


Figure 2.3: Integrative theoretical foundation of this study

Source: Author



### **Rationale of focusing on communication study (verbal and nonverbal as a whole)**

Negotiation is a communicative exchange, it is ‘one of the most challenging communication tasks in business’ (Gilsdorf, 1997, p.116), and ‘75 percent of all communication is nonverbal communication’ (Trompenaars, 1993, p.69). Usunier (2003) suggests that ‘The capacity to cope with very different communication styles is a key to successful international business negotiation. This is especially true for nonverbal communication’ (p.124). This statement is strongly supported by Smith et. al. (2006) and Gudykunst (1985). To respond to these scholars, this study will therefore focus on the Chinese communication style’s impact on the negotiation process both verbally and nonverbally, to understand not only what is said but also how it is said.

### **Rationale of combining etic and emic cultural perspectives**

Scholars have highlighted the importance of culture in shaping negotiation processes and outcomes (e.g. Ghauri, 2003; Brett, 2001; Graham and Lam, 2003; Salacuse, 1999; Faure, 1999, 2000), and most studies are based on comparative analysis to understand culture universal across nations (etic) (e.g. Salacuse, 1999; Brett, 2001), others try to understand specific culture within China (emic) (e.g. Graham and Lam, 2003; Ghauri and Fang, 2003). However, the use of only an etic or emic approach to research does not provide sound data for understanding behaviour across cultures (Stening and Zhang, 2007; Morris et al., 1999). Etic and emic approaches must be combined to give adequate explanations (Gudykunst, 1985), which can offer a best-practices approach for the study of cross-cultural organisational research (Schaffer and Riordan, 2003). Hence, this is the approach for this study.

A major criticism of many of the extant studies of work-related values by Hofstede (1980, 1988) alike, is that they were designed in the West using Western theoretical concepts. As such, they may have a tendency to overlook or ignore culturally based values from other regions of the globe that either do not exist or are not readily

identifiable in the Western consciousness. They also seem to view other cultures using Western constructs as the acceptable standard of evaluation (Gannon and Newman, 2002). Additionally, cross-cultural research by Triandis (2002) and his team indicates the danger of over-generalising from Western to non-Western systems. For example, Chinese negotiations are heavily influenced by culturally-determined notions of guanxi (Chen, 2001; Fang, 2006), however, guanxi is ignored in the work-related values.

Therefore, Hall's (1976) frameworks (etic) and the Chinese guanxi theory (emic), are selected as a lens to examine the influence of national culture on the Sino-Western joint venture negotiation process to develop a more comprehensive assessment of negotiating dynamics in China. It should be noted that Hall's Western cultural dimensions and guanxi may be correlated to a certain degree. This is not surprising, since what we call national culture indeed consists of different, but inter-connected dimensions (Hofstede, 1980).

### **Etic perspective for this study – high-context communication**

#### ***Rationale of choosing Hall's theory***

The work of Hofstede (1980), in particular, is considered the most comprehensive effort; Hofstede's work has frequently been used as a starting point to identify and model cultural clusters (Kogut and Singh, 1988; Ronen and Shenkar, 1985) and the methodological approach has been extended to explore the effect of culture on international cooperation (Johnson et al., 1993; Graham, 1988). However, the difficulties of measuring and monitoring exchange processes have been noted (Perks and Sanderson, 2000) because of the application of quantitative methods, which can only reflect average behaviour, hence cannot account for negotiation processes in China (Ghauri and Fang, 2003).

Alternatively, a somewhat different approach to culture and cultural difference is taken by a group of theorists (e.g. Hall, 1959, 1976) who emerge from a communications

tradition. They take varying views on how much language and communication affect people but agree in placing communication at the centre of cultural differentiation (Guirdham, 1999).

Hall's (1960, 1976) model is built on qualitative insights rather than quantitative data. The model is useful in understanding why different cultures might communicate differently (Mead, 2005). Hence, this study will apply for Hall's (1960, 1976) context culture to address research questions.

Another reason for choosing Hall's cultural model for this study is that it has been applied to previous negotiations studies, thus providing a useful baseline (Zueva, et al., 2007).

### ***Apply High-context communication to the study***

Hall (1976) distinguishes between high-context and low-context cultures. In high-context cultures, the attendant conditions surrounding a specific situation provide much of the meaning to communication. Much communication is nonverbal, indirect and implicit. It can be interpreted only in the context of the situation. In low-context cultures, communication is just opposite. The Chinese culture is characterised by high-context communication.

### **Emic perspective for this study – Chinese guanxi**

#### ***Rationality of choosing Guanxi theory***

*Guanxi* is regarded as the core of Chinese culture (Luo, 2000; Chen, 2001); it is a pervasive part of the Chinese society and business world. *Guanxi* is the lifeblood of both the macro-economy and micro-business conduct. Any business in this society, local firms and foreign investors and marketers, inevitably faces *guanxi* dynamics. No company can go far unless it has extensive *guanxi* networks in this setting (Luo, 2000). With the continued opening up of China's economy, it has been suggested that *guanxi* will continue to diffuse and influence Western business practices (Luo, 2000). Therefore, investigating *guanxi* is timely, it will devote update knowledge to this topic.

Guanxi is means relationship or connection in a simple way. A communication contains both contents and relationship, and contents and relationship are essential in a negotiation. In this sense, studying guanxi in the negotiation is communication focused, hence called communication perspective in this study.

### ***Apply Guanxi to the study***

*Guanxi* is, basically, a Chinese term for "interpersonal relationship", *guanxi*-based relationships can grow into highly-complex networks (Luo, 2000; Yeung and Tung, 1996). *Guanxi*, essentially, is a kind of relationship, which is an informal nonverbal communication (Chen, 2001). *Guanxi* is the foundation of Chinese business negotiations (Buttery and Leung, 1997; Li and Labig, 2001). *Guanxi* at different levels (with local partner / local government / central government, also see figure 1) plays a crucial role in the negotiation process (Chen, 2001; Fang, 2006; Deresky, 1997; Pudelko, 2005).

### **Rationale of choosing Sino-Western JV negotiation as the context for this study**

It is expected that, through study on Sino-Western joint venture negotiation in China, a better understanding of negotiation dynamics can be gained due to the complex nature of joint venture negotiation in China.

Particularly, it is a great opportunity to explore *guanxi* further due to joint venture being based on long-term collaboration, from which the negotiation process unfolds, hence the *guanxi* development process can be discovered over time to fulfil the purpose of producing process theory for this study.

#### **2.11.4 Proposed integrative conceptual framework**

Given the explanation above this study, therefore, combines high-context communication theory (etic) and Chinese *guanxi* (emic) to examine how these two central characteristics of Chinese communication style impact verbally and nonverbally on the joint venture negotiation process itself, in order to understand the evolvement of

the Sino-Western joint venture negotiation process in China. This study, hence, intends to progress a combined theory in the development of a more comprehensive assessment of the evolvement of the negotiation process in China. The proposed integrative conceptual framework is illustrated in figure 2.4.

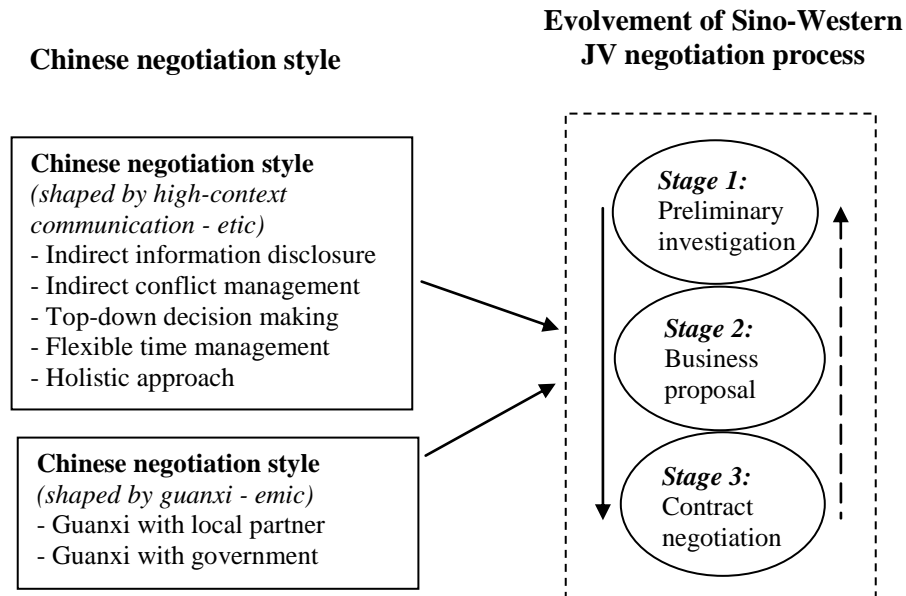


Figure 2.4: Proposed integrative conceptual framework

Source: Author

Note: arrows (→ --->) at negotiation stages: negotiation loops identified in literature

### Sino-Western joint venture negotiation process

The purpose of the study is to investigate *the evolvement of negotiation process*. Derived from empirical study by Faure (2000), the process of Sino-Western joint venture negotiation in this study can be divided into three stages namely *preliminary investigation, business proposal* and *contract negotiation* (see figure 2.4).

This negotiation process is neither static nor sequential (Farue, 2000; Fang, 2006), a possible way to handle it is to capture the main themes of the negotiation process, which can be reflected by some key negotiation factors.

### **Key negotiation factors and negotiation style emerged from the literature**

There are many negotiation factors involved with intercultural negotiation; however, the purpose of this study is not to map all the negotiation factors. Some key negotiation factors are emerged from the literature as below (also see figure 2.4), which have been deemed to have considerable impact on the negotiation process and, therefore, will be employed to this study to examine how Chinese communication influences them, which reflects the exchange of the negotiation process.

- Information disclosure
- Conflict management
- Decision making
- Time management
- Negotiation approach

For further understanding of these key negotiation factors, the following will illustrate them in detail.

#### **Information disclosure**

‘In negotiation, information is the most important power source’... ‘which can be used in the negotiation process to support the position the party wants to take’ (Ghauri, 2003, p.208). The issues regarding the partner’s willingness to disclose information during negotiations - how the partner discloses (eg. presentation style (Mead, 1990); Ghauri, 2003), information giving and asking (Zueva et. al., 2007), how much information giving and asking (Mead, 1994; Graham, 2003; Graham and Sano, 2003) - are crucial for both parties to understand each other, which is the foundation for decision making. Literature stresses the importance of information disclosure in the negotiation process; moreover Adair and Brett (2005) report that negotiators from high-context cultures reciprocate indirect information exchange more and direct information exchange less than negotiators from low-context cultures; however, the link between culture and

information disclosure appears ambiguous in studies by Volkema and Fleury (2002) and Zueva et. al. (2007).

### **Conflict management**

Cultural value assumptions, expectations, attitudes, and styles are assumed to play a critical role in the conflict communication process (Ting-Toomey, 1985). In an intercultural negotiation context, certain values may influence what inter-actants bring to the conflict, the process of negotiation, and eventually modes of conflict resolution. For example, Pye (1985) suggests that the Chinese view negotiation and conflict as an ongoing and never-ending process, this is very different from the view of the West. Therefore, successful conflict management requires understanding perspectives toward conflict: orientations toward conflict, orientations toward conflict resolution and criteria for resolution (Nadler et al., 1985). Harris and Moran suggest that the Chinese see conflict as a normally occurring event that is positive, and the Chinese are well-practiced in conflict management. However, most communication studies indicate that the Chinese are characterised by high-context communication, where they tend to avoid conflict and conflict management tends to be via indirect communication (Ting-Toomey, 1999; Mead, 1994).

### **Decision making**

Decision making is defined as a process for representing experience and integrating the competences of the individual to control-govern-guide his or her actions in performance. The literature shows the analysis of decision making in negotiation / international business negotiations mainly consists of three parts:

- Decision making structures (decision-maker, prediction systems, criterion) (Ghauri, 2003; Stewart, 1985)
- Decision making process (form of process, e.g. top-down or bottom up, nature of process, e.g. collective or individual) (Ghauri, 2003; Nadler et al, 1985).
- Decision making level (individual, group, organisation, society, the relationship between them) (Hargie and Dickson, 2004)

Because decision-making lacks content, its form acquires much of its character from the realities of the culture: patterns of thinking, values, and norms (Stewart, 1985), hence relying on a mode of reasoning or information processing pattern successful in one's own culture may prove problematic in intercultural settings (Nadler et al, 1985). For example, in China, decisions are reached primarily through group consensus; this approach is in contrast to the North American tendency of stressing individual values when they come into conflict with those of the group (Nadler et al, 1985).

### **Time management**

Time has different meaning and importance in different cultures; it plays an important role in international business negotiations (Ghauri and Usunier, 2003). Time orientation refers to attitudes towards time and how it shapes the way people structure their actions, having a pervasive yet mostly invisible influence (Usunier , 2003). Rackham (2003) found that average negotiators tended to use sequence planning where each issue had to be dealt with in turn (ie. issue 1 → issue 2 → issue 3 → issue 4). However, characterised as polychronic, the Chinese tend to deal with many different issues simultaneously (Hall, 1976). Therefore, flexibility is important in relation to how issues are to be addressed. For negotiators, it is important to have advance information of the opposite party's behaviour regarding time. This will help them to plan their time, as well as to have patience and not to become irritated during the process (Ghauri and Usunier, 2003).

### **Negotiation approach**

People from different cultural background tend to use different negotiation approach. Characterised as spiral logic, the Chinese tend to use a holistic approach in international business negotiations. Whereas, Characterised as linear logic the Westerners are likely to employ sequential approach. This contrast of negotiation approach evidenced a source of conflict in the negotiation (Ting-Toomey, 1985).



In sum, in the Chinese business context, from an etic perspective, several key Chinese negotiation styles are emerged from high-context communication (etic) literature, which consists of indirect information disclosure, indirect conflict management, top-down decision making and holistic approach. In addition, as an important nonverbal communication element, time is crucial to negotiation (Hall; 1976), thus, time is included in this study. The Chinese are characterised as practicing Polychronic time, whereby they tend to use flexible time management style in the negotiation. These Chinese negotiation styles, which are shaped by both verbal and nonverbal communication, are theorised to have significant influence on the dynamics of the negotiation process itself in the Chinese business context. Hence, the Chinese negotiation style, which is shaped by high-context communication (etic) is summarised below:

- Indirect information disclosure
- Indirect conflict management
- Top down decision making
- Flexible time management
- Holistic approach

Meanwhile, from the emic perspective, *guanxi* is a predominant cultural characteristic associated with inter-personal relationships in China (Luo et al., 2002; Luo, 2007; Chen, 2002). As joint venture negotiation is organisational behaviour and the Chinese government is the authority to approve the joint venture, it is essential to look at Chinese negotiation behaviour which is influenced by *guanxi* at the corporate (*guanxi* with local partner) and at government levels (*guanxi* with local and / or central government). Hence, the Chinese negotiation style, which is shaped by *guanxi* (emic) is described below:

- *guanxi* with local partner
- *guanxi* with government

### **2.11.5 Generative research questions from the literature review**

In the light of the general aim and proposed integrative conceptual framework, generative questions from the literature review, therefore, include:

- Q1: How does Chinese negotiation style influence the evolvement of Sino-Western joint venture negotiation process?
- Q2: How can the evolvement of Sino-Western joint venture negotiation process be modelled as a process?

### **2.12 Summary**

This chapter examines the literature and identifies the contradictions and gaps of the knowledge on the proposed topic by focusing on how national culture influences the process of Sino-Western joint venture negotiations. The generative research questions are presented to give a clear direction to the study. The integrative conceptual framework is developed by looking at the linkage between the Chinese negotiation style (derived from the Chinese communication style based on a combined etic and emic perspective) and the process of Sino-Western joint venture negotiations; this informs how the research questions can be effectively addressed.

The next chapter, Methodology, discusses how the generative research questions might be empirically addressed.

## **Chapter 3 Methodology**

### **3.1 Introduction**

This chapter presents methodological issues in general and the specific methodological issues for this study; it also justifies the appropriateness of its choice. It starts with an outline of methodological issues in general and summarises the major methodology in research on international business negotiation; then, it moves on to the specific issues for this study: including the nature of this study, detailed research design, selection of appropriate data collection methods; the related empirical research route, data analysis methods and process. Following this, the quality of this study is discussed. Finally, it ends with the summary of the main aspects of this chapter.

### **3.2 Research methodology: overview**

Management research is different to research in many other subjects because it has both an academic and practical purpose. It concerns knowledge and action (Fisher et al., 2004). This section presents the main debate of research methodology and mainstream research methods.

#### **3.2.1 Main debate of research methodology**

Methodology concerns the nature of the research technique; the main debate is between deductive and inductive research; another debate concerns qualitative and quantitative research. It is suggested that any research methodology and technique has inherent shortfalls, and hence the choice of a specific methodology and technique inevitably limits the conclusions that can be drawn (Maxwell, 2005; Gill and Johnson, 1997; Yin, 2003). Fundamental understanding of the characteristics of alternative research and methods is therefore essential to support the selection of an appropriate methodology, and to acknowledge the limitations of the findings.

### **Inductive versus deductive research**

Research methodology is classified into different dichotomies. One of the most common classifications is between inductive and deductive research, the classification between them being based on the process of the research, by which social science theories are constructed, evaluated and justified (Gill and Johnson, 1997, p28).

Inductive research generally supports theory generation, while deductive research is for theory testing. The former generates a theory based on empirical data collected when there are few or no theoretical preconceptions; they later develop hypotheses based on existing theories and test them against the data collected. The fundamental distinction of the two approaches, therefore, lies in which comes first, theory or empirical data (Gill and Johnson, 1997).

However, induction and deduction are often combined to address research problems in real research practice (Gray, 2004; Baker, 2003). As Perry (1988, p788) points out “it is unlikely that any researcher could genuinely separate the two processes” because, as mentioned in the preceding paragraph, a certain theoretical foundation is required to design and implement empirical study. This is especially true in case study research (Ghauri and Gronhaug, 2005).

### **Qualitative versus quantitative research**

Another methodology to be considered concerns quantitative and qualitative research, the classification between them is based on the objectives of the approach, the nature of the data collected, and the ways they are analysed (Baker, 2003).

Qualitative research chiefly aims to explore, describe, explain and understand a phenomenon; collecting contextual data within its natural context, analysing and interpreting its contents and meanings to generate comprehensive explanations (Baker, 2003; Bryman, 1989; Bryman, 2004; Easterby-Smith et al, 2002). As Leavy (1994,

p107) elaborates: “Qualitative research is essentially an inductive approach to theory generation. The focus for study tends to be on processes rather than on structures, and on dynamic rather than static phenomena. The emphasis tends to be on description and explanation rather than on prescription and prediction”. ~Conversely, quantitative research is, basically, a deductive approach which concerns itself with confirming or rejecting pre-defined hypotheses based on existing models (Baker, 2003; Bryman, 1989; Bryman, 2004; Easterby-Smith et al, 2002). By collecting and analysing numerical data, including data converted into numeric format, the hypotheses are tested using statistical methods to draw conclusions.

Research conclusions derived from qualitative research are “rich, full, earthy, holistic and real” (Miles, 1979:590). However, such findings are believed to be subjective and contextual-bounded, and hence generalisations which can be drawn from them are limited. Conversely, quantitative research is believed to provide objective evidence to support / reject specific hypotheses based on logical reasoning, and hence it allows generalisation and prediction. However, quantitative research does not generally support probing into more complex and dynamic interactions between the research object and its context to gain in-depth understanding. Although the quantitative method has prevailed as a traditional research approach in business and management studies for a long time (Baker, 2003), the qualitative approach is increasingly employed. Nevertheless, as [Baker?] stresses, “qualitative methodology and quantitative methodology are not mutually exclusive”. It is suggested that the two approaches can be integrated into the same research in the pursuit of theory development and refinement (Shah and Corley, 2006).

### **3.2.2 Main stream of research methods**

As with the distinction in research methodology, there are different methods for data collection and analysis. A brief evaluation of commonly applied research methods, mainly based on three dimensions of research trade-offs, is summarised in Table 3.1 below.

Table 3.1: Evaluation of main stream of research methods

<b>Method</b>	<b>Control of measurement</b>	<b>Realism of context</b>	<b>Generalisation</b>	<b>Additional concerns</b>
Laboratory experiment	High	Low	Low	<ul style="list-style-type: none"> <li>• Too artificial</li> <li>• Business and management issues cannot easily and convincingly be set up into a controlled setting</li> </ul>
Quasi-experiment	High	High	Low	<ul style="list-style-type: none"> <li>• Artificial</li> <li>• Requires high commitment and support from organisation for researcher to access</li> </ul>
Survey	Low	Low	High	<ul style="list-style-type: none"> <li>• Evidence collected can be relatively superficial</li> <li>• Different response bias, and statistical validity and reliability issues</li> </ul>
Ethnography	Low	High	Low	<ul style="list-style-type: none"> <li>• Time-intensive</li> <li>• Requires support and acceptance of participation by researcher as insider</li> </ul>
Case study	Little or no	High	Low	<ul style="list-style-type: none"> <li>• Bias of both the recipient and supplier of information</li> <li>• Data can be too rich, broad and complex to be analysed</li> <li>• Tim-intensive</li> </ul>

Source: Author, with reference to Yin (2003), Bryman (1989, 2004), McGrath (1982), Remenyi et al. (1998), and Scandura and Williams (2000)

### **3.3 Major methodology in international business negotiation literature**

The methodological critique in the literature was analysed in Chapter 2; it is discussed in this section mainly under the umbrella of the quantitative and qualitative debate, to further acknowledge the gap in the knowledge and highlight the potential theoretical contribution of this study.

#### **3.3.1 Critical view on major methodology in negotiation research**

##### **3.3.1.1 Major methodology in negotiation research**

Qualitative research in international business has been rare, the main research streams of the field relying more on quantitative methods (Doz, 2011). As a result, the major methodology in research on international business negotiation (including international joint venture negotiation, Sino-Western joint venture negotiation), is dominated by traditional quantitative research through questionnaire survey, to uncover and compare the difference between Western and Chinese negotiation styles. By doing so, such an approach remains static, segments reality and brings situations to a standstill, hence only reflecting average negotiation behaviour, cannot account for the process of negotiation in China (Ghauri and Fang, 2003; Ma et al. 2002). Consequently, there is still limited effort put into investigating the more dynamic phenomena such as the negotiation process and relationship development during the negotiation process. However, it is arguable that only the qualitative method can address underlying problems (Tung, 1982).

Previous negotiation studies mainly apply the quantitative method by survey, which is static in nature and only reflects average negotiation behaviour; hence, it cannot account for the process of negotiation in China (Ghauri and Fang, 2003; Ma et al. 2002). Therefore, this study applies a multiple-case study method to address ‘how’ questions by examining contemporary negotiation processes in the Chinese business context (Yin,

2003), which enables generation of new theoretical inferences grounded in case and cross-case analysis.

Such studies apply qualitative research mainly through interview or single case study, to feature a nation's negotiation style (including the Chinese negotiation style) to pursue negotiation insights in the particular nation under investigation (e.g. the Chinese business context). However, data derived from interviews as the sole data collection method cannot be triangulated with other sources such as documentation and observation. Furthermore, a single case study offers insights of negotiation, but is weak in logic replication (Yin, 2010), hence it is difficult to know the possibility of its transferability of findings to other settings.

### **3.3.1.2 Trend of qualitative research on international business negotiation**

Although quantitative research has remained a tradition in social science research for many years, the application of qualitative research to the study of international business has increased in recent years. Many researchers stress the value of qualitative research in producing conceptual and contextual insights into these relatively young fields which are in need of new theory generation. They emphasise the appropriateness of qualitative analysis for exploration and description of dynamic aspects of business activities (including international business negotiation dynamics), which it is unrealistic to study in isolation from the socioeconomic context (Bryman, 2004; Ghauri and Fang, 2006; Perks and Sanderson, 2000).

### **3.3.2 Critical view of major theory form in negotiation research**

#### **3.3.2.1 Major negotiation theory: variance theory**

As quantitative research has been the major methodology in international business negotiation literature, hence, much negotiation research produces variance theories.



### **3.3.2.2 Need for negotiation theory: process theory**

However, variance theory is based on quantitative research, which cannot account for the negotiation process. Recent studies have applied more dynamic ways to study negotiation, and have paid attention to the negotiation process, which produce process theory (e.g. negotiation phase model). Indeed, Tung (1998) calls for study on how negotiation style influences the negotiation process. In addition, some scholars stress the importance of understanding negotiation dynamics (Olekalns and Weingart, 2008) through the investigation of negotiation process. Therefore, it can be seen that there is an indication of a need for process theory for negotiation research.

## **3.4 Methodology choice for this study**

As outlined in the previous section, the methodology is the guideline for obtaining knowledge, i.e. it entails the process, principles, and procedures by which we approach problems and seek answers (Delanty and Strydom, 2003). In this sense, the research methodology is central for the theoretical contribution of knowledge to the scientific discipline as well as for the application of this knowledge to practice (Van de Ven, 1989). Based on the discussion of methodological foundations above, this section presents the methodology applied to this study in terms of research design in the typological sense.

### **3.4.1 Nature of this study: exploratory research**

According to the nature of the research, it could be divided into exploratory, descriptive and explanatory research (Yin, 2003; Gray, 2004, p.32).

This study is exploratory and seeks to fill an identified gap in the literature, because little is known about this research field. As an exploratory study, there are no propositions presented (Yin, 2003).

### 3.4.2 Type of research method of this study: case study

The questions researchers pose should drive their methods (Maxwell, 2005; Yin, 2003). “A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 2003, p.13). *Case study* is applied as the research strategy for this study because this study addresses ‘how’ questions by examining contemporary negotiation processes in the Chinese business context. In addition, the researcher has no control over the joint venture negotiation process and negotiation behaviour of the negotiators at the negotiation (Yin, 2003, p.1) because the researcher was not involved in the real negotiation settings.

Case study is considered to have the following advantages for this study: First, to serve the nature of the study: case study, using multiple sources of evidence, supports the exploration and explanation of a phenomenon within its context, enabling the discovery of broader and richer facets when existing understanding of the subject is limited (Yin, 2003).

Second, to best suit the aim of the study: Case study enables generation of new theoretical concepts grounded in case and cross-case analysis (Miles and Huberman, 1994; Yin, 2003). Also, case studies are of value in refining theory (Denzin and Lincoln, 2005, p.460), which facilitates the aim of this study - refine intercultural negotiation theory; generating and building theory in an area where little data or theory existed (Yin, 1984).

Third, address the research questions: Case study allows concentration on specific instances in an attempt to identify the detailed interactive process, and can illustrate relationships, corporate-political issues and other patterns of influence in the particular context being researched (Remenyi et al, 1998), which derives conceptual and

contextual insights to address the research question regarding how Chinese negotiation style influences the negotiation dynamics in the Chinese business context.

Fourth, produce process theory: case study method allows investigators to retain the holistic and meaningful characteristics of real-life events – such as organisational and managerial processes (Yin, 2003, p.2). It is about the negotiation process in this study, where the negotiation process unfolds; hence it offers an opportunity to develop process theory.

In sum, this study employs a qualitative case study method (data collection through interview and documentation) to explore the dynamics of Sino-Western joint venture negotiation processes triggered by Chinese negotiation styles. In fact, Kumar and Worm (2003) adopted a qualitative approach (data collection through interview) to explore the impact of social capital on the dynamics of the intercultural negotiation processes between the northern Europeans and the Chinese. In this sense, this study employed a similar method (in terms of data collection through interview) to explore the dynamics of the negotiation process in general.

Therefore, case study is deemed to be the most appropriate method for this study. The overall research design and research process will be discussed in the following sections.

### **3.5 Designing case study research**

‘A research design is the logic that links the data to be collected (and the conclusions to be drawn) to the initial questions of a study’ (Yin, 2003, p.19). The main purpose of the design is to help avoid the situation in which the evidence does not address the initial research questions. In this sense, research design deals with a logical problem and not a logistical problem. The components of the research design for the case studies are presented as below.

### **3.5.1 Defining the case**

Defining a case is a fundamental issue for a case study (Yin, 2003; O’Leary, 2004). A case is a ‘bounded system’ (O’Leary, 2004, p.115).

The case for this study refers to Sino-Western joint venture negotiation processes. There is no universal definition for successful joint venture negotiation. In this study it refers to reaching an agreement between the parties; enabling focus on the examination of the negotiation process, and to see how it leads to a successful outcome which contributes to the establishment of a Sino-Western joint venture.

‘Specific time boundaries’ refers to the beginning and end of the case (Yin, 2003, p.24). The ‘specific time boundaries’ for this study are defined as: the beginning of the case is the initial contact for setting up the joint venture at the *preliminary investigation stage*, while the end of the case is indicates reaching agreement at the *contract negotiation stage*.

### **3.5.2 Defining the unit of analysis**

The unit of analysis is the most elementary part of the phenomenon to be studied in social science research, it influences the research design, data collection, and data analysis decisions (Nachmias and Nachmias, 1996, p.53).

Related to the research questions, the unit of analysis for this study refers to the evolvment of the negotiation process, which can be explored and identified by the dynamics of the negotiation.

### **3.5.3 Defining the type of case study: Multiple-case design**

Case design can be single or multiple (Yin, 2003). Multiple-case study has the greater opportunity for studying a number of organisations and hence potentially greater transferability of the findings. Yin (2003) argues that “To begin with, even with two cases, you have the possibility of direct replication. Analytic conclusions independently arising from multiple cases, will be more powerful than those coming from a single case alone. Second, the contexts of the different cases are likely to differ to some extent. If under these varied circumstances you still can arrive at a common conclusion from multiple cases, they will have immeasurably expanded the external generalisability of your findings, again compared to those from a single case alone” (Yin, 2003, p.53). Multiple-case design is, therefore, applied to this study in order to gain more compelling and reliable robust findings (Herriott and Firestone, 1983).

#### **Number of cases for this study: four cases**

Suggested by Stake (2006) and Eisenhardt (1998) four cases are sufficient for case study research, as case studies should be evaluated in terms of the adequacy of the theoretical inferences that are generated (Yin, 2003), the aim is not to infer the findings from a sample to a population, but to engender patterns and linkages of theoretical importance (Bryman, 1989).

#### **3.5.4 Defining case selection: Site selection criteria**

The study site of the joint venture is located in Shanghai, which is a popular destination for foreign investments in China. In addition, the researcher worked in Shanghai for five years, therefore, is familiar with the ‘language’ and ‘social setting’ (May, 1999, p.145) there, which can ensure data to be interpreted accurately. Also the researcher’s networks provided a better opportunity to access companies (O’Leary, 2004; Stake, 2005), which is the most critical issue for this topic.

Negotiating a joint venture agreement normally takes place between managers assigned by the parent companies; therefore, the relevant parent companies in the West will be selected for data collection.

### **3.5.5 Defining case selection: Participants' selection criteria - case company**

For case selection, 'achieving the greatest understanding of the critical phenomena depends on choosing the case well' (Stake, p.450). Purposive cases will be selected for building in variety and acknowledging opportunities for intensive study (Stake, 2005). In correspondence with the objectives of this study, case company selection criteria are defined as: medium-large sized joint ventures in the energy sector. Table 3.2 illustrates these selection criteria. The reasons for the criteria are:

- The focus on medium-large sized firms allows variation to be constrained due to size difference among the firms (Eisenhardt, 1989).
- As a very active industry in the Chinese transactional economy, studying a company in the energy sector has practical significance.
- Joint ventures with less than 10 years history (unlikely to have access to newly established joint ventures to benefit fresh memory of the informants).
- In addition, the researcher was able to communicate in the English language, as well as Chinese as her native language, so English speaking for the Western parent company was essential.
- This study was interested in international, as opposed to domestic, joint ventures. Hence, the joint ventures should have at least one foreign partner. However, following Boersma et al. (2003), in order to constrain cultural differences between the cases, and thus to reduce a major source of variation, the author selected joint ventures with foreign partners from countries with similar cultures (all the partners are from low-context communication countries. It was felt that relative cultural closeness would allow a focus on issues of the negotiation process, which might be obscured if wide cultural differences were encountered).

Table 3.2: Case company selection criteria

<b>Number of case company</b>	<b>Size of case company</b>	<b>Industry of case company</b>	<b>History of case company</b>	<b>Language of Western parent company</b>
4 joint ventures	Medium-large sized joint ventures	Energy sector	Joint venture history: < 10 years	English speaking for Western parent companies

Source: Author

### **3.5.6 Defining case selection: Participants' selection criteria - informant**

In accordance with the objectives of interview, informant selection criteria are defined as: CEO/manager, engineer, interpreter and lawyer who were involved in the negotiation and with similar technical backgrounds in the energy industry. Table 3.3 illustrates these selection criteria. The reasons for the criteria are:

- 18 interviewees were taken from the from case companies, among which five were Western the rest Chinese as normally only one foreign negotiator was involved and the Chinese side had a bigger negotiation team, which reflects individual and collective culture respectively.
- The participants were involved in Sino-Western joint venture negotiation, which enabled proper data to be obtained on the topic.
- The participants were of a similar type, as much as possible, to overcome the bias that may occur by the researcher as the instrument.
- Negotiating a joint venture normally takes place between CEOs/managers of two parties, therefore as chief negotiator CEOs/managers were the main interviewees.
- The chosen energy industry involves high-tech, where professional technical knowledge is crucial to facilitate negotiation; therefore the engineer was suitable for interview.

- Interpreters master the languages of both parties, and are in a position to better understand the languages and perceptions of the negotiators from both parties; hence they were able to provide deeper and interesting data.
- Lawyers are expected to be familiar with negotiation procedures and written documents, hence they provided interesting insights from their unique position.
- Negotiation involves the message, sender, and the audience; therefore, data collected from both parties of the negotiation can provide dual perspectives to reflect the dyadic nature of negotiation.

Table 3.3: Interview informant selection criteria

<b>Number of prospective informants</b>	<b>Experience/knowledge</b>	<b>Background</b>	<b>Who</b>	<b>Which side</b>
18	Involved in joint venture negotiation	Similar type (technical background) as much as possible	CEO/Manager Engineer Interpreter Lawyer	Both Chinese and Western sides

Source: Author

Once case study research design is defined, the next step is to carry out design work, beginning with data collection. However, to ensure rigor of the study there is a need to prepare for data collection before data were formally collected. As both preparing for data collection and actual data collection are major issues, it is worth discussing them in two separate but interrelated sections to follow.

### **3.6 Conducting case studies: preparing for data collection**

Preparing for data collection can be complex and difficult. If not done well, the entire case study investigation can be jeopardised, and all of the earlier work – in defining the research questions and designing the case study – will have been for naught. Three topics should be a formal part of any case study preparation namely: the development of a protocol for the investigation; the screening of case study nominations; and the



conduct of a pilot case study (Yin, 2003, p.57). In addition, as this is a cross national boundary study, two additional topics, namely Interview questions pre-test and Interview questions back translation should form a formal part of the case study preparation.

The protocol is an especially effective way of dealing with the overall problem of increasing the reliability of case studies. However, success with all five topics is needed to ensure that case study data collection will proceed smoothly, and data are equivalent. The data collection methods and process for the study is illustrated in figure 3.1. The remainder of this chapter therefore discusses each topic.

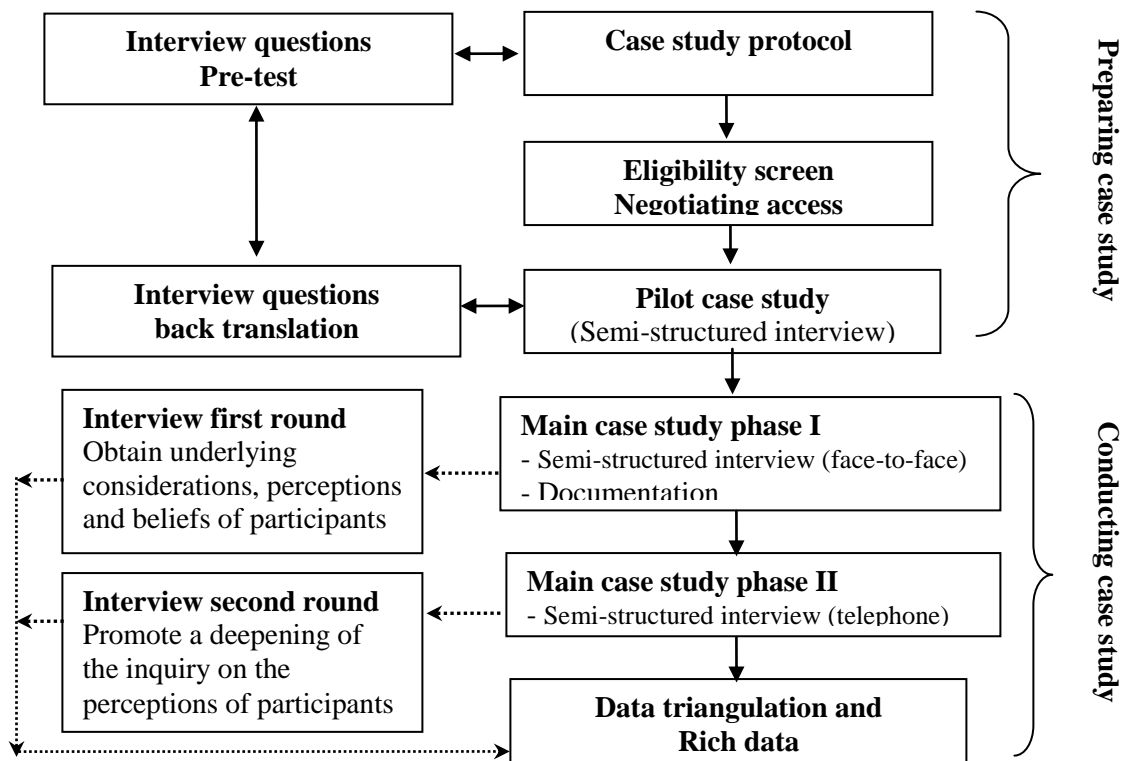


Figure 3.1: Data collection methods and process for the study

Source: Author, based on Yin (2003) Miles and Huberman (1994) and Brislin (1970, 1986) etc.

### **3.6.1 Case study protocol**

The case study protocol is a standardised agenda for the investigator's line of enquiry; it is a major way of increasing the reliability of case study research and is intended to guide the investigator in carrying out the data collection from a single-case study. Having a case study protocol is desirable under all circumstances, but it is essential when undertaking a multiple-case study (Yin, 2003, P67).

For this reason, the case study protocol for this study, which included interview brief and interview questions (see Appendix I and II) is developed and refined, in order to guide the case study correctly.

### **3.6.2 Eligibility screen and negotiating access**

As a very active industry in the Chinese emerging market, the energy sector was chosen for the study (specifically power electronics and petrochemical industries within the energy sector were chosen for the study). In identifying potential research candidates, the background of potential companies was examined by studying the information obtained from the company website or from friends of the researcher. Over twenty joint ventures in the energy sector were chosen, attempts were made for access by email, fax, letter and telephone.

Eligibility screening was carefully carried out according to defined selection criteria in order to reach the objectives of the study. For example, one company kindly offered good access for the research, unfortunately the nature of the company was an alliance rather than joint venture, therefore, it was excluded as a case company. Four joint ventures which met the selection criteria and responded positively were identified for further research. All identified case companies were involved in the *guanxi* networks of the researcher, which provided a better opportunity for access. Table 3.4 describes

identified case companies for the study, in which pseudonyms and limited company information were displayed to protect the identity of the company.

Potential interview participants were contacted by email and / or telephone in order to seek permission for interviews. A Participant Information Sheet was provided to potential participants by email to enable their understanding of the study and for ethical reasons (Frey and Oishi, 1995). Alternatively, the purpose of the study and background information about the study was explained via telephone on request.

Table 3.4: Identified case companies for the study

<b>Company name</b>	<b>JV nature</b>	<b>Location</b>	<b>Size</b>
Roma	Sino-French	Shanghai	Medium
Sunni	Sino-British	Shanghai	Large
Losea	Sino-British	Shanghai	Medium
Flobu	Sino-Canada	Shanghai	Medium

Source: Author

Note: Pseudonyms used in the study for protecting identity of case companies

### **3.6.3 Pilot case study**

The objectives of the pilot study were to check the content of the data and procedures to be followed, and to see if there was a need to refine data collection plans. As the primary data collection method, interview was chosen for the pilot study.

For easy access the pilot was conducted with two identified informants by telephone interview from Glasgow in March 2008 and face-to-face interview in Shanghai in April 2008 respectively. Data collection was aided by a prepared case study protocol (including briefing and interview questions etc.). Identified content of the data (e.g. interview questions on features of negotiation processes, stages of negotiation) and

procedures (e.g. timing, quality of the briefing before interview) were tested and analysed, decisions on refining research design, how and why refining research were made. Table 3.5 illustrates this procedure in detail, with examples.

As a result, the final research design was informed both by prevailing theories and by a fresh set of empirical observations. The dual sources of information help to ensure that the actual study reflects significant theoretical issues and questions relevant to contemporary cases (Yin, 2003).

Table 3.5: Pilot case study on interview (with examples of refining research design)

<b>Item to be tested</b>	<b>How to test</b>	<b>Result</b>	<b>Any refining (Y/N)</b>	<b>Refining research design</b>	<b>Reason for refining</b>
Section one *	Start with section one	Start with complex-to-answer question: reluctant responses	Y	Start with section one	Start with negotiation process respondent involved can maintain interest and make responding easy; Smooth start helps establish a rapport effect
	Section one implied in section two*	Start with easy-to-answer question: prompt responses			
Timing	Control	45 mins	Y	Control to average 1 hour	Practically 1 hour is acceptable for most interviewees; 1 hour enables in-depth conversations hence provides rich data for the study
	No control	Over 2 hours			

Source: Author

Notes: Section one: The feature of negotiation process

Section two: Chinese negotiation style influences negotiation dynamics

### **3.6.4 Pre-test of interview questions**

Interview questions were developed carefully prior to the field study. Pre-test of interview questions was carried out in order to determine if respondents generally understood the question (Brislin, 1970).

Pre-test of interview questions was worked with a Chinese friend fluent in English (bilingual person) and a British engineer with many years working experience in China (bicultural person), in order to determine if respondents generally understood the question (Frey and Oishi, 1995; Brislin, 1986). Revisions were made on ambiguous questions (eg How do Chinese listen?) and questions with jargon (e.g. formal communication, informal communication, communication channels).

### **3.6.5 Back translation of interview questions**

As the interviewees consisted of both foreigners and Chinese, back translation, as suggested by Brislin (1970), was carried out to verify the content consistency between the two versions of interview questions as below:

The original English version of interview questions was carefully translated into Chinese (English – Chinese) by a Chinese friend. Back translation (Chinese - English), as suggested by Brislin (1970, 1986), was carried out by another Chinese friend to verify the content consistency between the two versions of the interview questions. Both of the Chinese friends are professional bilingual interpreters who had been working in a foreign company as managers for over 10 years, where English is the working language. The discrepancies between the original and translated versions were visited and revised to achieve the consistency of two versions of interview questions (e.g. If and how does Chinese communication *moderate* negotiation behaviours of Westerner?).

The procedure of 'back-translation' can be repeated for several rounds, as different bilinguals work with the efforts of their predecessors (Brislin, 1986, p159). One round of back-translation was implemented in this study because of the limited research time.

### **3.7 Conducting case studies: collecting data**

Once the data collection prepared is complete, the following step is to collect data. Data collection is about how you will get the information you need to answer your research questions. This should include a description of the kinds of methods you plan to use, how you will conduct these, and why you have chosen these methods. For both selection and data collection, practical considerations are often important, and should be candid (Maxwell, 2005, p.125). The following illustrates these issues one by one.

#### **3.7.1 Defining level of theory and sources of data**

Level of theory refers to the focal level to which generalisations are meant to apply (Hitt *et al.*, 2007).

This study pursues to refine intercultural negotiation theory, the level of theory is defined at organisational level (Yin, 2003) because the theory is about Chinese negotiation styles (which are derived from Chinese national communication styles) which influence the dynamics of negotiation processes itself between the parties. However, organisation and country do not behave, people do, and individuals are carriers of cultural values.

As negotiation between the parties is through an individual negotiator and / or negotiation team within the context of the companies, particularly, government might be involved in the negotiation in the Chinese business context; hence, data are derived from multiple levels at individual, group, organisation and government levels for this study.

Therefore, the level of theory of this study focuses at organisational level, and the level of theory is consistent for data collection, data analysis and conclusion.

### **3.7.2 Choosing data collection methods and data triangulation**

‘The use of multiple sources of evidence in case studies allows an investigator to address a broader range of historical, attitudinal and behavioural issues. However, the most important advantage presented by using multiple sources of evidence is the development of *converging lines of inquiry*, a process of triangulation’ (Yin, 2003, p.98), which will be discussed in detail in a later section - justification of this study.

The most commonly used sources of evidence in case studies are: documentation, archival records, interview, direct observation, participant-observation and physical artefacts; no single source has a complete advantage over all the others, in fact, the various sources are highly complementary, and a good case study will therefore want to use as many sources as possible (Yin, 2003, p.85).

For the strengths and weaknesses of each source of evidence, above, to achieve the objectives of this study, primary data will be collected via semi-structured interview, while secondary data via documentation. The reason for choosing these two sources are discussed below.

#### **1) Semi-structured interview: two rounds**

##### ***Semi-structured interview***

Data collection relies on semi-structured interview as the primary method in order to:

- serve the nature of exploration of this study;
- obtain rich data and insights on negotiation processes;
- investigate the sensitive and confidential topics of *guanxi* (Gill and Johnson, 2002).

This reflects the point of view by Harwood (2002) who claims that the qualitative research approach is a better method to gain a more detailed understanding of the negotiation phenomenon.

Also, interviewing can be a valuable way of gaining a description of actions and events -- often the only way, for events that took place in the past or ones to which you cannot gain observational access (Maxwell, 2005).

### ***Two rounds of interview***

As a more subtle interview technique each participant is interviewed twice to promote a deepening of the inquiry on the perceptions that participants have of negotiations across cultural boundaries, also, to obtain responses to items that were either overlooked or answered unclearly (Frey and Oishi, 1995). The 'repeated interview' enables rich data to be obtained which provide a full and revealing picture of what is going on (Becker, 1970, pp.51-62), hence enabling validity of the study (Maxwell, 2005, P109).

However, interviews can only provide retrospective data, which is based on self-report and at an individual level, therefore, documentation is employed as well for data triangulation, which is discussed below.

### ***Justification of employing semi-structured interview***

Attempts made to access real-life Sino-Western joint venture negotiations, however, failed. It could be argued that participant observation is the most appropriate method for the study, through which negotiation behaviour through verbal and nonverbal communications can be observed, particularly the latter. However, negotiating to establish a joint venture normally involves a highly confidential business strategy and planning, it is difficult to access a real life setting. On the other hand, observation cannot identify the perceptions of the negotiators, which is intangible and in the head of the negotiators. In fact, it has shown in the literature that interview was the domain technique in the negotiation study.



## 2) Documentation: JV and non-JV

The primary data of interview will be supplemented with secondary data through documentation. Documents allow corroboration of, and augment, evidence from interviews (Yin, 2003, p.87), they also provide additional data and a check on the findings derived from interviews, also informing the interview questions (Bryman 1989).

## 3) Data triangulation

To reduce common method errors, this study employed semi-structured interview and documentation, and collected data from both self-reported negotiation behaviour and other-reported negotiation behaviour to obtain combined data for the negotiation behaviour. Table 3.6 illustrates the summary of sources of data and data triangulation.

Table 3.6: Summary of sources of data and data triangulation

Sources of data		Means of triangulation	Level of data
Semi-structured interview	Chinese informants: negotiation leader	Self-reported	Individual
	Chinese informants: negotiation member	Member-reported	
	Western informants	Partner-reported	
Documentation	Documents from company	Company-reported	Organisation
	Documents from government	Government-reported	Government
	Documents from mass media	Media-reported	Non-company

Source: Author

### 3.7.3 Collecting data: Semi-structured interview

Data collection from interviews in four joint ventures and one consulting company is illustrated in table 3.7 and the data collection process from interview is explained in the following.

Table 3.7: Interviews in four joint ventures

JV name	JV nature	Location	Size	Interviewees			
				Sub-total	Chinese side	West side	
						Westerner	Chinese
Roma	Sino-French	Shanghai	Medium	7	5	1	1
Sunni	Sino-British	Shanghai	Large	4		1	3
Losea	Sino-British	Shanghai,	Medium	3	1	1	1
Flobu	Sino-Canadian	Shanghai	Medium	4	4		
<b>Interviewees in total</b>				<b>18</b>			

Source: Author

Note: Pseudonyms used in the study to protect the identity of investigated companies

#### Before interview – briefing

Interviews were conducted in Chinese with all Chinese informants - of their own choosing, which they felt comfortable with - while, in English with all Western informants. Before formal interview, a *briefing* was given to the interviewee as follows:

- a. Introduce the study:
  - The purpose of the study.
  - Why his or her involvement is important.
  - Approximately how long the interview will take.
- b. Explain ethics:
  - Assurances of confidentiality.
  - The right to decline to answer any particular questions.
  - The right to end the interview upon request.
  - Obtaining consent of recording responses

## **Conducting interview**

### ***Face-to-face interview***

Fourteen face-to-face interviews were undertaken in Shanghai from May to June 2008 in the interviewees' office or meeting room of their company or tea house on the request of the interviewees, where they felt comfortable. Each interview lasted, on, average one hour, with the shortest about 30 minutes due to the interviewee's busy schedule and the longest over two hours, which involved in-depth conversations around non-directive questions that enabled the informants to express their own underlying considerations, perceptions and beliefs (Buckley and Chapman, 1997; Strauss and Corbin, 1991).

### ***Telephone interview***

The rest of interviews were by telephone in Glasgow due to the busy schedule of the interviewee or mismatched schedule between the interviewee and the researcher. Pre-scheduled telephone interviews were undertaken in the meeting room of the department of the researcher in July 2008. A meeting room was arranged in advance to set up the tape recorder and to check the function of the telephone by a university professional to ensure a smooth conversation and tape recording of the conversation. Each interview lasted approximately one hour.

### ***Second round of interviews***

All interviewees were contacted for follow-up interview, all second interviews were undertaken by telephone in Glasgow, which totalled 37 interviews in total for this study (note: three interviewees were unavailable for the second round of interviews).

### ***Use of probing and prompts***

For both face-to-face interview and telephone interview data collection was aided by a prepared case study protocol to guide the topic. Probing was used to open up respondents who were more reluctant to volunteer information, by saying for example 'Please tell me more about it', also prompting interviewees by saying, for example,

‘what about...’ to obtain certain elements being sought as planned, but avoiding giving leading questions.

### ***Interview recording***

In face-to-face interview, twelve interviews were digitally recorded with the permission of the interviewees for further analysis, while notes were taken for two interviews where permission for recording was not granted. For telephone interviews, both were recorded with the permission of the interviewee. However, when consent was not obtained, efforts were made to convince the interviewee by explaining why recording is important and ensuring confidentiality, the latter is the priority concern for refusal to be recorded.

### ***Exiting interview***

Once the interview finished, the interviewee was invited to give comments and suggestions on the research topic, which provided an opportunity for the interviewee to freely express their perceptions and feelings on the topic, hence an opportunity to obtain deeper information and / or unplanned or unexpected information.

After that the Informants’ Information Sheet was given to the interviewee for completion - it helped gain answers to personal information and other easy statistics questions when rapport had been established with the interviewee. As a result, most interviewees completed the sheet immediately, only one refused. A benefit of the information sheet was that there was no name or signature requested on the sheet, hence the interviewee did not need to worry about their identity being exposed. A hard copy of Interviewees’ Information Sheet was prepared in advance to save time.

Finally, the researcher asked permission for further contact, and requested related documents together with a request potential additional interviews if necessary. Before leaving the researcher again expressed sincere appreciation for time and information provided by the interviewee.

### **After interview**

The Interview Summary Sheet was completed shortly thereafter, to guard against memory decay.

Data were transcribed as soon as possible after the interview. In order to obtain rich data the transcript strategy for recorded interviews was defined as verbatim transcripts of the interview rather than partial transcripts or simply notes on what the researcher felt was significant (Maxwell, 2005).

### **Justifying interviews conducted**

#### ***Delayed interviews***

Some interviews were delayed. This could have been because of ethical issues, which indicates that the responsibility of the researcher is to prompt the interviewee to arrange an interview date, while bearing in mind ethical issues which call for respecting the interviewees' busy schedule and appreciating their help with the study.

#### ***Consent form***

It is argued that Western ethical codes might not do justice to the situation in Asia (Stening and Skubik, 2007). A professional body - the American Anthropological Association (AAA) - provides some insights into the tone of the Code, for example, "informed consent...does not necessarily imply or require a particular written or signed form...it is the quality of the consent, not the format, that is relevant" (Stening and Skubik, 2007).

Practically, the researcher asked some of her Chinese friends and colleagues, who work with joint ventures or foreign companies as managers or professional engineers, about their perceptions of the consent form, as a result no-one agreed to sign it. Also some PhD friends expressed the same feeling.

Taking into account the theoretical and practical considerations on ethical issues, the consent form was, therefore, not sent to informants for signature in order to avoid risk of reluctance of response because of the pressures regarding signing the consent form. However, ethical issues were offered to informants by email before interview and offered again in the briefing just before the formal interview started. In addition, the Informant's Information Sheet (see Appendix III) was sent instead of the consent form to serve the meaning of consent for interview, also to obtain information for statistics purpose. Hence, the obligations of ethical codes were conveyed properly in this study.

### **3.7.4 Collecting data: Documentation**

#### **Collecting documents**

##### ***Making requests***

Since early 2008 related documents were requested from the interviewees and contacts in the case company (for example, public relations officer, assistant of the interviewee) by email and telephone. Requests were also made in person at interview and site visits. As some documents are confidential, great efforts were made via the guanxi networks of the researcher in order to build trust with contacts in the company, which gave the interviewee or the company confidence that confidentiality of their identity and information provided was assured. The Internet also served as a major source for secondary data for both case company and non-case company (including competitive company, government, other associations such as energy association).

##### ***Documents collection***

Documentation in this study refers to the documentary information of joint ventures and their related parent companies in general and negotiation documents in particular. For example, the company profile and annual report can provide general information about the company background and the history of the joint venture (i.e. milestones of joint venture establishment and development), which can be obtained from the company or company website. While agendas, minutes of meeting, correspondence, memos and the

joint venture negotiation agreement are ideal original sources for understanding the interactive communication in writing, they might only be obtained from the company with permission as most of these documents are confidential to the company.

Because the general company information and negotiation documents provide a record of the negotiation process, they can corroborate and augment the evidence of interviews and observation (Yin, 2003); they also provide additional data for the findings derived from interview and observation. In addition, they can inform the interview questions (Bryman, 1989).

All company brochures were collected in Shanghai, in person, from the case company office from contacts when visiting the company, alternatively they were collected at interview, in person, in the company from the interviewee in Shanghai. Others were collected by email from the interviewees or contacts at case company. The majority of the rest of documents were obtained from internet searches undertaken by the researcher. Table 3.8 below depicts in detail documents collected for the study.

### **Justifying documents collection conducted**

Planned documents such as the joint venture agreement and negotiation minutes of meetings were not obtained from the case company for reasons of confidentiality. However, a joint venture agreement was obtained from the website of a competitor company, which was thought to be similar to the case company, as the joint venture agreement is a mandatory document which needs to be sent to government for approval. The obtained joint venture agreement, therefore, is a supplementary alternative document.

In order to support the building of fuller cases, secondary data included enquiries with the case company and their parent company, as well as non-case companies including competitor companies, the government, and other organisations such as energy

associations, which validate and enrich the primary interview data (Eisenhardt, 1989; Stake, 2000; Yin, 1994).

Table 3.8: Summary of documents collection

<b>Level of data derived</b>	<b>Sources of data</b>	<b>Form</b>	<b>How/ Where</b>	<b>Description of documents</b>
Individual	CEO at parent company of JV	Electronic	Email	JV background and history
Organisation	JV HR / PR department	Print	In person at JV office	Company brochure
	JV PR department	ppt file	Email	JV background, company profile, history, and JV milestones
	JV Website	Electronic	Web search	JV company profile, history, and JV milestones, current status
	Both parent company website	Electronic	Web search	Chinese and Western parent company files
	Competitors website	Electronic	Web search	JV Framework Agreement; JV related news
Government	Shanghai Library	Print	Search	Book; Brochure for public
	Government website	Electronic	Web search	Government reports (eg. Statistics); Foreign investment guide (eg. JV set up procedure, documents required); Foreign investment law
	Newspaper website	Electronic	Web search	China Daily (eg. News about JV)
Other organisation	Energy associations website	Electronic	Web search	News about JV

Source: Author



### **3.7.5 Data management**

Data management is defined as the operations needed for a systematic, coherent process of data collection, storage, and retrieval. These operations are aimed at ensuring (a) high-quality, accessible data; (b) documentation of exactly what analyses have been carried out; and (c) retention of data and associated analyses after the study is complete (Denzin and Lincoln, 1994, p428). For a case study, Yin (2003) suggests two principles for data management namely create a case study database and maintain a chain of evidence to increase the reliability, which is discussed below.

#### **Create a case study database**

A case study database involves organising and documenting the data collected from the case studies, which commonly consists of two separate collections (Yin, 2003):

1. the data or evidentiary base, and
2. the report of the investigator, whether in article, report, or book form.

Every case study project should strive to develop a formal, presentable database, so that, in principle, other investigators can review the evidence directly and not be limited to the written cases study reports. In this manner, a case study database increases markedly the reliability of the entire case study (Yin, 2003, p.102).

However, the lack of a formal database for most case study efforts is a major shortcoming of case study research and needs to be corrected. This study, therefore, seeks to fill this gap, and accomplish this task by developing a case study database in terms of four components: notes, documents, tabular materials, and narratives.

In this study, data were collected from the field study in the form of interviews (digital/tape recorded), transcripts were stored on a computer, and separate hard copies also were securely kept. Moreover, document backup systems were created on a

computer, memory stick and CD for security. Documentary information was systematically filed under several categories for easy access.

In addition, data were then entered into the computer programme NVivo, which overcomes the criticism concerning lack of systematic procedures in qualitative study (Yin, 2003). However, NVivo was used as data a management tool rather than analysis mechanism, because analysis needs to be completed by the researcher.

Meanwhile, reports from the researcher such as the Pilot study reports, and the Interview Summary Sheets, were also organised and documented during the whole research process.

### **Maintain a chain of evidence**

Another principle to be followed, to increase the reliability of the information in a cases study is to maintain a chain of evidence. The principle is to allow a reader of the case study to follow the derivation of any evidence, ranging from initial research questions to ultimate case study conclusion (fig 3.2). Moreover, the reader should be able to trace the steps in either direction (from conclusions back to initial research questions or from questions to conclusions).

In this sense, this study followed Yin's (2003) suggestion: First, the research findings have made sufficient citation to the relevant portions of the case study database – e.g. by citing specific documents, interviews, or observations. Second, the database, upon inspection, reveals the actual evidence and also indicates the circumstances under which the evidence was collected – e.g. the time and place of an interview. Third, these circumstances are consistent with the specific procedures and questions contained in the case study protocol, to show that the data collection followed the procedures stipulated by the protocol. Finally, a reading of the protocol should indicate the link between the content of the protocol and the initial study questions.

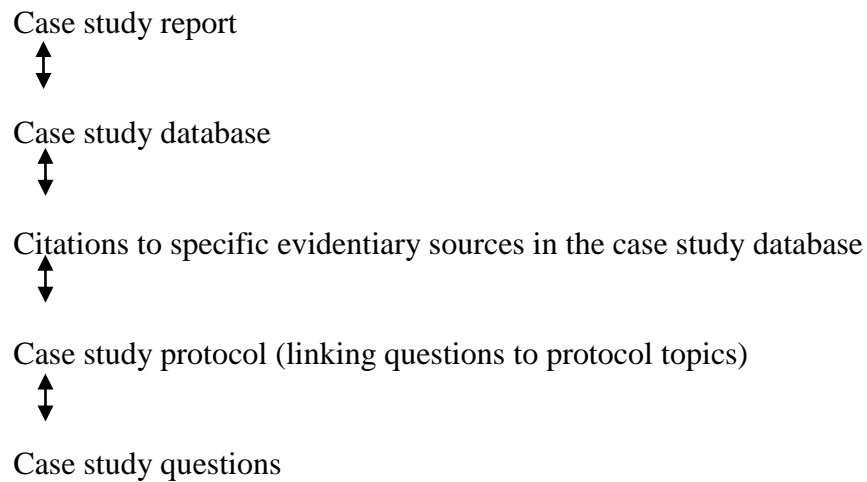


Figure 3.2: Maintaining a chain of evidence

Source: Yin (2003)

### **3.8 Analysing and interpreting data**

Data analysis is about what you will do to make sense of the data you collect. The aim of this section is to gain a rich understanding of evolvement of negotiation process in the Chinese business context based on the analysis of the data collected. It begins with the nature of qualitative data analysis, then reviews preparing data analysis in terms of defining themes for the study and data categorising and data coding. Following that, conducting data analysis is discussed in terms of the data analysis strategy and technique; within case analysis; cross-case analysis; cross referencing; and data interpretation.

#### **3.8.1 The nature of qualitative data analysis**

In qualitative field research, the distinction between data collection and data analysis may not be clear-cut (Symon and Cassell, 1998), they are often done simultaneously, there is no definite phase of data analysis (Gronhaug, 1985).

In a broad sense, 'data analysis contains three linked sub-processes: data reduction, data display and conclusion drawing / verification. These processes occur before data collection, during study design and planning; during data collection as interim and early analyses are carried out; and after data collection as final products are approached and completed' (Miles and Huberman, 1994, p.428).

Writing a case study was undertaken as an intensive analysis stage for this study, which reflects the suggestion by Leavy (1994) that 'in case based qualitative research, much of the real creativity and contributions actually happen during the writing process.'(p.111).

### **3.8.2 Preparing data analysis**

The researcher should be explicit and open about what they have done in the field, in data management, coding and analysis (Hardy and Bryman, 2004). Data collection is dealt with in section 3.7, the following describes coding and analysis for this study in detail.

#### **Defining themes for the study**

The theme for a case study is based on the research questions (Stake, 2005). In this study the themes were identified and divided into three categories:

- dynamics of negotiation process triggered by Chinese negotiation style derived from high-context communication (etic)
- dynamics of negotiation process triggered by Chinese negotiation style derived from *guanxi* (emic)

In addition, emerging themes were further pursued to extract leads for understanding of negotiation dynamics in the four case companies.

### Summary of sources of text analysis

As a reminder, the sources of text are summarised in table 3.9, which is the basis for the data analysis.

Table 3.9: Summary of sources of text analysis for the study

Sources of data	Level of data	Sources of text analysis	Means of triangulation	Remarks
Semi-structured interview	Individual	Interview transcript (Chinese informants: negotiation leader)	Self-reported	Interview recorded
		Interview transcript (Chinese informants: negotiation member)	Member-reported	
		Interview transcript (Western informants)	Partner-reported	Interview recorded
Documentation	Organisation	Documents from company	Organisation-reported	
	Government	Documents from government	Government-reported	
	Non-company	Documents from mass media	Media-reported	

Source: Author

### Data categorising and data coding

Data were categorised according to the context of communicative interactions in the joint venture negotiation process, namely: company milestones; main negotiation activities; communicative interactions with local partner and government; and remaining data.

Unlike open coding in Grounded Theory, where the analyst starts with no preconceived codes – he/she remains entirely open (Strauss and Corbin, 1991), under categories identified, coding for this case study research was defined relying on a theoretical framework in line with the Chinese negotiation style derived from high-context communication (etic), the Chinese negotiation style derived from *guanxi* (emic) and

Sino-Western joint venture negotiation processes (three-stages): negotiation dynamics (appendix 3).

Then data coding was improved by revising and / or adding codes based on empirical evidence from the cases (added codes derived from these emerged themes can be found in appendix 4). The emerging themes were further pursued to extract leads for understanding of negotiation dynamics in the four case companies. Figure 3.3 summaries the process of categorising and coding data for the study. Codes were then entered into the computer programme NVivo in order to setablish a more complete coding system (Symon and Cassell, 1998).

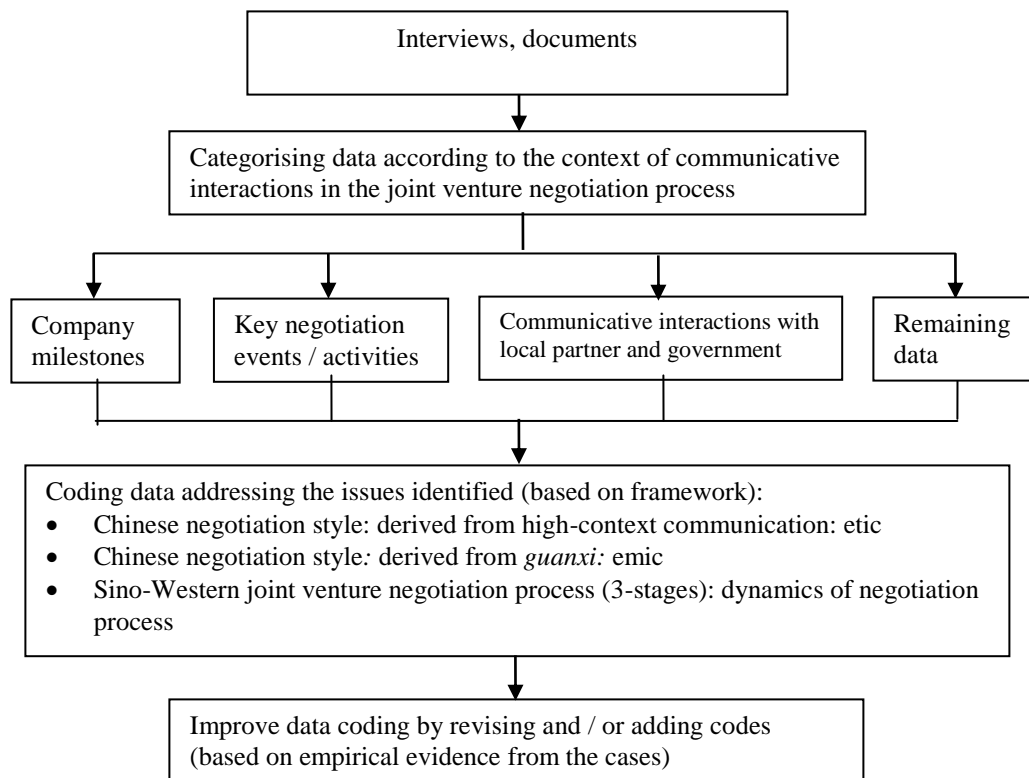


Figure 3.3: Categorising and coding data for the study

Source: Author

### 3.8.3 Conducting data analysis

#### Data analysis strategy and technique

Data analysis in this study followed closely the procedures set for interpreting qualitative data (Easterby-Smith et al., 2002; Strauss, 1987) in general, and those for case study (Yin, 2003; Gray, 2004; Stake, 2005) in particular. In general, the data analysis method was identified by qualitative content analysis to analyse the textual data (Flick, 2002). In particular, case study data analysis was based on the general analytic strategy of relying on a conceptual framework and specific analytic technique of pattern matching for both within case analysis and cross-case analysis (Yin, 2003; Gray, 2004; Stake, 2005).

#### Within case analysis

Within case analysis helps specify complying and contrasting facts and evidence (Yin, 2003; Maxwell, 2005). This allows themes of each case to converge at a broad level with reference to the conceptual framework, and at the same time to diverge at the case level. Figure 3.4 depicts within case analysis procedures for the study.

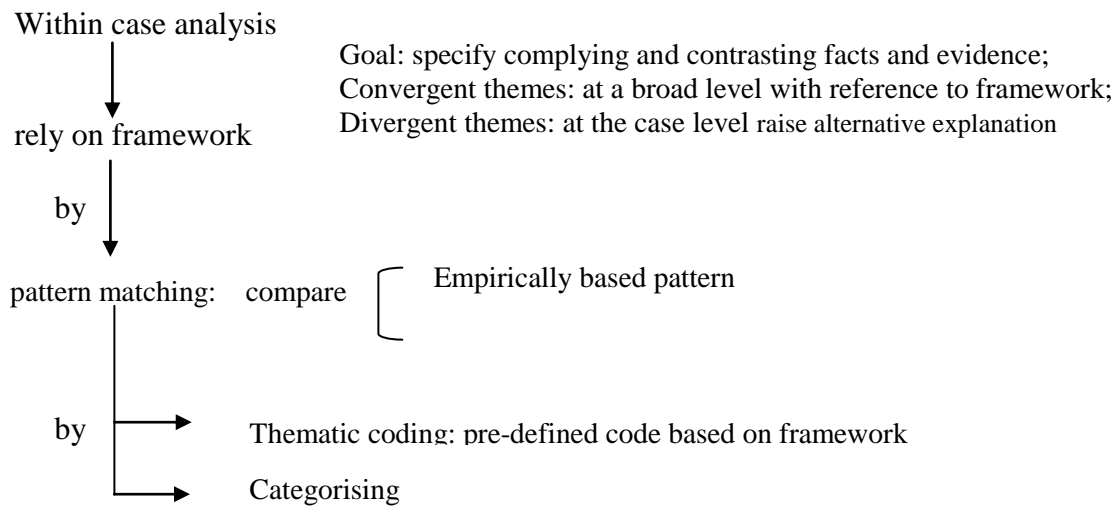


Figure 3.4: Within case analysis procedure for the study

Source: Author, with reference by Yin (2003); Maxwell (2005); Miles and Huberman (1994)

### Cross-case analysis

Cross-case analysis by pattern matching (Miles and Huberman, 1994; Yin, 2003) was applied to identify differences and similarities across different cases, also to permit a 'replication' logic (Yin, 2003). Attention was given for any explanations on the basis of partial or biased data (Yin, 2003; Maxwell, 2005; Miles and Huberman, 1994). Figure 3.5 depicts the cross-case analysis procedure for the study.

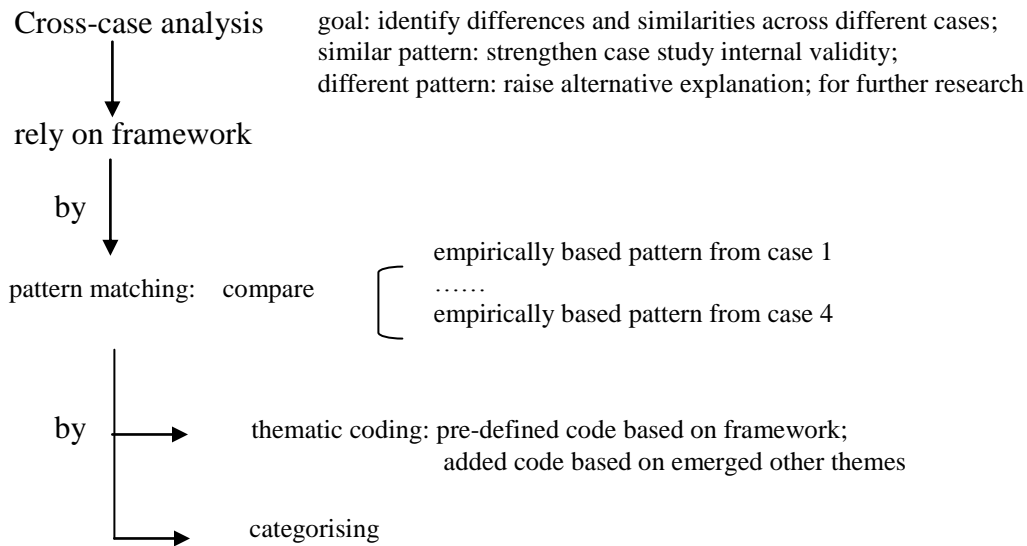


Figure 3.5: Cross-case analysis procedure for the study

Source: Author, with reference by Yin (2003); Maxwell (2005); Miles and Huberman (1994)

### Cross referencing

Cross referencing between interviews and between primary and secondary data (documents) was carried out to establish connections among factors and further verify the validity of these data by triangulation. Table 3.11 shows convergence of multiple sources of evidence.



### **3.9 Ethic issues, research relationship and practical considerations**

#### **3.9.1 Ethic issues and practical considerations**

It is essential to consider ethical issues because ‘Qualitative researchers are guests in the private spaces of the world. Their manners should be good and their code of ethics strict’ (Stake, 2005, p.459).

It is important to obtain participants’ consent before undertaking field study and indicate protection of identities and rights of informants who give the information from interviews. When the case study report is finished, drafts of the write-up should be sent to informants to reveal how they are presented, quoted, and interpreted (Stake, 2005).

#### **3.9.2 Research relationship and practical considerations**

It is important to realise that the relationship with a participant in the study is a complex and changing entity; and the process of negotiating a relationship is complex, which typically requires ongoing negotiation and renegotiation of the relationships (Maxwell, 2005, p83).

In qualitative studies, the researcher is the instrument of the research, and the research relationships are the means by which the research gets done (Maxwell, 2005, p83).

For example, as guanxi is essential in China in a social and business setting, guanxi networks established by the researcher will be applied to negotiate company access via contacts from the previous work of the researcher in joint ventures in China.

During the field study, it is helpful for data collection when the respondent feels comfortable with the interviewer, this is particularly important for confidential topic guanxi in this study, especially guanxi with the government. This reflects “Interviewers

who can establish effective relationships with respondents are able to collect more complete and accurate data” (Kinnear and Taylor, 1996, p.509), because the establishment of trust is particularly crucial when seeking answers for sensitive questions (Saunders et al., 2003).

After the field study, in return for the time and inconvenience of being involved in the research, it is important to make informants or ‘gatekeepers’ feel that being involved in the research has been a worthwhile experience, some acknowledgement of appreciation will be delivered to them (e.g. thank-you note).

### **3.10 Justifications of quality of this research**

#### **3.10.1 Validity**

##### **Biases**

‘Case studies are not perfectly objective due to the biases of both the supplier and the recipient of the information, but bias may be minimised by the process of triangulation’ (Remenyi et al., 1998, p169). Triangulation forms a rich and comprehensive set of data surrounding the specific research problem to capture the contextual complexity of the research topic (Benbasat et al., 1987). In this study data triangulation (Yin, 2003; Maxwell, 2005; Remenyi et al., 1998) is achieved by applying interview and documentation for this study. Interviews and documents are all vulnerable to self-report bias; this is triangulated by direct observation where the researcher is the interpreter of what is observed. This is illustrated in the previous section in table 3.10 (Summary of sources of data and data triangulation).

##### **Reflexivity**

For interviews, reflexivity – the fact that the researcher is part of the world he or she studies - is a powerful and inescapable influence; what the informant says is always influenced by the interviewer and the interview situation. The more undesirable

consequences of reflexivity was can be prevented by avoiding leading questions (Maxwell, 2005). Hence, this approach is applied to this study.

### **Other means of validity**

Intensive involvement by repeated interview and rich data by verbatim transcripts is another source for validity (Maxwell, 2005). Also the data and conclusions of the study should be sent to participants for feedback to create *respondent validation* (Bryamn, 1989).

In addition, the research findings are validated via the following methods: check for alternative explanations and negative evidence (Maxwell, 2005, p112; Yin, 2003); discuss findings with some joint venture negotiation experts from the Chinese side and chief negotiator from the West. Also, research findings will be compared with existing theory.

### **3.10.2 Reliability**

The objective of reliability is to be sure that if a later investigator followed the same procedures as described by an earlier investigator and conducted the same case study all over again, the later investigator should arrive at the same findings and conclusions. The goal of reliability is to minimise the errors and biases in a study. As specific tactics to overcome these shortcomings, this study uses case study protocol and a case study database (Yin, 2003, p.37). Also a transparent and systematic coding and analysing system are well balanced by using both manual and NVivo software, which creates further reliability of the study.

### **3.10.3 Generalisation**

A major concern of case study is that generalisation is not always possible. However, Yin (2003) argues that case studies should be evaluated in terms of the adequacy of the

theoretical inferences that are generated. The aim is not to infer the findings from a sample to a population, but to engender patterns and linkages of theoretical importance (Bryman, 1989), and as an exploration of the possibilities of transferability (Marshall and Rossamn, 2006).

### 3.10.4 Overall quality of this research

Yin (2003, p.34) suggests case study tactics for four design tests. Table 3.10 reflects the evaluation of the overall quality of this case study.

Table 3.10: Case study tactics for four design tests

Tests	Case study tactic	Phase of research in which tactic occurs
Construct validity	<ul style="list-style-type: none"> <li>• Use multiple sources of evidence</li> <li>• Establish chain of evidence</li> <li>• Have key informants review draft case study report</li> </ul>	Data collection Data collection Composition
Internal validity	<ul style="list-style-type: none"> <li>• Do pattern-matching</li> </ul>	Data analysis
External validity	<ul style="list-style-type: none"> <li>• Use theory in single-case studies</li> <li>• Use replication logic in multiple-case studies</li> </ul>	Research design Research design
Reliability	<ul style="list-style-type: none"> <li>• Use case study protocol</li> <li>• Develop case study database</li> </ul>	Data collection Data collection

Source: Author, derived from Yin (2003), Miles and Huberman (1994)

### 3.11 Summary

This chapter explains and justifies the research methodology and methods adopted in this study. Acknowledging the characteristics of the major research methodology and methods, methodological triangulation is realised in this study through incorporation into a two-phase research process.

Data collection was undertaken through semi-structured interview, and documentation for data triangulation. The convergence and triangulation of multiple sources of evidence can be illustrated in figure 3.6.

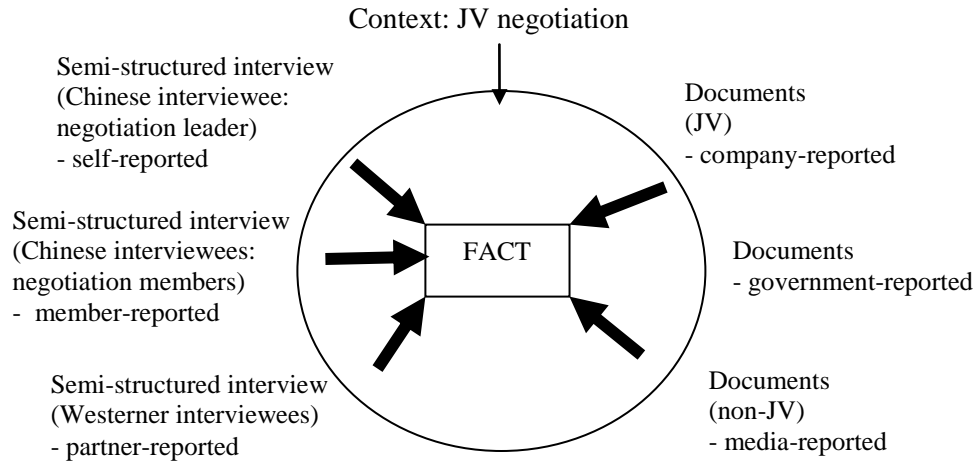


Figure 3.6: Convergence and triangulation of multiple sources of evidence

Source: Author, derived from Yin (2003)

Data analysis was conducted through within case and cross-case analysis following the replication logic. Data was interpreted by text-based report and graphical displays (e.g. diagram, table) to understand negotiation dynamics in the Chinese context, which is presented in the following chapter.

The overall research design and research process for the study is illustrated in figure 3.8. However, it should be borne in mind that ‘the research process is not a clear-cut sequence of procedures following a neat pattern but a messy interaction between the conceptual and empirical world, deduction and induction occurring at the same time’ (Bechhofer, 1974, p.73). Therefore, the nature of this process is not sequential but dynamic (the dotted line loop in Figure 3.7).

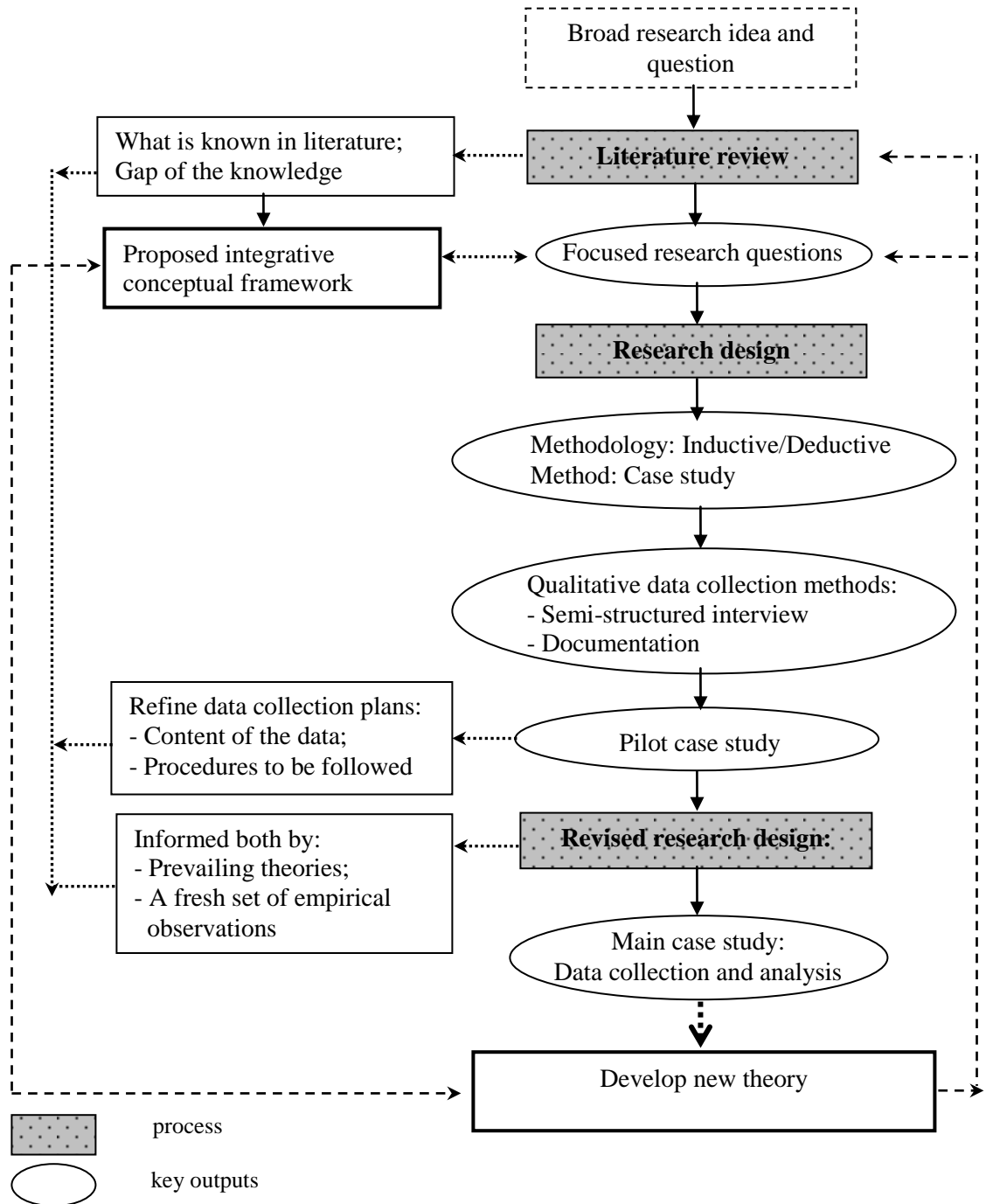


Figure 3.7: Research design and research process for the study

Source: Author, derived from Yin (2003, p.80), Bryman (2004), Miles and Huberman (1994)

## Chapter 4 Findings – Case 1 Roma

### 4.1 Introduction

The qualitative case studies are conducted to derive exploratory insights into the research questions. The elaboration of answers to each research question is accomplished using multiple case analysis. The structure of the findings chapters are divided into five separate chapters incorporating findings from each case (based on within-case analysis for cases 1,2,3,4) and findings from all cases (based on cross-case analysis for cases 1-4) respectively, as described in table 4.1. Within-case analysis through narrative at each negotiation stage provides insights and rich context about each case; it also fits into the goal of the study as a ‘process study’ to show a holistic picture of the entire negotiation process. While, cross-case analysis through answering each research question allows to focus on the research themes and, hence, offers detailed illustration on research questions. In addition, new findings from emergent themes will be presented in detail in both within and cross-case analysis.

Table 4.1: Structure of findings chapters for Cases 1-4

Type of case study	Chapter	Structure of findings				
Multiple case study	Chapter 4	Within case analysis	Case 1	Stage 1 Stage 2 Stage 3	Narrative	
	.....		.....	.....	.....	
	Chapter 7	Cross-case analysis	Case 4	Stage 1 Stage 2 Stage 3	Narrative	
	Chapter 8	Cross-case analysis	Case 1-4	Stage 1 Stage 2 Stage 3	Question 1 Question 2	Answers Answers

Source: Author, with reference to Yin (2003) and Gray (2004)

Before presenting findings, there is a necessity to re-state definition of case, research questions and proposed conceptual framework for this study, in order to have a correct guide for data analysis and clear structure for findings presentation.

The case for this study refers to negotiation processes. ‘Specific time boundaries’ (Yin, 2003, p24) in the case are defined as: the beginning of the case is the initial contact for setting up the joint venture at the *preliminary investigation stage*, while the end of the case is reaching agreement and joint venture contract approved by the Chinese government at the *joint venture contract negotiation stage*. Generative research questions from the literature review include:

Q1: How does Chinese negotiation style influence the evolvement of Sino-Western joint venture negotiation process?

Q2: How can the evolvement of Sino-Western joint venture negotiation process be modelled as a process?

The proposed integrative conceptual framework (Figure 4.1) is represented here to inform how this study effectively addresses the research questions.

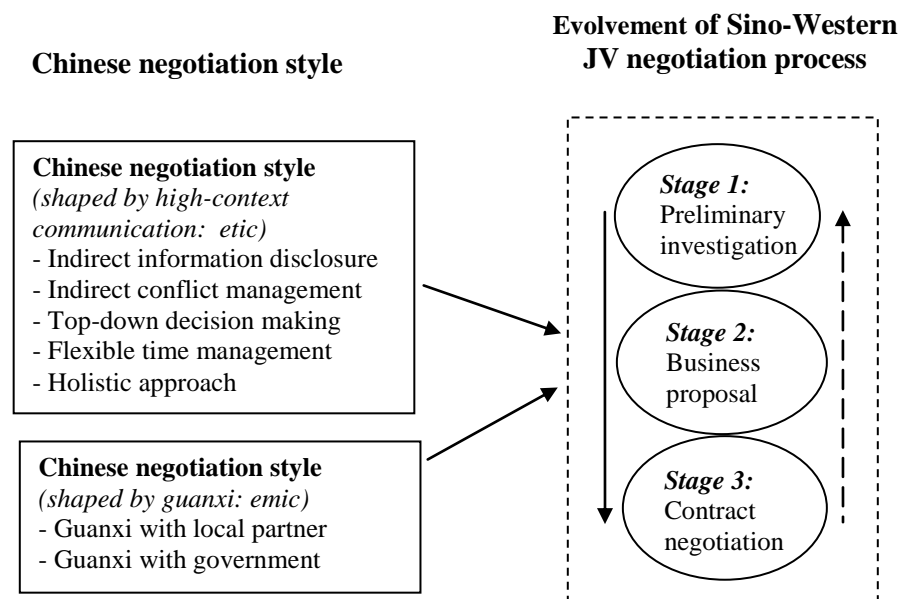




Figure 4.1: Proposed integrative conceptual framework

Source: Author

To guide the reader, three important issues need to be stressed: First, empirical evidence indicates that not every Chinese communication style (etic & emic) influences, equally, each stage of the negotiation process.

Second, for the validity of the conclusion this study focuses on the major findings with strong evidence ONLY.

Third, it is worth reiterating that this study does not aim to compare the Chinese and Western negotiation styles. Rather, it tries to paint a holistic picture of complex joint venture negotiation processes in China, from which the evolvement dynamics of the negotiation process are understood through the lens of Chinese negotiation styles.

Having given the overall picture about the structure of findings chapters for all cases, this chapter presents the findings from Case 1, Roma. The exploration of Roma's successful joint venture negotiation process is divided into five main parts. The first discusses the background of Roma and the story of Roma's successful negotiation (Section 4.2). The second (Section 4.3-4.5) explores the insights of each negotiation stage by key events and major interpretations. In a more general fashion, Section 4.6 summarises the main findings in terms of dynamics constructs and dynamics model.

## **4.2 Background of Roma Joint Venture**

### **The joint venture and parties**

Roma is a Sino-French joint venture between Romac in Shanghai and Romaf in France. Roma was established in July 2001, is located in Shanghai, and produces digital relay production products. The new joint venture involves a total investment of US\$10

Million. Romaf holds 59% of the equity of the joint venture, while Romac owns the remaining 41%. Table 4.2 depicts the profile of joint venture, Roma. The joint venture serves as an efficient base, with advanced technology and comprehensive product ranges for power systems over a large industrial area, dedicated to the supply of digital relay, protection and control panel, control and measuring products and TCS for power systems, secondary distribution automation and related products and services.

Table 4.2: Profile of case 1- Roma

Joint venture name	Partners & equity holding	JV negotiation started	JV contract signed	Duration of JV negotiation (months)	Term of JV agreement (years)
Roma	Sino-French 41%-59%	20/01/00	26/07/01	18	30

Source: Author

Romaf was one of the world’s leading manufacturers of transmission and distribution equipment, it contributed cash and modern management methods and licensing high technology for the production and sale of digital relay protection and control equipment to this joint venture. Romac, an important industrial group of companies in Shanghai municipality, wished to upgrade and expand its existing production by adding the design, manufacture and assembly of advanced technology digital relay protection and control under Romaf’s license within the present project. Figure 4.2 illustrates the physical structure of the Roma joint venture.

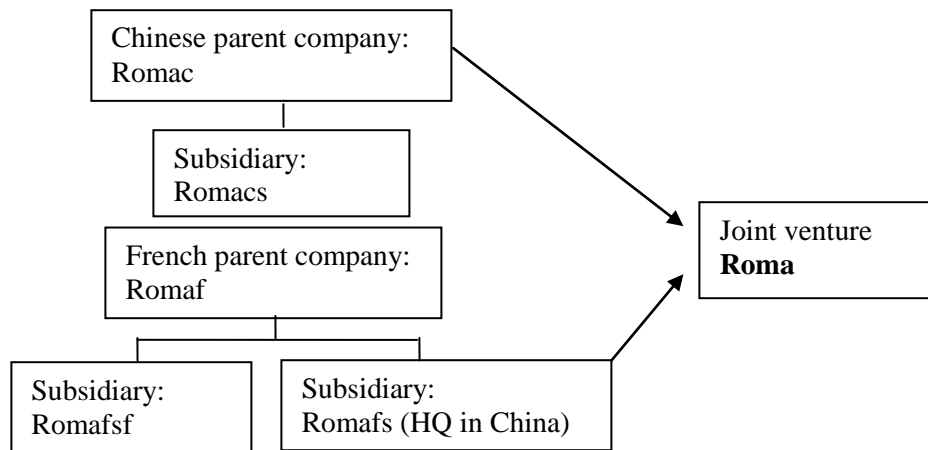


Figure 4.2: Physical structure of joint venture Roma

Source: Author

### **The story of Roma’s successful negotiation**

Negotiations between company officials occurred during 2000-2001; signing the joint venture contract took place in July 2001. Immense difficulty had been experienced in reaching the agreement, including major issues such as shareholding and technology transfer fees because of imbalanced power. It took 18 months of negotiation and disputes concerning the establishment and operation of the joint venture. It is a 30-year joint venture in line with current licensing legislation.

Questions raised here include: How did both parties approach each other at the beginning? How was this joint venture actually negotiated? Particularly, how did the key activities and events play a role in the negotiation process? To illustrate the Roma joint venture negotiation process based on a process view, the remainder of the chapter provides insights on each of these stages: *Preliminary Investigation*, *Business Proposal* and *Joint Venture Contract Negotiation*.

### 4.3 Negotiation at Stage 1: Preliminary investigation

The aim of preliminary investigation stage was to undertake market research and then find a potential partner for the joint venture. This was a stage primarily of *information collection* through various channels. Table 4.3 lists the main negotiation activities and events of Roma's negotiation at stage 1.

Table 4.3: Main negotiation activities and events at stage 1

Negotiation stage	Aims	Date	Main negotiation activities and events	Remarks
Stage 1: Preliminary investigation	Market research; Partner selection	Spring 00	Parent companies' top management visit each other; then decide to talk about this joint venture	Before initial stage on 20/01/00
		20/01/00	Parent companies introduce subsidiaries for JV negotiation	
			Start of JV discussion between both subsidiaries of Romaf and Romac	

Source: Author

#### 4.3.1 Market research

Market research is inevitable for any international collaboration. Market research was not intensive for the parent companies of both parties because the French parent company, Romaf, already had 11 years business history in the Chinese market. Moreover, it had two existing joint venture cooperations with this Chinese parent company, Romac (one joint venture was in operation, the other was under negotiation). Hence, the French side was familiar with the Chinese market and both parent companies knew each other well before this joint venture negotiation started.

## **The priority**

As both parties had an existing business relationship, the priority of market research for both parent companies was to decide and assess:

- Whether to expand joint venture cooperation?
- If so, what was the potential scope in the field for joint venture expansion? (the Chinese side, specifically, was to evaluate what technologies to pursue and what products to develop)
- Who would be the potential partner?

With these focal questions in mind, investigation was undertaken by both parties. In general, market research was smooth.

## **Market research and information collection**

Market research was undertaken by both parties through primary and secondary research, the former including *visiting each other*. For example, top management from both parent companies visited each other in Spring 2000, where information about the possibility and advantage of setting up a joint venture was gained; this mainly included products, technology, market share and competitor information, and both parties reached agreement about the prospective joint venture.

Market research showed that there was great potential for relay products in the Chinese market. Within one month after visiting each other, both parties decided to expand their joint venture cooperation and identified protection relay as the proper scope to expand cooperation. As a widely discussed issue in joint venture study, the third priority of market research “Who would be the potential partner?” is illustrated separately in the next section.

### 4.3.2 Partner selection

In practice, market research and partner selection often run in parallel. Having identified the need and the potential of protection relay products in the Chinese market, a decision on the joint venture as an entry mode of this alliance and location of the joint venture, next important issue was: What were the main criteria of partner selection? Who would be the potential partner and how to approach it?

#### **The criteria**

The main criteria on the Chinese side was to select a strategic and powerful partner, a world leading company in the field with a global reputation, with advanced technology, state-of-the-art products and management skills, as well as financial strength. This potential partner should be the one with whom Chinese could build *trust* and rely on in the long term.

In addition, although excluded in the criteria, it appeared that *guanxi* played a vital role for the Chinese side in selecting its partner (this can be seen in the key event below).

In sum, due to the efforts of both parties, partner selection was not complicated overall. One event worth noting is: Top-down decision making and *guanxi* - partner selection, which is illustrated below.

#### **Key event: Top-down decision making and *guanxi* - partner selection**

*Strategic match:* Worldwide reputation and strong technical background were the main criteria of partner selection for the Chinese team. In addition, although long-term cooperation was not set up as a primary criterion of partner selection before the negotiation, the Chinese intended to select a partner who had a long-term commitment in the Chinese market.

The French team, as a large multinational company, also showed its great interest and long-term commitment to expand cooperation into the Chinese market. The statement of the President of Romaf demonstrates this:

“Even though the investment cycle of infrastructure is long, while the return is slow, we have confidence in our strategy of long term development in China. Currently our main target is to enhance the profitability of the established joint ventures while to participate in more large projects.” (Xinhua News Agency, Shanghai Branch, 2001)

Hence, both parties had a strategic match, which was the fundamental basis for a potential partnership.

***Guanxi established before negotiation:*** Besides strategic match in principle, guanxi was also crucial for partner selection. Based on previous collaboration, both parent companies of both parties had already established guanxi at the corporate level before negotiation. This, in turn, created a high level of ***trust*** between both parent companies.

***Guanxi maintenance negotiation:*** Guanxi maintenance by visiting each other proved effective. As mentioned earlier, top management of both parent companies visited each other in Spring 2000, where intensive information about the possibility and advantage of setting up a joint venture was gained, and both parties reached agreement about the prospective joint venture. Within one month after visiting each other, both parties decided to expand their joint venture cooperation.

***Chinese parent company as an intermediary:*** The Chinese parent company introduced its subsidiary SRC to the French side for this joint venture negotiation, which practically shortened time for relationship building. The situation was described as below by SRC:

“The top management of both parties felt ok after discussing, then asked us to negotiate, contact each other. The joint venture company started like this.” (Chinese interpreter)

The joint venture attracted a great deal of attention within the Chinese top management; this can be seen from the fact that the Chinese parent company acted as an intermediary. Moreover, it instructed its subsidiary, SRC, to make sure that the negotiation would be successful. Furthermore, it assigned a representative to attend the negotiation meetings and report on progress. As recalled by two interviewees:

“The Chinese side’s requirement was that they wanted the negotiation to be successful, so I felt this was the internal attitude to the joint venture, the perspective to the joint venture, not the issue if we [subsidiary] wanted to do it or not... And Xu [from parent company] attended negotiation” (Chinese chief negotiator)

“For the Roma joint venture the *top management was the introducer*, because some joint ventures were already under negotiation [between both parties], and they wanted to expand the cooperation scope, so we had a background. Why do I talk about this background? *By having this background, our negotiation would be easier later...* If the top management supported you then it’s much easier to do it. If this project was proposed by our company itself [i.e. subsidiary], we then needed to convince top management why we wanted to negotiate, and we needed to report to the top management, and there was an approval document which allowed you to do so. If the top management wanted to expand the cooperation scope, this was *much more convenient.*” (Chinese interpreter)



## Vignette: Status-oriented style and guanxi → decision making → dynamics

### **Box 4.1: Interpretation of Top-down Decision Making and Guanxi: Negotiation Dynamics and Guanxi dynamics**

The Chinese are characterised as having a status-oriented communication style; as a consequence they tend to use a top-down decision making process.

In this event, the Chinese parent company acted as an intermediary and introduced its subsidiary to the joint venture negotiation, hence establishing guanxi and trust between subsidiaries of both parties, which was the foundation of the cooperation. Since decisions were made by the parent company, the subsidiary always needed to report to back about negotiation issues and progress; this reflected negotiation dynamics.

The event also reflected guanxi dynamics: established guanxi and guanxi maintenance between parent companies played a vital role in partner selection, reflecting guanxi dynamics.

Particularly, the Chinese parent company, acting as the intermediary, enabled rapid relationship building between the subsidiaries, hence guanxi practically shortened the decision making process for partner selection. This indicated positive guanxi dynamics.

#### **4.4 Negotiation at Stage 2: Business proposal**

Once the partner was identified, the next stage was to finalise the business proposal. Broadly stated, the aim of the business proposal stage was to assess the compatibility of each party's objectives and views on market strategy, which was accomplished through signing a letter of intent by both parties, signing a feasibility study by both parties, and getting the feasibility study approved by local government. Table 4.4 describes the main activities and events of the Roma negotiation at stage 2.

Table 4.4: Main negotiation activities and events at stage 2

<b>Negotiation stage</b>	<b>Aims</b>	<b>Date</b>	<b>Main negotiation activities and events</b>	<b>Remarks</b>
Stage 2: Business proposal	Letter of intent signing;  Feasibility study signing;  Feasibility study approval	20/01/00	Start of JV discussion between Romaf and Romac	
		26/07/00	Sign letter of intent	
		05/09/00-08/09/00	Romacs mission in Europe	
		19/09/00-20/09/00	Romaf PCB mission in Romacs in China	
		21/12/00	Agreement between Romaf & Romac	
		05/02/01	Agreement between Romaf & Romac for factory rental	Before JV agreement signed
		20/02/01-24/02/01	Romaf PCB mission in Romacs	
		23/03/01	Letter of Intent signed for factory rental	Before JV agreement signed
		04/01	Change of Chinese partner from Romacs to Romac	As a result: change of letter of intent & feasibility study
		02/01	Started to draft JV contract (when 80-90% FSR finished)	Started JV contracted before FSR finished
		06/01	Signed FSR by parties	
		06/01	Feasibility Study Report approval by local government	

Source: Author

### **Assigning negotiation teams from both parties**

Joint venture discussion officially started between Romac and Romaf (China) in January 2000. Each party assigned a negotiation team. The Chinese delegation had a larger negotiation team consisting of four people: three from the Chinese subsidiary Romacs (one chief negotiator, who was General Manager of Romacs, one vice-general Manager, one Chinese vice-general engineer (also acting as interpreter), and one from the top

management of the Chinese parent company Romac (Vice Director of JV Division), who joined the negotiation at a later stage.

Two people attended from French side, one was a negotiator from the headquarters in China of the French parent company and had been working in China for years; the other was the assistant of the negotiator, who was Chinese, and also acted as an interpreter. Figure 4.3 depicts the physical structure of the Roma joint venture and negotiators from both parties at stage 2.

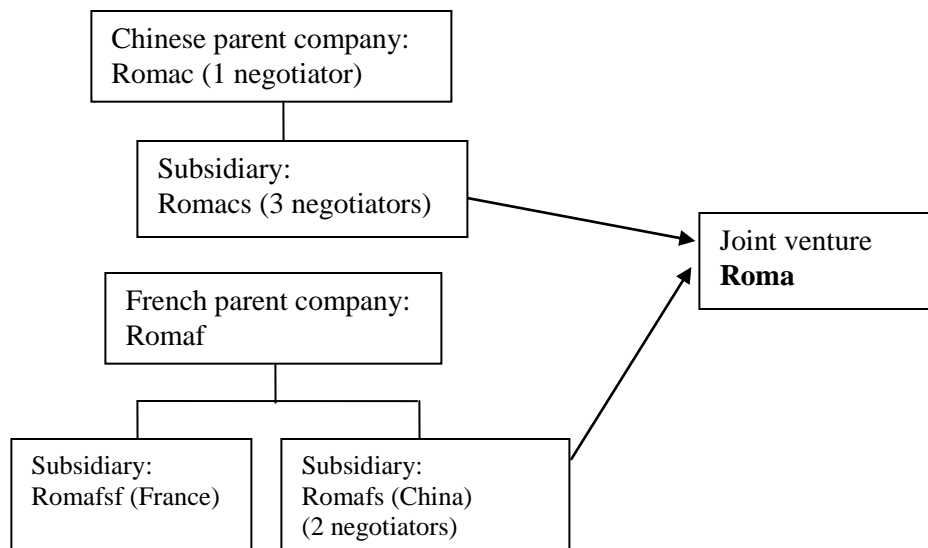


Figure 4.3: Physical structure of Roma and number of negotiators at stage 2

Source: Author

#### 4.4.1 Letter of Intent negotiation and signing

At this stage, the first important document negotiated was the Letter of Intent, which showed the commitment of each party to carry on with the process as far as possible. Its content was rather general mainly, and included a clause that the negotiation partners are exclusive to each other; they should not seek other potential cooperative partners.

## **The Process**

The Letter of Intent was drafted by the joint efforts of both parties, the process was very simple, negotiated two or three times face-to-face, then signed; because of their previous joint venture experience, the content was similar, only one page.

Both parties signed the Letter of Intent in Shanghai on 26<sup>th</sup> July 2000 in both English and Chinese, two copies were made for each party. Then, the letter was reported to the top management of both parties respectively, which meant both parties had purpose to establish the joint venture and the negotiation would be continued. The *first milestone*, hence, was achieved for the joint venture negotiation, thus negotiation moved on to the next step – the feasibility study.

In sum, the overall negotiation proceeded smoothly. One key event worth noting was: Indirect information disclosure and *guanxi* – heuristic search, which is described in the following section.

### **Key event: Indirect information disclosure and *guanxi* – heuristic search**

It appeared that the Chinese team was “very conservative in some aspects” when disclosing information, especially important information during joint venture negotiation. As the Chinese chief negotiator recalled:

The Chinese side, from my method at that time, I was very conservative in some aspects, I would not disclose some important information easily, especially some detailed information, what related to the plan, I would not tell. (Chinese chief negotiator)

However, importantly it also appeared that there was a possibility for the Chinese to disclose information in a more direct way, or in a more detailed nature if there was *guanxi* between both parties. Here, *guanxi established* and *guanxi maintenance* between the two parties played an important role, which enabled acceleration of information disclosure. For example, information such as joint venture documents and procedures

were ready to borrow from and share with the previous joint venture between both parties.

The reason behind this tendency can be illustrated by the following quote, which links guanxi with information disclosure:

*“Definitely was related to guanxi, because many things were possible in the previous joint venture, why not us? Many things shortened the negotiation process. Because there was an example there, say 50, 60% were the same [with previous joint venture].”*  
(Chinese interpreter)

*Chinese guanxi, means I am familiar with him, so that I can speak frankly, can tell details. Of course, some guanxi is very good, I am very familiar with him, some issues, which cannot be discussed at a formal occasion, I can tell him in private, no problem, this kind is good guanxi... as communicating with people, [if] this person is a bit familiar, the communication is easier. Some people, although I know him, and he knows my name, but communicate between us is seldom, in this case communication is a bit difficult. (Chinese interpreter – Chinese side)*

*Guanxi just speeded up the negotiation process. It did not play a decisive function. This was for the interest of both parties, it was a better base of concession of both parties... If guanxi was good, i.e.. this project, we might talk in more detail. If guanxi was very bad, we could not talk in detail... So if guanxi was good, we can talk in detail, for example, the Chinese side said 80%, in his mind 75% - he actually thought like this, just spoke out the differences. If guanxi is no good, there is no such kind of talk. (Chinese chief negotiator)*

One way for *guanxi maintenance* was through visiting each other. Here, maintaining guanxi with the local partner was through several visits between both parties, for example, the Chinese subsidiary SRC visited Europe in September 2000 and the French Romaf visited China three times, in September 2000, February and May 2001 (JV Master File).

Visiting each other facilitated mutual understanding about the partner, their products and production assembly, it also facilitated business cooperation and maintained personal relationships as well, hence accelerating the information flow process.

**Vignette: Indirect style and guanxi → information disclosure → dynamics**

**Box 4.2: Interpretation of Indirect Information Disclosure and Guanxi:  
Negotiation Dynamics and Guanxi Dynamics**

The Chinese have an indirect communication style whereby they disclose information in a roundabout way.

In this event, the indirect information disclosure style of the Chinese side resulted in them disclosing information by way of heuristic search; this, in turn, led to the partner gaining information gradually; hence, it caused negotiation dynamics.

However, importantly, this event also suggested that information could be disclosed in a more direct way or in a more detailed nature when guanxi had been established between both parties. In other words, guanxi adjusted the Chinese behaviour of information disclosure from an indirect to a more direct way. This reflected guanxi dynamics.

The more direct information disclosure tendency was more efficient for the Western partner as it accelerated the information flow process. Therefore, the guanxi dynamics were positive.

**4.4.2 Feasibility Study negotiation and signing**

After signing the Letter of Intent, a joint Feasibility Study was undertaken. The purpose of the *feasibility study* was to assess the potential economic value of the joint venture, present its business plan, and clarify its operating conditions such as scope and sales figures, tentative schedule, organisation, workforce, offices and workshop, investment (equipment and building) and actions. The main document of the Feasibility Study was the business plan, including sales, investments and registered capital.

## **The Process**

The feasibility study was finalised by the joint efforts of both parties. As the main part of feasibility study, the business plan was drafted by both parties respectively, then negotiated “several times” and modified according to the reality on what the joint venture could actually do. It took “half a year” to finish the negotiation of the feasibility study report.

When the feasibility study report was ready, it was sent to the top management of both parties for approval. After approval, it was signed by both parties in Shanghai in June 2001 in both English and Chinese, two copies were produced for each party. The *second milestone*, hence, was achieved for the joint venture negotiation.

It is worth noting that when the main contents of the feasibility study report were finished, both parties started to draft the joint venture contract (see details in key event: Flexible time management – Contract and feasibility study simultaneous, in Section 4.5.1).

In sum, feasibility study negotiation was smooth overall, although it experienced the difficulty of conflict on shareholding. One outstanding event is: Indirect conflict management and guanxi - report to top management, which is illustrated in the following section.

### **Key event: Indirect conflict management and guanxi - report to top management**

Although many issues and events occurred at this stage, a major issue particularly worth noting was the tension encountered by both parties: What percentage of shareholding should be held by each party?

The foreign side stated:

We want 60% shareholding, you have 40%.

The Chinese side requested:

We want 45-55% shareholding.

Taking the bigger shareholding of the joint venture was the “principle” for the French side and “cannot be changed”, this was clearly stated at the beginning of the negotiation, but the Chinese wanted to take large share as well. How to solve this tension was the key to negotiation moving on. The situation was explained as:

“From the beginning, Romaf stated that they wanted to be the largest shareholder, this was their principle, for this the Chinese side agreed. Generally speaking at that time, the 1990s, or early 2000, joint venture was normally controlled by the Western side, they were the big shareholders, it was like this at that time. So the Chinese side agreed. This was their principle: if you agree, we carry on the negotiation, if not, we stop talking. This was their principle which can’t be changed”. (Chinese interpreter)

Back then in 1990s, the Western side was strong, having advanced technology; if their proposed shareholding was not accepted, the negotiation would not be able to continue. This was a major issue, but the Chinese chief negotiator could not make a decision, he had to consult with top management and came back with the answer. Having recognised that the negotiation might break down if not agreeing with the shareholding requested by the other side due to imbalance of power, the concession was first made by the Chinese parent company; as a subsidiary, SRC needed to follow the decision. As recalled by an interviewee:

“We negotiated the feasibility study over a very long time, about half a year, this actually was relatively fast; why? Because of the previous transformer factory [joint venture]; although different products, many issues [of joint venture negotiation] were the same. *Romac [parent company] agreed, how could we the relay company [subsidiary] not agree?*” (Chinese interpreter)



On the other hand, *guanxi established* between both parent companies played important an role. Moreover, *guanxi was maintained* by both parties visiting each other during the negotiation, this also contributed to the concession by the Chinese side. The following can serve as an example for this:

Both parties met each other, when they came, our superior leaders received them, *continuously both parties visited each other and got to know each other better, both parties' relationship became more harmonious*. Like this.... as the negotiation moved on, *if any difficulty was overcome in the process, our relationship became more harmonious, negotiation became easier*, like this, step by step we moved forward.  
(Chinese interpreter)

As a result, compromise was made by both parties and agreement reached of a 59% shareholding for the Western side, with 41% for the Chinese side.

However, through the shareholding issue, it appeared that *guanxi* was not a decisive factor in negotiation, as the business strategy or negotiation principle of the Western partner could not be changed. As one interviewee stressed:

“*Guanxi can facilitate affection between parties. However, Guanxi cannot change the principle of negotiation, it is impossible to say that our Guanxi is good, I then can change the stance of wanting to be a big shareholder, this is the issue of principle, it is related to both parties' interests.*” (Assistant and Interpreter – French company)

## Vignette: Status-oriented style and guanxi → decision making → dynamics

### **Box 4.3: Interpretation of Top-down decision making and Guanxi: Negotiation dynamics and Guanxi Dynamics**

The status-oriented style of the Chinese tends to support top-down decision making.

In this event, the negotiator in the subsidiary was unable to make decisions regarding shareholding concessions and had to report to top management in the parent company in order to let them make the final decisions to be followed. This reflected negotiation dynamics.

Conversely, guanxi between the parent companies was maintained by visiting each other during the negotiation process which promoted concessions regarding shareholdings; after which they were able to proceed to sign the feasibility study report. This indicated positive guanxi dynamics.

### **4.4.3 Feasibility Study Report approval by local government**

#### **The process**

After Feasibility Study Report approval by both parties, it was sent to Shanghai for approval. The Feasibility Study Report was approved by the local government in June 2001. The *third milestone*, hence, was achieved for the joint venture negotiation.

One significant event is: Top-down decision making - Feasibility Study approval, which is illustrated in the following section.

#### **Key event: Top-down decision making - Feasibility Study approval**

Although not appearing at the negotiation table, here, the government actually played a crucial role, because the government could accept the Feasibility Study Report as submitted, refuse the deal altogether, or send it back to the parties with changes. Acceptance of the Feasibility Study Report meant no changes and no renegotiations. As one interviewee described:

“Normally there was no government involved in joint venture [negotiation]. But you need to know, we submitted [documents], from the Chinese side, the feasibility study was all prepared, top management agreed already, it needed to be approved, *this approval was controlled by government*. In Shanghai, there was a Foreign Investment Committee, which approved [joint venture]. Why were we waiting and waiting? After they approved, we could sign [the contract]. Here there was a review and approval authority.” (Chinese interpreter)

**Vignette: Status-oriented style → influence decision making → dynamics**

**Box 4.4: Interpretation of Top-down Decision Making:  
Negotiation Dynamics**

As a result of their status-oriented communication style the Chinese engage in top-down decision making.

In this event, decision making on document approval (i.e. Feasibility Study Report) was made by the local government, who were absent from the negotiation table which prolonged and complicated the negotiation process. This reflected negative negotiation dynamics.

**4.5 Negotiation at Stage 3: Joint Venture Contract Negotiation**

The aim of the contract negotiation stage was to negotiate the joint venture contract, and get it signed by both parties, then get it approved by the local government. This stage was rather complex, because it dealt with issues that required multiple specialisations including technical, financial, managerial and legal. This stage partially overlapped with last one. This was the stage carried out mainly by face-to-face meetings. Table 4.5 shows the main activities and events of the Roma negotiation at stage 3.

Table 4.5: Main negotiation activities and events at stage 3

<b>Negotiation stage</b>	<b>Aims</b>	<b>Date</b>	<b>Main negotiation activities and events</b>	<b>Remarks</b>
Stage 3: JV Contract negotiation	Contract negotiation; Contract signing; Contract approval	02/01	Start to draft JV contract (when 80-90% FSR finished)	Start JV contract before FSR finished
		15/05/01-18/05/01	Romaf PCB mission in Romac, visit of subcontractor (Romacs & Romac)	When JV contract negotiation almost done
		During negotiation	Negotiate technology transfer agreement	Sign JV contract while negotiating technology transfer fee
		26/07/01	Sign JV contract	
		08/01	Contract approval by local government	

Source: Author

#### **4.5.1 Joint Venture Contract negotiation and signing**

At contract negotiation stage, issues about setting up the joint venture and operating future joint ventures were discussed, mainly consisting of the rights and obligations of each party; respective contributions in capital, technology, know-how and other resources; decision-making structure, personnel management policy, conditions for termination; trademarks and license fees, sale pricing of the future products.

##### **The Process**

The last stage was Joint Venture Contract Negotiation. However, it is worth noting that demarcations between stages in the relationship between Feasibility Study and Joint Venture Contract were not clear-cut in practice. The Feasibility Study Report was the main appendix of the joint venture contract, as mentioned earlier, when the main contents of the Feasibility Study were finalised, both parties started to negotiate the Joint Venture Contract in parallel.

The Joint Venture Contract was prepared by both parties. There were many face-to-face meetings. Again, although local government were not involved in the negotiation directly, they had authority to approve the establishment of the joint venture. It took half year to complete the preparation of the Contract.

When ready, the Joint Venture Contract was sent to the top management of both parties for approval, after being approved by top management, both parties signed the joint venture contract in Shanghai on 26<sup>th</sup> July 2001 in both English and Chinese. Three copies were prepared for each party (one for the two parent companies, one for joint venture itself). The *fourth milestone*, hence, was achieved for the joint venture negotiation.

The Joint Venture Contract negotiation was smooth overall although it experienced two major conflicts (shareholding and technology transfer fee). As the most complicated stage of the entire negotiation process, six outstanding events include: Flexible time management – contract and feasibility study simultaneous; Indirect conflict management – use of an intermediary; Indirect conflict management - change Chinese chief negotiator; Indirect conflict management - change Chinese partner; Guanxi maintenance - signing ceremony for Joint Venture Contract; Holistic approach and guanxi – unsettled technology transfer fee. These events are illustrated in the following sections.

**Key event: Flexible time management –contract and feasibility study simultaneous**

As mentioned earlier, when the main contents of the feasibility study report were finished, both parties started to draft the joint venture contract, which suggests that both parties partially undertook the joint venture contract and feasibility study simultaneously. As one respondent stated:

“The feasibility study report was the main appendix of the joint venture contract, having finished 80-90% of the feasibility study both parties started to draft the joint venture contract.” (Chinese interpreter)

It was evidenced that undertaking the contract and feasibility study in parallel facilitated negotiation processes. As one interviewee commented:

It speeded up the negotiation process, especially for the Chinese side, because it saved some time. (Chinese chief negotiator)

**Vignette: Polychronic time → time management → dynamics**

**Box 4.5: Interpretation of Flexible Time Management:  
Negotiation Dynamics**

Characterised as being Polychronic time managers the Chinese tend to do several things at once.

In this event, the Joint Venture Contract draft was started before the Feasibility Study Report was completed, which indicated negotiation stage 2 and stage 3 overlapped partially. This suggested negotiation dynamics between stages.

To elaborate further, for the Chinese, negotiating several issues simultaneously was effective because it enabled several negotiation issues to occur in parallel; thus, negotiators did not have to wait for one issue to be finished (i.e. Feasibility Study) before starting another (i.e. JV contract). As a result, this led to efficient use of resources (e.g. people, time, money and other resources). In this sense, negotiation stage overlap had a positive influence on negotiation process, hence it created positive dynamics.

**Key event: Indirect conflict management - use of an intermediary**

**Key event: Indirect conflict management - change Chinese chief negotiator**

**Key event: Indirect conflict management - change Chinese partner**

Negotiations over technology were unproductive due to different opinions on the cost of technology as an intangible property. The Chinese subsidiary believed the technology transfer fee offered by the other side was “too high”, it took “two days” negotiation

without any result, but neither side had any intention of changing their stances. The deadlock thus occurred between both parties.

Moreover, within the Chinese side, the tension thus arose for the Chinese subsidiary: How do you obtain advanced technology from the foreign side and, at the same time, minimise demands on corporate financial resources and protect the benefits and interests of the subsidiary? Meanwhile, the Chinese parent company faced the problem: How to move negotiation forward and guarantee the success of the negotiation?

For the Chinese parent company, it was expected that the top management showed every endeavour to attract and retain foreign partners. In response to this challenge, the Chinese parent company took three actions:

First, *change the chief negotiator*: a new Chinese chief negotiator from the Chinese parent company was appointed and stepped in after over one year of negotiation activity to replace the previous incumbent without notifying the Western side in advance.

Second, *change the Chinese partner*: The Chinese parent company later took over this subsidiary and changed the partnership from this subsidiary, SRC, to the Chinese parent company, SEA, in April 2001 for the overall benefits of the company. It can be seen that the Chinese side modified its objective and made concessions to match the business objective of the other side. The Chinese chief negotiator shared his own unique experience:

“Later on I did not attend [negotiation] any more. I did not know the details later on, because this technology transfer fee was not negotiated by myself...When I quit, [negotiation] was nearly finished, just this percentage problem, nothing else. The Chinese side changed the negotiator to somebody from Romac [parent company].”

(Chinese chief negotiator)

Third, *re-negotiation of the technology transfer fee*: both parties agreed to re-negotiate the technology transfer fee at the first Board meeting to move the negotiation forward and retain the opportunity of a joint venture (see interpretation below: key event: Unsettled technology transfer fee).

Thus, through the efforts of the Chinese parent company, the deadlock was removed although the problem of the technology transfer fee remained. As can be seen, the Chinese parent company played a crucial role. As an interviewee stated:

“At negotiation, it always had some issues for arguing. A bit difficult to say how to sort out the conflict. You can have many methods, e.g. have a break, drink coffee, or have a dinner. You can negotiate several times. In addition, *through communication with the top management*. Why? Sometimes, the core conflict normally was the major issue, could not be decided by the negotiator himself.” (Chinese interpreter)

Successfully managing such conflict allowed both parties to effectively carry on the negotiation and ultimately had a satisfactory result for both parent companies. However, as a result, there were changes of the physical structure of the Roma joint venture and a number of negotiators at this stage, which is illustrated in Figure 4.4.

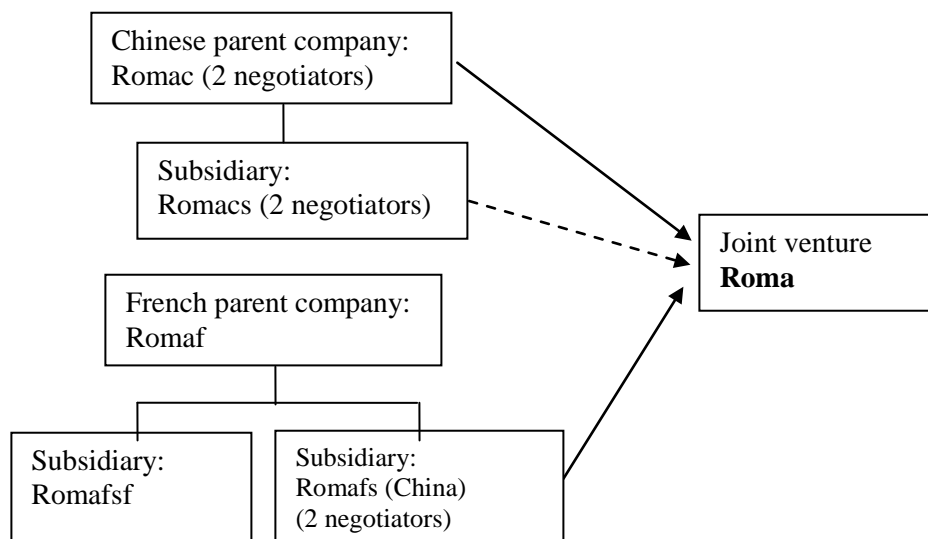


Figure 4.4: Physical structure of Roma joint venture and negotiators at stage 3

Source: Author



## Vignette: Indirect style → conflict management → dynamics

### Box 4.6: Interpretation of Indirect Conflict Management: Negotiation Dynamics

With their indirect communication style, the Chinese tend to adhere to indirect conflict management.

In this event, a deadlock occurred between negotiation parties due to disagreement regarding the technology transfer fee. To retain joint venture opportunities, the Chinese parent company stepped in as an intermediary, resolving this conflict by changing the Chinese chief negotiator and partner, which enabled negotiation to move on. This reflected three negotiation dynamics:

*Negotiation dynamics 1: triggered by using an intermediary:* the conflict was resolved by the Chinese parent company acting as an intermediary instead of the SRC subsidiary being the negotiation company, which caused negotiation to swing back and forth. This reflected negotiation dynamics within stage.

*Negotiation dynamics 2: triggered by changing the Chinese chief negotiator:* this triggered negotiation going from stage 3 to stage 2 from stage perspective (since negotiators were assigned in stage 2), hence reflecting negotiation dynamics between stages –negotiation stages circular.

*Negotiation dynamics 3: triggered by changing the Chinese partner:* this caused negotiation from stage 3 to stage 1 from stage perspective (since partner selection was finalised at stage 1 in the Letter of Intent, where the cooperative party was confirmed), hence reflecting dynamics between stages - negotiation stages circular.

To elaborate further, the conflict solution enabled negotiation to move on, hence accelerating the negotiation process. In this sense, this caused positive negotiation dynamics.

### Key event: Guanxi maintenance - signing ceremony for Joint Venture Contract

The signing ceremony for the successful joint venture contract negotiation was significant to the Chinese side, it was held in a five star hotel and “took a whole afternoon”. VIPs from both parties were involved, also local government officials and media reporters were invited. Each participant was given a gift. The signing ceremony

was a symbol and announcement to the public market that both parties established the joint venture.

**Vignette: Guanxi → guanxi with partner and government → dynamics**

**Box 4.7: Interpretation of Guanxi Maintenance:  
Guanxi Dynamics**

The signing ceremony is a symbol and announcement to the public that both parties have reached an agreement to establish a company. Also it is an opportunity for guanxi building and maintenance, and this approach is very popular in the Chinese business context.

In this event, for the Chinese, the signing ceremony was a symbol and announcement to the public that both parties had established the joint venture. Also, it was an opportunity for guanxi maintenance (e.g. gift giving) with related parties. It was expected that although the joint venture contract negotiations were complete, maintaining good guanxi with related parties would be beneficial for future joint ventures. In this sense, this also reflected positive guanxi dynamics.

**Key event: Holistic approach and guanxi – unsettled technology transfer fee**

However, having a significant signing ceremony did NOT mean that all issues were solved at negotiation: despite negotiation being able to continue because of great support from the Chinese parent company, both parties still could not reach agreement on the technology transfer fee. However, the negotiation needed to be completed as soon as possible and to get the contract signed. To achieve this, both parties agreed to re-negotiate it at the first Board meeting after the Joint Venture Contract was signed (i.e. resolve technology transfer fee at post-negotiation stage). As a result, the technology transfer fee had not yet been settled when signing the joint venture contract. This special event was recalled as below:

“That side they were negotiating the joint venture contract, this side we were negotiating the technology transfer fee, but could not reach agreement. *When signing the joint venture contract, the technology transfer fee was not finalised yet. We decided to negotiate again at the first Board meeting.*” (Chinese vice-general manager)

It was expected that the unsettled technology transfer fee could be resolved successfully between parties after the joint venture contract was signed, because established guanxi was nurtured and strengthened during negotiation, which increased understanding and trust between both parties. This was evidenced by the following:

When major conflict and obstacles were solved at the negotiation stage, then the foreign side also sent a VIP to China, because they knew there would be no more major obstacles, this thing [joint venture] could be successful. If without this hope their top management would not have come. They came once, the time was very tight, three days, four days, both parties negotiated the main issues again, *this kind of visiting each other was beneficial to this project, to the progress of this joint venture.* (Chinese interpreter)

**Vignette: Spiral logic and guanxi → negotiation approach → dynamics**

**Box 4.8: Interpretation of Holistic Approach and Guanxi:  
Negotiation Dynamics and Guanxi Dynamics**

Characterised as having a spiral logic communication style, the Chinese tend to take a holistic approach for negotiations.

In this event, the Joint Venture Contract was signed without having settled the technology transfer fee in order to retain the opportunity of joint venture. Both parties agreed to resolve the issue at the first Board meeting (i.e. post-negotiation stage). This indicated negotiation stage 3 and the post-negotiation stage overlapped; hence this reflected negotiation dynamics between stages.

To elaborate further, the outstanding technology transfer fee enabled the parties to skip the deadlock and move the negotiation forward, hence this saved time to reach agreement; this assisted the negotiation process. This reflected positive negotiation dynamics.

To elaborate further, when considering signing the contract a major issue remained unsettled; one can argue that established guanxi was nurtured and strengthened during negotiation, which increased understanding and trust between both parties. With this guanxi and trust in mind, it was expected that the unsettled technology transfer fee could be resolved between parties without any problem once the joint venture contract had been signed. This event, therefore, reflected guanxi dynamics in a positive way.

#### **4.5.2 Joint Venture Contract approval by local government**

##### **The process**

Once the contract was signed by both parties, according to joint venture establishment procedure, the joint venture contract was sent to the Shanghai authority for approval. The successful joint venture contract was approved by local government in July 2001, which was the symbol that the joint venture was official accepted.

One noteworthy event is: Top-down decision making – Joint Venture Contract approval, which is illustrated as below.

##### **Key event: Top-down decision making – Joint Venture Contract approval**

Here, again, local government played a significant role. As mentioned earlier, the government could accept the contract as submitted, refuse the deal altogether, or send it back to the parties with changes. Acceptance of the contract means no changes and no renegotiations.

##### **Vignette: Status-oriented style → decision making → dynamics**

###### **Box 4.9: Interpretation of Top-down Decision Making Negotiation Dynamics**

The interpretation for Joint Venture Contract approval is similar to that of Feasibility Study Report approval. The Chinese status-oriented communication style heeds top-down decision making.

In this event, decision making on document approval (i.e. Joint Venture Contract) was made by the local government, who was not at the negotiation table, which caused the negotiation process to be prolonged and more complicated. This reflected negotiation dynamics in a negative way.

#### 4.6 Summary of main findings: Dynamics constructs and dynamics model

This section presents a general summary of the main findings. It consists of two parts; the first presents a conception of the dynamics of the Roma negotiation process (Q1). The second describes the development of a dynamics model (Q2) in a step by step way using text and visual displays (diagrams).

To have a better logic flow and reflect the linkage between the two research questions, the aforesaid two parts are accomplished by the development of a *dynamics model* in four steps (Q2). It starts with initial three-stage negotiation process in step 1 (etic), which is based on the identification of *negotiation dynamics* (Q1). In step 2, it takes the sub-process of the guanxi development process (emic) into account, which is based on the identification of *guanxi dynamics* (Q1). In step 3, it looks at the relationship between the aforementioned two processes. In step 4, it combines the aforesaid two processes. How these four steps evolve is now illustrated in detail, below.

##### **Step 1: Initial model: discovering non-linear three-stage negotiation process (etic)**

The three-stage negotiation process focused on *negotiation dynamics* (negotiation dynamics within stage, negotiation dynamics between stages) which were triggered by the Chinese negotiation style (etic) through key negotiation events. To be specific, *negotiation dynamics within stage* were triggered by the Chinese negotiation style (etic) in terms of Chinese indirect information disclosure, indirect conflict management, top-down decision making.

*Negotiation dynamics between stages* (negotiation stages overlap, negotiation stages circular) were triggered by the Chinese negotiation style (etic) in terms of indirect conflict management, flexible time management and holistic approach. Table 4.6 summarises the link between Chinese negotiation style (etic), key events and negotiation dynamics.

Table 4.6: Summary of negotiation style (etic), key events and negotiation dynamics

Chinese negotiation style (derived from etic perspective: high-context communication)	Key event	Negotiation dynamics		
		Negotiation dynamics within stage	Negotiation dynamics between stages	
			Negotiation stages overlap	Negotiation stages circular
Indirect information disclosure	Indirect information disclosure and guanxi – heuristic search	Stage 2		
Indirect conflict management	Indirect conflict management – use of intermediary	Stage 3		
	Indirect conflict management - change Chinese chief negotiator			Stage 2,3
	Indirect conflict management - change Chinese partner			Stage 1,3
Top down decision making	Top-down decision making and guanxi - partner selection	Stage 1		
	Top-down decision making and guanxi - report to top management	Stage 2		
	Top-down decision making - feasibility Study approval	Stage 2		
	Top-down decision making – JV contract approval	Stage 3		
Flexible time management	Flexible time management – contract and Feasibility Study simultaneous		Stage 2,3	
Holistic approach	Holistic approach and guanxi – unsettled technology transfer fee		Stage 3 & Post-negotiation	

Source: Author

Based on Table 4.6, Table 4.7 synthesises the *negotiation dynamics*, which were triggered by Chinese negotiation style (etic) in three-stage negotiation process.

Table 4.7: Synthesis of Chinese negotiation style (etic) and negotiation dynamics

Chinese negotiation style (derived from etic perspective: high-context communication)	Negotiation dynamics		
	Negotiation dynamics within stage	Negotiation dynamics between stages	
		Negotiation stages overlap	Negotiation stages circular
Indirect information disclosure	Stage 2		
Indirect conflict management	Stage 3		Stage 2,3 Stage 1,3
Top down decision making	Stage 1,2,3		
Flexible time management		Stage 2,3	
Holistic approach		Stage 3 & Post- negotiation	

Source: Author

To give a full picture, negotiation dynamics in the three-stage negotiation process is illustrated in figure 4.5, which suggests that negotiation dynamics could be modelled as a process, and this process was not linear or sequential, hence, it is called a *non-linear three-stage negotiation process*.

This model can be used independently to help understand the dynamics of joint venture negotiation processes in the Chinese business context.

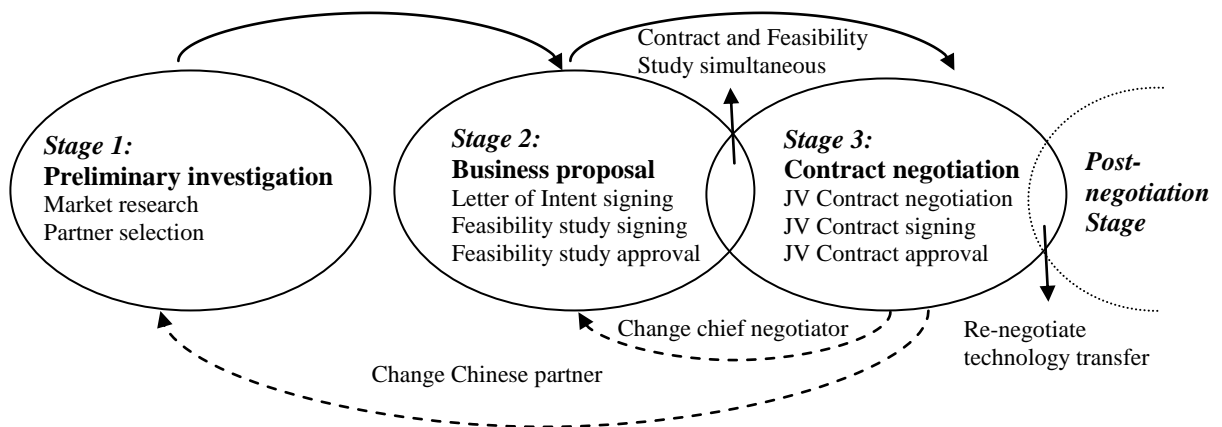


Figure 4.5: Negotiation dynamics in three-stage negotiation process of Roma

Source: Author

## Step 2: Developing model: discovering a two-level guanxi process (emic)

The guanxi development process focused on *guanxi dynamics* (guanxi dynamics levels, guanxi dynamics within level), which were triggered by Chinese negotiation style (emic) through key guanxi events. To be specific: *Guanxi dynamics levels* were discovered and occurred at the corporate level and guanxi at government level.

*Guanxi dynamics within level* consists of two parts namely guanxi dynamics at the corporate level and guanxi dynamics at the government level. *Guanxi dynamics at the corporate level* was triggered by guanxi with the local partner, which led to two types of guanxi dynamics (guanxi established, guanxi maintenance); while, *Guanxi dynamics at the government level* was triggered by guanxi with the local government, which resulted in two types of guanxi dynamics (guanxi established, guanxi maintenance). Table 4.8 summarises the link between Chinese negotiation style (emic), key events and guanxi dynamics.

Table 4.8: Summary of Chinese negotiation style (emic), key events, guanxi dynamics

Chinese negotiation style (derived from etic perspective: guanxi)	Key event	Negotiation stage	Guanxi dynamics		
			Guanxi dynamics level	Guanxi dynamics within level	Guanxi dynamics across levels
Guanxi with local partner, government	Guanxi established through various activities and events, other joint venture cooperation	Before negotiation	Corporate Government	Guanxi established	N/A
Guanxi with local partner	Top-down decision making and guanxi - partner selection	Stage 1	Corporate	Guanxi maintenance	N/A
	Indirect information disclosure and guanxi – heuristic search	Stage 2			
	Top-down decision making and guanxi - report to top management	Stage 2			
	Holistic approach and guanxi – unsettled technology transfer fee	Stage 3			
	Guanxi maintenance – signing ceremony for Joint Venture Contract	Stage 3			
Guanxi with local government	Guanxi maintenance – signing ceremony for Joint Venture Contract	Stage 3	Government	Guanxi maintenance	N/A

Source: Author



Based on Table 4.8, Table 4.9 synthesises the *guanxi dynamics*, which were triggered by the Chinese negotiation style (emic) at the two-level guanxi development process.

Table 4.9: Synthesis of Chinese negotiation style (emic) and guanxi dynamics

Chinese negotiation style (derived from emic perspective: guanxi)	Constructs of guanxi dynamics		
	Guanxi dynamics levels	Guanxi dynamics within level	Guanxi dynamics across levels
Guanxi with local partner	Guanxi at corporate level	1. Guanxi established before negotiation 2. Guanxi maintenance throughout entire negotiation process	N/A
Guanxi with local government	Guanxi at government level	1. Guanxi established before negotiation 2. Guanxi maintenance at negotiation process	N/A

Source: Author

To have a visual display, guanxi dynamics at a two-level guanxi development process is illustrated in figure 4.6, which suggests that guanxi dynamics could be modelled as a process, and this guanxi development process consisted of two levels - corporate and government level - hence, it is called a *two-level guanxi process*.

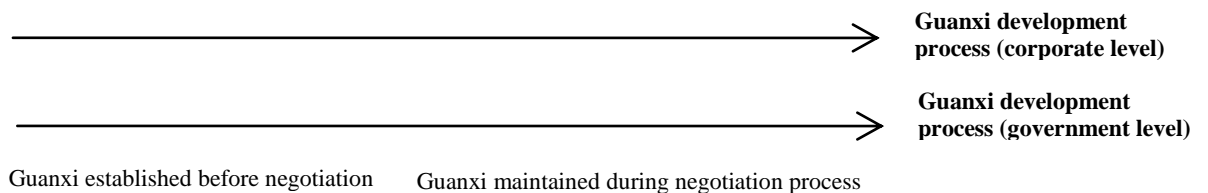


Figure 4.6: Guanxi dynamics in two-level guanxi development process of Roma

Source: Author

**Step 3: Developing model: discovering the relationship between negotiation process and guanxi process (etic & emic)**

It was manifested that *guanxi dynamics within level* (*guanxi dynamics at the corporate level; guanxi dynamics at the government level*) facilitated the negotiation process. Specifically, *Guanxi dynamics at the corporate level* in terms of guanxi established and guanxi maintenance with the local partner facilitated the negotiation process at each stage of negotiation. *Guanxi dynamics at the government level* in terms of guanxi established before negotiation was a good foundation for the partnership and support from the Chinese government, whereas, guanxi maintained with the government at the signing ceremony was expected to be positive for future joint venture. The above is explained in detail in Table 4.10, which summarises how guanxi interacted with the negotiation process through key events in the negotiation process of Roma.

Table 4.10: Guanxi interaction with negotiation process through key events

<b>Chinese negotiation style</b> (derived from etic perspective: guanxi)	<b>Key guanxi event</b>	<b>Negotiation stage</b>	<b>How guanxi facilitated negotiation process through key events</b>
<b><i>Guanxi established before negotiation</i></b>			
Guanxi with local partner, government	Guanxi established through various activities and events, other joint venture cooperation	Before negotiation	Good foundation for partnership and support from Chinese government
<b><i>Guanxi maintenance during negotiation</i></b>			
Guanxi with local partner (Guanxi at corporate level)	Top-down Decision Making and guanxi - partner selection	Stage 1	Guanxi accelerates partner selection process of Chinese side
	Indirect information disclosure and guanxi – heuristic search	Stage 2	Chinese disclose information in a more direct way when guanxi good
	Top-down decision making and guanxi - Report to top management	Stage 2	Guanxi accelerates decision making process of Chinese parent company for concessions on shareholding
	Holistic approach and guanxi – unsettled technology transfer fee	Stage 3	Guanxi increases trust and harmony, hence both parties confident to resolve conflict after signing JV contract
	Guanxi maintenance – signing ceremony for JV Contract	Stage 3	Guanxi maintained at signing ceremony expected to be positive to future JV
Guanxi with local government (Guanxi at government level)	Guanxi maintenance – signing ceremony for JV Contract	Stage 3	Guanxi maintenance at signing ceremony expected to be positive to future JV

Source: Author

The above summary suggests a vertical relationship between negotiation process and guanxi process, that is, at both corporate and government levels, the guanxi and negotiation process intertwined, they interacted with each other, and the negotiation process evolved through these interactions. Specifically, when guanxi was good between both parties and with the government, negotiation processes developed smoothly.

To elaborate further, this vertical relationship between aforesaid two processes led to a horizontal relationship between the two processes; that is, the two processes developed in parallel, because they usually took place at least partly simultaneously.

In sum, the relationship between these two processes is that the guanxi development process was embedded within the negotiation process, and the two processes were intertwined vertically, and developed in parallel horizontally.

#### **Step 4: Completing model: combining the negotiation process and guanxi process (etic & emic)**

Figure 4.5 developed a *negotiation dynamics model* (a non-linear three--stage negotiation process (etic). However, the data also indicated that a sub-process (guanxi development) existed (see figure 4.6), and these two processes interacted with each other. Hence, it would be incomplete to neglect this important observation when developing the dynamics model.

Inspired by the discussion above, a better presentation for the dynamics model of the Roma joint venture negotiation is to combine the two processes (i.e. negotiation involvement and guanxi development) and to observe how they interact with each other. This, further developed model, is illustrated in figure 4.7.

Figure 4.7 suggests that the dynamics of the joint venture negotiation can be modelled as a process, which consists of a *non-linear three-stage negotiation process* and *embedded two-level guanxi development process*; the latter was embedded within the former, and the two processes were intertwined vertically, and developed in parallel horizontally.

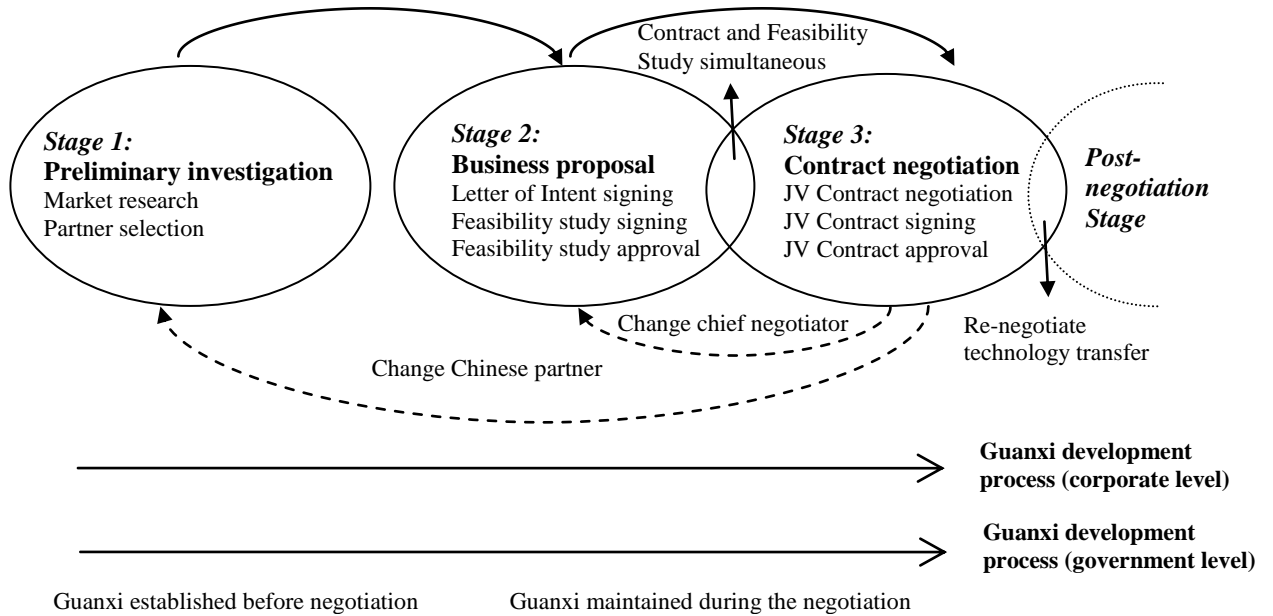


Figure 4.7: Dynamics model of Sino-Western joint venture negotiation at Roma

Source: Author

This chapter illustrates the findings from the Roma joint venture negotiation, which revealed the uniqueness of the case. The case study explored insights through within and cross-case analysis. Hence, it is interesting to understand the distinctiveness among different cases (for within case analysis), and discover similarities and differences between them (for cross-case analysis) in order to address the research questions. For this purpose, the findings obtained from Case 2 are provided in the next chapter.

## **Chapter 5 Findings – Case 2 Sunni**

### **5.1 Introduction**

This chapter presents the findings from the Sunni joint venture negotiation. The structure of this chapter is consistent with Chapter 4: The exploration of Sunni's successful joint venture negotiation process is divided into five main parts. The first discusses the background of Sunni and the story of Sunni's successful negotiation (Section 5.2). The second (Section 5.3-5.5) explores insights of each negotiation stage by key events and activities, and major interpretations. Finally, in a more general fashion, Section 5.6 summarises the main findings in terms of dynamics constructs and the dynamics model.

### **5.2 Background of Sunni Joint Venture**

#### **Joint venture and parties**

Shanghai Sunni is a Sino-British joint venture, which is jointly invested by Sunnic, Sunnics and British Sunnius in a 30%, 20%, 50% proportion. Founded in November 2001, Sunni is located in Shanghai. The new joint venture involves a total investment of \$ 2.7 billion. It is by far one of the largest petrochemical projects of joint venture in China. Table 5.1 depicts the profile of the Sunni joint venture.

The joint venture builds a 900 ktpa ethylene cracker facility and produces a combined total of 1 million tons of polyethylene, polypropylene and polystyrene per year. 'As a joint venture by renowned parent companies, Sunni combines the strength of advanced management concepts and technological advantages of both onshore and offshore parent companies.' (Sunni website)

Table 5.1: Profile of case, Sunni

Joint venture name	Partners & equity holding	JV negotiation started	JV contract signed	JV contract approved	Duration of JV negotiation (years)	Term of JV agreement (years)
Sunni	Sino-UK 30%, 20% - 50%	10/1990	31/08/01	13/09/01	Less than 10	50

Source: Author

Sunnic Corporation , a state-owned company, was established in February 2000 and is the largest integrated petrochemical company in China. Its main businesses include oil and gas exploration, development and production; refining and oil products trading, transportation and marketing; and the production and marketing of petrochemicals. At the end of 2000, Sunnic had assets valued at RMB 347.4 billion and an annual turnover of RMB 328.9 billion.

Sunnics is one of the largest integrated petrochemical enterprises in China and has four main business areas: refining, chemicals, fibres and plastics. The company's site at Jinshanwei covers an area of 9.4 km<sup>2</sup>. At the end of 2000, Sunnics' assets had a total value of RMB 22.1 billion, with a refining capacity of seven million tonnes per year and a total ethylene capacity of 590,000 tonnes per year. Sunnics is listed on stock exchanges in Shanghai, Hong Kong and New York.

Sunnius is a subsidiary of British Sunniu. Sunniu is an oil giant in the UK, and had invested around \$4 billion in China, excluding IPO investments, by the time of starting negotiations with Sunni, making it the largest foreign oil investor in the country. Figure 5.1 illustrates the physical structure of the joint venture, Sunni.

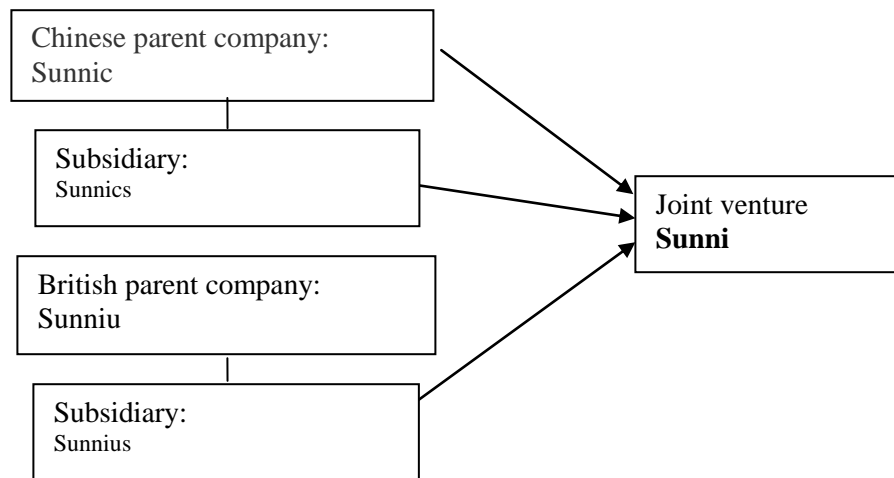


Figure 5.1: Physical structure of Sunni joint venture

Source: Author

### **The story of Sunni’s successful negotiation**

Negotiations between company officials occurred during 1990-2001, signing their joint venture contract on 31<sup>st</sup> August 2001. Joint venture negotiation started with both parties’ intensive market research, searching for a partnership and studying the feasibility of the prospective joint venture.

The overall negotiations ran smoothly, although difficulty had been experienced in reaching the agreement. It took nearly 10 years of negotiation and disputes concerning the establishment and operation of the joint venture with great effort from both parties, including support from the Chinese local and central government. It is a 50-year joint venture in line with current licensing legislation.

Here, questions are raised: How was this joint venture actually negotiated? Particularly, how did the key activities and events play roles in the negotiation process? To answer these questions, it might be useful to understand “joint venture negotiations can go round in circles a lot more, because they are much more complicated” (Sunnium negotiator). To illustrate the Sunni joint venture negotiation process based on a process

view, the remainder of the chapter provides insights on each of these three stages: *Preliminary Investigation*, *Business Proposal*, and *Joint Venture Contract Negotiation*.

### 5.3 Negotiation at Stage 1: Preliminary Investigation

The first stage comprised a preliminary investigation. The aim of this stage was to undertake market research concerning the petrochemical products in the Chinese market and choose the correct mode for collaboration, in addition to finding a potential partner for the joint venture. This was a stage primarily of *information collection* through various channels. Table 5.2 lists the main negotiation activities and events of the Sunni negotiation at stage 1.

Table 5.2: Main negotiation activities and events at stage 1

<b>Negotiation stage</b>	<b>Aims</b>	<b>Date</b>	<b>Main negotiation activities and events</b>	<b>Remarks</b>
Stage 1: Preliminary Investigation	Market research; Partner selection	1990	Start to think about JV	Took several years
		1990	Market research separately by both parties	
		03/96	Sign Memo of Project Feasibility Pre-Investigation	

Source: Author

#### 5.3.1 Market research

Market research is inevitable for any international collaboration and in this case was intensive for both parties. Sunniu had been operating in China since the early 1970s, and



had established some joint ventures with other large Chinese companies. In addition, both parties had established trade and technology relationships before this joint venture, therefore the British company had knowledge of the Chinese market. However, the question remained of whether there was a great opportunity for joint venture in the Chinese petrochemical products because of investment risk.

### **The priority**

The priority of market research for both parent companies was to decide and assess:

- If there was potential for China's petrochemical market and if it was a continuous growth;
- If a joint venture would be a proper alliance entry mode;
- Where to set up the joint venture;
- Who would be the potential partner? (The Chinese perspective, specifically, was to evaluate if the potential company had advanced technologies, products, and management.)

With these focal questions in mind, investigation was undertaken by both parties. In general, for such a large joint venture, market research was smooth although time consuming.

### **Market research and initial feasibility study**

Market research was undertaken by both parties separately from early 1990. An internal feasibility study was carried out to discover whether it was feasible to undertake the joint venture.

Market research showed that there was great potential for China's petrochemical industry. This can be seen from a media report stating "China produces more than 4 million tons of ethylene annually, but this satisfies only two-thirds of the domestic demand. The country is expected to double its ethylene capacity to about 8 million tons within the next five to six years through the launch of several complexes with foreign

majors, to meet the increasing demand.” In fact, at the time, Sunnic was at work on another large petrochemical project with another foreign shareholder, Exxon Mobil (People’s Daily).

Once the potential of the petrochemical market in the Chinese market was established, another crucial issue for this collaboration was to choose the entry mode. It was expected that the joint venture would improve products’ quality for the Chinese company through obtaining a foreign company’s proven technology. Meanwhile, this joint venture could provide the foreign company access into China’s petrochemical market. This so-called advantage of the joint venture - exchange Chinese market by obtaining western advanced technology - was very popular in the 1990s. Hence, joint venture was identified as the entry mode for this alliance. As the media reported:

For the Chinese side:

Sunnic President said the co-operation with Sunniu would facilitate the sale of the venture's products in the international market... Wang added the project is of great significance in that it will sharpen the competitiveness of China's petrochemical industry, especially after entry into the World Trade Organisation. (People’s Daily).

While, for the British side:

"It is a significant step for our business strategy in the growing Chinese market."  
(People’s Daily).

In addition, the location of the joint venture was another issue. Both Shanghai and Sichuan had materials for the joint venture; where should the joint venture be located? It was crucial that the technology power, economic and financial power as well as technical and management people be sufficient in the potential location, because it was not easy to manage such a large project. Finally, Shanghai was selected due to its competitive advantages.

In short, after intensive market research both parties decided to develop petrochemical products in China, and finalised to undertake a joint venture as the proper entry mode for the collaboration in Shanghai in order to address the rapidly growing petrochemical products market in China. As a result, Sunnic and Sunniu formally identified each other as collaborative partners and a Memo of Project Feasibility Pre-Investigation was signed between the parties in March 1996. How Sunnic and Sunniu identified each other as collaborative partners - the 4<sup>th</sup> priority of market research - is illustrated separately in the next section.

### **5.3.2 Partner selection**

In practice, market research and partner selection very often run in parallel. Having identified the need and potential of petrochemical products in the Chinese market, the decision on joint venture as an entry mode for this alliance and location of the joint venture, an equally important issue arose: What were the main criteria of partner selection? Who would be the potential partner and how should it be approached?

#### **The criteria**

According to Sunniu's Business Coordinator, for the Chinese side, the main criteria of partner selection were to select a partner worldwide, who had:

- advanced technology and products
- project management experience
- good reputation worldwide
- abundant financial resources
- a long-term commitment in the Chinese market

In addition, although excluded in the criteria, it appeared that *guanxi* played a vital role for the Chinese side when selecting its partner (this can be seen in the key event below).

In sum, partner selection was not that complicated overall, with great efforts having been made by both parties coupled with the government's strong support, although it was a long journey for both parties to come together for this joint venture negotiation. One event worth noting is: Top-down decision making and guanxi - Chinese partner selection, which is illustrated as below.

**Key event: Top-down decision making and guanxi - partner selection**

Both parties had an existing trade and technology relationship before this joint venture; for example, the British company bought the Chinese partner's products and sold its technology to the Chinese partner via technology transfer. Moreover, Sunnic and Sunniu were talking about another acetic acid joint venture in Chongqing parallel with this joint venture. Therefore, the British company had knowledge of the Chinese market and joint venture negotiation procedures. However, because there was a large investment risk due to the nature of the project, there was a development process from trading relationship to technology relationship, then to joint venture partnership for both parties.

Research suggests that the British side had advanced technology and products as well as management experience, which the Chinese side wanted to pursue and develop. Conversely, as a multinational company, Sunniu showed its great interest for expanding into the Chinese market and significant interest in the joint venture, along with the wish to have a long-term commitment to the Chinese market; thus, indicating that both parties had a strategic match to each other. An excerpt from an important press release illustrated this strategic match and Sunniu's long-term commitment to the Chinese market:

“When Sunni's shareholders first came together, they shared a common vision: to create a truly world-class company serving China's rapidly growing demand for petrochemicals, using the best technology, manufacturing methods and management expertise available. Now, nearly a decade later, that vision has been realised. This is

truly one of the most impressive achievements I have witnessed in my 28 years at Sunniu.” (Sunniu website)

Sunniu had an ambition to “build a leading partnership in China. Build a high quality and responsive spares and service business. Focus on increased profile and revenue in key territories – China, India and North America. Invest significantly in manufacturing, test, R&D facilities, as well as seeking to recruit highly skilled engineering resource.” (Sunniu website)

***Guanxi established before negotiation:*** However, not only strategic match in principle but, also, guanxi between both parties was crucial for partner selection. How did both parties start to talk about the joint venture negotiation? How did they approach each other? Here is where guanxi comes into play. As mentioned above, there was a business relationship of many years between both parent companies; moreover, both parties were already working on another joint venture, which suggested that initial guanxi had been established at a corporate level before this joint venture negotiation, which was a good base for becoming a partnership for negotiating this potential joint venture. In addition, guanxi at a personal level was already established between both parties, which facilitated communication and enhanced trust. As recalled by an interviewee:

For the Sunni project, by then, I had been working together with the Chinese side for many years, 10 years, 20 years. I have trust in the Chinese cooperation partner; they also have trust in me. Although I work for Sunniu, I don’t always take Sunniu’s side. I reflect the issues arising from the Chinese side to Sunniu’s top leaders. (Sunniu Business Coordinator)

Moreover, not only guanxi with a local partner but also guanxi with the local and central government was crucial for partner selection because “China is not a market economy, the government policy has a great impact” (Sunniu Business Coordinator). As stated by a Sunniu interviewee:

So when selecting a partner, first, you must do your homework well, second, you need to listen to the government, listen to their suggestion, whom I should marry with and, better, you need to find the right one; I can't say we're well-matched in social and economic status, but the capability of technology and management are both good. (Sunniu Business Coordinator)

As a state-owned company, the Chinese partner had long-established guanxi with local and central government. Meanwhile, as a major foreign investor in China for over one decade, Sunniu had established a certain guanxi with the Chinese government. Guanxi established between both parties and with the Chinese government was evidenced as important during this stage.

***Maintaining Guanxi during negotiation:*** It was important not only to establish but maintain guanxi with the local Chinese partner, in addition to central and local government, as the final decision on partner selection would be made by central government. In addition, one of the most important issues for the British company was the use of water, electricity and raw materials (such as gas, coal) for the future joint venture. To guarantee these materials in Shanghai for the future joint venture, it was vital to have a good guanxi with the Chinese local partner and local government, as well as central government, as an interviewee stated, "when you are in difficult times, the government can protect you." Moreover, this work needed to be done prior to and during the joint venture negotiation. As stressed by a Sunniu interviewee:

*"Prior to the negotiation, you need the government."* (Sunniu Business Coordinator)

Sometimes we also went to see the Chinese government, to increase the government's understanding of us, the Chinese side went too, sometimes both parties went together, sometimes we went alone; this increased the degree of our transparency to the government. The government got to know Sunniu, who Sunniu is. We went to see the government, explained to the government that Sunniu is the biggest company in the UK,

and the biggest one in Europe, we also rank top in several energy companies in the world. In addition, we also invested a lot in China, for example, our top management were prosperous about China, we also *promised to have a long-term investment plan in China*. The Chinese government also hope [they] can choose such a kind of big company to invest in China, rather than choose a small company, short-term partnership. Because we give the government a feeling that we are a long-term investor, not just investing for 1, 2 years then running away. *This also helped the Chinese side*. (Sunniu Business Coordinator)

As a result of combined strategic match and guanxi having been established and maintained, both parties identified each other as collaborative partners, and, as mentioned earlier, a Memo of Project Feasibility Pre-Investigation was signed between the parties in March 1996. The prospective joint venture, by then, was complimented as a significant international collaboration. As remarked on Sunniu's website:

Sunni's manufacturing and marketing organisation will serve the demands of the growing East China market. Sunniu's leading technology and business processes combined with Sunnic's extensive petrochemicals experience will play a key role in establishing a best-in-class enterprise. (Sunniu website)

## **Vignette: Status-oriented style and guanxi → decision making → dynamics**

### **Box 5.1: Interpretation of Top-down Decision Making and Guanxi Negotiation Dynamics and Guanxi Dynamics**

Characterised as having a status-oriented communication style China tends to adhere to top-down decision making.

In this event, due to the nature of the project, Chinese decision making on partner selection was made not only by the local Chinese partner but also by the Chinese local and central government. The final decision of selecting the partnership by central government reflected negotiation dynamics because Chinese negotiators from the local partner did not have the authority to make decisions on partner selection, having to obtain approval from local and central government. However, no government officials were at the negotiation table; this caused negotiation to swing back and forth, and delayed the negotiation process. In this sense, it caused negative negotiation dynamics.

To elaborate further, this also reflected guanxi dynamics: established guanxi between the local partner and government played a vital role in partner selection; guanxi facilitated partner selection from the Chinese side, which was the foundation for the final decision of partner selection by the Chinese government. Particularly, the use of guanxi by the British side through visiting the government and negotiating with the government together with the Chinese partner convinced the Chinese central government to decide to select Sunniu as Sunnic's partner for the joint venture. Hence, the observation that guanxi was a major contributor to the Chinese partner's selection, which created positive guanxi dynamics.

In addition, guanxi transfer from the individual level (i.e. Sunniu Business Coordinator) to corporate level facilitated communication and enhanced trust between both parties, which facilitated the negotiation process indirectly. This also reflected guanxi dynamics in a positive way.

## **5.4 Negotiation at Stage 2: Business Proposal**

Once the partner was identified by both parties, negotiation moved to the next stage (stage 2): the Business Proposal. Broadly stated, the aim of the business proposal stage was to assess the compatibility of each party's objectives and views on market strategy, which was accomplished through two issues: signing a Letter of Intent by both parties and signing a Feasibility Study Report by both parties, then having it approved by



central government. Table 5.3 describes the main activities and events of Sunni's negotiation at stage 2.

Table 5.3: Main negotiation activities and events at stage 2

<b>Negotiation stage</b>	<b>Aims</b>	<b>Date</b>	<b>Main negotiation activities and events</b>	<b>Remarks</b>
Stage 2: Business Proposal	Letter of Intent negotiation and signing;	10/96	Letter of Intent signing ceremony in Britain	
		During stage 2	Sunniu CEO and officials visit Chinese side regularly each year	
	Feasibility Study Report negotiation and signing;	Prior to signing ceremony	Chinese central governmental officials & Chinese party visit Sunniu top management at UK	Chinese side visit Sunniu at UK
		05/97	Both parties sign a framework agreement in London to undertake a joint FS	Chinese side visit Sunniu in London
	Feasibility Study Report approval	When main issues of FSR finalised	Start to draft JV Contract	Start JV Contract before FSR finished
		06/03/01	Both parties sign FSR	
		28/08/01	FSR approval by Chinese central government	

Source: Author

### **Assigning negotiation teams from both parties**

Negotiation is carried out by teams from both parties; therefore, there is a necessity to introduce the negotiation teams before entering each negotiation stage.

Joint venture discussion officially started between both parties in 1990. This joint venture attracted a great deal of attention of both parties; this can be seen as top management of both parties was involved in the negotiation; and, particularly, the Chinese local and central government provided tremendous support. The Chinese side assigned a larger negotiation team, which consisted of some dozens of people: including one chief negotiator, one project leader, three teams, three people on a Guidance Committee, one Chinese interpreter, one Chinese lawyer, plus many other negotiation members from different departments. Moreover, when suitable, the Chinese side took the opportunity of inviting young executives to observe the process as a way of learning.

Conversely, the British side consisted of 14 people: one chief negotiator, one business coordinator (one of the leading negotiators of Sunniu), three people in a business unit, five people in a technology team (according to different kinds of work), two people in the economic team (one doing model, one studying price), one Chinese interpreter, one lawyer.

The joint venture is very large; according to a Sunniu interviewee, a special feature in this joint venture negotiation was that there were three united working teams, which were jointly formed by both parties; the first business team, who undertook marketing research, talked with the Chinese partner; the second, technology team, talked about Sunniu's advanced technology; the third, economy team, took the issues from team 1 and 2 to the Sunniu business coordinator, to see if the profit return was high or low, and whether it could satisfy the requirements of both parties. Overarching this framework there was a Guidance Committee whereby, if any problems were encountered, the top management of both parties could be involved.

Figure 5.2 depicts the physical structure of the Sunniu joint venture and negotiators from both parties at Stage 2.

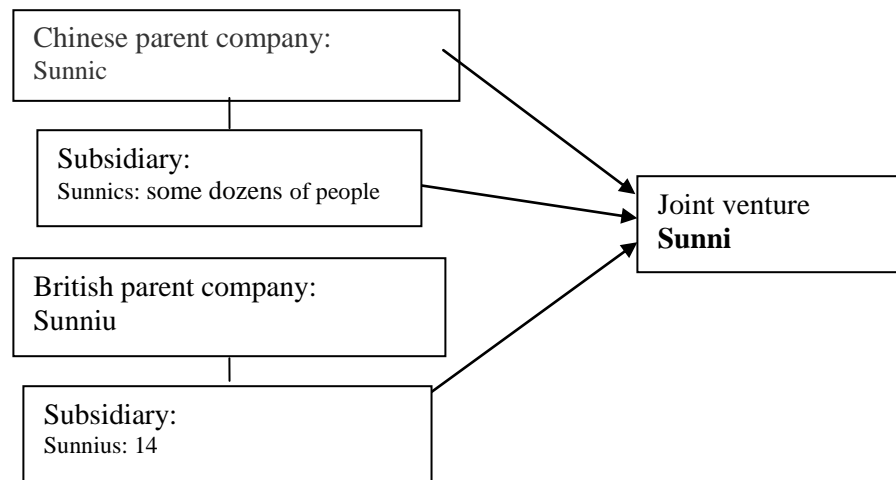


Figure 5.2: Physical structure of Sunni and negotiation teams

Source: Author

#### 5.4.1 Letter of Intent negotiation and signing

At this stage, the first important document negotiated was the Letter of Intent, which showed the commitment of each party to continue with the process as far as possible.

##### The Process

The Letter of Intent was drafted by both parties. There were many face-to-face negotiations in addition to many emails and faxes. Although local and central government were not involved in the negotiation directly, they did attend the decisive meetings regarding this joint venture. It took several months to prepare and complete the Letter of Intent.

The Letter of Intent was prepared together. Through the efforts of both parties and with the support of the Chinese government, the Letter of Intent, consisting of four copies for each party (including three parent companies and joint venture itself), was completed successfully and signed in Britain in October 1996 in both English and Chinese. The

*first milestone* was, hence, achieved for the joint venture negotiation, thus negotiation officially moved on to the next step – the Feasibility Study.

In sum, the overall negotiation proceeded smoothly although it took several months to complete due to the large size of the joint venture. Two key events worth noting were: Indirect information disclosure and guanxi - heuristic search; and Signing ceremony for the Letter of Intent, which are illustrated in the following sections.

**Key event: Indirect information disclosure and guanxi - heuristic search**

It is important to understand that “the Chinese generally are very reluctant to give out the information” according to a Sunniu Business Coordinator; however, basically they will comply. A Chinese rule is that if necessary they will give you information, but if too many requests are made, they will be unwilling. As the following comments portray:

If they were willing to tell you they would tell you, if not, they would not talk more about it in writing or at meetings. My impression, normally the Chinese side would not automatically provide you much information. Of course, some technical data, they would provide you, e.g. when we did marketing research for the Sunniu project, they provided us with marketing information of East China. (Sunniu Business Coordinator)

However, interestingly and importantly it also appeared that there was a possibility for the Chinese to disclose information in a more direct way, or in a more detailed nature if guanxi was established between both parties. The following serves as an example for this tendency:

When guanxi is established, the Chinese side and foreign side *shared things more*, if guanxi was no good, what [you] should say you would say, what [you] should not say you would not say, when guanxi is in harmony, you can communicate harmoniously, *information is shared more*. (Sunniu Business Coordinator)

The reason behind this negotiation style can be illustrated by the following quote, which links guanxi with information disclosure:

Because when negotiating, of course, that's the relationship between people, *establish trust, if guanxi is harmonious between negotiation teams, many issues can be communicated with each other and understood*. If rivalry or people with bad tempers damaged guanxi, that would hugely impact on the negotiation progress, which means progress was not good, did not like each other, that's trouble. (Sunniu Business Coordinator)

**Vignette: Indirect style and guanxi → information disclosure → dynamics**

**Box 5.2: Interpretation of Indirect Information Disclosure and Guanxi: Negotiation Dynamics and Guanxi Dynamics**

Characterised as having an indirect communication style the Chinese are likely to disclose information in an indirect way.

This event resulted in a heuristic search method of information disclosure; hence it led to information being gained by the partner systematically, which caused negotiation dynamics.

However, importantly, this event also suggested that the information could be disclosed in a more direct way or in a more detailed nature when guanxi was established between both parties. In this sense, guanxi adjusted the Chinese behaviour of information disclosure from being indirect to more direct, this also reflected guanxi dynamics.

To elaborate further, the Western partner found direct information disclosure was more efficient, as it improved the information flow process. Therefore, this created positive guanxi dynamics.

**Key event: Guanxi maintenance - signing ceremony for Letter of Intent**

With the efforts of both parties and the support of the government, the Letter of Intent negotiation was completed in several months and signed by both parties. The signing

ceremony was held in Britain in October 1996; to mark its success the parties signed the Letter of Intent in both English and Chinese.

Top management from subsidiaries and parent companies of both parties were involved in the ceremony in order to highlight the importance of the joint venture.

The signing ceremony for the Letter of Intent negotiation was significant to the Chinese side because, by then, the joint venture was a very large project in China with investment of US\$270 billion. The signing ceremony included an announcement to the public that both parties were carrying on the joint venture negotiation.

**Vignette: Guanxi → guanxi with local partner → dynamics**

**Box 5.3: Interpretation of Guanxi Maintenance:  
Guanxi Dynamics**

The signing ceremony for the Letter of Intent was held in Britain and top management from the subsidiaries and parent companies were involved. The signing ceremony was an announcement to the public that both parties were carrying on the joint venture negotiation.

To elaborate further, for Chinese, the signing ceremony was also an opportunity for guanxi maintenance, which would have positive impact on subsequent negotiations. The ceremony taking place in Britain provided an opportunity for the Chinese to visit the BP headquarters and meet their top management. From the Chinese perspective, visiting a foreign company is an effective approach to build and maintain guanxi with Western partners. Also, by both parent companies attending the ceremony they displayed their support to the negotiations. Therefore, the signing ceremony offered an opportunity to maintain guanxi; it also reflected guanxi dynamics in a positive way.

**5.4.2 Feasibility Study and signing of the Feasibility Study Report**

After signing the Letter of Intent, a joint Feasibility Study was undertaken. The aim of the Feasibility Study was to assess the potential economic value of the joint venture. The

main Feasibility Study document was a Product Plan, “when the product plan was decided then things were almost ok.” (British negotiator)

### **The Process**

The Feasibility Study Report was prepared together. Although local government was not involved in the negotiation directly, they did attend the decisive meetings concerning this joint venture. It took two years to prepare and complete the joint Feasibility Study Report.

Through the efforts of both parties and local and central government support the Sunni Feasibility Study Report was ready for signature by both parties in Beijing on 6<sup>th</sup> March 2001. It was agreed that the confirmed content of the Feasibility Study Report would be submitted to the government appraisal and examination authority as the official report. It was signed in both English and Chinese; copies were produced for each of the four parties (comprising the three parent companies and the joint venture itself). The *second milestone* of the joint venture negotiation had, hence, been achieved.

However, it worth noting that both parties signed a Pre-Feasibility document before jointly signing the Feasibility Study Report. Once the main contents of the Feasibility Study Report were finalised, both parties simultaneously started to negotiate a Joint Venture Contract (see details in Section 5.5.1).

In sum, Feasibility Study negotiation was smooth overall; there were four key events worthy of note: Flexible time management - three united working teams operating in parallel; Holistic approach - re-do feasibility study; Top-down decision making and guanxi – report to top management; Indirect conflict management and guanxi – use of an intermediary, as illustrated in the following sections.

**Key event: Flexible time management-3 united working teams operating in parallel**

Both parties prepared the Feasibility Study Report together. There were many face-to-face negotiations. The British side formed three United Working Teams with the Chinese side namely Business, Technology, and Economy; these three teams operated simultaneously. In addition, the British side established an office in China; the office staff made great efforts and worked full-time for this joint venture with the Chinese side. It took two years to prepare and complete the joint Feasibility Study Report.

It was suggested that the three United Working Teams operating in parallel facilitated the negotiation process. As an interviewee indicated:

...so didn't need to wait for this and that, wait for each other, *communication quick*, you needed some information for link, mutual communication, marketing studying market, technique studying technology, finance waiting for their information, like this, different teams worked simultaneously. Normally projects like this are more convenient, you don't need to wait, *progress could be faster [working] like this*. (Sunniu Business Coordinator)

**Vignette: Polychronic time → time management → dynamics**

**Box 5.4: Interpretation of Flexible Time Management:  
Negotiation Dynamics**

Characterised as being polychronic time managers the Chinese use time flexibly and complete many things at once.

In this event, three united working teams operated in parallel, which meant that several negotiations occurred simultaneously, this reflected negotiation dynamics.

To elaborate further, simultaneous negotiations enabled several negotiations in parallel, thus negotiators did not have to wait for one issue to be finished before starting another. As a result, this led to efficient use of resources (time, money and other resources).

In the current case, the three united working teams operated in parallel which had a positive influence on the negotiation process, and created positive dynamics.



**Key event: Holistic approach - re-do feasibility study**

As mentioned earlier, the initial feasibility study was carried out by both parties separately during Market Research at Stage 1 in 1990, and the Memo of Project Feasibility Pre-Investigation was signed between parties in March 1996. Later, at Stage 2, the Project Feasibility Investigation Agreement was signed between parties in May 1997; both parties then undertook a formal feasibility study jointly, and the joint Feasibility Study Report was signed by both parties in Beijing on 6<sup>th</sup> March 2001. This suggested that a feasibility study was undertaken twice (i.e. initially by each party separately and formally by both parties jointly).

**Vignette: Spiral logic → negotiation approach → dynamics**

**Box 5.5: Interpretation of Holistic Approach:  
Negotiation Dynamics**

The Chinese spiral logic communication style lends itself to employing a holistic approach, returning to re-do things which might have been done before.

In this event, an initial feasibility study was carried out at Stage 1, but later, at Stage 2 a formal feasibility study was carried out by the joint effort of both parties. This suggests that the initial feasibility study at Stage 1 did not exist independently; it was the foundation of the joint feasibility study at Stage 2, thus, stages 1 and 2 overlapped. This created negotiation dynamics.

To elaborate, undertaking the feasibility study twice caused negotiation to swing back and forth, which led to a longer negotiation process, hence, this caused negative dynamics.

**Key event: Top-down decision making and guanxi – report to top management**

During the Feasibility Study Report negotiation process, the Chinese negotiator had less authority to make decisions compared to the British negotiator, particularly on major issues, which caused problems, as signified below.

When not able to make decisions, the Chinese negotiator normally reported to top management, from lower level to higher level. For example, they discussed the issue within the negotiation team, or through the Project Leader, or Guidance Committee. They would go to higher levels if they could not resolve the problem, going to the General Manager or President on the Chinese side. However, normally the Chinese boss was absent from the negotiation table. The nature of Chinese decision making processes caused problems, as two interviewees recalled:

That's very rare for the Chinese side to have that authority. Normally the Chinese side will need to take the deal back to the boss, before they can say anything. ... So you also find quite often on the Chinese side if you get to a block, it's because they have got to refer the point, they don't have authority to negotiate, ...so that makes difficulties as well. Again, you have to let the Chinese go off to sort it out, to see if they can make further concessions or not. (Sunniu Negotiator)

[For Chinese] if the boss is not there, they can't decide....Chinese authority is limited, you can only negotiate to this step, if you cannot manage, you need to ask [top management]...Sometimes [Chinese side] said "I don't know this well, need to ask my boss", but boss can't be found. Then the foreign side think "I come from thousands of miles away, fly to here, but you can't decide, you can't manage. I want to see your boss, but you can't find him". This is about the decision making and cultural different, there is a different decision making process. (Sunniu Business Coordinator)

Both the Chinese local partner and the government played a crucial role in decision making on the joint venture negotiation. Although government officials did not appear at the negotiation table, they were involved in decisive meetings about the joint venture. For example, several important meetings were held at this stage:

The sixth and seventh meeting of Sunniu's steering team was held on January 22nd and August 8<sup>th</sup> respectively. Both meetings were held in a conference room in the Shanghai Municipal government and chaired by Shanghai government officials. (Sunniu website)

Since the Chinese have top-down decision making processes, it was important to *maintain guanxi* with the Chinese side through both parties visiting each other (*formal*). As stated by two interviewees:

*I think guanxi with the local partner is very important, because you establish a good Guanxi, facilitate to know both parties, at least had a very big help to the negotiation. For example, both parties did not know each other, or had different views, or did not like each other, I felt [this] had very big impact on the negotiation.* (Sunniu Business Coordinator)

From the foreign side, it was hoped to increase transparency of this project and let [Chinese] government know the project. In addition, it was also hoped the Chinese side could provide us enough support [about materials]... it was hoped to have a long-term based and steady supply. One needed coordination between the companies... In addition, we need to *maintain good Guanxi with government*, once they have more materials, they will support us, because the competition is very strong now, if you want to expand, but even cannot secure the raw material, [would be problem], so-called insurance. (Sunniu Business Coordinator)

It was noted that maintaining guanxi through the parent companies was the key symbol of top-level management's commitment to the joint venture negotiation, which facilitated the Feasibility Study negotiation process. As an interviewee proclaimed the function of this formal communication:

For us, our CEO came once or twice per year, our officials under the CEO came to China a couple of times per year, *these were very good systems for facilitating the project*. Your negotiation team had problems, not stuck there, you reported to top management level by level. (Sunniu Business Coordinator)

It was acknowledged that both parties visiting each other was “one aspect of maintaining *guanxi*”, which facilitated the negotiation process. The following is the reason for it:

I think this facilitated both parties to understand each other. In fact [it] was a kind of *help to strengthen guanxi*, because when not knowing [each other it was] very difficult to say how your *guanxi* was. If *guanxi* was good, [it could] facilitate understanding, both parties contacted each other more, *some issues could be sorted out*. (Sunniu Business Coordinator)

It was interesting to note that the involvement of Chinese top management was a symbol of the negotiation success: For example, the presence of Chinese top management at negotiations was a good sign for promoting the negotiation. Meanwhile, for the British, the appearance of the Chinese boss was also a sign of Chinese top management caring about this project. As an interviewee recalled:

Sometimes in some cases just bringing in senior manager to bless the deal, “well, that’s great, thanks, that’s fine”, or sometimes the boss would have to come in to give the last concession of the Chinese side. (Sunniu Negotiator)

Another way for *guanxi maintenance* with the Chinese side was through activities (e.g. dinner, sports) outside of negotiation (*informal*), which revealed an effective way to understand each other better and solve problems easier because of the relaxing context; hence it facilitated the negotiation process. As the Sunniu coordinator recalled:

*Guanxi* with the Chinese partner is very important... From my experience, I would communicate with Chinese side as well as I possibly could. In addition, trying to arrange this kind of informal communication, because, this should communicate feelings, we have talked about so much over and above the negotiation, but people are not a negotiation machine, they have feelings.

[Informal communication] include dinner, drink wine, play golf, badminton, swimming, *you can get to know your partner and understand each other better*, for example, why this person is so stubborn. Frankly speaking, Chinese are not willing to be so close to foreigners, unless guanxi is very good, you invite me, and I have arranged many times as well, *the effects were very good by this, more relaxed, some problematic issues were easier to be solved in such a relaxing context.* (Sunniu Business Coordinator)

### **Vignette: Status-oriented style & guanxi → decision making → dynamics**

#### **Box 5.6: Interpretation of Top-down Decision Making and Guanxi: Negotiation Dynamics and Guanxi Dynamics**

Having a status-oriented communication style the Chinese adhere to top-down decision making.

This event suggests that the final decision on major issues was made by the Chinese top management rather than negotiators because, for some issues, the Chinese negotiator was unable to make a decision without reporting to the top management, *who did not appear at the negotiation table*; as a consequence it took time to get more people involved in the negotiation, to explain the same issues repeatedly at different levels, hence prolonging the decision making process. This reflected negotiation dynamics in a negative way.

Conversely, guanxi maintenance by formal (e.g. Sunniu's regular visits to the Chinese) and informal methods (e.g. activities outside the negotiation table) evidenced very good, effective systems which facilitated negotiation processes. This reflected guanxi dynamic in a positive nature.

In addition, guanxi transfer from the individual (i.e. Sunniu Business Coordinator) to corporate level facilitated communication and enhanced trust between both parties, which assisted the negotiation process indirectly. This also reflected guanxi dynamics in a positive nature.

### **Key event: Indirect conflict management and guanxi – use of an intermediary**

Conflicts are inevitable in any kind of business negotiation. Here, the Chinese company used indirect methods to resolve the conflict through the top management of the Chinese local partner. As stated by an interviewee:

But you certainly need indirect links to the background, if you seek to solve problems in China, so you do need good contacts all levels between, typically senior levels, you need senior managers from one company to be talking to senior managers in other company, *so if negotiation talks can't get things sorted out, then the managers can get involved.* (Sunniu Negotiator)

Moreover, interestingly, the Chinese government also became involved to help solve problems sometimes. The following serve as good examples.

*Government's other role is that it is not a role of judge, how to say, if good, can facilitate the negotiation.* Like the couple fighting with each other, boyfriends and girlfriends quarrel, we don't tell parents' we can tell parents if, after two years dating, the couple feels it's no good and want to finish, young people finish just finish. However, finishing is a bit of a pity sometimes, if you let the government know, they can facilitate in the middle. The result of facilitation is that, *for the Chinese side, if the Chinese government still supports you, if you have any problem government will help you.* In addition, if the government appeared, it also gave the foreign side confidence that [Chinese government] support you. Both parties had a good business plan, so the government had a good facilitation function in the middle, so it was essential. (Sunniu Business Coordinator)

...related to some important materials, government can help you. The use of natural gas and coal, the distribution authority is still with the government, although some Chinese partner has power to distribute materials, the real power is at the hands of government. So you negotiate with your local partner, *you and your local partner will together negotiate with government sometimes, and hope the government can support you more.* (Sunniu Business Coordinator)

It is important to know that strong guanxi with a local partner could reduce conflict, and, hence, facilitate the negotiation. As an informant put it:

For both parties' interests, if you say which date you would like to negotiate what, he says he could not make it on that day; this must have an impact on the negotiation process. Somebody always needs to sort this out, everybody has his own agenda, within the company [it] has its own arrangement, *when guanxi is good, we communicate much easier, that is to say less different opinion, less conflict*, not request this, request that. Guanxi is good, we have mutual goal and communicate fully, e.g. about negotiation contents, negotiation agenda, we actively think about the ways to increase the contact opportunities. (Sunniu Business Coordinator)

### **Vignette: Indirect style and guanxi → conflict management → dynamics**

#### **Box 5.7: Interpretation of Indirect Conflict Management and Guanxi: Negotiation Dynamics and Guanxi Dynamics**

Characterised as having an indirect communication style the Chinese manage conflict in a roundabout way.

This event indicated indirect conflict management through an intermediary - top management and government who were not at negotiation table - whereby more people had to be involved. As a result there was a need to explain and discuss the same issue repeatedly at different levels, which caused negotiation to swing back and forth; this reflected negotiation dynamics.

To clarify further, more resources are needed (e.g. people, time, money) when top management and government are involved; hence, this caused negative negotiation dynamics.

More importantly, it appeared that strong guanxi with the local partner and government could reduce conflict, hence it facilitated negotiation processes. This suggested that there was a need for strong guanxi with the local partner and government at the negotiation stage; thus it reflected guanxi dynamics. The use of strong guanxi to resolve problems created positive dynamics.

### **5.4.3 Feasibility Study Report approval by central government**

#### **The process**

The Joint Feasibility Study Report (FSR) was signed by both parties in Beijing on 6<sup>th</sup> March 2001. It was agreed that the confirmed content of the FSR would be submitted to the government appraisal and examination authority as the official report. The application letter for approval of the FSR was officially submitted to the central government, jointly, by the parties and Shanghai local government on 8<sup>th</sup> March 2001. The FSR was approved by the central government on 28<sup>th</sup> August 2001.

Two key events: Holistic approach - launch of the project before government approval; and, Top-down decision making and guanxi - Feasibility Study approval, are illustrated in the following sections.

#### **Key event: Holistic approach - launch of project before government approval**

The pre-IPMT (Integrated Project Management Team) meeting of Sunni was convened on 27<sup>th</sup> March 2001; however, the FSR was approved by the central government on 28<sup>th</sup> August 2001, this suggests that the project was launched before receiving approval from the central government authority, which was highlighted in the milestones of Sunni's website.



## Vignette: Spiral logic → negotiation approach → dynamics

### **Box 5.8: Interpretation of Holistic Approach: Negotiation Dynamics**

The Chinese, when using a spiral logic communication style, employ a holistic approach to negotiation.

In this event, the project was launched before the joint FSR was approved by central government but after the joint FSR had been signed. This can be interpreted as a holistic approach. Because both parties were happy with each other, and it was believed that the local and central government were also supportive to this project. Hence, when all related parties were willing to establish this joint venture, there was no need to wait for the approval from central government to retain the joint venture opportunities, enabling the negotiation to proceed faster. In this sense, this event reflected negotiation dynamics between stages (stage skip from Stage 2 to post-negotiation stage).

To elaborate, using stage skip negotiation dynamics and avoiding waiting for the approval of central government, saved time, and facilitated the negotiation process; hence, creating positive dynamics.

### **Key event: Top-down decision making and guanxi - Feasibility Study approval**

Although no central government official was involved directly in the negotiation, central government was revealed as playing a crucial role here. Having already established and continuing to maintain guanxi with local and central government accelerated the process of document approval. This can be evidenced as below:

When government approves projects, will it approve all projects? No. [there are] petrochemical, steel, car, coal, including various types, many [projects]. Because it is not just petrochemical projects, *so establishing a good guanxi with government departments, or with local and central government, this could speed up the process of document approval*, otherwise it [let you] wait in the queue, you can just wait in the queue there. (Sunniu Business Coordinator)

## Vignette: Status-oriented style and guanxi → decision making → dynamics

### **Box 5.9: Interpretation of Top-down Decision Making and Guanxi: Negotiation Dynamics and Guanxi Dynamics**

When using a status-oriented communication style the Chinese observe top-down decision making.

In this event, due to the nature of the project, document approval (i.e. Feasibility Study Report) decision making was undertaken by the Chinese central government who was not at the negotiation table, which lengthened and complicated the negotiation process, this reflected negotiation dynamics negatively.

On the other hand, guanxi was established and maintained with Chinese central government, which facilitated and shortened the process of document approval. This reflected guanxi dynamics positively.

### **5.5 Negotiation at Stage 3: Joint Venture Contract negotiation**

The last stage was Joint Venture Contract Negotiation. The aim of the Joint Venture Contract Negotiation stage was to negotiate the Joint Venture Contract and its supplementary agreements, and to get it signed by both parties, and then get it approved by the Chinese central government. This stage was rather complex, because it dealt with many issues including technical, financial, managerial and legal, it was carried out mainly by face-to-face meetings and emails. This stage largely overlapped with Stage 2 because the main contents of the Feasibility Study Report were the foundation of the Joint Venture Contract. Table 5.4 shows the main activities and events of the Sunni negotiation at stage 3.

Table 5.4: Main negotiation activities and events at stage 3

<b>Negotiation stage</b>	<b>Aims</b>	<b>Date</b>	<b>Main negotiation activities and events</b>	<b>Remarks</b>
Stage 3: JV Contract Negotiation	JV Contract negotiation;	When main contents of FSR finalised	Start JV contract	Start JV contract before FSR finished
		During stage 3	Sunniu CEO and officials under CEO visit Chinese side regularly	
	JV Contract signing;	31/08/01	JV Contract & AOA sign in Beijing by three parties - signing ceremony	Before submitting to government for approval
	JV Contract approval	13/09/01	JV Contract approval by central government	

Source: Author

### 5.5.1 Joint Venture Contract negotiation and signing

The Joint Venture Contract mainly consisted of positioning, shareholding, product scope, market scope, Article of Associate (AOA), structure, board, trade market, joint venture terms and schedule.

#### The Process

The last stage was Joint Venture Contract Negotiation. However, it is worth noting that demarcations between stages in the relationship between Feasibility Study and Joint Venture Contract were not clear-cut in practice. The Feasibility Study Report was the

main appendix of the joint venture contract, as mentioned earlier, when the main contents of the Feasibility Study were finalised, both parties started to negotiate Joint Venture Contract parallel.

As previously noted, the Joint Venture Contract was prepared by both parties which entailed many face-to-face meetings. Again, although local and central government were not involved in the negotiation directly, they did attend the meetings about this joint venture progress and had authority to approve the establishment of the joint venture. It took one year to complete the preparation of the Contract.

When ready, the Joint Venture Contract was sent to the top management of both parties for internal approval, respectively. The Joint Venture Contract and Articles of Association of Sunni were signed in Beijing jointly by Sunnic, Sunnics and Sunniu on 31<sup>st</sup> August 2001 in both English and Chinese. Copies were prepared for each of the four parties (three for the parent companies and one for the joint venture itself). The *fourth milestone*, hence, was achieved for the joint venture negotiation.

The Joint Venture Contract negotiation was smooth overall even though this is the most complicated stage of the entire negotiation process. Three significant events are illustrated in the following sections: Flexible time management – Contract and Feasibility Study simultaneous; Holistic approach – raise unrelated issues; Guanxi maintenance – signing ceremony for Joint Venture Contract .

**Key event: Flexible time management – Contract and Feasibility Study simultaneous**

According to Sunni's website, the joint Feasibility Study Report was approved by the Chinese central government on 28<sup>th</sup> August 2001. The Sunni Joint Venture Contract and Articles of Association were jointly signed by the three parties in Beijing on 31<sup>st</sup> August 2001. This indicates that when the main contents of the joint Feasibility Study Report

were almost finalised at Stage 2: Business Proposal, both parties started to negotiate the Joint Venture Contract and Articles of Association in parallel at this stage (i.e. Stage 3).

### **Vignette: Polychronic time → time management → dynamics**

#### **Box 5.10: Interpretation of Flexible Time Management: Negotiation Dynamics**

Using Polychronic time management, the Chinese tend to complete several tasks at once.

In this event, the draft Joint Venture Contract was started before the Feasibility Study Report was finished, which indicated negotiation stages 2 and stage 3 overlapped. This suggested negotiation dynamics (between stages).

To elaborate further, for the Chinese, negotiating several issues concurrently was effective because it enabled several negotiation issues to occur in parallel, thus negotiators did not have to wait for one issue (i.e. Feasibility Study) to be finished before commencing the next (i.e. JV contract).

As a result, this leads to efficient use of resources (e.g. people, time, money and other resources). In this sense, negotiation stage overlap has a positive influence on negotiation processes, creating positive dynamics.

#### **Key event: Holistic Approach – raise unrelated issues**

It appeared that the Chinese side raised some unrelated during negotiation meetings which were not on the agenda of that day, as the Chinese need to take everything into account, which is the result of holistic thinking about the overall benefits of the negotiation. Unfortunately, sometimes raising unrelated issues appeared to delay the negotiation process, as the Western party had to address the unrelated issue raised, and then return to the original issue. As one interviewee recalled:

I mean *sometimes it can slow down the negotiation process* because issues need to be addressed, that the western side may say we worry about it later, not something we need to settle now, we can settle it later. But if something suddenly happens you know if you are in the middle of the negotiation, people sometimes say, we need to settle the local

staff policy ... I always say to people if some totally unrelated subject comes up, don't just say we settle it later. You need to address it, even you say 'can we talk about it later, you know, we won't forget that, we discuss it later, but what I would like to do now is to discuss this issue, can we return to that issue after lunch, it's a separate issue, you know'. So that can slow down the process. I mean certainly lots of stuff, won't be right to suggest any one thing can slow things down. (Sunniu Negotiator)

**Vignette: Spiral logic → negotiation approach → dynamics**

**Box 5.11: Interpretation of Holistic Approach:  
Negotiation Dynamics**

When using their spiral logic communication style the Chinese tend to take a holistic approach to negotiation.

In this event, the Chinese side raised an issue supplementary on the agenda of the day; the Western side had to address the issue, then return to the original negotiation issue, which caused negotiation to swing back and forth. This indicated negotiation dynamics in a negative manner.

To elaborate further, addressing an unrelated issue then returning to the original issue causes negotiation to move back and forth, hence, the negotiation process becomes longer; in this sense, negative negotiation dynamics are experienced.

**Key event: Guanxi maintenance – signing ceremony for Joint Venture Contract**

The signing ceremony for the successful Joint Venture Contract negotiation was significant to the Chinese; it was held in Beijing jointly by Sunnic, Sunnics and Sunniu on 31<sup>st</sup> August 2001 before the documents were submitted to central government for approval.

VIPs, top management and customers from both sides were present. Also, the ceremony was attended by several senior Chinese officials from both local and central government. In addition, media reporters were invited.

The signing ceremony was a symbol and announcement to the public that both parties had established the joint venture. It was also an opportunity to express their sincere gratitude to the long-term and energetic support from Shanghai Municipal government, various commissions and offices, central government and related parties.

**Vignette: Guanxi → guanxi with partner and government → dynamics**

**Box 5.12: Interpretation of Maintaining Guanxi:  
Guanxi Dynamics**

The signing ceremony for Joint Venture Contract was held in Beijing; related people from both parties, Chinese local and central government officials, as well as media reporters were invited to the ceremony. The role of this signing ceremony was similar with the one for Letter of Intent. The signing ceremony was an announcement to the public of the establishment of the joint venture.

To elaborate further, from the Chinese perspective, the ceremony was also an opportunity for guanxi maintenance with their partner, the Chinese government and related people and parties. Although the joint venture contract negotiation was finished, it is always worth maintaining guanxi with related parties, particularly the government, for Joint Venture Contract approval and for the benefits of future joint ventures. Hence, the signing ceremony reflected guanxi dynamics, which would be positive for future joint venture.

**5.5.2 Joint Venture Contract approval by central government**

**The process**

Once the Joint Venture Contract was signed by both parties on 31<sup>st</sup> August 2001, according to joint venture establishment procedure, it was sent to the Chinese central government for approval.

The successful Joint Venture Contract was approved by the Chinese central government on 13<sup>th</sup> September 2001 with an approval certificate, which was the symbol that the

Sunni joint venture was officially accepted; the *fifth milestone - last milestone* was, therefore, achieved.

One noteworthy event is: Top-down decision making and guanxi – Joint Venture Contract approval, which is presented in the following section.

**Key event: Top-down decision making and guanxi - JV Contract approval**

The Feasibility Study Report was approved on 28<sup>th</sup> August 2001, and the Joint Venture Contract was approved on 13<sup>th</sup> September 2001. It can be seen that the Joint Venture Contract was approved by central government 15 days after Feasibility Study Report approval. As such a large project, the time for Joint Venture Contract approval was relatively short, this could be attributed to the strong guanxi with local and central government. This can be evidenced as below:

You conduct joint venture negotiation in China, all projects need to be approved by the Chinese government. One side is local government, and a big project needs approval from central government. However, you negotiate, *if not approved by the government you cannot establish the joint venture.* (Sunniu Business Coordinator)

Guanxi established and established guanxi maintenance with central government made the approval process smooth. Moreover, strong guanxi with central government accelerated the process of document approval. Since the Feasibility Study Report was already approved by the Chinese central government, which was the basis of the Joint Venture Contract, the Joint Venture Contract was approved by central government successfully in a relatively short time.



## Vignette: Status-oriented style and guanxi → decision making → dynamics

### **Box 5.13: Interpretation of Top-down Decision Making and Guanxi: Negotiation dynamics and Guanxi Dynamics**

The interpretation for Joint Venture Contract approval is similar to that for Feasibility Study Report approval. The status-oriented communication style of the Chinese tends to obey top-down decision making.

In this event, due to the nature of the project, decision making on document approval (i.e. Joint Venture Contract) was made by the Chinese central government, who was not at the negotiation table, which made the negotiation process longer and more complicated, this reflected negative negotiation dynamics.

Alternatively, guanxi was established and maintained with the central government, which shortened the process of document approval, and facilitated the negotiation process. This reflected guanxi dynamics in a positive way.

## **5.6 Summary of main findings: dynamics constructs and dynamics model**

This section presents a general summary of the main findings. It consists of two parts; the first presents a conception of the dynamics of the Sunni negotiation process (Q1). The second describes the development of the dynamics model (Q2) in a systematic way using text and visual displays (diagrams).

To have a better logic flow and reflect the linkage between the two research questions, the aforementioned two aspects are accomplished by the development of a dynamics model in four steps (Q2): It starts with the initial three-stage negotiation process in step one (etic), which is based on the identification of negotiation dynamics (Q1). In step two, it takes the guanxi development sub-process (emic) into account, which is based on the identification of guanxi dynamics (Q1). In step three, it looks at the relationship between the aforesaid two processes. Finally, in step four, it combines the aforesaid two processes. How these four steps evolve is now illustrated in detail below.

**Step 1: Initial model: discovering a non-linear three-stage negotiation process (etic)**

The three-stage negotiation process focused on *negotiation dynamics* (negotiation dynamics within stage, negotiation dynamics between stages) which were triggered by the Chinese negotiation style (etic) through key negotiation events. To be specific, *negotiation dynamics within stage* were triggered by the Chinese negotiation style (etic) in terms of Chinese indirect information disclosure, indirect conflict management, top-down decision making, flexible time management and holistic approach. While, *negotiation dynamics between stages* (negotiation stages overlap, negotiation stage skip) were triggered by Chinese negotiation style (etic) in terms of flexible time management and holistic approach. Table 5.5 summarises the link between Chinese negotiation style (etic), key events and negotiation dynamics.

Table 5.5: Summary of negotiation style (etic), key events and negotiation dynamics

Chinese negotiation style (derived from etic perspective: high-context communication)	Key event	Negotiation dynamics		
		Negotiation dynamics within stage	Negotiation dynamics between stages	
			Negotiation stages overlap	Negotiation stage skip
Indirect information disclosure	Indirect information disclosure and guanxi – heuristic search	Stage 2		
Indirect conflict management	Indirect conflict management and Guanxi – Use intermediary	Stage 2		
Top down decision making	Top-down Decision Making and guanxi - partner selection	Stage 1		
	Top-down decision making and guanxi – report to top management	Stage 2		
	Top-down decision making and guanxi - Feasibility Study approval	Stage 2		
	Top-down decision making and guanxi – JV contract approval	Stage 2		
Flexible time management	Flexible time management - three united working teams operate in parallel	Stage 2		
	Flexible time management – contract and Feasibility Study simultaneous		Stage 2,3	
Holistic approach	Holistic approach – unrelated issues	Stage 3		
	Holistic approach - re-do feasibility study		Stage 1,2	
	Holistic approach - launch project before government approval			Stage 2 to Post-nego stage

Source: Author

Based on Table 5.5, Table 5.6 synthesises the *negotiation dynamics* which were triggered by the Chinese negotiation style (etic) in the three-stage negotiation process.

Table 5.6: Synthesis of Chinese negotiation style (etic) and negotiation dynamics

Chinese negotiation style (derived from etic perspective – high-context communication)	Negotiation dynamics		
	Negotiation dynamics within stage	Negotiation dynamics between stages	
		Negotiation stages overlap	Negotiation stage skip
Indirect information disclosure	Stage 2		
Indirect conflict management	Stage 2		
Top down decision making	Stage 1,2,3		
Flexible time management	Stage 2	Stage 2,3	
Holistic approach	Stage 2,3	Stage 1,2	Stage 2 to Post- negotiation stage

Source: Author

To give a full picture, negotiation dynamics in the three-stage negotiation process is illustrated in figure 5.3, which suggests that negotiation dynamics could be modelled as a process, and this process was not linear or sequential, hence, it is called a *non-linear three-stage negotiation process*.

This model can be used independently to help understand the dynamics of joint venture negotiation processes in the Chinese business context.

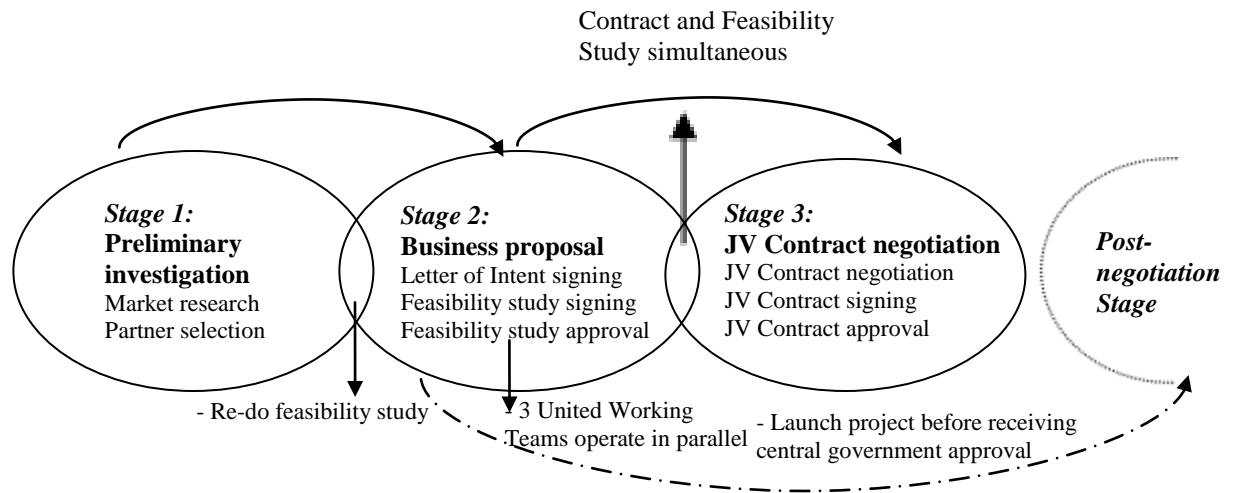


Figure 5.3: Negotiation dynamics in three-stage negotiation process of Sunni

Source: Author

## Step 2: Developing model: discovering an embedded two-level guanxi process (emic)

The guanxi development process focused on *guanxi dynamics* (guanxi dynamics levels, guanxi dynamics within level, guanxi dynamics across levels) which were triggered by the Chinese negotiation style (emic) through key guanxi events. To be specific: *Guanxi dynamics* were discovered at two levels namely at the corporate level and at the government level; and guanxi dynamics occurred both within across guanxi levels. Guanxi at the individual level also confirmed the literature; however, it is not the main focus of this study.

*Guanxi dynamics within level* consists of two parts, namely guanxi dynamics at corporate level and guanxi dynamics at government level. *Guanxi dynamics at the corporate level* was triggered by guanxi with the local partner, which led to two types of guanxi dynamics (guanxi established, guanxi maintenance); while, *Guanxi dynamics at*

*the government level* was triggered by guanxi with local and central government, which resulted in two types of guanxi dynamics (guanxi established, guanxi maintenance).

In addition, *guanxi dynamics across levels* was discovered through guanxi transfer from individual level to corporate level; this is a unique feature of guanxi.

Table 5.7 summarises the link between Chinese negotiation style (emic), key events and guanxi dynamics.

Table 5.7: Summary of Chinese negotiation style (emic), key events & guanxi dynamics

Chinese negotiation style (derived from etic perspective: guanxi)	Key event	Negotiation stage	Guanxi dynamics		
			Guanxi dynamics level	Guanxi dynamics within level	Guanxi dynamics across levels
Guanxi with individual, local partner, government	Guanxi established through various activities and events	Before negotiation	Personal Corporate Government	Guanxi established	
Guanxi with local partner	Top-down decision making and guanxi - partner selection	Stage 1	Corporate	Guanxi maintenance	
	Indirect information disclosure and guanxi – heuristic search	Stage 2			
	Guanxi maintenance - signing ceremony for Letter of Intent	Stage 2			
	Top-down decision making and guanxi – report to top management	Stage 2			
	Indirect conflict management and guanxi – use intermediary	Stage 2			
	Guanxi maintenance – signing ceremony for Joint Venture Contract	Stage 3			

Guanxi with local and central government	Top-down decision making and guanxi - partner selection	Stage 1	Government	Guanxi maintenance	
	Top-down decision making and guanxi – report to top management	Stage 2			
	Indirect conflict management and guanxi – use intermediary	Stage 2			
	Top-down decision making and guanxi - Feasibility Study approval	Stage 2			
	Guanxi maintenance – signing ceremony for Joint Venture Contract	Stage 3			
	Top-down decision making and guanxi – JV contract approval	Stage 3			
Guanxi with individual	Top-down decision making and guanxi - partner selection	Stage 1	Personal	Guanxi maintenance	Personal to corporate level
	Top-down decision making and guanxi – report to top management	Stage 2			Personal to corporate level

Source: Author

Based on Table 5.7, Table 5.8 synthesises the *guanxi dynamics* which were triggered by the Chinese negotiation style (emic) in a two-level guanxi development process.

Table 5.8: Synthesis of Chinese negotiation style (emic) and guanxi dynamics

Chinese negotiation style (derived from emic perspective: guanxi)	Constructs of guanxi dynamics		
	Guanxi dynamics levels	Guanxi dynamics within level	Guanxi dynamics across levels
Guanxi with local partner	Guanxi at corporate level	1. Guanxi established before negotiation 2. Guanxi maintenance throughout entire negotiation process	Guanxi transfer from personal level to corporate level
Guanxi with local and central government	Guanxi at government level	1. Guanxi established before negotiation 2. Guanxi maintenance throughout entire negotiation process	

Source: Author

To have a visual display, guanxi dynamics in a two-level guanxi development process is illustrated in figure 5.4, which suggests that guanxi dynamics could be modelled as a process, and this guanxi development process consisted of two levels at corporate level and government level, hence, called *two-level guanxi process*.

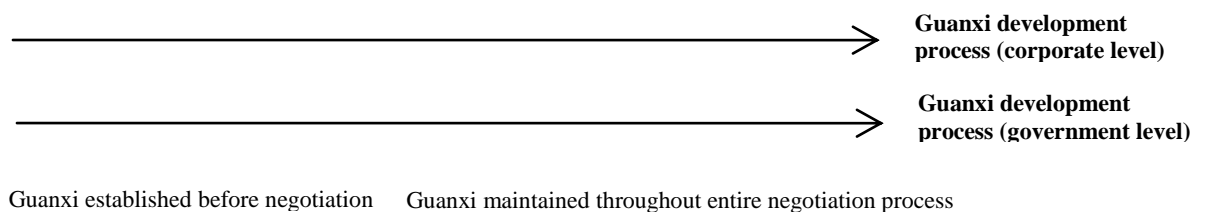


Figure 5.4: Guanxi dynamics in two-level guanxi development process of Sunni

Source: Author



**Step 3: Developing model: discovering the relationship between negotiation process and guanxi process (etic & emic)**

It was manifested that *guanxi dynamics within level* (*Guanxi dynamics at corporate level, guanxi dynamics at government level*) in terms of guanxi established and guanxi maintained with local partner and government facilitated the negotiation process at each stage of negotiation. In addition, *guanxi dynamics across levels* (guanxi transfer from the individual level to corporate level) facilitated communication and enhanced trust between both parties throughout the entire negotiations at stages one and two; hence it facilitated negotiation process indirectly.

The above is explained in detail in Table 5.9, which summarises how guanxi interacted with the negotiation process through key events in the entire negotiation process of Sunni.

Table 5.9: Guanxi interaction with negotiation process through key events

Chinese negotiation style (derived from etic perspective: guanxi)	Key guanxi event	Negotiation stage	How guanxi facilitated negotiation process through key events
<b><i>Guanxi established before negotiation</i></b>			
Guanxi with individual, local partner, government	Guanxi established through various activities and events	Before negotiation	Good foundation for partnership and support from Chinese government
<b><i>Guanxi maintained during negotiation</i></b>			
Guanxi with local partner (guanxi at corporate level)	Top-down decision making and guanxi - partner selection	Stage 1	Guanxi accelerates partner selection process of Chinese partner
	Indirect information disclosure and guanxi – heuristic search	Stage 2	Chinese disclose information in a more direct way when guanxi is good
	Guanxi maintenance - signing ceremony for Letter of Intent	Stage 2	Guanxi maintained at signing ceremony expected to be positive for subsequent negotiations

	Top-down decision making and guanxi – report to top management	Stage 2	Guanxi helps accelerate decision making process of top management of Chinese partner
	Indirect conflict management and guanxi – use intermediary	Stage 2	Guanxi helps resolve conflict through top management, moreover, strong guanxi could reduce conflict
	Guanxi maintenance – signing ceremony for JV Contract	Stage 3	Guanxi maintained at signing ceremony expected to be positive to future JV
Guanxi with local and central government (guanxi at government level)	Top-down decision making and guanxi - partner selection	Stage 1	Guanxi accelerates partner selection process of Chinese government
	Top-down decision making and guanxi – report to top management	Stage 2	Guanxi helps accelerate decision making process of Chinese government
	Indirect conflict management and guanxi – use intermediary	Stage 2	Guanxi helps resolve conflict through government, moreover, strong guanxi could reduce conflict
	Top-down decision making and guanxi - Feasibility Study approval	Stage 2	Guanxi accelerates process of document approval by central government
	Guanxi maintenance – signing ceremony for JV Contract	Stage 3	Guanxi maintained at signing ceremony expected to be positive to future JV
	Top-down decision making and guanxi - JV contract approval	Stage 3	Guanxi accelerates process of JV Contract approval by central government
<b><i>Guanxi transfer from individual level to corporate level during negotiation</i></b>			
Guanxi with individual (guanxi at personal level)	Top-down decision making and guanxi - partner selection	Stage 1	Guanxi transfer facilitates communication and enhances trust between both parties
	Top-down decision making and guanxi – report to top management	Stage 2	Guanxi transfer facilitates communication and enhances trust between both parties

Source: Author

The above summary suggests a vertical relationship between the negotiation process and guanxi process, that is, at both corporate and government levels, the guanxi and negotiation processes intertwined, they interacted with each other, and negotiation processes evolved through these interactions. Specifically, when guanxi was good between both parties, the negotiation process developed smoothly.

To elaborate further, this vertical relationship between two processes led to a horizontal relationship between the two processes; that is, the two processes developed in parallel, because they usually took place, at least partly, simultaneously.

In sum, the relationship between these two processes is that the guanxi development process was embedded within the negotiation process, and the two processes were intertwined vertically, and developed in parallel, horizontally.

#### **Step 4: Completing model: combining negotiation process and guanxi process (etic & emic)**

Figure 5.3 developed a *negotiation dynamics model* (a non-linear three--stage negotiation process (etic).. However, a sub-process (guanxi development process) was also seen to exist (see figure 5.4), and the two processes interacted with each other. Hence, this important observation cannot be ignored when developing the dynamics process model.

As a consequence of the above findings the dynamics model of the Sunni joint venture negotiation could combine the two processes (i.e. the negotiation evolution process and guanxi development process) and to observe how they interact with each other. This model is illustrated in figure 5.5.

Figure 5.5 indicates the dynamics of joint venture negotiation as a process which consists of a *non-linear three-stage negotiation process* and *embedded two-level*

*guanxi development process*; the latter was embedded within the former; the two processes merged together vertically, and developed in parallel, horizontally.

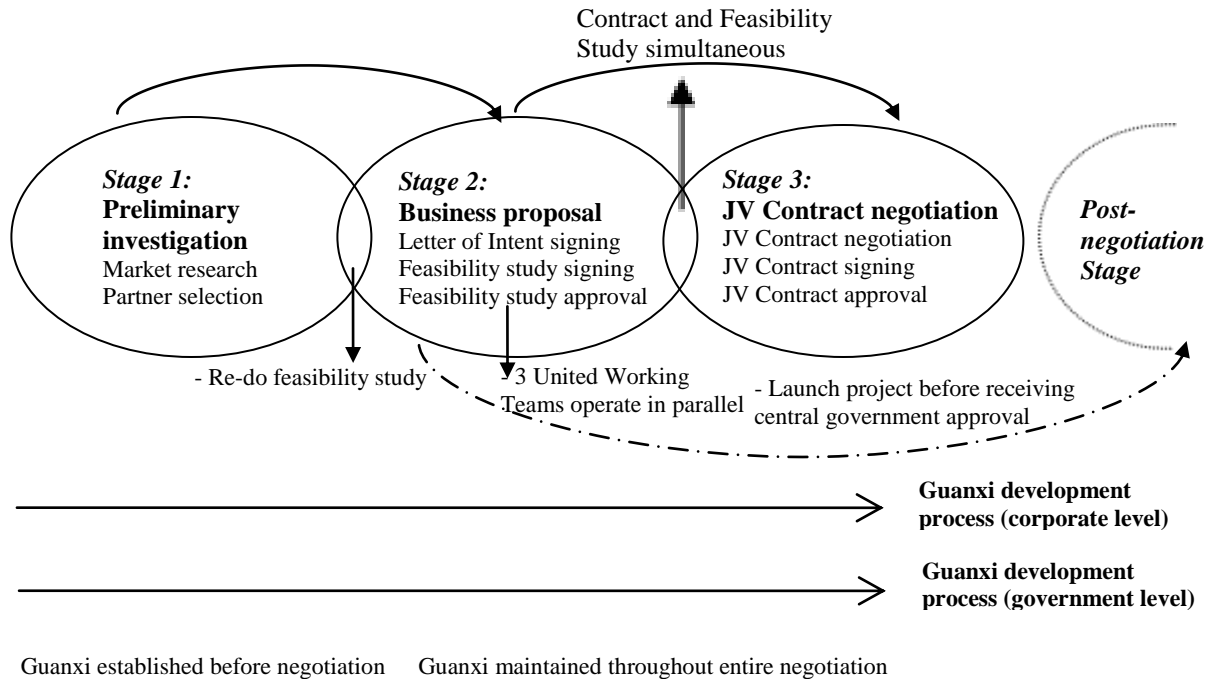


Figure 5.5: Dynamics model of Sino-Western joint venture negotiation at Sunni

Source: Author

Having presented the findings for Case 2, the next chapter presents the findings from Case 3.

## **Chapter 6 Findings – Case 3 Losea**

### **6.1 Introduction**

This chapter presents the findings from the Losea joint venture. The structure of this chapter is consistent with Chapter 4: the exploration Losea's successful joint venture negotiation process is divided into three main parts. The first discusses the background of Losea and the story of Losea's successful negotiation (Section 6.2). The second (Sections 6.3-6.5) explores insights of each negotiation stage by key events and major interpretations. Finally, Section 6.6 summarises the main findings in terms of dynamics constructs and dynamics model.

### **6.2 Background of Joint Venture Losea**

#### **The joint venture and parties**

Losea is a Sino-British joint venture between Loseacs in China and Loseaus in the UK. Losea, established in 1996, is located in Shanghai. The new joint venture involves a registered capital of US\$1.5 million. Loseaus holds 55% of the equity of the joint venture, while Loseacs owns the remaining 45%. Table 6.1 depicts the profile of joint venture, Losea. The joint venture introduces advanced product design, manufacturing and application technology of the Loseaus. The main products include soot blowers, vacuum belt filters and economisers. It has become a domestic soot blower manufacturer with the most variety of products and the biggest scale of production, exporting products to America, Korea, Europe, Middle East, Southeast Asia, etc.

Table 6.1: Profile of case, Losea

Joint venture name	Partners & Equity holding	JV negotiation start	Sign JV contract	Duration of JV negotiation (actual negotiation months)	Term of JV agreement (years)
Losea	Sino-British 45%-55%	07/93	05/01/96	6 *	50

Source: Author

Note: \* there was a break in the middle of negotiation

Loseacs as the earliest inland state-owned enterprise specialising in designing, manufacturing and providing equipment for soot blowers, started manufacturing soot blowers in the late 1950s. Furthermore, in the early 1980s the factory introduced the soot blower design from the American CE company and signed a cooperative production agreement with COPES-VULCAN. During the entire 1980s domestic main force 300 MW soot blower units were completely equipped by Shanghai Power Station Accessory Factory and replaced part of the imported 600 MW units.

Loseaus is one of the world's biggest soot blower manufacturers. With a history of more than 70 years' the company has excellent products, advanced technology, rich experience and enjoys a fine prestige; its products spread the world and are widely used in the electric power, chemical, papermaking, metallurgy and shipping industries. Figure 6.1 illustrates the physical structure of the joint venture Losea.

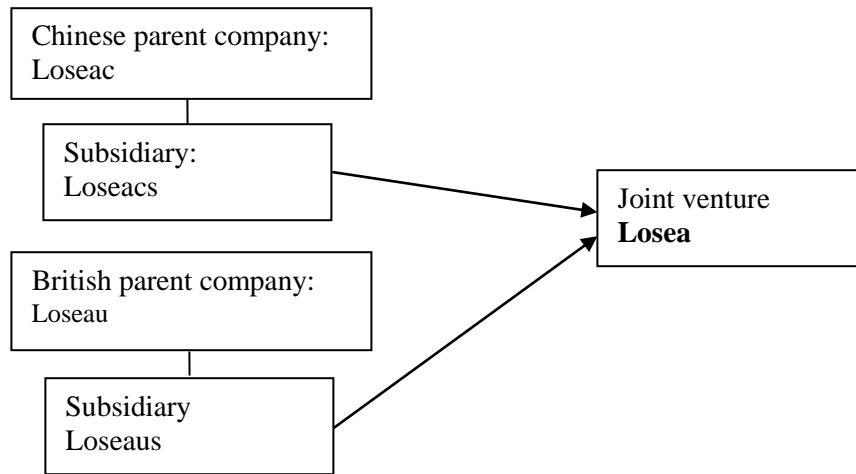


Figure 6.1: Physical structure of joint venture Losea

Source: Author

### **The story of Losea’s successful negotiation**

Negotiations between company officials occurred during 1993-1995 with a break in the middle, signing their joint venture contract in January 1996. Joint venture negotiation started with the British company intensively searching for partnership in China in order to enter into Chinese market for the first time. The overall “negotiation went forward smoothly”; both parties “had a very polite discussion”, although difficulty had been experienced in reaching agreement, due to the Chinese having the choice of alternative, better partners, and major issues such as shareholding because of imbalanced power. It took two years to complete this joint venture negotiation, with six months of actual negotiation and disputes concerning the establishment and operation of the joint venture due to a break in the middle. It is a 50-year joint venture in line with current licensing legislation.

It is interesting to know: How did these two companies become a partnership from strangers? How was this joint venture actually negotiated? Particularly, how did the key negotiation activities and events play a role in the negotiation process? To illustrate the Losea joint venture negotiation process based on a process view, the remainder of the

chapter provides insights on each of these stages: *Preliminary Investigation*, *Business Proposal*, and *Joint Venture Contract Negotiation*.

### 6.3 Negotiation at Stage 1: Preliminary Investigation

The first stage was a preliminary investigation. The aim of this stage was to undertake market research about clean energy in the Chinese market and choose a suitable mode for the collaboration, and search for and find a potential partner for the joint venture. This was a stage primarily of *information collection* through various channels. Table 6.2 lists the main negotiation activities and events of Losea negotiation at stage 1.

Table 6.2: Main negotiation activities and events at stage 1

<b>Negotiation stage</b>	<b>Aims</b>	<b>Date</b>	<b>Main negotiation activities and events</b>	<b>Remarks</b>
Stage 1: Preliminary Investigation	Market research; Partner selection	Spring 93	Mature business students undertake market research on behalf of Loseau	Third party involved
		07/93	Loseau top management visit China for further market research; then decide to talk about JV	

Source: Author

#### 6.3.1 Market research

Market research is unavoidable for any international collaboration. It seemed that market research was intensive for both parties, because the British company did not have a business history in the Chinese market. Hence, the British side was not familiar with the Chinese market and neither party knew the other before this joint venture negotiation started.



## **The priority**

The priority of market research for both parent companies was to decide and assess:

- If there was potential for China's clean energy market?
- What would be a proper alliance entry mode?
- Who would be the potential partner? (For the Chinese side, specifically, to evaluate if a potential company had advanced technologies and products, which the Chinese company would pursue and develop?)

To unearth the answers to these focal questions, both parties undertook market research. It took several months to accomplish market research on the British side.

## **Market research**

The British company Loseau "wanted to do something in China". With this background, several mature university students - who wanted to collect information for their Master dissertations - started market research on behalf of Loseau, in Shanghai. The students were received by the East China Electric Power authority in Shanghai; they visited some electric power factories, boiler works and power stations in Shanghai, and obtained some contacts for Loseau. The students produced a market research report for Loseau when they returned to the UK, which included both field and desk research in the Chinese market.

Based on this report, in order to gain more knowledge about the Chinese market, Loseau undertook further market research. The Managing Director of Loseau, made a trip to China, visiting several large boilermakers including some boiler factories, and met many potential customers in Shanghai and other areas of China, which enabled Loseau to gain first-hand information about the Chinese clean energy market.

Market research showed that there was great potential for clean energy in the Chinese market.

Once the potential of clean energy in the Chinese market was established, another crucial issue for this collaboration was to choose the entry mode. The Chinese company was facing financial crisis at the time, and they hoped that products' quality could be improved through obtaining a foreign company's proven technology, thus financially saving the company. Meanwhile, this joint venture could provide the foreign company access into China's clean energy market. This was a so-called advantage of the joint venture – the exchange of the Chinese market by obtaining Western technology, which was very popular at that time. Hence, joint venture was identified as the entry mode for this alliance.

In sum, after intensive market research, based on the information obtained, both parties decided to develop clean energy products and take the joint venture as the appropriate entry mode for the collaboration. As a major issue in the joint venture study, the third priority of market research, “Who would be the potential partner”, is illustrated in the next section.

### **6.3.2 Partner selection**

Partner selection and identification is crucial for international business collaboration, particularly when the parties do not have an existing business relationship. It is noted that market research and partner selection were simultaneous; hence, it is not surprising to see that the information presented in the marketing research section is repeated here in the partner selection section.

#### **The criteria**

From the Chinese perspective, the main criteria were to select a partner who had advanced technology and a good reputation worldwide.

With great efforts from both parties partner selection was not complicated overall. Two events worth noting are: Top-down decision making and guanxi - partner selection; and

Holistic approach - Chinese side re-choosing the Western partner, which are illustrated in the following sections.

**Key event: Top-down decision making and guanxi - partner selection**

*Strategic match:* Research showed that on the British side Losea had advanced technology and products, which the Chinese wanted to pursue and develop; while, Losea, as a developing multinational company at the time, also emphasised creating a strong appearance in China. These indicated that both parties had a strategic match to each other.

Additionally, the British side wished to have a long-term commitment in the Chinese market. Loseau's ambition of entering into the Chinese market is described below:

Build a leading partnership in China. Build a high quality and responsive spares and service business. Focus on increase profile and revenue in key territories – China, India and North America. Invest significantly in manufacturing, test, R&D facilities, as well as seeking to recruit highly skilled engineering resource. (Losea website)

*Building guanxi:* Not only was there a strategic match in principle, but also guanxi building between both parties was crucial for partner selection. As noted above, there was no existing business relationship between the parties before this joint venture negotiation; hence, how to approach the potential partner was crucial. The British company took three actions to contact and develop guanxi with its potential Chinese partner Loseacs.

First, initial contact through mature students: as mentioned above, market research was initially undertaken by several mature university students on behalf of Loseau. These students obtained some contacts in the potential Chinese partner Loseacs in Shanghai for Loseau, which was a good basis for business contact.

Second, visiting the Chinese company: The Managing Director of Loseau visited the Chinese company, Loseacs, for a full week and talked with related people; this was a significant opportunity to get to know each other.

Third, meeting the Chinese boss before negotiation: importantly, the Managing Director of Loseau met the Chinese boss of Loseacs before the negotiation, which was a good symbol of potential collaboration.

During Loseau's one-week visit to the potential partner Loseacs, face-to-face meetings proved very important for the Chinese side. Why were face-to-face meetings crucial for the Chinese side? An interviewee indicated:

Both parties need to establish trust, *if you do not meet, how can you establish trust?*  
(Chinese interpreter – British side)

With the efforts of both parties, these visits finally developed into joint venture discussions, which meant the completion of partner selection and identification for both parties. Hence, initial guanxi was established.

## Vignette: Status-oriented style and guanxi → decision making → dynamics

### **Box 6.1: Interpretation of Top-down Decision Making and Guanxi: Negotiation Dynamics and Guanxi Dynamics**

Characterised as having a status-oriented communication Style the Chinese tend to engage in top-down decision making.

In this event, meeting the Chinese boss proved crucial for business collaboration, which accelerated the decision making process on partner selection by the Chinese side. This indicated *negotiation dynamics*.

In addition, it appeared that the action of the Western partner in contacting and visiting potential Chinese partners was important for building business relationships and trust. In this regard, guanxi building hastened relationship building and enhanced trust between parties. This reflected *positive guanxi dynamics*.

### **Key event: Holistic approach and guanxi - re-choosing the Western partner**

Negotiation between both parties started in 1993. However, the negotiation was not sequential, rather there was a break in the middle, because the Chinese partner had some alternative choices, “who were better”. The British side accepted this change. However, with a determination to enter the Chinese market, the British side took further trips in China and looked for other cooperative opportunities. Hence, initial guanxi broke down between both parties.

Fortunately, in the middle of 1995, the Chinese side asked the British side to come back to continue the joint venture negotiation. This time, both parties made great effort to carry on the negotiation, particularly the British side who showed their desire to enter into Chinese market and sincerity to cooperate with the Chinese partner. This was a turning point for developing the partnership, and initial guanxi was repaired between both parties. As a result, the negotiation between parties was successful. Both parties signed a MOU in July 1995. As the following comments portray:

Negotiation started in 1993, *but we had some break, because the Chinese partner said they had some alternatives, who were better*. I said “that’s ok”. So I looked in China for other alternatives. Then in the middle of 1995, they asked me to come back, and we signed a MOU in July 1995. (British negotiator)

**Vignette: Spiral logic and guanxi → negotiation approach → dynamics**

**Box 6.2: Interpretation of Holistic Approach and Guanxi:  
Negotiation Dynamics and Guanxi Dynamics**

As they have a spiral logic communication style the Chinese tend to take a holistic approach.

In this event, having alternatives and abandoning the potential Western partner, Loseau, then returning later was a result of Chinese holistic thinking. This indicated *negotiation dynamics*.

To elaborate further, this event also reflected guanxi: initial guanxi between both parties broke down due to the Chinese choosing a different Western partner in the middle of negotiation. However, guanxi was repaired by great efforts of both parties when returning to continue the negotiation. Hence, this also reflected *guanxi dynamics* in terms of *guanxi breakdown and guanxi repair*.

#### **6.4 Negotiation at Stage 2: Business Proposal**

The partner having been identified, the next stage was to finalise the Business Proposal, according to official procedure of joint venture establishment. The aim of the Business Proposal stage was to assess the compatibility of each party’s objectives and views on market strategy, which was accomplished through two issues: one was signing a MOU (summary of Letter of Intent) by both parties; the other was signing a Feasibility Study Report by both parties, then having it approved by the local government. Table 6.3 describes the main activities and events of the Losea negotiation at stage 2.

Table 6.3: Main negotiation activities and events at stage 2

<b>Negotiation stage</b>	<b>Aims</b>	<b>Date</b>	<b>Main negotiation activities and events</b>	<b>Remarks</b>
Stage 2: Business Proposal	Letter of Intent signing;	07/95	Sign Memorandum of Understanding (MOU) & Letter of Intent	MOU is summary of Letter of Intent
	Feasibility Study signing;	08/95	Sign Feasibility Study Report (FSR) by parties	
	Feasibility Study approval	08/95	Feasibility Study Report approval by local government	

Source: Author

### **Assigning negotiation teams from both parties**

Joint venture discussion officially started between both parties in mid-1993. Each party assigned a negotiation team. The Chinese side had a larger negotiation team, which consisted of eight people: one chief negotiator, who was Vice General Manager and had some decision making authority. One Finance Director; one Chinese interpreter, and other negotiation members from different departments. Whereas, three people attended from British side, one chief negotiator, who was Managing Director of the company at the time, plus two Chinese staff, one of them acted as Chinese interpreters.

Figure 6.2 depicts the physical structure of the Losea joint venture and negotiators from both parties at stage 2.

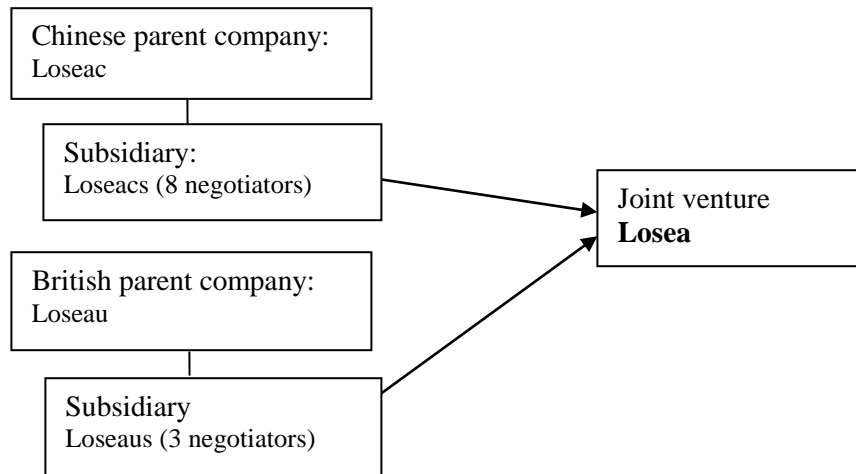


Figure 6.2: Physical structure of Losea and negotiation teams at stage 2

Source: Author

#### 6.4.1 Letter of Intent negotiation and signing

##### The Process

The first important document negotiated was the Memorandum of Understanding (MOU) which showed, basically, what the joint venture was going to be. The MOU was the basis of the Letter of Intent.

The Letter of Intent was drafted by both parties. Once the draft was prepared, it was then conveyed by email to each other and to see if any revisions were needed.

Letter of Intent negotiation was completed successfully. Both parties signed the Letter of Intent in Shanghai in July 1995 in both English and Chinese. Three copies were provided for each party (two for the parent companies, one for the joint venture itself). The *first milestone*, hence, was achieved for the joint venture negotiation, thus negotiation moved on to the next step – the Feasibility Study.



The overall negotiation proceeded smoothly although there was a break in the middle. One event worth noting is Indirect information disclosure and *guanxi* – heuristic search, which is illustrated below.

**Key event: Indirect information disclosure and *guanxi* – heuristic search**

The Chinese side disclosed information gradually during negotiation, and some information, “sometimes were difficult to get” from the Chinese side. For example, the Chinese side indicated what they wanted, but did not explain why they wanted something.

However, importantly, it also appeared that there was a possibility for the Chinese side to disclose information in a more direct way through *informal communication* such as outside the negotiation table if a friendly relationship was established between both parties. The following serves as an example for this phenomenon:

Sometimes were difficult to get [information], eventually you got it....Some can be obtained *outside the negotiation table*. (British negotiator)

The reason behind this negotiation style is illustrated by the following quote, which links *guanxi* building (e.g. through honest, hardworking, polite discussion) with information disclosure. As an interviewee indicated:

I think you open up your heart; when people see you are very honest, hardworking, then basically people cannot help, they like you, you know. *I had a very friendly relationship with all my colleagues here in Shanghai*. And after some time, the difficulties of negotiation were not in terms of cultural barriers, just in terms of what you do legally, what you will accept, it *became much more a process* rather than too much of a barrier. *People here like me*. (British negotiator)

Actually in the Chinese culture, people are very polite. So we had a very polite discussion, and they were also polite, didn't shout, just talked, discussed things, negotiation moved forward smoothly. (British negotiator)

## Vignette: Indirect style and guanxi → information disclosure → dynamics

### **Box 6.3: Interpretation of Indirect Information Disclosure and Guanxi: Negotiation Dynamics and Guanxi Dynamics**

Characterised as having an indirect communication style, the Chinese disclose information in roundabout way.

This event indicated that the Chinese disclosed information by way of heuristic search, which led to information being disclosed gradually. This reflected *negotiation dynamics*.

However, importantly, this event also suggested that the Chinese could disclose information in a more direct way outside the negotiation table (*informal communication*) when friendly relationships were established between both parties. Here, guanxi building adjusted the Chinese behaviour of information disclosure from the negotiation table to outside the negotiation table, which accelerated information flow; hence it was more efficient for the Western partner to obtain the necessary information. In this regard, it reflected *positive guanxi dynamics*.

### **6.4.2 Feasibility Study Report negotiation and signing**

#### **The Process**

After signing the Letter of Intent, a Feasibility Study was undertaken by both parties. The aim of the Feasibility Study was to assess the potential economic value of the joint venture.

The Feasibility Study Report was “a more detailed document, almost like a business plan”. The core of the Feasibility Study was financial prediction - a prediction table, which was about production costs, profit and financial status prediction.

The Feasibility Study Report was drafted by both parties, but mainly by the larger shareholder – the British side - who were actually “driving the documentation”. It took one month to prepare and complete the Feasibility Study Report, then it was sent to each party by email to see if there were any differences of opinion.

When the Feasibility Study Report was ready, it was signed by both parties in Shanghai in August 1995 in both English and Chinese, three copies were prepared, (two for the parent companies, one for the joint venture itself). The *second milestone* of joint venture negotiation was, hence, achieved.

Feasibility Study negotiation was smooth overall, although it took a long time to negotiate shareholding. One key event is: Top-down decision making and guanxi – report to top management, which is elaborated as following.

**Key event: Top-down decision making and guanxi – report to top management**

At this stage, a critical issue faced both parties: what percentage of shareholding should be held by each party? Taking the bigger shareholding of the joint venture was the wish of British side, but the Chinese side wanted to take a large share as well. Resolution of this tension was the key to negotiation moving on.

“Back to 1993; the Chinese economy was still very much emerging, it was planned economy, and some industrial sectors were not opening up” said the British negotiator. While, the Western side was in a relatively strong position because of owning relatively mature and advanced research and development, sales, management experience and management systems, etc. Having realised that the negotiation might break down if not agreeing with the shareholding requested by British side, the concession was first made by the Chinese parent company. Since the Chinese parent company had decided to agree to make concessions on percentage of shareholding to move on the negotiation, Loseacs, as its subsidiary, needed to follow the decision. However, the Chinese top management was not absent from the negotiation table, which made decision processes long. As interviewees commented on the Chinese top management on decision making:

Should say [it] played a crucial role. A main point was that if the Chinese boss wanted to make this thing happen, they would try their best to make it happen. Things they didn't

like, whatever you did to make it good, you would not be able to make it happen, just this simple concept. (Chinese interpreter – British side)

The Chinese tend to act as a team; you know the authority, also most of the time the final authority is not in the room, is somewhere, somewhere else. You know sometimes not even the boss of SPower [subsidiary] can decide, sometimes they have to go to somebody in Loseac [parent company]. (British negotiator)

On the other hand, as mentioned earlier, during the negotiation process, *guanxi building* through the British negotiator's great efforts (e.g. honest, hardworking, polite discussion) played an important role. Consequently, the Chinese partner liked the British negotiator; hence they had a good impression of the British side, which facilitated negotiation progresses.

As a result, both parties made compromises and reached agreement on 55% shareholding for the Western side, Loseau, and 45% for the Chinese side.

#### **Vignette: Status-oriented style → decision making → dynamics**

##### **Box 6.4: Interpretation of Top-down Decision Making and Guanxi: Negotiation Dynamics and Guanxi Dynamics**

Characterised as having a status-oriented style, the Chinese tend to adhere to top-down decision making.

In this event, the negotiator in the subsidiary could not make decisions on shareholding, and had to report to top management in the parent company, who was absent from the negotiation table. In order to progress the negotiation as decision making on concessions for shareholding was made by the Chinese parent company Loseacs, as the subsidiary, had to follow the decision. This reflected *negotiation dynamics*.

On the other hand, *guanxi building* through the efforts of the British negotiator worked well; a good impression was made a very “friendly relationship” was established with the Chinese partner, which facilitated an agreement on shareholding. This indicated *positive guanxi dynamics*.

### 6.4.3 Feasibility Study approval by local government

#### The process

After the Feasibility Study Report was signed by both parties, it was sent to the local authority - Shanghai Municipal Foreign Investment Committee - for approval. The Feasibility Study Report was approved by the local government in August 1995; hence, the *third milestone* was achieved for the joint venture negotiation.

One outstanding event is: Top-down decision making - Feasibility Study approval, which is illustrated as following.

#### Key event: Top-down decision making - Feasibility Study approval

The government played a crucial role, although not involved directly in the negotiation, because government could accept or refuse the Feasibility Study Report, or send it back to the parties with changes. Acceptance of the Feasibility Study Report meant no changes hence no renegotiations.

#### Vignette: Status-oriented style → decision making → dynamics

##### Box 6.5: Interpretation of Top-down Decision Making: Negotiation Dynamics

The status-oriented communication style of the Chinese tends to encourage top-down decision making.

In this event, decision making on document approval (i.e. Feasibility Study Report) was made by the Chinese local government, who was absent from the negotiation table, which made the negotiation process more complicated and longer. This reflected *negotiation dynamics in a negative way*.

## 6.5 Negotiation at Stage 3: Joint Venture Contract Negotiation

The last stage was Joint Venture Contract Negotiation. The aim of the Joint Venture Contract Negotiation stage was to negotiate the Joint Venture Contract (including its supplementary agreements), and have it signed by both parties, then have it approved by local government. This stage was rather complex because it dealt with many issues including technical, financial, managerial and legal. This was the stage carried out mainly by face-to-face meetings. Table 6.4 shows the main activities and events of Losea negotiation at stage 3.

Table 6.4: Main negotiation activities and events at stage 3

<b>Negotiation stage</b>	<b>Aims</b>	<b>Date</b>	<b>Main negotiation activities and events</b>	<b>Remarks</b>
Stage 3: JV Contract Negotiation	JV Contract negotiation;	10/95	Start JV contract	Start JV contract after FSR finished
		12/95	Finish JV contract	
	JV Contract signing;	05/01/96	sign JV contract & signing ceremony	
	JV Contract approval	29/01/96	JV contract approval by local government	

Source: Author

### 6.5.1 Joint Venture Contract negotiation

The content of the Joint Venture Contract mainly consisted of positioning, shareholding (the most important aspect), product scope, market scope, Article of Associate (AOA), structure, board, trade market, joint venture terms and schedule. The Contract also included some supplementary agreements, among them the Technology Transfer Agreement was a most important one.

## **The Process**

The Joint Venture Contract was prepared by both parties, but as the larger shareholder, the Western side was driving the documentation; they drafted the contract, then sent it to the Chinese side. Both parties worked on the draft Contract separately, then discussed the contract clauses one by one in the factory of the Chinese side. The British side worked intensively in order to discover any “misinterpretations” when translating the language. It took three months to complete the preparation of the Contract. Both parties met many times during the months for intensive discussion.

When ready, the Joint Venture Contract was sent to their top management of both parties for internal approval respectively, after approval internally, both parties signed the Joint Venture Contract in Shanghai in January 1996 in both English and Chinese. Three copies were produced (two for the parent companies, one for the joint venture itself). The *fourth milestone*, hence, was achieved for the joint venture negotiation.

As the most complicated stage of the entire negotiation process, Joint Venture Contract negotiation actually went very smoothly overall. Two significant events are: Indirect conflict management – use of an intermediary; Guanxi maintenance - signing ceremony for Joint Venture Contract, which are illustrated in the following sections.

### **Key event: Indirect conflict management – use of an intermediary**

Conflicts are embedded in any kind of business negotiation. Normally the Chinese side used indirect methods to resolve conflict. To be specific, when conflict arose, the Chinese side discussed within the negotiation team, if the problem remained, they normally reported to top management. However, the Chinese top management was absent from the negotiation table, which made the situation even more complicated. As recalled by an interviewee:

When conflict arose, normally they [Chinese negotiators] go away talk to themselves, and talk to the boss, then come back and make a new suggestion. (British negotiator)

**Vignette: Indirect style → conflict management → dynamics**

**Box 6.6: Interpretation of Indirect Conflict Management:  
Negotiation Dynamics**

Characterised as having an indirect communication style the Chinese tend to manage conflict in an indirect way.

In this event, conflict was resolved through Chinese top management being used as an intermediary instead of the subsidiary itself, which meant more people became involved. As a result, there was a need to explain and discuss the same issue repeatedly, which caused negotiation to swing back and forth. Moreover, top management was not at the negotiation table, which made problem solving even longer. In this regard, this reflected *negotiation dynamics*.

To elaborate further, getting top management involved meant using more resources (e.g. people, time, money); hence, it reflected *negative negotiation dynamics*.

The signing ceremony for the successful Joint Venture Contract negotiation was significant to the Chinese side, it was held on 5<sup>th</sup> January 1996, just before the document was submitted to the local government for approval. VIPs and customers from both sides, and other guests were involved; importantly, local government officials were also invited. This was a symbol and announcement to the public that both parties had established the joint venture.

**Vignette: Guanxi → guanxi with partner and government → dynamics**

**Box 6.7: Interpretation of Guanxi Maintenance:  
Guanxi Dynamics**

The signing ceremony was a symbol and announcement to the public that both parties had established the joint venture.

On the other hand, for the Chinese, the ceremony was also an opportunity for guanxi building. Since there was no existing business relationship, guanxi building was a continuous task for both parties throughout the entire negotiation process. Although the joint venture contract negotiation was complete, it is always good to build good guanxi with related parties and people for the benefit of future joint ventures. In this sense, this also reflected *positive guanxi dynamics*.



## 6.5.2 Joint Venture Contract approval by local government

### The process

Once the Joint Venture Contract was signed by both parties, it was sent to the local government: Shanghai Municipal Foreign Investment Committee, for approval. The Joint Venture Contract was approved by the local government on 29<sup>th</sup> January 1996, which was the symbol that the Losea joint venture was officially accepted. The *fifth, and last, milestone* was therefore achieved.

One noteworthy event is Top-down decision making - Joint Venture Contract approval, which is illustrated as below.

### Key event: Top-down decision making – Joint Venture Contract approval

Here, again, local government played a significant role. Although there was no government official involved directly in the negotiations, the government was revealed to play a crucial role for document approval.

### Vignette: Status-oriented style → decision making → dynamics

#### **Box 6.8: Interpretation of Top-down Decision Making: Negotiation Dynamics**

The interpretation for Joint Venture Contract approval is similar to that for Feasibility Study Report approval.

Characterised as using a status-oriented communication style the Chinese tend to use top-down decision making.

In this event, decision making on document approval (i.e. Joint Venture Contract) was made by the Chinese local government, not at the negotiation table, which prolonged and complicated the negotiation process. This reflected negotiation dynamics negatively.

## 6.6 Summary of main findings: dynamics constructs and dynamics model

This section presents a summary of the main findings. The structure is consistent with that in Chapter 4. It consists of two parts, the first presents the conception of the dynamics of the Roma negotiation process (Q1). The second describes the development of the dynamics model (Q2) in a systematic way using text and visual displays (diagrams).

### **Step 1: Initial model: discovering a non-linear three-stage negotiation process (etic)**

A three-stage negotiation process focused on *negotiation dynamics* (negotiation dynamics within stage, negotiation dynamics between stages) which were triggered by the Chinese negotiation style (etic) through key negotiation events. To be specific, *negotiation dynamics within stage* were triggered by the Chinese negotiation style (etic) in terms of Chinese indirect information disclosure, indirect conflict management and top-down decision making.

*Negotiation dynamics between stages* (negotiation stages circular) were triggered by the Chinese negotiation style (etic) in terms of a Holistic approach. Table 6.5 summarises the link between the Chinese negotiation style (etic), key events and negotiation dynamics.

Table 6.5: Summary of negotiation style (etic), key events and negotiation dynamics

Chinese negotiation style (derived from etic perspective: high-context communication)	Key event	Negotiation dynamics		
		Negotiation dynamics within stage	Negotiation dynamics between stages	
			Negotiation stages overlap	Negotiation stages circular
Indirect information disclosure	Indirect information disclosure and guanxi – heuristic search	Stage 2	N/A	
Indirect conflict management	Indirect conflict management - use intermediary	Stage 3	N/A	
Top down decision making	Top-down decision making and guanxi - partner selection	Stage 1	N/A	
	Top-down decision making and guanxi - report to top management	Stage 2	N/A	
	Top-down decision making - Feasibility Study approval	Stage 2	N/A	
	Top-down decision making – JV contract approval	Stage 3	N/A	
Holistic approach	Holistic approach and guanxi - re-choosing Western partner		N/A	Stage 1,2

Source: Author

Based on Table 6.5, Table 6.6 synthesises *negotiation dynamics*, which were triggered by the Chinese negotiation style (etic) in a three-stage negotiation process.

Table 6.6: Synthesis of Chinese negotiation style (etic) and negotiation dynamics

Chinese negotiation style (derived from etic perspective: high-context communication)	Negotiation dynamics		
	Negotiation dynamics within stage	Negotiation dynamics between stages	
		Negotiation stages overlap	Negotiation stages circular
Indirect information disclosure	Stage 2	N/A	
Indirect conflict management	Stage 3	N/A	
Top down decision making	Stage 1,2,3	N/A	
Holistic approach		N/A	Stage 1,2

Source: Author

To give a full picture, the negotiation dynamics in the three-stage negotiation process is illustrated in figure 6.3, which suggests that the negotiation dynamics could be modelled as a process, and this process was not linear or sequential, hence, it is called a *non-linear three-stage negotiation process*.

This model can be used separately to help understand the *negotiation dynamics* of joint venture negotiation processes in the Chinese business context.

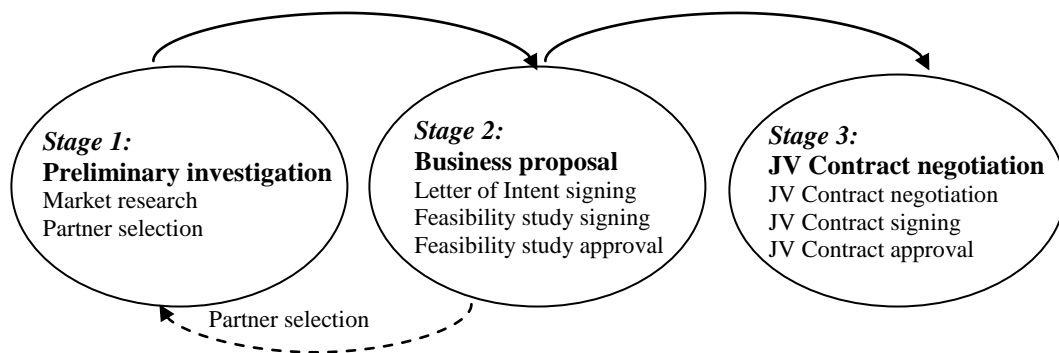


Figure 6.3: Negotiation dynamics in three-stage negotiation process of Losea

Source: Author

**Step 2: Developing model: discovering an embedded two-level guanxi process (emic)**

The guanxi development process focused on *guanxi dynamics* (guanxi dynamics levels, guanxi dynamics within level) which were triggered by the Chinese negotiation style (emic) through key guanxi events. To be specific: *Guanxi dynamics levels* were discovered at two levels namely guanxi at the corporate level and guanxi at the government level. The former was triggered by guanxi with the local partner, while the latter was triggered by guanxi with the local government.

Guanxi dynamics occurred at the above two levels respectively, called *guanxi dynamics within level*. To be specific, *guanxi dynamics at the corporate level* consists of three types of guanxi dynamics (guanxi building, guanxi breakdown and guanxi repair). While, *guanxi dynamics at the government level* contains one type of guanxi dynamics (guanxi building).

Table 6.7 summarises the link between Chinese negotiation style (emic), key events and guanxi dynamics.

Table 6.7: Summary of Chinese negotiation style (emic), key events and guanxi dynamics

Chinese negotiation style (derived from etic perspective: guanxi)	Key event	Negotiation stage	Guanxi dynamics		
			Guanxi dynamics level	Guanxi dynamics within level	Guanxi dynamics across levels
Guanxi with local partner	Mature business students obtain contacts in Chinese company for British side	Before negotiation	Corporate	Initial contact	N/A
Guanxi with local government (local partner & government)	As state-owned company, guanxi established over long term business activities and events	Before negotiation	Government	Guanxi established	N/A
Guanxi with local partner	Top-down decision making and guanxi - partner selection	Stage 1	Corporate	Guanxi building	N/A
	Indirect information disclosure and guanxi – heuristic search	Stage 2		Guanxi building	
	Top-down decision making and guanxi - report to top management	Stage 2		Guanxi building	
	Holistic approach and guanxi - re-choosing Western partner	Stage 2		Guanxi breakdown, repair	
	Guanxi building – signing ceremony for Joint Venture Contract	Stage 3		Guanxi building	
Guanxi with local government	Guanxi building – signing ceremony for Joint Venture Contract	Stage 3	Government	Guanxi building	N/A

Source: Author

Based on Table 6.7, Table 6.8 synthesises *guanxi dynamics*, which were triggered by the Chinese negotiation style (emic) at the two-level guanxi development process.

Table 6.8: Synthesis of Chinese negotiation style (emic) and guanxi dynamics

Chinese negotiation style (derived from emic perspective: guanxi)	Constructs of guanxi dynamics		
	Guanxi dynamics levels	Guanxi dynamics within level	Guanxi dynamics across levels
Guanxi with local partner	Guanxi at corporate level	1. Guanxi building throughout entire negotiation process 2. Guanxi breakdown and repair at negotiation	N/A
Guanxi with local government	Guanxi at government level	Guanxi building at negotiation process	N/A

Source: Author

To have a visual display, guanxi dynamics at the two-level guanxi development process is illustrated in figure 6.4, which suggests that guanxi dynamics could be modelled as a process, and this guanxi development process consisted of two levels at the corporate level and government level, hence, it is called a *two-level guanxi development process*.

This model can be used separately to help understand the *guanxi dynamics* of the joint venture negotiation process in the Chinese business context.

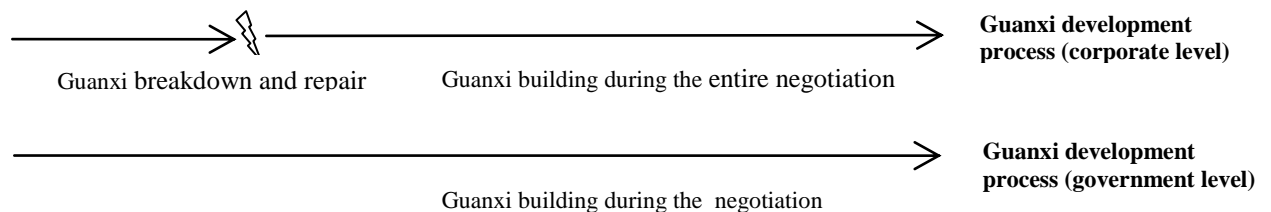


Figure 6.4: Guanxi dynamics in two-level guanxi development process of Losea

Source: Author

**Step 3: Developing model: discovering the relationship between negotiation process and guanxi process (etic & emic)**

The negotiation process and guanxi process were actively interacted with each other throughout the entire negotiation process. To be specific, *at the corporate level*, it appeared that guanxi building with the local partner was realised at each stage of negotiation, which facilitated the negotiation process. However, it also suggested that guanxi was not always developed smoothly; it could be broken down when negotiation terminated, but could be repaired when both parties made efforts to continue the negotiation again.

Meanwhile, *at the government level*, it indicated that guanxi building at the signing ceremony was expected to be positive to future joint ventures.

The above is explained in detail in Table 6.9, which summarises how guanxi interacted with the negotiation process through key events in the entire negotiation process of Losea.

Table 6.9: Guanxi interaction with negotiation process through key events at Losea

Chinese negotiation style (derived from etic perspective: guanxi)	Key guanxi event	Negotiation stage	Guanxi interaction with negotiation process through key events
<b><i>Guanxi established before negotiation</i></b>			
Guanxi with government	As state-owned company, guanxi established between local partner & government over long term business activities and events	Before negotiation	Good foundation for support from Chinese government
<b><i>Guanxi building during negotiation</i></b>			
Guanxi with local partner (Guanxi at corporate level)	Top-down decision making and guanxi - partner selection	Stage 1	Guanxi accelerates partner selection process of Chinese side
	Indirect information disclosure and guanxi – heuristic search	Stage 2	Information could be gained outside negotiation table when friendship established
	Top-down decision making and guanxi - Report to top	Stage 2	Guanxi helps accelerate decision making process on major issues by

	management		Chinese top management
	Holistic approach and Guanxi - Re-choosing Western partner	Stage 2	Negotiation terminates, hence guanxi breaks down, but repaired when both parties back to negotiation again
	Guanxi building – Signing ceremony for JV Contract	Stage 3	Guanxi building at signing ceremony expected to be positive to future JV
Guanxi with local government (Guanxi at government level)	Guanxi building – Signing ceremony for JV Contract	Stage 3	Guanxi building at signing ceremony expected to be positive to future JV

Source: Author

The above discussion suggested a vertical relationship between the negotiation process and guanxi process, that is, at both the corporate and government levels, the guanxi and negotiation processes intertwined, they interacted with each other, and the negotiation process evolved through these interactions. Specifically, when guanxi between both parties and with the government was good, negotiation processes developed smoothly. Conversely, when negotiation terminated, guanxi broke down; however, importantly, guanxi could be repaired so that negotiation could be continued.

To elaborate further, this vertical relationship between the previously mentioned two processes led to a horizontal relationship between the two processes; that is, the two processes developed in parallel, because they usually took place, at least partly, simultaneously.

In sum, the relationship between these two processes is that the guanxi development process was embedded within the negotiation process, and the two processes were intertwined vertically, and developed in parallel, horizontally.

**Step 4: Completing model: combining the negotiation and guanxi processes (etic & emic)**

Figure 6.3 developed the *negotiation dynamics model* (non-linear three-stage negotiation process (etic). However, the data revealed a sub-process (two-level guanxi



development process (emic)) (see figure 4.4 *guanxi dynamics model* (emic)). Moreover, these two processes had a positive effect on each other. This important observation needs to be considered when developing the dynamics model.

Based on the discussion above, as illustrated in figure 6.5, Losea JV negotiation dynamics model combined the two processes (i.e. negotiation evolvement and guanxi development) (etic & emic) and to discover how they interact with each other.

Figure 6.5 advocates that the dynamics of joint venture negotiation can be modelled as a process, which consists of a *non-linear three-stage negotiation process* and *embedded two-level guanxi development process*, the latter was embedded within the former, and the two processes were intertwined vertically, and developed in parallel, horizontally.

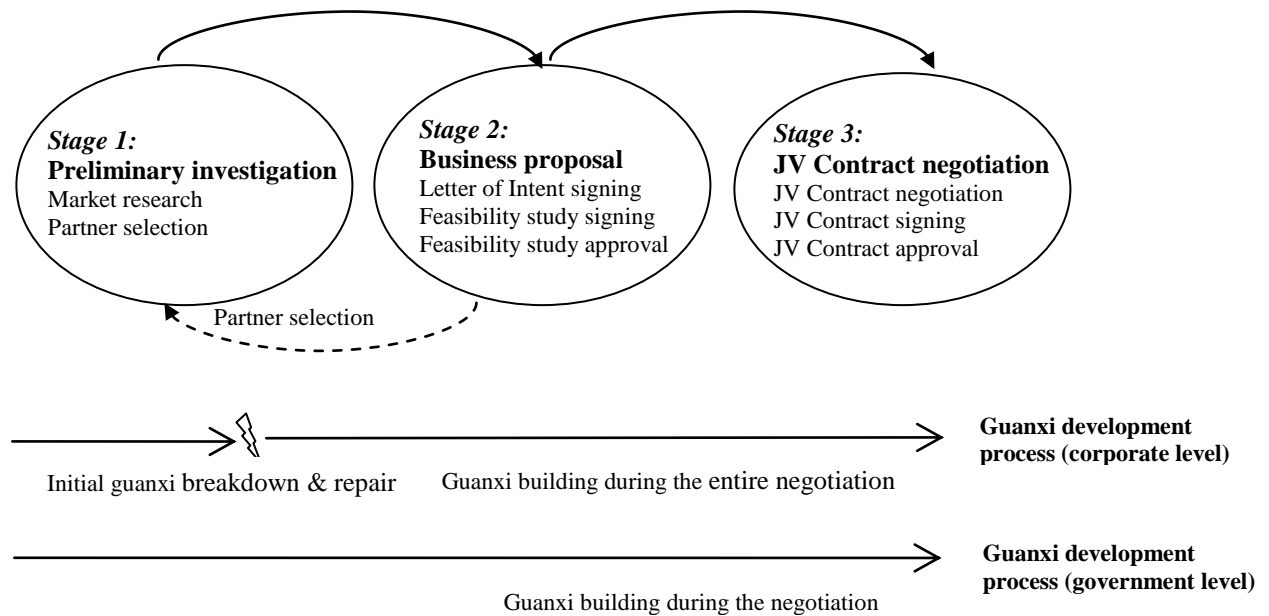


Figure 6.5: Dynamics model of Sino-Western joint venture negotiation at Losea

Source: Author

Having presented the findings from Case 3 in this chapter, the following chapter presents the findings from the last case - Case 4.

## **Chapter 7 Findings – from within-case analysis – Case 4 Flobu**

### **7.1 Introduction**

This chapter presents the findings from the Flobu joint venture. The structure of this chapter is consistent with Chapter 4. The exploration of Flobu's successful joint venture negotiation process is divided into three main parts. The first discusses the background of Flobu and the story of Flobu's successful negotiation (Section 7.2). The second (Sections 7.3-7.5) explores insights of each negotiation stage by key events and major interpretations. Lastly, in a more general fashion, Section 7.6 summarises the main findings in terms of dynamics constructs and dynamics model.

### **7.2 Background of Flobu Joint Venture**

#### **The joint venture and parties**

Flobu is a Sino-Canadian joint venture between Flobucs in China and Flobucn in Canada. Established in July 2007, Flobu is located in Shanghai. The new joint venture involves a total investment of US\$20 million and registered capital of US\$10 million. Flobucs holds 51% of the equity of the joint venture, while Flobucn owns the remaining 49%. Table 7.1 depicts the profile of the Flobu joint venture.

The joint venture develops a power electronics and control product line as well as manufacturing and service capability to meet the requirements for the rapidly growing solar and wind market in China.

Table 7.1: Profile of Flobu case

Joint venture name	Partners & Equity holding	JV negotiation started	JV contract signed	Duration of JV negotiation (months)	Term of JV agreement (years)
Flobu	Sino-Canadian 51%-49%	10/05	03/07	17	50

Source: Author

Flobucn is a world leader in the development, manufacturing and marketing of advanced power electronic products and systems for the renewable, portable, mobile, and programmable power markets. The company's products convert and control raw electrical power from any central, distributed, renewable, or backup power source into high-quality power required by electronic and electrical equipment. With its headquarters in Vancouver, Flobucn is listed on the Toronto Stock Exchange under the ticker symbol "XTX".

Flobucs is a member of the Flobuc, specialising in manufacturing power transmission and distribution equipment, high voltage and low voltage electric apparatus; it is one of the largest producers of power transmission and distribution equipment in China. Flobucs owns over twenty large and medium enterprises, including joint ventures with some large multinational companies. Figure 7.1 illustrates the physical structure of the Flobu joint venture.

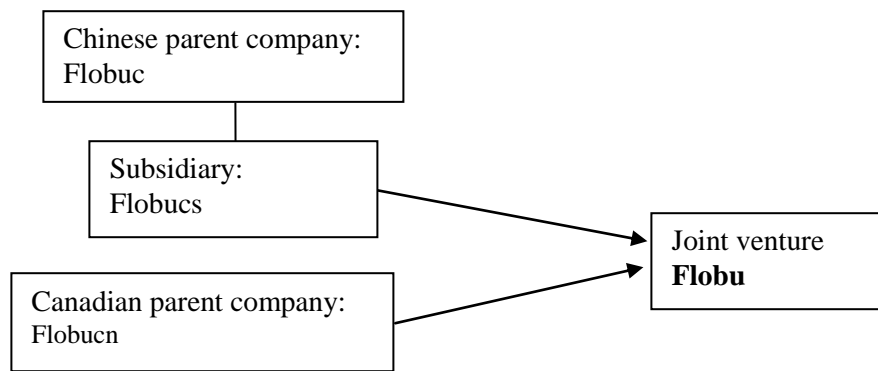


Figure 7.1: Physical structure of Flobu joint venture

Source: Author

### **The story of Flobu’s successful negotiation**

Negotiations between company officials occurred during 2005-2007, signing their Joint Venture Contract in March 2007. The joint venture negotiation started with a previous employee of the Chinese parent company as an intermediary. The overall negotiation was very smooth, although difficulty had been experienced in reaching the agreement, including major issues such as shareholding and the technology transfer fee, because of imbalanced power which was solved by the support of the Chinese parent company and guanxi nurturing by both parties. It took seventeen months of negotiation, with disputes concerning the establishment and operation of the joint venture. It is a 50-year joint venture in line with current licensing legislation.

Since neither party knew each other before the joint venture negotiation, it is interesting to know: How did the two companies meet each other? How was this joint venture actually negotiated? How did the key activities and events play roles in the negotiation process? To understand these questions, it might be useful to take comments made by a respondent as a starting point, who stated that “In fact, the activities and events at the negotiation were actually involved with each other”. This indicates that there were no clear cut negotiation stages, rather they partially overlapped. To illustrate the joint venture negotiation process of Flobu based on a process view, the remainder of the

chapter provides insights on each of these three stages: *Preliminary Investigation*, *Business Proposal* and *Joint Venture Contract Negotiation*.

### 7.3 Negotiation at Stage 1: Preliminary Investigation

The first stage is the Preliminary Investigation. The aim of this stage was to undertake market research for renewable energy in the Chinese market, identify a proper mode for the collaboration and find a potential partner for the joint venture. This was a stage primarily of *information collection* through various channels. Table 7.2 lists the main negotiation activities and events of Flobu negotiation at stage 1.

Table 7.2: Main negotiation activities and events at stage 1

Negotiation stage	Aims	Date	Main negotiation activities and events	Remarks
Stage 1: Preliminary Investigation	Market research; Partner selection	10/05	Previous employee of Chinese parent company introduces both parties for JV purpose	
		05/06	Parent companies' top management visit each other; then decide to talk about this JV	
		05-06/06	Marketing research undertaken relatively separately by both parties	

Source: Author

#### 7.3.1 Market research

Market research was intensive for the parent companies of both parties, because the Canadian parent company did not have a business history in the Chinese market. Hence,

the Canadian side was not familiar with the Chinese market and neither parent company knew each other before this joint venture negotiation started.

### **The priority**

The priority of the market research for both parent companies was to decide and assess:

- If there was potential for China's Renewable Energy market;
- If a joint venture would be a proper alliance entry mode;
- Who would be the potential partner (Chinese side, specifically, wanted to evaluate if a potential company had the technologies and products which they could pursue and develop and, importantly, whether the potential company would be willing to be a small shareholder.).

To answer these questions, investigation was undertaken by both parties separately. It took several months to the accomplish market research.

### **Market research**

Market research showed that there was great potential for renewable energy in the Chinese market. This can be seen from the media report that “China's new Renewable Energy law has made one of the largest state-sponsored commitments toward renewable energy by requiring 15 percent of the country's energy mix to be from renewable energy sources by the year 2020” (Media report).

Also, through the top management of both parent companies visiting each other in 2005, important information such as marketing information, product research and the development situation was gained. For the Chinese company, during the process of partner investigation, it had already investigated the background of the potential partner, for example, how long had it been in this industry sector; how much market share did it have; how much advantage did its technology have; what was its profit prediction; what was its product scope?

Once the potential of renewable energy in the Chinese market was established, another crucial issue for this collaboration was to choose an entry mode: for example, undertake a project; undertake a joint venture; Or, simply technology transfer?

It was expected that this joint venture would provide the foreign company access to China's renewable energy market, while ensuring that customers in China benefit from the quality and reliability of the foreign company's proven technology made in China by the joint venture. Hence, joint venture was identified as the entry mode for this alliance.

In sum, after intensive market research, based on the information obtained, within several months of visiting each other both parties decided to develop the renewable energy product. Both parties also accepted joint venture as the appropriate entry mode for the collaboration in order to address the rapidly growing renewable energy market in China.

### **7.3.2 Partner selection**

In practice, market research and partner selection often are synchronous. Having identified the need and the potential of renewable energy in the Chinese market, an equally important issue arose: What were the main criteria of partner selection? Who would be the potential partner and how should it be approached?

#### **The criteria**

For the Chinese, the main criteria of partner selection were to select a partner worldwide, who had advanced technology and a good reputation in the industrial sector, and would be willing to be a small shareholder.

In addition, it was expected that the joint venture would be a long-term partnership, which was clear for the Chinese company even before the negotiation started, as a Chinese respondent put it:

Normally a joint venture term is for 20-50 years. If you just wanted a short-term cooperation or a temporary cooperation, that was not the scope of our choice. (Chinese Chief Coordinator)

Partner selection was smooth overall with the efforts of both parties, although it took one year for both parties to meet for the first time for this joint venture negotiation. One noteworthy event is: Top-down decision making and guanxi - partner selection, which is illustrated as below.

**Key event: Top-down decision making and guanxi - partner selection**

*Strategic match:* Research showed that on the Canadian side Flobucn had advanced technology and products, which the Chinese side wanted to pursue and develop. In addition, as a multinational company, Flobucn also showed its interest in accessing and maintaining a long-term commitment to the Chinese market, which indicated that both parties had a strategic match to each other. An excerpt from an important press illustrated this commitment:

“The establishment of this joint venture with a member of the Sunnic is an important milestone in creating a strong presence for Flobucn in China,” said Flobucn’s Chairman. “The renewable energy market in China, which has the potential to be very large, is integral to our long-term growth plans, and Sunnic is a resourceful and strategically attractive partner.” (Media report)

*Chinese parent company as an intermediary:* However, not only strategic match in principle but also guanxi between both parties was crucial for partner selection. As mentioned earlier, there was no business relationship between both parties before the negotiation, hence, how to approach the potential partner was crucial. Here is where guanxi comes into play.



The Chinese parent company already traded with some foreign companies for some parts and components, so they had an idea how to go about further cooperation, such as establishing a joint venture or factory as a cooperation relationship. With this background, a former employee of the Chinese parent company, who was very close to a colleague in the USA branch of Flobucn recommended Flobucn to the Chinese parent company. Subsequently, the Chinese parent company introduced Flobucn to its subsidiary Transmission and Distribution division (T&D) in order for them to contact each other to discuss a joint venture.

Thus, both parties started to contact each other for the joint venture negotiation in May 2005. This was a typical example of how an intermediary can be used as a bridge to bring two potential cooperative companies together.

***Maintaining guanxi by visiting each other:*** Both parent companies visited each other in 2005. However, not surprisingly, it took one year for both parties to meet up in person for the first time. In fact, one year was a relatively short period to get to know each other when neither party had an existing business relationship particularly as it was the negotiation for a joint venture alliance, which was expected to be a long-term collaboration. A sample excerpt follows:

“Normally it takes a long time at the early stage, because one reason is to get to know each other, the other is to choose an entry mode.” ... Flobu took one year at this stage to get to know each other. The situation was a bit special for Flobu, because there was no base in the Chinese market, not like other big multinational companies such as Areva, they had market share in China, they had a market positioning every year, and very systematic. (Chinese General Manager)

The first meeting was with the people in the USA factory of Flobucn. “At the first contact, both parties felt not bad” according to the Chinese Chief Coordinator. The former employee returned to report to Flobucn that the proposal of joint venture

collaboration was very good. Flobucn had this intention as well and then decided to negotiate this joint venture. Thus, through the efforts of the Chinese former employee both parties identified each other as partners for this joint venture negotiation. As illustrated by an interviewee:

In this project, [at the beginning] the function of the intermediary was to act as a go-between, so his function was to make both parties communicate, then find out a starting point of cooperation. (Chinese Chief Coordinator)

It can be seen that from the Chinese perspective guanxi was a major contribution for partner selection and identification. In fact, it is particularly pertinent at the outset of negotiation in the Chinese context, where trust plays a crucial role, especially when neither party knows the other.

**Vignette: Status-oriented style and guanxi → time orientation → dynamics**

**Box 7.1: Interpretation of Top-down Decision Making and Guanxi:  
Negotiation Dynamics and Guanxi Dynamics**

The Chinese have a status-oriented communication style and tend to adhere to top-down decision making.

In this event, the Chinese parent company acted as an intermediary and introduced its subsidiary to the Canadian company Flobucn for the joint venture negotiation; hence it helped establish guanxi and trust between its subsidiary and Flobucn, which was the basis of the collaboration. As the decisions on major issues were always made by the Chinese parent company, its subsidiary always needed to report to it about the negotiation issues and progress. This reflected *negotiation dynamics*.

On the other hand, this event reflected guanxi dynamics: guanxi between the former employee and both parties helped establish a relationship between the joint venture partners within a relatively short time, in other words, guanxi practically shortened the decision-making process on partner selection. Moreover, guanxi was maintained through visiting each other, which resulted in partner identification. In this sense, this indicated *positive guanxi dynamics*.

To have a close look, this also reflected *guanxi transfer*, to be specific, guanxi was transferred from the former Chinese employee to both parties (i.e. guanxi was transferred from the individual level to the corporate level).

## 7.4 Negotiation at Stage 2: Business Proposal

Having identified a partner, negotiation moved to the next stage (stage 2): the business proposal. Broadly stated, the aim of the business proposal stage was to assess the compatibility of each party's objectives and views on market strategy, which was accomplished through two issues: one was signing a Letter of Intent by both parties; the other was signing a Feasibility Study Report by both parties, and having it approved by the local government. Table 7.3 describes the main activities and events of the Flobu negotiation at stage 2.

Table 7.3: Main negotiation activities and events at stage 2

Negotiation stage	Aims	Date	Main negotiation activities and events	Remarks
Stage 2: Business Proposal	Letter of Intent negotiation and signing;	07/06	Chinese parent company visit Canadian company to negotiate Letter of Intent	
		11/06	Sign Letter of Intent	
	Feasibility Study negotiation and signing;  Feasibility Study approval	11/06	Change of Chinese negotiators	Different negotiators from Stage 1
		09/06	Start to draft JV contract when main contents of Feasibility Study Report finalised	Draft JV contract and FSR partially simultaneously
		01/07	Sign FSR by both parties	
		02/07	Feasibility Study Report approval by local government	

Source: Author

### Assigning negotiation teams from both parties

Negotiation is carried out by teams from both parties; therefore, there is a necessity to introduce the negotiation teams before entering each negotiation stage.

Joint venture discussion officially started between both parties in July 2005. Each party assigned a negotiation team. The Chinese side had a larger negotiation team. It is worth noting that the Chinese negotiation team members were changed after the Letter of Intent was signed. The negotiation team for the Letter of Intent negotiation is illustrated below.

This joint venture attracted a great deal of attention from both parties; this can be seen from the fact that the top management of both parties were involved in the negotiation. The Chinese side assigned a negotiation team led by the top management of the parent company. The team consisted of five people: two from the Chinese parent company; one from its subsidiary, in addition, two from other brother companies, who were the potential customers for the Chinese side.

The Canadian side, elected three people for their team; one was a Director of the company, the other was Vice President, both of whom were the founders of the company, so they were the main negotiators. The third member was CEO of the company, who was involved with three issues: the Letter of Intent, Feasibility Study Report and Technology Transfer Agreement. Figure 7.2 depicts the physical structure of the Flobu joint venture and negotiators from both parties at stage 2 – Letter of Intent negotiation.

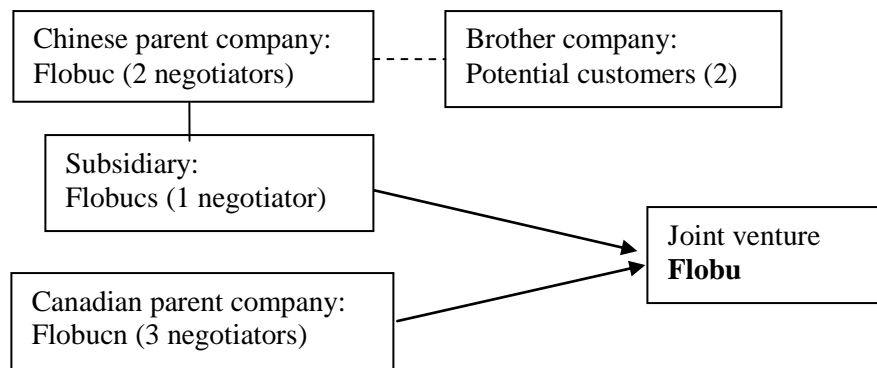


Figure 7.2: Physical structure of Flobu, negotiation team at stage 2 for LOI negotiation  
Source: Author

#### **7.4.1 Letter of Intent negotiation and signing**

##### **The Process**

The first important document negotiated was the Letter of Intent, which showed the commitment of each party to continue with the process as far as possible. The contents of the Letter of Intent were detailed, containing all information gained from the early stage, including positioning, shareholding (the most important one), product scope, market scope, Article of Associate (AOA), structure, board, trade market, joint venture term and schedule.

The Letter of Intent was drafted by the Chinese side, because normally the Letter of Intent was prepared by the larger shareholder, and the Canadian partner was not familiar with the Chinese market. Once the draft of the Letter of Intent was prepared, it was then conveyed by email to the Canadian side for revisions if needed.

As mentioned above, the contents of the Letter of Intent were very detailed, the reason for this was to clear obstacles for later stages. Consequently, the process was not as simple as a normal joint venture negotiation, rather it took several months to complete the Letter of Intent.

Through the efforts of both parties, the Letter of Intent negotiation was completed successfully. Both parties signed the Letter of Intent in Shanghai in November 2006 in both English and Chinese. Three copies were provided (two for the parent companies, one for the joint venture itself). The first *milestone* was, hence, achieved for the joint venture negotiation, thus negotiation moved on to the next step – the Feasibility Study.

The overall negotiation for the Letter of Intent proceeded smoothly although it took several months to complete due to its detailed nature. Two events worth noting are: Holistic approach and guanxi – detailed Letter of Intent; and Indirect information disclosure and guanxi – heuristic search, which are illustrated in the following sections.

**Key event: Holistic approach and guanxi – detailed Letter of Intent**

**Holistic approach:** As mentioned earlier, the contents of the Letter of Intent were very detailed. It included the contents of the Joint Venture Contract; particularly, it also contained the most important issue for the Chinese side - being the larger shareholder, which was expected to “save some troubles for later stages” stated by the Chinese Chief Coordinator. Consequently, the process was not as simple as normal joint venture negotiations, rather it took several months to complete Letter of Intent. As a Chinese respondent stressed:

The Letter of Intent was very much in detail. *The contents of the Joint Venture Contract were included in it.* It included a boarding meeting function, general manager function etc., what can be considered all were put in, [this] could *save some troubles for later stages.* *And the Chinese side wished to control the share; this was made clear in the Letter of Intent, which was the most important one. Therefore, it took longer to clear the obstacles for the later stages.* (Chinese Chief Coordinator)

**Guanxi Maintenance:** On the other hand, as a core factor that ensures success in negotiating in China, guanxi was maintained through visiting each other: for example, the Chinese negotiation team went to Canada to negotiate the Letter of Intent, thus, guanxi was nurtured through face-to-face meetings. The Chinese have an old saying “Seeing is believing”; put simply, through their own eyes the Chinese partner established trust in the Canadian partner. A Chinese respondent explained why face-to-face interaction is most effective:

You can see the other side’s expressions, and can see the other side’s direct reaction, which can help to reach agreement. Also by this way you can discuss for a longer time, other communication channels are a bit short and you cannot discuss things in detail, you can only solve some small problems, cannot discuss big problems.

Meanwhile, the former Chinese employee made great efforts on this project, which facilitated the negotiation further. As an interviewee stated:

During this process he, of course, took us to visit, to investigate etc. He, at the time, was full of confidence with this matter. When problem arose, he, as an intermediary, conveyed the messages in the middle. He also helped convince his boss what was needed to do what not etc. (Chinese Chief Coordinator)

**Vignette: Spiral logic and guanxi → negotiation approach → dynamics**

**Box 7.2: Interpretation of Holistic Approach and Guanxi:  
Negotiation Dynamics and Guanxi Dynamics**

As they have a spiral logic communication style, the Chinese are likely to have a holistic approach towards negotiation, where they discuss all issues simultaneously.

In this event, the Letter of Intent was negotiated in detail at stage 2, which also included the contents of the Joint Venture Contract. However, normally the Joint Venture Contract would be negotiated later, at stage 3. This suggested that negotiation stage 2 and 3 overlapped. This reflected *negotiation dynamics between stages (negotiation stage circular)*.

Furthermore, guanxi maintenance occurred through both parties visiting each other in addition to the great efforts of the former Chinese employee, which promoted the process of signing the Letter of Intent. This indicated *positive guanxi dynamics*.

**Key event: Indirect information disclosure and guanxi – heuristic search**

The Chinese side was “very cautious” in some aspects when disclosing information during negotiation. However, interestingly and importantly, it also revealed that it was possible for the Chinese to disclose information in a more direct way, or in a more detailed nature if guanxi was established between both parties. As one interviewee recalled:

We basically told them truth, especially at the beginning of the collaboration, they must have asked some sensitive questions, such as sales, status of all of our joint ventures, percentage of shareholding, profit etc. Of course, we made it clear in advance that it's confidential. The first document we signed was a Confidentiality Agreement...[In sum], firstly, we told them much internal information. Second, we took them to visit our subsidiaries, let them know how we communicate with our foreign partners. We even told them some of our foreign cooperative partners, whom they could contact if they wished. (Chinese Chief Coordinator)

The reason behind this negotiation style can be illustrated by the following quote, which links guanxi with information disclosure:

After the first meeting, we both felt not bad, then continued to negotiate.... Communication in private made it easier to open up information exchange; e.g. we invited them for a meal, chatted freely, especially for the introverts, who are not good at communication, which facilitated negotiation. (Chinese Chief Coordinator)

### **Vignette: Indirect style and guanxi → information disclosure → dynamics**

#### **Box 7.3: Interpretation of Indirect Information Disclosure and Guanxi: Negotiation Dynamics and Guanxi Dynamics**

The Chinese are indirect communicators and are likely to disclose information in an indirect way.

In this case, the result was that information was disclosed by way of heuristic search; hence it led to information being obtained by the Western partner gradually, which caused *negotiation dynamics*.

However, importantly, this also suggested that the information could be disclosed in a more direct way or in a more detailed nature when guanxi was established between both parties. In this sense, guanxi adjusted the Chinese behaviour of information disclosure from an indirect to a more direct way, this also reflected *guanxi dynamics*.

To elaborate further, the more direct information disclosure tendency was more efficient for the Western partner to obtain the necessary information; hence it increased the information flow process. Therefore, these *guanxi dynamics were positive*.



## 7.4.2 Feasibility Study Report negotiation and signing

### The Process

After signing the Letter of Intent, the Feasibility Study was undertaken by both parties. The aim of the feasibility study was to assess the potential economic value of the joint venture. It was expected that only after the feasibility study report was undertaken, would the company know if this joint venture would be feasible. For example, how much should be invested; how much should be expected as a return rate on the investment?

The main document of the Feasibility Study was the Business Plan. The core of the Feasibility Study was financial prediction - a prediction table, which was about production cost, profit and financial status prediction. The details most discussed were how much cost might be needed, how many products might be produced, how much profit might be gained, also details about the investment, such as how to invest, where to invest, and how to operate in the future.

The Feasibility Study was drafted by both parties but mainly by the larger shareholder – the Chinese side; and tasks were assigned to related departments, for example, the marketing and finance departments. It took three months to prepare and complete the Feasibility Study, which was then sent to each other by letter or email check for differences of opinion.

It is noted that when the main contents of the Feasibility Study were finished, both parties started to negotiate the Joint Venture Contract.

When the Feasibility Study Report was ready, it was signed by both parties in Shanghai in February 2007 in both English and Chinese. Three copies were made (two for the parent companies, one for the joint venture itself). The *second milestone* was, hence, achieved.

Although the Feasibility Study negotiation was smooth overall, one noteworthy event is: Top-down decision making - change of Chinese negotiation team, as illustrated below.

**Key event: Top-down decision making - change of Chinese negotiation team**

One interesting issue was that the Chinese negotiation team changed once the Letter of Intent negotiation was completed: except for the Chinese Chief Coordinator, the negotiators from the Chinese parent company and the potential customers from brother companies immediately quit the negotiation. The new Chinese negotiation team consisted of five people: one Chief Negotiator who was the General Manager of the Foreign Affairs Department and also a negotiation expert; one General Manager from the subsidiary; one Lawyer; one Interpreter; and the Chief Coordinator remain unchanged. As the Chinese Chief Coordinator described:

I was the only person who went through the whole process, because many people had different responsibilities and duties, some joined at a later stage. In addition, before the thing was clear, there was no need for their presence. The situation was like this. This is related to the Chinese cultural impact. (Chinese Chief Coordinator)

Consequently, there were changes to a number of the Chinese negotiators at this stage, as illustrated in Figure 7.3 below.

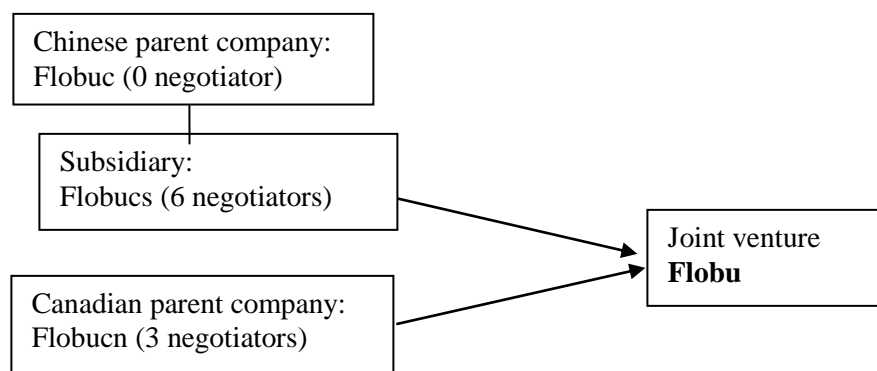


Figure 7.3: Physical structure of Flobu, negotiation teams after LOI negotiation

Source: Author

The reason for the change of the Chinese negotiation team was that, for the Chinese side once several big general principles were confirmed by the top management of the Chinese parent company, the rest were practical issues which could be dealt with by its subordinate. One of the informants explained the change this way:

When identifying the Letter of Intent, the Chinese parent company was very serious, our Group leader, our Division leader, including brother company came together to work on this project. Once the Chinese parent company thought the Letter of Intent was confirmed, several big *general principles* were confirmed, the rest were the issues of how to operate. Then you could divide the responsibilities, who deals with the contract, who deals with the feasibility study, to the leader, these things were relatively practical. So negotiation was carried on under this circumstance. (Chinese Chief Coordinator)

**Vignette: Status-oriented value → decision making → dynamics**

**Box 7.4: Interpretation of Top-down Decision Making:  
Negotiation Dynamics**

Characterised as having a status-oriented communication style the Chinese tend to have top-down decision making, where top management is in charge of general principles which constitute the foundation of the entire cooperation, while, subordinates deal with practical issues.

In this event, the Chinese negotiation team was changed once negotiation of the Letter of Intent was finished. The departure of the main negotiators in the Chinese parent company and the appointment of a new negotiation team formed by its subsidiary meant that negotiation went back to an earlier stage (since the negotiation team was formed before the Letter of Intent negotiation). This indicated *negotiation dynamics*.

### **7.4.3 Feasibility Study Report approval by local government**

#### **The process**

After the Feasibility Study Report was signed by both parties, it was sent to the local authority - Shanghai Municipal Foreign Investment Committee - for approval. Although no government official was involved directly in the negotiation, the local government was revealed as playing a crucial role.

The Feasibility Study Report was approved by the local government in March 2007; the *third milestone* was, hence, achieved for the joint venture negotiation. One significant event is: Top-down decision making and guanxi - Feasibility Study approval, as illustrated below.

#### **Key event: Top-down decision making and guanxi – Feasibility Study approval**

Although not appearing at the negotiation table, the local government actually played a crucial role here. As elaborated by an interviewee:

Of course, if you want to get the document approved quicker, then you need to communicate with the local government, and establish good guanxi with them, that would be the best...My understanding is that maintaining a good guanxi with the local government could get things done more smoothly, but not let any department lose the principle.... Whatever guanxi is with the government, but your documents for approval should be completed, then the government will approve it for you. But they might give you preference on time scale, for example, shorten the process of document approval.  
(Chinese chief coordinator)

It was revealed that guanxi established between the Chinese company and the local government made the approval process smooth. This can be evidenced as below:

We did not really particularly communicate with the local government [for Flobu project], because we normally communicate with them very well. We did not

communicate with them just for this single project; we had had over 10 joint ventures already at the time. (Chinese Chief Coordinator)

**Vignette: Status-oriented style and guanxi → decision making → dynamics**

**Box 7.5: Interpretation of Top-down Decision Making and Guanxi:  
Negotiation Dynamics and Guanxi Dynamics**

Characterised as having a status-oriented communication style the Chinese tend to have top-down decision making.

In this event, decision making on document approval (i.e. Feasibility Study Report) was made by the Chinese local government, who was absent from the negotiation table, which made the negotiation process more complicated and prolonged. This reflected *negotiation dynamics in a negative way*.

On the other hand, guanxi was established and maintained with the Chinese local government, which made the process of document approval smooth. This reflected *guanxi dynamics in a positive way*.

**7.5 Negotiation at Stage 3: Joint Venture Contract Negotiation**

The last stage was the Joint Venture Contract Negotiation. The aim of the Joint Venture Contract Negotiation stage was to negotiate the Joint Venture Contract and its supplementary agreements, and have it signed by both parties, then have it approved by the local government. This stage was rather complex, because it dealt with the issues that required multiple specialisations including technical, financial, managerial and legal. This was the stage which was conducted mainly by the combination of face-to-face meetings and emails. Table 7.4 shows the main activities and events of the Flobu negotiation at stage 3.

Table 7.4: Main negotiation activities and events at stage 3

<b>Negotiation stage</b>	<b>Aims</b>	<b>Date</b>	<b>Main negotiation activities and events</b>	<b>Remarks</b>
Stage 3: JV Contract Negotiation	JV Contract negotiation;	09/06	Start JV contract when FSR main contents finalised	Draft JV contract and FSR partially simultaneously
	JV Contract signing;	11/06	Intermediary helps solve technology transfer fee issue	
	JV Contract approval	03/07	Sign JV contract	
		04/07	Contract approval by local government	

Source: Author

### **7.5.1 Joint Venture Contract negotiation and signing**

#### **The Process**

The last stage was the Joint Venture Contract Negotiation. The aim of this stage was to discuss issues about setting up the joint venture and its future operation.

The contents of the Joint Venture Contract mainly consisted of positioning, shareholding (the most important one), product scope, market scope, Article of Associate (AOA), structure, board, trade market, joint venture term and schedule, which was included in the Letter of Intent. As the central appendix of the Joint Venture Contract, the Technology Transfer Agreement mainly included transfer method, transfer price, payment method issues etc., because both parties knew the technical issues well already. Also the Contract included some supplementary agreements.

The Joint Venture Contract was prepared by the Chinese side; while, the Technology Transfer Agreement was prepared by the Canadian side because the technology was transferred from them. There were not many face-to-face meetings because the Canadian side did not have resources in the Chinese market. Both parties met only two or three

times, and took approximately three months to prepare the Contract, then it was exchanged by letter or email for revisions if needed.

When ready, the Joint Venture Contract was sent to the top management of both parties for internal approval respectively. After approval internally, both parties signed the Joint Venture Contract in Shanghai in March 2007 in both English and Chinese. Three copies were provided (two for the two parent companies respectively, one for the joint venture itself). The *fourth milestone* was, hence, achieved for the joint venture negotiation.

In sum, the Joint Venture Contract negotiation was smooth overall. As the most complicated stage of the entire negotiation process, five key events were significant: Flexible time management – Contract and Feasibility Study simultaneous; Indirect conflict management and guanxi - use of an intermediary; Holistic approach - renegotiate technology transfer fee; Holistic approach - revise Feasibility Study Report; and Guanxi maintenance - signing ceremony for Joint Venture Contract, which are illustrated in the following sections.

**Key event: Flexible time management - Contract and Feasibility Study simultaneous**

The last stage was the Joint Venture Contract Negotiation. However, demarcations between stages in the relationship between the Feasibility Study Report and the Joint Venture Contract were not clear-cut because the Feasibility Study Report was the main appendix of the Joint Venture Contract. It appeared that both parties started to draft the Joint Venture Contract when the main contents of the Feasibility Study Report were complete. This suggests that both parties conducted the Joint Venture Contract and the Feasibility Study Report partially simultaneously. As one respondent stated:

“When the main contents of the Feasibility Study Report were finalised, both parties started to negotiate the Joint Venture Contract in parallel, otherwise, the time was not enough.” (Chinese Chief Coordinator)

## Vignette: Polychronic time → time management → dynamics

### **Box 7.6: Interpretation of Flexible Time Management: Negotiation Dynamics**

As they use Polychronic time management the Chinese tend to do several things at once.

In this event, the Joint Venture Contract was drafted before the Feasibility Study Report was finished, which suggested that negotiation stages 2 and 3 partially overlapped. This revealed *negotiation dynamics between stages*.

To take a close look, for the Chinese, negotiating several issues simultaneously was effective because it enabled several negotiation issues to occur in parallel, thus negotiators did not have to wait for one issue (i.e. Feasibility Study) to be finished before starting another (i.e. JV contract). As a result, this led to efficient use of resources (e.g. people, time, money and other resources), which had a positive influence on the negotiation process, hence being named *positive negotiation dynamics*.

### **Key event: Indirect conflict management and guanxi - use of an intermediary**

Price determination on technology transfer is often difficult in joint venture negotiation. Negotiations over the technology transfer fee were unproductive due to different opinions on the cost of the technology. Both parties had an initial negotiation, and the Canadian side agreed with a price, then the Chinese side prepared some documents based on that price. However, when making a phone call to communicate two days later, the Canadian side decided the price was not correct, and they would change it to another price. It took a very long time to renegotiate the price but without any progress. A deadlock, thus, occurred which caused communication to break down between both parties. Moreover, within the Chinese side, tension arose for the Chinese subsidiary: How do you obtain advanced technology from the foreign side and, at the same time, minimise demands on corporate financial resources?

The Chinese side acknowledged that neither side would solve the problem alone. However, if both parties remained immovable, there was a great risk that the negotiation



would break down. Hence, again, the Chinese former employee stepped in as an intermediary, and became involved significantly to help solve the issues. The intermediary conveyed the messages in the middle, for example, what were their real thoughts; if they had to make concessions, how much they would accept? Getting an intermediary to help conflict resolution is a popular route for the Chinese.

Recalling how this crucial issue was finally resolved, the Chinese Chief Coordinator, emphasised the difficulties experienced by the Chinese top managers in persuading the Canadian side, and the role played by the Chinese intermediary in helping remove the barrier between both parties:

For this matter, how to say, we needed what we called an indirect communication method. We asked the person, who recommended the Canadian company to us to do this work. We told him and expressed very clearly our attitude and the situation. This gentleman made great efforts in the middle, who told them our situation and our thoughts, including the thoughts of the other side. At the time, he brought us the thoughts of the other side, then said he would come again. Then he came again with a very good proposal. So the process was like this, when he came again, he brought another proposal, this proposal still had a space for bargaining. We then continued the negotiation and finally identified a technology transfer proposal, including transfer contents and transfer price. So, through an indirect method this matter facilitated the negotiation process ... So, in this negotiation the intermediary had a positive function.  
(Chinese Chief Coordinator)

Consequently, the fruitful discussions through the intermediary with both parties finally solved the conflict, which resulted in signing of the Contract. For this point, it can be argued that the intermediary saved the negotiation to a certain degree, which marked a turning point for the negotiation.

It is worth noting that resolving the technology transfer fee by using an intermediary led to renegotiating the technology transfer fee and revising the Feasibility Study Report. Since they are both important issues, they are worth illustrating, separately, below.

**Vignette: Indirect style and guanxi → conflict management → dynamics**

**Box 7.7: Interpretation of Indirect Conflict Management and Guanxi:  
Negotiation Dynamics and Guanxi Dynamics**

Characterised as being indirect communicators the Chinese are likely to manage conflict in an indirect way.

In this event, the former employee of the Chinese parent company helped remove the deadlock caused by the technology transfer fee, which enabled negotiation to continue. However, the intermediary was not at the negotiation table, hence, both parties needed to repeat the issues to the intermediary, while, the intermediary needed to pass the messages between both parties, which caused negotiation to go back and forth. This reflected *negotiation dynamics*.

To elaborate further, having the intermediary involved meant using more resources (e.g. people, time, money), hence, resulting in *negative negotiation dynamics*.

However, the intermediary helped clear up misunderstandings by gathering the information and conveying the messages in the middle, which facilitated the communication between both parties in a practical manner and eventually resolved the problem. From this point, guanxi saved the negotiation through third party intervention. Hence, this indicated *positive guanxi dynamics*.

To have a close look, this also reflected *guanxi transfer*; to be specific, guanxi was transferred from the former Chinese employee to both parties (i.e. guanxi was transferred from the individual level to the corporate level).

**Key event: Holistic approach - renegotiate technology transfer fee**

It is interesting to note that before the technology transfer fee was resolved, the Chinese side put it aside, and negotiated other issues first. When the issue was resolved through the efforts of the former Chinese employee, the Chinese side put this issue on the table again and renegotiated it. Two interviewees described this phenomenon in a similar way:

But at our side, we still kept a normal contact with them, that was to avoid this issue, talked about something else first, put that issue aside, but actually we were all trying to do some work secretly. (Chinese Chief Coordinator)

Some clauses cannot be decided immediately, we then put them aside and negotiated the next one first, this resulted in some unsettled issues at every meeting which needed to be negotiated, then the issues were less and less, till in the end when we reached an agreement between both parties. (Chinese General Manager)

### **Vignette: Spiral logic → negotiation approach → dynamics**

#### **Box 7.8: Interpretation of Holistic Approach: Negotiation Dynamics**

Having a spiral logic communication style, the Chinese apply a holistic approach to negotiation.

In this event, the Chinese placed the technology transfer fee to one side, negotiated other issues first, then renegotiated it later on, which caused negotiation to go back and forth, hence reflecting *negotiation dynamics*.

To have a close look, this avoided further problems on the issue, and enabled the negotiation to progress, hence, indicating *positive negotiation dynamics*.

#### **Key event: Holistic approach - revise Feasibility Study Report**

When the technology transfer fee was eventually finalised, there was a need to go back to revise the Feasibility Study Report. As one interviewee explained:

The big framework had no major change, but, the contents of the feasibility study report were related to the economic analysis. The economic analysis of the time of investment return was different; this needed to be made clear in writing in the feasibility study report. Hence, there was a go-back to write this issue, a possibility of modifying this.

After adjusting it, you can go for approval; basically, there was no big problem.  
(Chinese Lawyer)

**Vignette: Spiral logic → negotiation approach → dynamics**

**Box 7.9: Interpretation of Holistic Approach:  
Negotiation Dynamics**

Characterised as being Spiral logic communicators, the Chinese tend to apply a holistic approach when negotiating.

In this event, when the technology transfer fee was eventually finalised at this stage (i.e. stage 3), there was a need to revise the Feasibility Study Report, which was approved in Stage 2; in other words, from a negotiation stage perspective, negotiation went back from stage 3 to stage 2. This reflected *negotiation dynamics*.

To elaborate further, this caused negotiation to swing back and forth, hence, it slowed down the negotiation process. It created *negative negotiation dynamics*.

**Key event: Maintaining guanxi - signing ceremony for Joint Venture Contract**

Both parties signed the Joint Venture Contract in Shanghai in March 2007. The signing ceremony for the successful Joint Venture Contract negotiation was significant to the Chinese. It was held before the documents were submitted to the local government for approval.

VIPs and customers from both sides were involved; also, the local government officials and media reporters were invited. The signing ceremony was a symbol and announcement to the public that both parties had established the joint venture. As an interviewee recalled:

The signing ceremony was between both parties, it was held before the documents were submitted to the local government for approval. We arranged a party, a ceremony,

invited the local government, customs from both sides, to announce to the public that we got married. (Chinese General Manager)

**Vignette: Guanxi → guanxi with partner and government → dynamics**

**Box 7.10: Interpretation of Maintaining Guanxi:  
Guanxi Dynamics**

The signing ceremony for the Joint Venture Contract was significant to the Chinese; it was an announcement to the public of the establishment of the joint venture.

To elaborate further, from the Chinese perspective, the ceremony was also an opportunity for guanxi maintenance with the partner, the Chinese government and other related people and parties. Although the joint venture contract negotiation was finished, it was good to maintain guanxi with related parties, particularly with the government, for the Flobu Joint Venture Contract approval later on and for the benefit of creating and operating the Flobu joint venture in the future. Hence, the signing ceremony also reflected *positive guanxi dynamics*.

**7.5.2 Joint Venture Contract approval by local government**

**The process**

Once the Joint Venture Contract was signed by both parties, according to joint venture establishment procedure, it was then sent to the local government, Shanghai Municipal Foreign Investment Committee, for approval.

The Joint Venture Contract was successfully approved by the local government in April 2007, which was the symbol that Flobu joint venture was officially accepted. The *fifth milestone - last milestone* was, thus, achieved.

One event worth noting is: Top-down decision making and guanxi – Joint Venture Contract approval, as illustrated below.

### **Key event: Top-down decision making and guanxi – JV Contract approval**

Here, again, although no government officials were at the negotiation table, the local government played a significant role. Guanxi established between the Chinese company and the local government made the approval process smooth.

### **Vignette: Status-oriented style and guanxi → decision making → dynamics**

#### **Box 7.11: Interpretation of Top-down Decision Making and Guanxi: Negotiation Dynamics and Guanxi Dynamics**

The interpretation for Joint Venture Contract approval is similar to that for Feasibility Study Report approval and characterised as status-oriented communicators the Chinese are likely to use top-down decision making.

In this event, decision making on document approval (i.e. Joint Venture Contract) was made by the Chinese local government, who was not at the negotiation table, which made the negotiation process complicated and prolonged. This reflected *negotiation dynamics in a negative manner*.

On the other hand, guanxi was established and maintained with the Chinese local government, which made the process of document approval smooth, hence it facilitated the negotiation process. This indicated *positive guanxi dynamics*.

## **7.6 Summary of main findings: dynamics constructs and dynamics model**

### **Step 1: Initial model: discovering non-linear three-stage negotiation process (etic)**

The three-stage negotiation process focused on *negotiation dynamics* (negotiation dynamics within stage, negotiation dynamics between stages) which were triggered by the Chinese negotiation style (etic) through key negotiation events. To be specific, *negotiation dynamics within stage* were triggered by the Chinese negotiation style (etic) in terms of indirect information disclosure, indirect conflict management, top-down decision making and holistic approach.

While, *negotiation dynamics between stages* consisted of *negotiation stages overlap*, and *negotiation stages circular*. The former were triggered by flexible time management and holistic approach. Whereas, the latter were triggered by holistic approach.

Table 7.5 summarises the link between Chinese negotiation style (etic), key events and negotiation dynamics.

Table 7.5: Summary of negotiation style (etic), key events and negotiation dynamics

Chinese negotiation style (derived from etic perspective: high-context communication)	Key event	Negotiation dynamics		
		Negotiation dynamics within stage	Negotiation dynamics between stages	
			Negotiation stages overlap	Negotiation stages circular
Indirect information disclosure	Indirect information disclosure and guanxi – heuristic search	Stage 2		
Indirect conflict management	Indirect conflict management and guanxi - use of an intermediary	Stage 3		
Top down decision making	Top-down decision making and guanxi - partner selection	Stage 1		
	Top-down decision making - change of Chinese negotiation team	Stage 2		
	Top-down decision making - report to top management	Stage 2		
	Top-down decision making and guanxi - Feasibility Study approval	Stage 2		
	Top-down decision making and guanxi – JV contract approval	Stage 3		
Flexible time management	Flexible time management – Contract and Feasibility Study simultaneous		Stage 2,3	
Holistic approach	Holistic approach and guanxi – detailed Letter of Intent		Stage 2,3	
	Holistic approach - renegotiate technology transfer fee	Stage 3		
	Holistic approach - revise Feasibility Study Report			Stage 2,3

Source: Author

Based on Table 7.5, Table 7.6 synthesises the *negotiation dynamics*, which were triggered by Chinese negotiation style (etic) in the three-stage negotiation process.

Table 7.6: Synthesis of Chinese negotiation style (etic) and negotiation dynamics

Chinese negotiation style (derived from etic perspective: high-context communication)	Negotiation dynamics		
	Negotiation dynamics within stage	Negotiation dynamics between stages	
		Negotiation stages overlap	Negotiation stages circular
Indirect information disclosure	Stage 2		
Indirect conflict management	Stage 3		
Top down decision making	Stage 1,2,3		
Flexible time management		Stage 2,3	
Holistic approach	Stage 3	Stage 2,3	Stage 2,3

Source: Author

To give a full picture, negotiation dynamics in the three-stage negotiation process is illustrated in figure 7.4, which suggests that negotiation dynamics could be modelled as a process, and this process was not linear or sequential, hence, it is called a *non-linear three-stage negotiation process*.



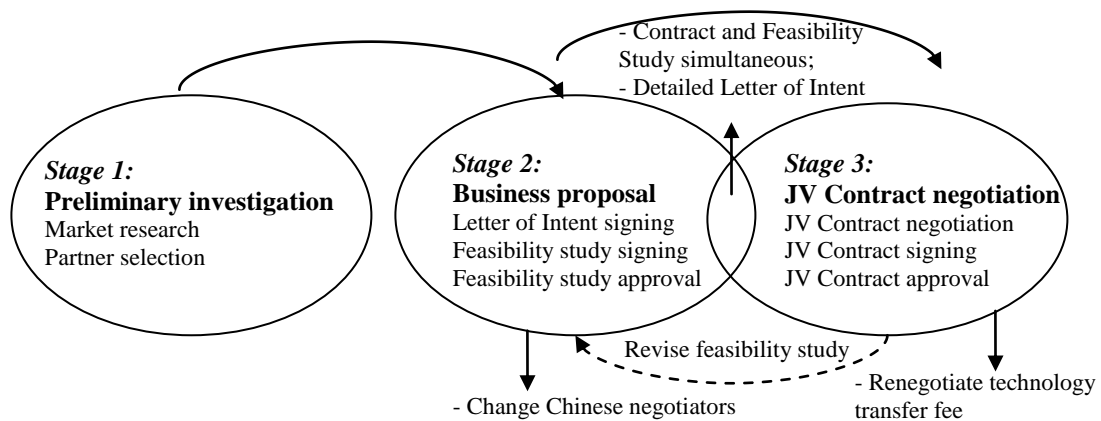


Figure 7.4: Negotiation dynamics in three-stage negotiation process of Flobu

Source: Author

### Step 2: Developing model: discovering an embedded two-level guanxi process (emic)

The guanxi development process focused on *guanxi dynamics* (guanxi dynamics levels, guanxi dynamics within level, guanxi dynamics across levels) which were triggered by the Chinese negotiation style (emic) through key guanxi events. To be specific: *guanxi dynamics levels* were discovered mainly at two levels namely *guanxi at corporate level* and *guanxi at government level*. The former was triggered by guanxi with the local partner, and the latter was triggered by guanxi with the local government. In addition, guanxi at a personal level was uncovered, which was triggered by guanxi with the individual, however, it was not the main focus of this study.

Guanxi dynamics occurred at the above two main levels respectively, called *guanxi dynamics within level* (*guanxi dynamics at the corporate level, guanxi dynamics at the government level*) and *guanxi dynamics across levels*. To elaborate further, *guanxi dynamics at the corporate level* consisted of two types of guanxi dynamics (guanxi established, guanxi maintenance), *guanxi dynamics at the government level* comprised one type of guanxi dynamics (guanxi maintenance). While, *guanxi dynamics across*

*levels* were discovered in terms of guanxi transfer from the personal to the corporate level. Table 7.7 summarises the link between the Chinese negotiation style (emic), key events and guanxi dynamics.

Table 7.7: Summary of Chinese negotiation style (emic), key events and guanxi dynamics

Chinese negotiation style (derived from etic perspective: guanxi)	Key event	Negotiation stage	Guanxi dynamics		
			Guanxi dynamics level	Guanxi dynamics within level	Guanxi dynamics across levels
Guanxi with individual	Guanxi established between Chinese former employee and his previous Chinese company and present Canadian company respectively	Before negotiation	Personal	Guanxi established	N/A
Guanxi with local government	As state-owned company, guanxi established between local partner and government over long term business activities	Before negotiation	Government	Guanxi established	N/A
Guanxi with local partner	Top-down decision making and guanxi - partner selection	Stage 1	Corporate	Guanxi established	Personal to corporate level
	Holistic approach and guanxi – detailed Letter of Intent	Stage 2,3		Guanxi maintenance	Personal to corporate level
	Indirect information disclosure and guanxi – heuristic search	Stage 2			N/A
	Indirect conflict management and guanxi - use of an intermediary	Stage 3			Personal to corporate level
	Guanxi maintenance – signing ceremony for Joint Venture Contract	Stage 3			N/A
Guanxi with local government	Top-down decision making and guanxi - Feasibility Study approval	Stage 2	Government	Guanxi maintenance	N/A
	Guanxi maintenance – signing ceremony for Joint Venture Contract	Stage 3			
	Top-down decision making and guanxi – JV contract approval	Stage 3			

Source: Author

Based on Table 7.7, Table 7.8 synthesises the *guanxi dynamics*, which were triggered by Chinese negotiation style (emic) at the two-level guanxi development process.

Table 7.8: Synthesis of Chinese negotiation style (emic) and guanxi dynamics

Chinese negotiation style (derived from emic perspective: guanxi)	guanxi dynamics		
	Guanxi dynamics levels	Guanxi dynamics within level	Guanxi dynamics across levels
Guanxi with local partner	Guanxi at corporate level	1. Guanxi established at beginning of negotiation. 2. Intensive guanxi maintenance throughout entire negotiation process	Guanxi transfer from personal to corporate level at beginning of negotiation and during negotiation
Guanxi with local government	Guanxi at government level	1. Guanxi established before negotiation. 2. Guanxi maintenance during negotiation process	N/A

Source: Author

To have a visual display, guanxi dynamics at the two-level guanxi development process is illustrated in figure 7.5, which suggests that guanxi dynamics could be modelled as a process, and this guanxi development process consisted of two levels at the corporate level and government level, hence, it is called a *two-level guanxi development process*.

This model can be used separately to help understand the *guanxi dynamics* of the joint venture negotiation process in the Chinese business context.

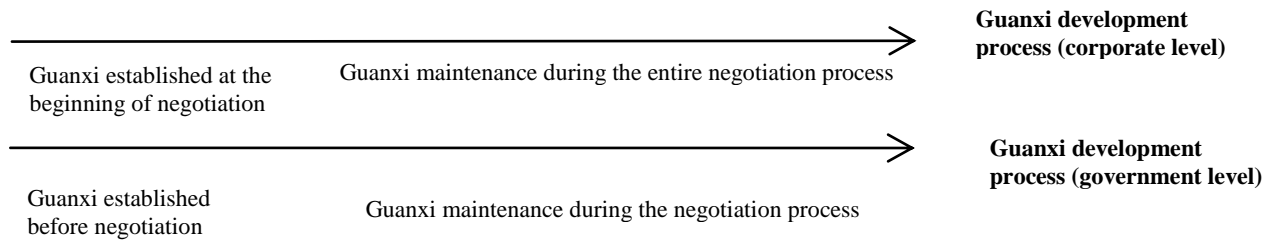


Figure 7.5: Guanxi dynamics in two-level guanxi development process of Flobu

Source: Author

**Step 3: Developing model: discovering relationships between the negotiation and guanxi processes (etic & emic)**

It was manifested that *guanxi dynamics within level* (*guanxi dynamics at corporate level, guanxi dynamics at government level*) and *guanxi dynamics across levels* had positive impact on negotiation process at certain stages through certain kinds of events.

To be specific, *at the corporate level*, it appeared that guanxi established at the beginning of the negotiation and guanxi maintenance throughout the negotiation process made the negotiation proceed more smoothly.

Meanwhile, *at the government level*, it indicated that guanxi established before the negotiation facilitated smooth document approval, and guanxi maintenance at the signing ceremony was expected to be positive for future joint ventures.

In addition, it is suggested that *guanxi dynamics across levels* (*guanxi transfer from the personal to corporate level*) facilitated communication and enhanced trust between both parties throughout the entire negotiation process.

The above is explained in detail in Table 7.9, which summarises how guanxi interacted with negotiation process through key events in the entire negotiation process of Flobu.

Table 7.9: Guanxi interaction with negotiation process through key events at Flobu

<b>Chinese negotiation style</b> (derived from etic perspective: guanxi)	<b>Key guanxi event</b>	<b>Negotiation stage</b>	<b>Guanxi interaction with negotiation process through key events</b>
<b><i>Guanxi established before negotiation</i></b>			
Guanxi with individual (personal level)	Guanxi established between individuals and both companies respectively	Before negotiation	Good foundation for guanxi transfer for joint venture negotiation
Guanxi with government (government level)	As state-owned company, guanxi established between local partner & government over long term business activities	Before negotiation	Good foundation for support from Chinese government
<b><i>Guanxi established and maintained during negotiation</i></b>			
Guanxi with local partner (corporate level)	Top-down decision making and guanxi - partner selection	Stage 1	Guanxi facilitates partner selection process of Chinese side
	Holistic approach and guanxi – detailed Letter of Intent	Stage 2,3	Guanxi maintained helps sign detailed Letter of Intent
	Indirect information disclosure and guanxi – heuristic search	Stage 2	Guanxi facilitates information flow process by adjusting Chinese information disclosure behaviour from indirect to more direct way
	Guanxi maintenance – signing ceremony for JV Contract	Stage 3	Guanxi maintenance at signing ceremony expected to be positive to future JVs
Guanxi with local government (government level)	Top-down decision making and guanxi - Feasibility Study approval	Stage 2	Established guanxi makes process of document approval smooth
	Guanxi maintenance – signing ceremony for JV Contract	Stage 3	Guanxi maintenance at signing ceremony expected to be positive to future JVs
	Top-down decision making and guanxi – JV contract approval	Stage 3	Established guanxi makes process of document approval smooth
<b><i>Guanxi transferred from personal level to corporate level during negotiation</i></b>			
Guanxi with individual (personal level, corporate level)	Top-down decision making and guanxi - partner selection	Stage 1	Guanxi transfer facilitates communication and enhances trust between both parties, results in both becoming joint venture partnership
	Holistic approach and guanxi – detailed Letter of Intent	Stage 2	Guanxi transfer results in signing detailed Letter of Intent
	Indirect conflict management and guanxi - use of an intermediary	Stage 3	Guanxi transfer leads to removing deadlock caused by technology transfer fee

Source: Author

The above summary suggests a vertical relationship between the negotiation process and guanxi process, that is, at both corporate and government levels, the guanxi and negotiation processes intertwined, they interacted with each other, and negotiation processes evolved through these interactions. Specifically, when guanxi was good between both parties and with the local government the negotiation process developed smoothly.

To elaborate further, this vertical relationship between the two processes led to a horizontal relationship between the two processes; that is, the two processes developed in parallel, because they usually took place, at least partly, simultaneously.

In sum, the relationship between the two processes is that the guanxi development process was embedded within the negotiation evolution process, and the two processes were intertwined vertically, and developed in parallel, horizontally.

#### **Step 4: Completing model: combining negotiation and guanxi processes (etic & emic)**

Figure 7.4 developed the *negotiation dynamics model* (non-linear three-stage negotiation process (etic)). However, data also suggested a sub-process (two-level guanxi development process (emic)) was present (see figure 7.5 *guanxi dynamics model* (emic)). Moreover, these two processes actively influenced each other. Hence, it is important to consider this observation when developing the dynamics model.

Based on the discussion above, figure 7.6 demonstrates a better arrangement for the dynamics model of the Flobu joint venture negotiation by combining the two processes (i.e. negotiation evolution process and guanxi development process) (etic & emic); thus their influence on each other can be observed.

Figure 7.6 demonstrates that the dynamics of joint venture negotiation can be modelled as a process, which consists of a non-linear three-stage negotiation process and a two-

level guanxi development process; the latter is embedded within the former, and the two processes are intertwined vertically, and develop in parallel, horizontally.

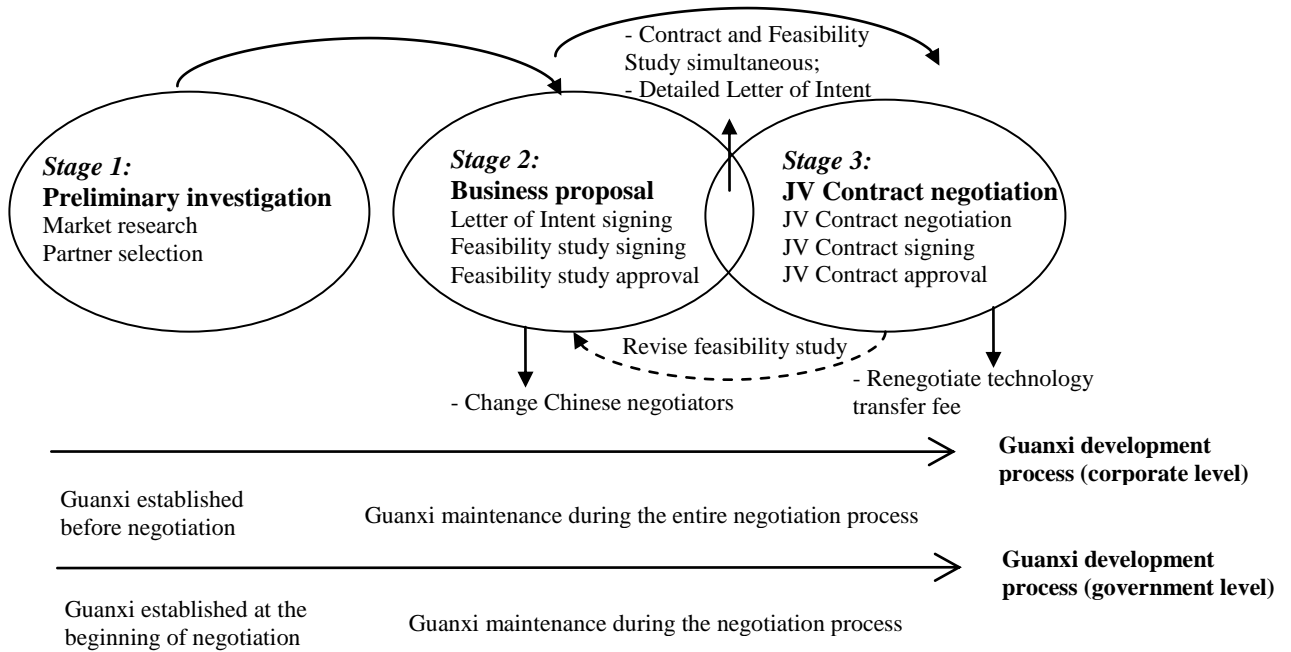


Figure 7.6: Dynamics model of Sino-Western joint venture negotiation at Flobu

Source: Author

Having presented the findings from Case 4 in this chapter, the following chapter offers the findings from cross-case analysis.

## **Chapter 8 Findings – from cross-case analysis: case 1-4**

### **8.1 Introduction**

Based on the comprehensive description and analysis of four individual cases in the preceding four chapters, cross-case analysis of the joint venture negotiation from the Chinese context was conducted, from which the similarities and differences are identified.

This chapter consists of three parts. It begins with a reminder of the background of the four case study companies. Following that, it presents the findings across cases, after which the theoretical development is illustrated (a generic dynamics model of Sino-Western joint venture negotiation is further developed in a systematic fashion). Finally, this chapter ends with a brief summary.

### **8.2 Background of four case study joint ventures**

To have an overall picture of the four case companies, there is a necessity to re-state their backgrounds, as illustrated in table 8.1. From the table, it can be seen that the four joint ventures all are located in Shanghai, city, China, but they had different equity share for both parties and had different duration of joint venture negotiation.



Table 8.1: Profile of the four case companies

Joint venture name	Partners & Equity	Location	JV negotiation starts	JV Contract signed	JV Contract approval	Duration of JV negotiation (months)
Roma	Sino-French 41%-59%	SH*	20/01/00	26/07/01	07/01	18
Sunni	Sino- British 30 %, 20%- 50%	SH	10/90	31/08/01	13/09/01	About 240
Losea	Sino-British 45%-55%	SH	07/93	05/01/96	26/09/01	24 (6 months actual length)
Flobu	Sino- Canadian 51%-49%	SH	05/10	03/07	04/07	17

Source: Author

Note: \* SH = Shanghai

### 8.3 Cross-case analysis and theoretical development

**Need for synthesis for findings from cross-case analysis:** From the previous discussions, it can be seen that there are a number of similarities between the four cases, in other words, data from the four case studies are converged. To capture a full picture of the dynamics of the negotiation process during the entire negotiation process, and to see all types of dynamics across cases, there is a need to synthesise all negotiation dynamics across cases for the three-stage negotiation process and two-level guanxi development process. As can be seen in the following sections, the synthesis revealed that there is a possibility to develop a generic dynamics model as a process.

This section presents the main findings across the four cases. It consists of two parts; the first presents the conception of the dynamics of the joint venture negotiation process (Q1). The second describes the development of the dynamics model (Q2) in a systematic way using text and visual displays (diagrams).

To have a better logic flow and reflect the linkage between the two research questions, the aforesaid two parts are accomplished by the development of a *dynamics model* in four steps (Q2), starting with an initial three-stage negotiation process in step 1 (etic), which is based on the identification of *negotiation dynamics* (Q1). In step 2, it takes the sub-process guanxi development process (emic) into account, which is based on the identification of *guanxi dynamics* (Q1). In step 3, it looks at the relationship between the aforementioned two processes. In step 4, it combines the aforesaid two processes. How these four steps evolve is now illustrated in detail, below.

### **Step 1: Initial model: discovering non-linear three-stage negotiation process (etic)**

Based on tables 4.7, 5.6, 6.6 and 7.6 in the summary section of each of the case findings, table 8.2 synthesises the *negotiation dynamics*, which were triggered by the Chinese negotiation style (etic) in the three-stage negotiation process across the four cases.

The findings suggest that the negotiation dynamics appeared at each stage of the joint venture negotiation process across the four cases, and this can be attributed to five major Chinese negotiation styles (etic) in terms of indirect information disclosure, indirect conflict management, top-down decision making, flexible time management and holistic approach.

Although it appeared that the five major Chinese negotiation styles did not equally influence the dynamics of the negotiation process at each stage across the four cases, as can be seen in table 8.2, it painted a picture of how each of these five Chinese negotiation styles might trigger which kind of dynamics. Based on the cross-case analysis, the major findings of negotiation dynamics of this study can be illustrated, as below.

This study reveals that the dynamics of Sino-Western joint venture negotiation can be identified as the *negotiation dynamics* by etic perspective. Specifically, negotiation

dynamics consists of *negotiation dynamics within stage* and *negotiation dynamics between stages*. The latter can be further divided as *negotiation stages overlap*, *negotiation stages circular*, and *negotiation stage skip*.

To be more detailed, the particular Chinese negotiation style which triggers each type of negotiation dynamics is illustrated in table 8.2: Chinese Indirect information disclosure; Indirect conflict management; Top down decision making; Flexible time management; and, Spiral negotiation are the sources of Negotiation dynamics within stage. Furthermore, flexible time management and holistic approach are the causes of negotiation stages overlap; Indirect conflict management and holistic approach are the triggers of negotiation stages circular. Holistic approach is the trigger of negotiation stage skip.

Table 8.2: Synthesis of Chinese negotiation style (etic) and negotiation dynamics across four cases

Chinese negotiation style (derived from etic perspective: high-context communication)	Negotiation dynamics			
	Negotiation dynamics within stage	Negotiation dynamics between stages		
		Negotiation stages overlap	Negotiation stages circular	Negotiation stage skip
Indirect information disclosure	Roma S2 * Sunni S2 Losea S2 Flobu S2			
Indirect conflict management	Roma S3 Sunni S2 Losea S3 FlobuS3		RomaS 2,3; S1,3	
Top down decision making	Roma S1,2,3 Sunni S1,2,3 Losea S1,2,3 Flobu S1,2,3			
Flexible time management	Sunni S2	Roma S2,3 Sunni S2,3 Flobu S2,3		
Holistic approach	Sunni S3 Flobu S3	Roma S3 & Post-nego Sunni S1,2 Flobu S2,3	Losea S1,2 Flobu S2,3	Sunni S2 to Post- negotiation stage

Source: Author \*Note: S = Stage

To give a full picture, negotiation dynamics in the three-stage negotiation process is illustrated in figure 8.1, which suggests that negotiation dynamics could be modelled as a process, and this process is not linear or sequential, hence, it is called *a non-linear three-stage negotiation process*.

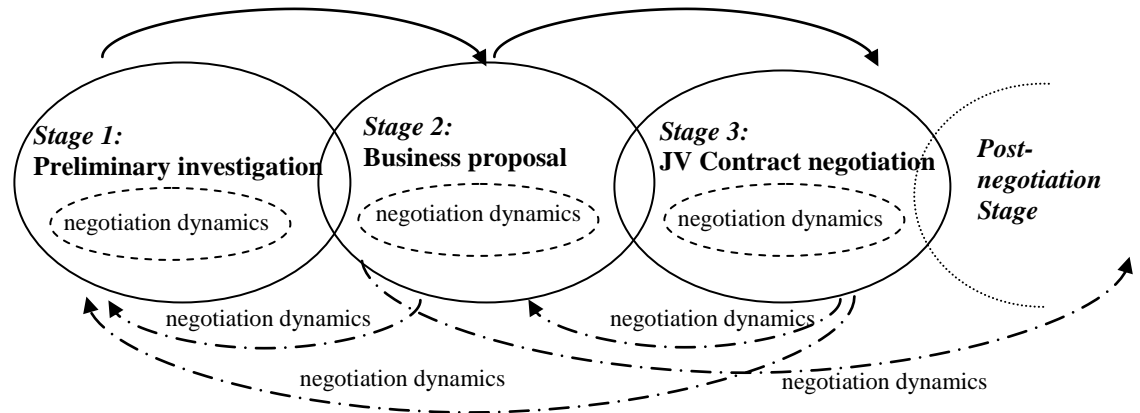


Figure 8.1: Negotiation dynamics in three-stage negotiation process across four cases

Source: Author

Note: ⚡ Guanxi might break down at any stage of negotiation, but it can be repaired

**Step 2: Developing model: discovering an embedded two-level guanxi process (emic)**

Based on Table 4.9, 5.8, 6.8 and 7.8 in the summary section of each of the case findings, Table 8.3 synthesises the *guanxi dynamics*, which were triggered by the Chinese negotiation style (emic) at the two-level guanxi development process across the four cases.

The findings suggested that the guanxi dynamics appeared at each stage of the joint venture negotiation process across the four cases, and this can be attributed to the two main Chinese negotiation styles (emic) in terms of guanxi with the local partner and guanxi with the government.

Although it appeared that the two main Chinese negotiation styles (emic) did not equally influence the dynamics of negotiation process at each stage across the four cases, as can be seen in table 8.3, it drew a picture of how each of these two Chinese negotiation styles might trigger which kind of guanxi dynamics. Based on the cross-case analysis, the major findings of guanxi dynamics of this study are illustrated below.

This study reveals that the dynamics of Sino-Western joint venture negotiation can be identified as *guanxi dynamics* by emic perspective. Specifically, guanxi dynamics can be categorised in terms of *guanxi dynamics level* (guanxi at the corporate and government level) and *guanxi dynamics within level* and *guanxi dynamics between levels*.

To be more detailed, the Chinese negotiation style which triggers a particular type of dynamics is explained in table 8.3: *guanxi dynamics within level* which consists of guanxi with the local partner and guanxi with the government. Guanxi with the local partner is the source of guanxi at the corporate level, where five types of guanxi exist (guanxi building, guanxi established, guanxi maintenance, guanxi breakdown and guanxi repair). While, guanxi with the government is the trigger of guanxi at the government level, where three types of guanxi exist (guanxi building, guanxi established, guanxi maintenance). *Guanxi dynamics between levels* is realised through guanxi transfer from the personal to corporate level.

Table 8.3: Synthesis of Chinese negotiation style (emic) and guanxi dynamics across four cases

Chinese negotiation style (derived from emic perspective: guanxi)	guanxi dynamics		
	Guanxi dynamics levels	Guanxi dynamics within level	Guanxi dynamics across levels
Guanxi with local partner	Guanxi at corporate level	1. guanxi building 2. guanxi established 3. guanxi maintenance 4. guanxi breakdown 5. guanxi repair	Guanxi transfer from personal to corporate level
Guanxi with local government	Guanxi at government level	1. guanxi building 2. guanxi established 3. guanxi maintenance	N/A

Source: Author

To have a visual display, guanxi dynamics at the two-level guanxi development process is illustrated in figure 8.2, which suggests that guanxi dynamics could be modelled as a process, and this guanxi development process consisted of two levels at the corporate level and government level, hence, it is called a *two-level guanxi development process*.

This model can be used separately to help understand the *guanxi dynamics* of the joint venture negotiation process in the Chinese business context.

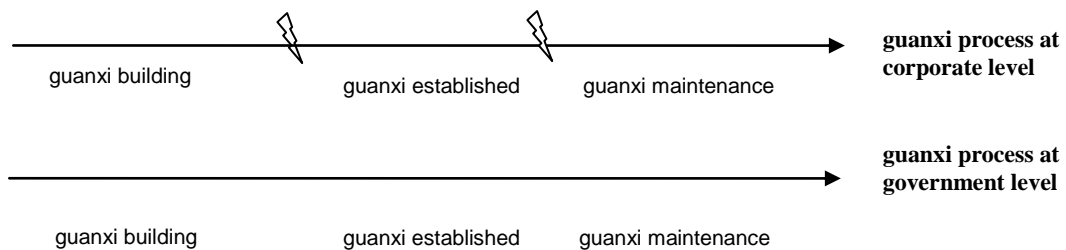


Figure 8.2: Guanxi dynamics in two-level guanxi development process across four cases

Source: Author

Note: ⚡ Guanxi might break down at any stage of negotiation, but it can be repaired

### **Step 3: Developing model: discovering relationship between negotiation process and guanxi process (etic & emic)**

It was manifested that *guanxi dynamics within level* (*guanxi dynamics at corporate level, guanxi dynamics at government level*) and *guanxi dynamics across levels* had positive impact on the negotiation process.

To be specific, *at corporate level*, it appeared that guanxi established between both parties before the negotiation, guanxi established at the beginning of the negotiation and guanxi maintenance during the negotiation process enabled the negotiation to progress more smoothly. However, when negotiation terminated, guanxi broke down, but it can be repaired through the efforts of both parties.

Meanwhile, *at the government level*, it indicated that guanxi established with the government before the negotiation and guanxi building with the government during the negotiation made the negotiation process smooth (e.g. partner selection, document approval). While guanxi maintenance during the negotiation and some events (e.g. decisive meetings of joint venture negotiation, signing ceremony of joint venture contract) was expected to be positive to future joint ventures.)

In addition, although not the focus of this study, it suggested that *guanxi dynamics across levels* (*guanxi transfer from the personal level to corporate level*) facilitated communication and enhanced trust between both parties throughout the entire negotiations process.

The above summary across the four cases suggests a vertical relationship between the negotiation process and guanxi process, that is, at both corporate and government levels, the guanxi and negotiation processes intertwined, they interacted with each other, and negotiation processes evolved through these interactions. Specifically, when guanxi was good between both parties and with the local government the negotiation process

developed smoothly. However, when the negotiation terminated, guanxi was broke down, but it can be repaired through the efforts of both parties.

To elaborate further, this vertical relationship between the two processes led to a horizontal relationship between the two processes; that is, the two processes developed in parallel, because they usually took place, at least partly, simultaneously.

In sum, the relationship between the two processes is that the guanxi development process was embedded within the negotiation evolution process, and the two processes were intertwined vertically, and developed in parallel, horizontally.

#### **Step 4: Completing model: combining the negotiation and guanxi processes (etic & emic)**

Figure 8.1 developed the *negotiation dynamics model* (a non-linear three-stage negotiation process (etic)). However, data also suggested that a sub-process (a two-level guanxi development process (emic)) existed (see Figure 8.2 *guanxi dynamics model* (emic)). Moreover, these two processes interacted with each other actively. Hence, it would be incomplete to neglect this important observation when developing the dynamics model.

Based on the discussion above, a better presentation for the dynamics model of a generic dynamics model of Sino-Western joint venture negotiation is to combine the two processes (i.e. negotiation evolution process and guanxi development process) (etic & emic) and to see how they interact with each other. This further developed model is illustrated in figure 8.3.

Figure 8.3 suggests that the dynamics of Sino-Western joint venture negotiation processes can be modelled as a process, which consists of a non-linear three-stage negotiation process and a two-level guanxi development process, the latter is embedded



within the former, and the two processes are intertwined vertically, and develop in parallel, horizontally.

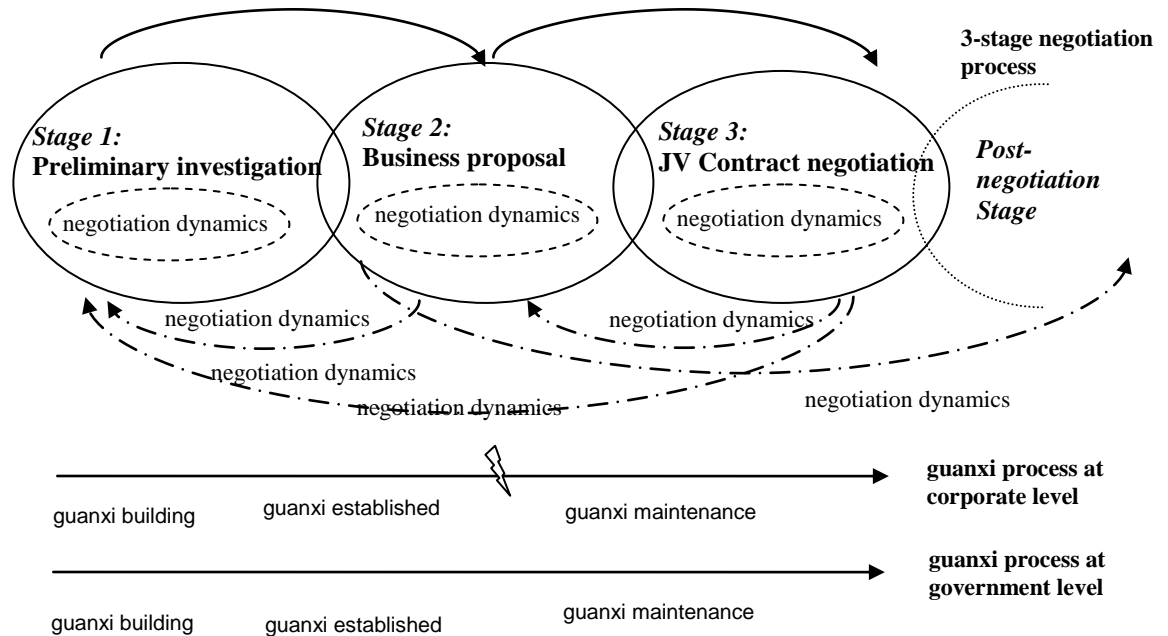


Figure 8.3: Generic dynamics model of Sino-Western joint venture negotiation process across four cases

Source: Author

Note: ⚡ Guanxi might break down at any stage of negotiation, but it can be repaired

## 8.4 Summary

This chapter presented the main findings based on cross-case analysis. It reveals that the dynamics of Sino-Western joint venture negotiation can be identified as the *negotiation dynamics* by etic perspective. Specifically, negotiation dynamics consists of *negotiation dynamics within stage* and *negotiation dynamics between stages*. The latter can be further divided as *negotiation stages overlap*, *negotiation stages circular*, and

*negotiation stage skip*. The Chinese negotiation style (etic) triggering each type of negotiation dynamics is illustrated in table 8.2.

Meanwhile, this study also suggested that the dynamics of Sino-Western joint venture negotiation can be identified as *guanxi dynamics* by emic perspective. Specifically, *guanxi dynamics* can be categorised in terms of *guanxi dynamics level* (*guanxi* at corporate level and government level) and *guanxi dynamics within level* and *guanxi dynamics between levels*. The type of Chinese negotiation style (emic) which triggers each type of dynamics can be explained in table 8.3.

Finally, this chapter developed a generic dynamics model of Sino-Western joint venture negotiation in a systematic fashion (figure 8.3).

Having presented the findings from cross-case analysis in this chapter, the following chapter presents the discussions based on the comparison between the findings in this chapter and the literature review.

## **Chapter 9 Discussion**

### **9.1 Introduction**

This chapter discusses the findings with reference to the existing literature. It begins with the restatement of the problem. Then, it further discusses how the results affect existing knowledge of the subject in detail. Finally, it ends with a summary of the main aspects of this chapter.

### **9.2 Restatement of the problem**

There are contradictions in international business negotiation literature, that is, the contrast of the dynamic nature of the negotiation process and the mainly static nature of the negotiation research.

Also there are gaps in the negotiation literature, that is, the literature offers a number of different perspectives on the processes of international / intercultural business negotiation, and concludes mainly how culture influences some aspects of negotiation process. However, none of these studies empirically investigates *the cultural effects on the negotiation process itself (i.e. the evolvement of negation process)*. As a result, there is a lack of research specifically oriented towards *modelling the evolvement of the negotiation process* in the negotiation and culture research. This is the main objective of the research described here.

In addition, negotiation scholars have linked negotiation to culture, and in this research stream, the majority of studies focus on how culture influences negotiation style. Consequently, there has been relatively little empirical research on how negotiation style impacts on the evolvement of negotiation process. This informs how this study could be conducted (i.e. by investigating the evolvement of the negotiation process through the lens of negotiation style).

The designed research questions are represented below to serve as a reminder of what has been examined previously.

Q1: How does Chinese negotiation style influence the evolvement of Sino-Western joint venture negotiation process?

Q2: How can the evolvement of Sino-Western joint venture negotiation process be modelled as a process?

The identification of the dynamics constructs and the development of the dynamics model in this study (figure 8.3) expands the range of phenomena in international joint venture negotiation study in China. Each of the improvements is discussed in the following sections in turn.

### **9.3 Dynamics of Sino-Western joint venture negotiation process**

This study suggests that the dynamics of Sino-Western joint venture negotiation can be triggered by the Chinese negotiation style, which is shaped by a combined etic (high-context communication) and emic (guanxi) perspective. Moreover, the dynamics of negotiation processes can be identified as *negotiation dynamics* (etic) and *guanxi dynamics* (emic) respectively. These two kinds of dynamics are now discussed in the following sections separately with the reference to the extant literature in order to have a clear structure.

#### **9.3.1 Negotiation dynamics**

This section discusses *negotiation dynamics* (etic), focusing on identification and triggers of *negotiation dynamics* in a three-stage negotiation process.

### **Major findings of the study**

This study reveals that the dynamics of Sino-Western joint venture negotiation can be identified as the *negotiation dynamics* by etic perspective. Specifically, negotiation dynamics consists of *negotiation dynamics within stage* and *negotiation dynamics between stages*. The latter can be further divided as *negotiation stages overlap*, *negotiation stages circular*, and *negotiation stage skip*.

To be more detailed, what Chinese negotiation style triggers which type of negotiation dynamics can be illustrated as follows (also see table 8.2): Chinese indirect information disclosure, indirect conflict management, top down decision making, flexible time management and spiral negotiation are the sources of negotiation dynamics within stage. Additionally, flexible time management is the cause of negotiation stages overlap; spiral negotiation and indirect conflict management are the triggers of negotiation stages circular. A Holistic approach is the trigger of negotiation stage skip.

### **Relationship between the findings and the literature**

The existing research has shown, fragmentally, the negotiation dynamics at each stage of negotiation (termed *negotiation dynamics within stage in this study*), which are triggered by the internal and external factors of the negotiation such as negotiation strategy and static (eg. Olekalns and Weingart, 2008; Fang, 2006; Das and Kumar, 2011; Adair and Brett, 2005), negotiation style (emic only) (Ghauri and Fang, 2003), decision-making (e.g. Faure, 2000; Perks and Sanderson, 2000), relational self (Gelfand et al., 2006), culture and communication (e.g. Kumar, 1999; Ghauri and Fang, 2006), institution (Kumar and Worm, 2004).

Comparing with the dynamics within negotiation stage, the *dynamics between negotiation stages* is even less studied in the negotiation area; for example, negotiation stages overlap each other and negotiation swings back and forth across stages (termed *negotiation dynamics between stages in this study*) x can be calculated, briefly, from only some research (e.g. Faure, 2000; Ghauri and Fang, 2006; Neidel, 2010).

These studies have acknowledged the dynamics of Chinese negotiation; however, they did not systematically investigate it. To be specific, these researches did not specify how a single negotiation factor triggers the dynamics of the *negotiation process itself*, and what the constructs of these dynamics are. This can be attributed to the fact that these studies were not based on a process view and they did not focus on the *negotiation process itself*. This study addresses these issues by taking the Chinese negotiation style as an example (Q1) for research alike.

By studying and identifying the negotiation dynamics, this study illustrates how the Chinese negotiation style triggered the dynamics of the negotiation process itself, in other words, it links the Chinese negotiation style with the joint venture negotiation process itself (Chinese negotiation style → joint venture negotiation process). To reiterate, the Chinese negotiation style used for this study is emerged from the literature which is shaped by the Chinese cultural trait in term of communication.

In this sense, this study participates Tung's (1982) call for extending the link between negotiation and culture and moving on from how culture impacts on negotiation style (culture → negotiation style) to how negotiation style impacts on negotiation process (negotiation style → negotiation process).

### **Theoretical importance of the findings**

The *dynamics of the negotiation process itself* is a neglected area in negotiation research, identifying the *negotiation dynamics* in a systematic way and understanding *what triggers it* is the first step in developing a dynamics model in this study. This section has discussed the dynamics of negotiation process itself based on an etic perspective; the next section discusses the dynamics of negotiation process itself based on an emic perspective.

### 9.3.2 Guanxi dynamics

This section discusses *guanxi dynamics* (emic), focusing on identification and triggers of *guanxi dynamics* of a two-level guanxi development process.

#### **Major findings of the study**

This study reveals that the dynamics of Sino-Western joint venture negotiation can be identified as *guanxi dynamics* from an emic perspective. Specifically, guanxi dynamics can be categorised in terms of guanxi level (guanxi at the corporate and government level) and guanxi dynamics within level, guanxi dynamics between levels.

To be more detailed, what Chinese negotiation style triggers which type of dynamics can be explained as (also see tables 8.3): guanxi with the local partner is the source of guanxi at the corporate level, where five types of guanxi (guanxi established, guanxi building, guanxi maintenance, guanxi breakdown and guanxi repair) and guanxi transfer exist. While, guanxi with the government is the trigger of guanxi at the government level, where three types of guanxi exist (guanxi established, guanxi building, guanxi maintenance).

#### **Relationship between the findings and the literature**

Guanxi is a predominant cultural characteristic associated with inter-personal relationships in China (Luo et al., 2002). However, the experiences of the four companies in this study indicate that this cultural characteristic is extended into relationships between the business partners (corporate level) and with the Chinese local / central government (government level) because negotiation is an organisational behaviour (termed *guanxi dynamics level* in this study), and the Chinese government is the authority for approval of joint venture establishment.

The findings are consistent with the studies by Faure (1999, 2000), Li and Labig (2001), Fang (2006) and Ghauri and Fang (2006), who reveal guanxi at the corporate and

government levels in the process of different types of negotiation in China, based on interview.

Similarly, these two levels are also found in other business contexts. For example, Buckley et al. (2006) reveal that guanxi is extended to the corporate and government levels in the process of knowledge transfer to China. A more recent study by Guo and Miller (2010) shows these two levels in entrepreneurial firm creation and development in China.

Likewise, Zhang and Zhang (2006), Fu et al. (2006), Bassayannis and Cronin (2009), Chen et al. (2004) discover guanxi at the corporate level.

However, these studies do not offer information about the *guanxi development process itself* at these two levels, which is what this study discovers. This might be attributed to the fact that these studies did not view guanxi as a dynamic process.

This study also reveals *guanxi dynamics within level* through five types of guanxi activities at the corporate level (i.e. guanxi established, guanxi building, guanxi maintenance, guanxi breakdown, guanxi repair) and two types of guanxi at the government level (i.e. guanxi established, guanxi maintenance). Hence, this study presents all types of guanxi in one place through a process view, and provides a holistic picture of guanxi dynamics.

Indeed, among the five types of guanxi, guanxi established, guanxi building and guanxi maintenance with the local partner and local / central government are mostly discussed in the literature across different contexts, which prove to play a significant role in the Chinese society and business field (e.g. Tung, 1998; Faure, 1999, 2000; Li and Labig, 2001; Fang, 2006; Ghauri and Fang, 2006; Buckley et al., 2006; Guo and Miller, 2010).



Compared with the aforesaid three types of guanxi dynamics constructs, guanxi breakdown and guanxi repair are less studied in the literature. Faure (2000) briefly mentions how to remove deadlocks in joint venture negotiations in China by suggesting that using a mediator is one of the most effective ways to overcome them, and local authorities often play this role of informal mediator willingly. A recent study by Buckley et al. (2006) explores how guanxi can be repaired in the knowledge transfer to China by “shared mindsets” between the companies and support from the parent companies to turn bad guanxi into good guanxi.

These studies shed light on various guanxi types; however, guanxi constructs are fragmented in different studies and across different contexts. Based on a process view, this study enables different types of guanxi to be presented in one place, which provides a holistic picture of guanxi in negotiations in China.

This study also indicates *guanxi dynamics between levels* in terms of *guanxi transfer* from the personal to organisational level. Indeed, recent study started to pay attention to guanxi transfer although with inconsistent findings. For example, based on theoretical study, Zhang and Zhang (2006) indicate that guanxi can be transferred from the individual level to corporate level, although both Fan (2002a, 2002b) and Yeung and Tung (1996) propose that guanxi cannot be transferred into an organisation. In a similarly, employed case study, Buckley et al. (2006) reveal how guanxi was transferred from the individual to corporate and government level. Hence, this study supports Zhang and Zhang (2006) with empirical evidence by suggesting that guanxi transfer across levels can be a mechanism to build, maintain and repair guanxi at the corporate level in joint venture negotiation in China.

### **Theoretical importance of the findings**

This study empirically supports the argument that the influence of guanxi will continue to be an important factor in Chinese society for a long time in the future (Zhang and Zhang, 2006, Guo and Miller, 2010; Peng, 2003; Vanhonacker, 2004), although other

investigators claim that the importance of guanxi in the business field is declining (Fan, 2002a, 2002b; Guthries, 1998). Therefore, studying guanxi dynamics has significant theoretical and empirical implications.

However, guanxi dynamics, based on a process view, is a neglected area in negotiation research derived from the etic perspective, and this is an area which is not systematically investigated by the emic perspective either. Hence, identifying guanxi dynamics constructs and understanding how guanxi dynamics occur in a process view is another building block of the dynamics model developed in this study.

#### **9.4 Dynamics model of evolvement of Sino-Western joint venture negotiation process**

Having discussed the dynamics construct and triggers of it (Q1), this section moves on to discuss the dynamics model of the Sino-Western joint venture negotiation process (Q2) in detail.

##### **Major findings of the study**

This study reveals that the dynamics of joint venture negotiation can be modelled as a process through two processes, namely a non-linear three-stage negotiation process (preliminary investigation stage, business proposal stage, contract negotiation stage) and an embedded two-level guanxi development process (corporate level, government level). These two processes are intertwined vertically, and developed in parallel, horizontally.

The dynamics model is illustrated in figure 8.3, which visualises the phenomenon of the co-evolution of the negotiation evolvement process and guanxi development process in the Chinese business context.

The following discusses the dynamics model in detail.

## **Relationship between the findings and the literature**

### ***a. Dynamics model - incorporation of two processes***

#### *Process theory*

This study develops process theory. This approach is similar with that from Langley (1994), who suggests that process research needs to look at not only different processes from diverse perspectives but also interaction between processes in order to reflect the complex nature of the process. This was evident in Langley's (1994) case study on technology adoption processes in smaller manufacturing firms which was, indeed, formed by a set of three parallel, partially nested, and interlocking processes.

#### *Cross-disciplinary study*

From a cross-disciplinary view, this study examines the guanxi development process in the joint venture negotiation involvement process, hence, the incorporation of guanxi into negotiation study is in line with the call from Luo (2007) who suggests that "further development of a mid-range theory of guanxi in a cross disciplinary, integrated manner is needed" (Luo, 2007, p.33) and reflects the linkage between the power of guanxi and organisational performance (Luo, 2007) such as inter-organisational negotiation in this study.

#### *Two exchange mechanisms co-exist*

It should be further noted that incorporating the two types of processes suggests that the integration of market-based exchange and guanxi-based exchange mechanisms exists in the Chinese business context (e.g. Standifird and Marshall, 2000; Guan, 2011).

### ***b. Intercultural business negotiation literature - negotiation stage model in China:***

***Chinese joint venture framework:*** As discussed earlier, in this study, the joint venture negotiation stages are based on Faure's (2000) joint venture stage framework of Sino-Western joint venture negotiation in China. Stage 1: Preliminary Investigation, Stage 2: Business Proposal, Stage 3: Contract Negotiation (termed three-stage negotiation model

in this study). Faure's framework implies that (1) Negotiation stage moves forward by its very nature, specifically, the negotiation stage moves forward in a sequential order from stage 1 towards stage 3 (termed sequential stage model in this study). (2) When one stage is finished, negotiation moves on to the next stage (termed clear-cut negotiation stages in this study).

However, Faure's joint venture stage framework only partially reflects the dynamics of negotiation; that is, that the negotiation stage moves forward from stage 1 towards stage 3 by its very nature (sequential stage model). Although Faure realises the dynamic nature of the negotiation, negotiation dynamics can only be calculated in a fragmented way, and these dynamics are not displayed in his joint venture stage framework (e.g. Faure discovered that at the joint venture agreement implementation stage, the Chinese re-opened issues and re-negotiated issues, thus indicating that negotiation went back to an earlier stage from a stage perspective).

In addition, Faure (2000) discusses the importance of *guanxi* and its impact on negotiating joint venture in China; however, he does not offer information on the *guanxi* development process and its relationship with the negotiation process.

***Chinese non-joint venture framework:*** In other Chinese business negotiation contexts, some scholars have proposed sequential negotiation stage models, such as Ghauri and Fang's (2003) "Ping-Pong" model; Pye's two-stage model (1982) - opening moves and negotiation sessions. Similarly as in Faure's framework, the back and forth characteristics of Chinese negotiation has been acknowledged in these studies, but not been investigated systematically. In addition, the *guanxi* development process is missing in these studies.

Hence, Faure's (2000) joint venture framework and stage framework in other business negotiation contexts in China are challenged in terms of the sequential, clear-cut nature of stages and missing *guanxi* development process.

***c. Intercultural business negotiation literature - negotiation stage model in the West:***

In an international business context, the stages in the international negotiation process are described in different ways by different authors (e.g. Graham et al. 1994; Ghauri, 2003; Adair and Brett, 2005; Perks and Sanderson, 2000). At least three stages are traditionally identified, including: (1). Pre-negotiation; (2). Face-to-face negotiation; (3). Reach agreement. Some scholars also include (4) Post-stage negotiation as a fourth stage (these stage models are termed *traditional stage models* in this study). The stages of traditional stage models are sequential and clear-cut in nature.

However, similar with Faure's (2000) framework, the traditional stage model only partially reflects the dynamics of negotiation, that is, the negotiation stage moves forward from stage 1 towards stage 3 or stage 4 by its very nature (sequential stage model). Although some scholars realise the dynamic nature of the negotiation (e.g. Ghauri, 2003; Adair and Brett, 2005), the negotiation dynamics can only be calculated in a fragmented way, and these dynamics are not displayed in the traditional stage model.

Moreover, the traditional stage model developed in the West is based on the etic perspective only, which is essentially task-oriented and values the efficiency of problem-solving at negotiation (Li and Labig, 2001). However, it fails to address the nature of relationship-oriented negotiations in China (Li and Labig, 2001); consequently the *guanxi* development process is missing in the traditional stage model.

Hence, the traditional stage model developed in the West is challenged in terms of sequential process, clear-cut stages, and lack of *guanxi* concern; therefore, it can be argued that the traditional negotiation stage model developed in the West is not universally beneficial to the Chinese negotiation practice.

#### ***d. Guanxi literature - guanxi development process***

As discussed earlier, from the emic perspective, this study reveals the two-level guanxi development process at the corporate and government level.

Indeed, Li and Labig (2001) studied Asian negotiations and suggest that a relationship (guanxi) exists prior to and during the entire negotiation process. However, their study focused on guanxi factors rather than the *guanxi development process itself*, as this study does.

In fact, although not in the negotiation field, as can be seen in the literature chapter, some researchers have observed and developed guanxi development process models; for example, Buttery and Wong (1999) developed a four-stage guanxi model in the marketing field based on theoretical study; Chen and Chen (2004) generated a guanxi development process model at a personal level based on theoretical study; Guo and Miller (2010) developed a Guanxi network development model during entrepreneurial firm creation and development in China; and Fu et al. (2006) developed a guanxi dynamic model of firm growth and guanxi relationships in knowledge management and decision making in Chinese high-tech firms.

Hence, from a cross disciplinary point of view, this study supports the rational of previous guanxi development process models in other business contexts, and it furthers previous research on guanxi in terms of the guanxi development process embedded in the negotiation evolution process.

#### **Theoretical importance of the findings**

The developed dynamics model in this study (figure 8.3) provides a more comprehensive and efficient framework to study negotiation in China, which reflects the realistic and holistic picture of negotiation practice in China and for research alike. Specifically, the developed dynamics model improves our understanding of complex, paradoxical and dynamic negotiation practices in China, hence, it helps us theoretically

better understand negotiation practice between high-context communication and low-context communication, such as intercultural negotiation in East Asia, where guanxi (in East Asia) or long-term relationship (in other areas) is expected prior to and during the negotiation.

In addition, the developed dynamics model assists academics recognise the need for a more comprehensive and efficient framework for studying negotiation processes in China specifically, and in high-context communication countries in general.

## **9.5 Summary**

This chapter discusses the empirical findings in the context of specific extant literature. The comparison of findings and extant literature can be summaries in table 9.1 below.

Table 9.1: Summary of comparison of the findings and literature

Main findings	Relevant previous literature	How finding challenges that previous literature
<b>Q1: Identify dynamics of negotiation process itself (negotiation dynamics, guanxi dynamics)</b>		
1.1 negotiation dynamics: a. within stage dynamics; b. between stage dynamics	<ul style="list-style-type: none"> <li>• Negotiation is dynamic process, but little knowledge of how negotiation dynamics occur in a process view.</li> <li>• Lack of specific constructs of negotiation dynamics.</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiation dynamics are triggered by Chinese negotiation style, specify what Chinese negotiation style cause which negotiation dynamics.</li> <li>• Identify specific constructs of negotiation dynamics.</li> </ul>
1.2 guanxi dynamics at corporate and government levels: a. guanxi building b. guanxi established c. guanxi maintenance d. guanxi breakdown e. guanxi repair	<ul style="list-style-type: none"> <li>• Constructs of guanxi are fragmented, examined from various contents</li> </ul>	<ul style="list-style-type: none"> <li>• Identify constructs of guanxi dynamics by looking at guanxi evolved over time, offering holistic picture of guanxi dynamics.</li> </ul>
<b>Q2: Develop dynamics model of negotiation process itself (two processes: negotiation, guanxi)</b>		
Evolvement of negotiation process can be modeled as a process by combing a non-linear 3-stage negotiation process and embedded 2-level guanxi development process.	<ul style="list-style-type: none"> <li>• Negotiation framework mainly derived from the West, and based on problem-solving, lack of guanxi concern. While, guanxi study at negotiation process mainly by emic perspective only.</li> <li>• Sino-Western joint venture negotiation stage model is sequential, and stages are clear-cut in nature.</li> <li>• Guanxi development process model in other contexts, mainly at personal level.</li> </ul>	<ul style="list-style-type: none"> <li>• Discover the existence of guanxi sub-process, and incorporate it into negotiation dynamics model, and explore relation between these two processes.</li> <li>• Sino-Western joint venture negotiation 3-stage dynamics model is non-linear, and stages are not clear-cut and how.</li> <li>• Guanxi development process model is corporate and government levels in negotiation, and how.</li> </ul>

Source: Author



## Chapter 10 – Conclusions

### 10.1 Introduction

Based on the discussion in the last chapter, this chapter presents the conclusions of this study, which consists of four parts, namely theoretical contributions, implications for practice, limitations of this study, and suggestions for future research.

### 10.2 Contribution

This section presents the contribution of this study. Previous empirical negotiation studies in China are based on different theoretical perspective(s), employing an either etic or emic perspective to produce, mainly, variance theory; moreover, dynamics of the negotiation process itself is a neglected area in negotiation research. Based on an integrative theoretical framework, process study and a combined etic and emic perspective and process view, this study provides theoretical contributions as illustrated below.

First, this study advances international business negotiation theory by *identifying constructs of the dynamics of the negotiation process itself (dynamics constructs)* namely negotiation dynamics (etic) and guanxi dynamics (emic) through *specifying how the Chinese negotiation style triggers dynamics of the negotiation process itself* in Sino-Western joint venture negotiation in China. What kind of Chinese negotiation style triggers which type of dynamics is summarised in table 8.2 and table 8.3. Hence, this study reflects unique negotiation phenomena in China as well as informing Western literature, which is the building block of the dynamics model developed in this study.

Second, this study extends the international business negotiation theory by *providing a more comprehensive and efficient framework - dynamics model* (see figure 8.3) to study the evolvement of the negotiation process in China by looking at the dynamics of joint

venture negotiation. Specifically, the dynamics model introduces a conception which realises the existence of a guanxi development process (emic) embedded in the joint venture negotiation evolution process (etic). Moreover, it explores the interaction between the aforesaid two processes in terms of them being in parallel and intertwined, which further reflects the complex nature of the negotiation process. Furthermore, it discovers the non-linear nature of the joint venture negotiation process, which is in contrast to the linear and sequential nature claimed in the literature (see further discussion below). Therefore, these improvements make the negotiation process even more dynamic, hence, empirically providing a realistic and holistic picture of negotiation evolution process via negotiation dynamics in China.

Third, this study extends the international business negotiation theory by *discovering the non-linear nature of processes in Sino-Western joint venture negotiation in China*, as shown in the dynamics model. Specifically, the dynamics model advances a sequential Sino-Western joint venture negotiation framework (Faure, 2000) by adding dynamics within the negotiation stage and dynamics between negotiation stages (negotiation stages overlap and negotiation stages circular).

### **10.3 Implications for practice**

#### **10.3.1 Introduction**

This section presents the implications for practice of this study. As discussed earlier, there is paradox in the literature, that is, that the negotiation process is dynamic is commonly recognised, however, most negotiation researches are static in nature. This causes a dilemma for negotiation practice: which one should practitioners follow? This study is empirically based with a reasonable comprehensive integrative framework, it provides new insights into the dynamics of joint venture negotiation process itself in China, hence it has significant implications for improvement of practice.

Based on the foregoing discussion, implications for practice can be drawn for three points: implications for practice in general, specific advice for practitioners for both Westerners and Chinese, and implications for practice in other contexts, which is the speculations in a broader sense.

### **10.3.2 Implications for practice in general**

Understanding the dynamics model, what are the dynamics of negotiation and how these dynamics are triggered by the Chinese negotiation style (etic and emic) can increase our understanding of how negotiators can intervene in and redirect negotiations to a more productive process, hence delivering good economic outcomes (Olekalns and Weingart, 2008) and relational outcomes (Li and Labig, 2001) to both parties. The following offers specific advice on the implications for practice for both Chinese and Westerners.

### **10.3.3 Implications in specific**

#### **For Westerners and Chinese**

##### ***Understand dynamics model***

First, understanding the *dynamics model* is the prerequisite for using it effectively in practice. Specifically, the dynamics model should be treated dynamically as its name suggests: this comprehensive dynamics model views dynamics of negotiations as occurring within two processes namely the joint venture negotiation evolution process and guanxi development process, and these two processes should be treated as equally important in the negotiation process because they are embedded, intertwined and in parallel.

It is worth noting the commonalities and differences of the two processes, that is, the two processes are both communication processes in essence, but the former is

negotiation content focused, while the latter is relational centred, they work together to achieve an effective negotiation process. In addition, the nature of the joint venture negotiation involvement process is non-linear rather than sequential as suggested in literature; whereas, the guanxi development process here is extended from the traditional individual level to corporate and government level.

Second, the dynamics model provided here should assist negotiators / managers in identifying the potential sources of dynamics in terms of the Chinese negotiation style, the issues brought forth by them, and the nature of dynamics outcomes. The Chinese negotiation style is invisible on the visual display of the dynamics model (figure 8.3 8.4), however, as the building block of the model, it cannot be ignored. This brings us to the next section on the implications of dynamics constructs and their triggers.

This study reveals that different Chinese negotiation styles will bring distinct dynamics of negotiation, which will influence the negotiation process in terms of a dynamics loop. As Western negotiation styles are different from the Chinese styles, how to respond to Chinese dynamics of negotiation effectively for maximum joint gain is a major challenge for Westerners. The following offers advice to Westerners.

### **For Westerners**

#### ***Flexible negotiation behaviour***

Understanding *negotiation dynamics* and what kind of Chinese negotiation style triggers which type of negotiation dynamics (see table 8.2) has important implications for Western practitioners, that is flexible negotiation behaviour (in terms of understanding, acceptance, accommodation), as suggested by Roemer et al. (1999) that flexibility in negotiation behaviour may be advantageous, since certain behaviours, although not correlated with joint gain in one's own culture, may be advantageous in the counterpart's culture.

As discussed earlier, negotiation stage overlap is a positive dynamic, which is caused by the Chinese tendency towards flexible time management. Western negotiators might take this advantage to create value by accommodating it.

*Flexible time management:* The Chinese tend to deal with several negotiation issues simultaneously, which is an effective time management approach from their perspective, this is in contrast with Western sequential time management. Thus, Westerners might *accommodate* and learn from the Chinese for the purpose of time efficiency; consequently, it could lead to reduced transaction costs, hence bringing economic interest to bear. In fact, this approach appeared in the Roma, Sunni and Xantrex cases during the negotiation process, which proved effective for both parties.

By contrast, negotiation dynamics within negotiation stages and negotiation stages circular are negative dynamics, which is triggered by Chinese indirect information disclosure, indirect conflict management, top down decision making, and spiral negotiation. Westerners might *learn to understand, accept and/or accommodate it if possible* to reduce frustration that might be caused by this. The following offers specific advice for practice on the dynamics caused by different Chinese negotiation styles.

*Indirect information disclosure:*

The Chinese tend to give out information gradually rather than give a full picture in the first instance, which leads to roundabout negotiation on obtaining certain information, and slows down information exchange processes. This negative dynamic might cause frustration to the West side.

As indirect information disclosure is embedded in China, Westerners might need to learn to understand and accept it to reduce the frustration caused by this negative dynamic. Moreover, an effective way to address this issue is to establish *guanxi* with the Chinese partner and become from an outsider to an insider, to accelerate information flow and achieve the best possible outcome. This was manifested in Roma and Xantrex.

### *Indirect conflict management*

The Chinese are inclined to avoid direct confrontation and personal embarrassment (Neidel, 2010, p.3). When conflict occurs, the Chinese tend to involve an intermediary to resolve the problem, which is in contrast to the Western direct conflict management approach. This Chinese indirect approach to conflict resolution normally takes time.

As it is unlikely the Chinese will change this indirect approach, Westerners might need to learn to understand and accept it without criticism; in doing so, it might reduce the frustration caused by negative dynamics derived from this indirect approach.

### *Top down decision making*

Chinese top-down decision making indicates a relatively longer time for decision making processes in order to obtain approval from the related top management Chinese government, which is a source of negative dynamics.

For Westerners, taking a flexible negotiation approach by understanding and accepting it might reduce the frustration caused. Moreover, identifying real Chinese negotiators and talking with Chinese top management and or the Chinese government when appropriate might be an effective way to shorten the negotiation process, hence reducing the frustration caused by this negative dynamic derived from Chinese top-down decision making.

### *Holistic approach*

Because of their spiral approach, the Chinese tend to go back to re-open issues closed and re-negotiate them; this is a dysfunctional spiral for Westerners and time consuming to settle the issues again. In a worst situation, this might cause deadlock in the negotiation. Hence, this is a source of negative dynamics.

“How negotiators can overcome the dysfunctional spiral at negotiation is an issue of more than academic interest.” (Kumar, 1999, p.74). Here, understanding its roots, and acceptance might be a way for Westerners to overcome the frustration caused by this. Another positive way forward is to be patient. By doing so, one can expect that it could reduce frustration to the West side, hence creating a relaxing atmosphere for the negotiation, which is beneficial for both parties.

***Cultural adaptation: guanxi***

Equally important, awareness of *guanxi dynamics* and what kind of guanxi triggers which type of guanxi dynamics (see table 8.3) is crucial for joint venture negotiation success in China; one implication of this for Westerners is guanxi adaptation, and this has strategic importance for negotiating with the Chinese.

Building on earlier arguments, it is believed that guanxi adaptation can bring economic and relational outcomes to both parties through effectively crafting mutually beneficial solutions (Olekalns and Weingart, 2008). Guanxi adaptation, in essence, is about cultural adaptation in China. In this context, successful foreign companies commit adequate time and resources to understanding and tending local Chinese relationships for the long term (Neidel, 2010).

Actually, cultural intelligence (Ang and Tan, 2006; Yarmouth, 2004) or cultural competence for multinational managers has been highlighted. In the Chinese context, the importance of cultural adaptation has been recognised for some time (e.g. Kim, 1988). Standifird and Marshall (2000) suggest the transaction cost advantage of guanxi-based business practices, and Pearce and Robinson (2000) further suggest cultivating guanxi as a foreign investor strategy. The following offers detailed advice for practice to Westerners.

This study suggests that existing guanxi, guanxi building, guanxi maintenance and guanxi transfer at the corporate and government level are positive dynamics. Therefore,

Westerners can adapt *guanxi* and take advantage of it. Meanwhile, *guanxi* breakdown is a negative dynamic. Therefore, Westerners should try to avoid *guanxi* breakdown with the Chinese partner.

Specifically, *existing guanxi* is crucial, particularly prior to negotiation as this could shorten the time for partner selection from the Chinese side, because the Chinese do not like doing business with strangers. Thus, the foreign side should utilise existing *guanxi* as far as possible to establish a good starting point with the potential Chinese partner for accessing necessary information.

Unfortunately, not every company is lucky to have existing *guanxi* with the Chinese local partner / government, particularly the company starting or wishing to enter into the Chinese market and without any relationship in China prior to the negotiation. Here, *guanxi* building and *guanxi* maintenance play crucial roles.

*Guanxi building* is a prerequisite for negotiation in China; the essence of *guanxi* building is to remove suspicion that the Chinese side feels, and to establish trust and effective relationships with the Chinese side. In doing so, one can expect to become an insider on the Chinese side; thus completing partner selection and identification effectively; which, in turn, enables the move toward the next negotiation stage - the letter of intent - which is the first milestone of joint venture negotiation in China.

Once *guanxi* has been built, it needs to be maintained, and *guanxi maintenance* is supposed to take place throughout the entire negotiation process, because *guanxi* building does not guarantee the smoothness of negotiation. On the contrary, as the negotiation moves from one stage to the next, negotiators must re-evaluate their *guanxi* under changing contextual circumstances, and maintain it constantly through effective methods at different stages of each level.



However, *guanxi breakdown* might occur, because joint venture negotiations are seldom restricted to a single issue, nor is either side necessarily negotiating for the same goal, hence both parties might encounter serious problems and negotiation might be deadlocked, as a result *guanxi* might be broken down. Moreover, in the worst situation *guanxi breakdown* might result in failed negotiation, which is costly to the company.

It is important for the Western side to understand that *guanxi can be repaired* when breaking down. Thus, the Western side should NOT simply walk away, but make efforts to resolve the problem between parties, and remove the deadlock with the hope to start a new round of negotiation, or avoid failed negotiation, hence evading the occurrence of huge transaction costs.

Here a question arises: how to build, maintain and repair *guanxi*? The literature offers various ways to deal with *guanxi* issues. Building on earlier arguments it is believed, in this study, that *guanxi* transfer from the individual to corporate level plays a significant role in joint venture negotiation, because trust can be transmitted via *guanxi* with an intermediary (Graham and Lam, 2003) such as previous or current employees, friends or high ranking officials of both parties; thus, foreigners can be changed from outsiders to insiders. It is worth noting that an intermediary can step into the negotiation at any stage of the process, not simply at the non-task, sounding stage suggested by Graham and Lam (2003).

For example, it is suggested that it is effective for foreign investors to *build guanxi* with the Chinese local partner through an intermediary, and this is particularly important at the outset of negotiations, for example, as mentioned earlier, *guanxi* with the Chinese partner can help potential western partners to gain competitive advantage over competitors at the partner selection phase.

*Guanxi* transfer can also help *guanxi maintenance* through an intermediary such as arranging meetings between both parties, arranging visits to each other.

Moreover, *guanxi* transfer can help *repair guanxi*, for example, when facing conflict with the Chinese side, the foreign side might seek aid from an intermediary to facilitate resolution of difficulties and turn bad *guanxi* into good, because *guanxi* repair through an intermediary might reduce friction, or clear up misunderstandings and create an opportunity to re-build trust or save face for the Chinese partner through this indirect way, or to avoid failed negotiation.

### ***Patience***

Patience is discussed in a scattered way in the previous sections. “Patience is the most important qualification for successful negotiations with the Chinese.” (Ghauri and Fang, 2003, p430), hence it is worth a separate section to emphasise it as a holistic view.

As noted earlier, the dynamics model shows that negotiation processes in China are non-linear, back and forth negotiations are unavoidable because, except at negotiation stage overlap which is a positive dynamic, the others are all negative dynamics, which means it normally takes longer to negotiate with the Chinese than Westerners expect. Moreover, the *guanxi* development process is also involved at the corporate and government levels, and *guanxi* building, maintenance or repair all take time as well.

On the other hand, understanding and mastering the skills of how to respond to the dynamics of negotiation in China effectively can be a long learning process due to different negotiation styles between China and the West.

All these suggest that it is time consuming to negotiate with the Chinese in order to respond to Chinese negotiation behaviour effectively. One implication of this for Westerners is to be patient (e.g. Ghauri and Fang, 2003; Fang, 2006), and great patience is the key to negotiation success in China, “by being patient, tolerant, calm, persistent, and honest in dealing with the Chinese, you will eventually win the Chinese heart and

trust” (Fang, 2006, p57) which could lead to an effective negotiation process and achieve joint gains for both parties.

### **For the Chinese**

The majority of negotiation research offers implications for Westerners to aid their negotiation in China. This study takes this further and offers implications for both sides.

#### ***Dynamics models and triggers: positive and negative dynamics***

The dynamics model and its trigger has implications for practice for the Chinese. They might *continue to utilise positive dynamics* (i.e. negotiation stages overlap caused by Chinese flexible time management). It might be more effective to negotiate several issues simultaneously by discussing with the Westerners and reaching agreement with this approach in advance, after all, this is caused by a contrast of time management approach of both parties.

However, the Chinese should not take negative dynamics (i.e. negotiation dynamics within stage and negotiation stages circular) for granted, but should realise that the negative dynamics might cause frustration to the West, which could hinder the negotiation. For this reason, the Chinese might need to *try to limit or avoid the negative dynamics if possible* to reduce frustration on the other side, which could lead to a better atmosphere for the negotiation, hence facilitating the negotiation (Ghauri, 2003).

To achieve this, there is a need for the Chinese to *learn and understand* not only their own negotiation styles and the dynamics caused, but also Western negotiation styles and the dynamics caused, as Sun Tsu (1982) advises, “knowing yourself as well as the other side, you will never lose in battles” – this can be applied to both parties.

Moreover, the Chinese might need to *adapt their Western negotiation style* in certain ways. Indeed, a recent study indicates that the younger Chinese generation, who are

educated overseas and influenced by Western culture, employ similar negotiation styles to those from the West (e.g. Ma and Jaeger, 2005). However, there is no consistent conclusion on if and how the Chinese adapt Western negotiation styles, because much research remains focused on how Westerners do business and negotiate in China rather than the opposite - how Chinese do business and negotiate in the West. As thus, this suggests an agenda for future research.

### ***Market-based and guanxi-based exchange mechanisms***

The co-existence of market-based and guanxi-based exchange mechanisms also has implications for practice for the Chinese.

The Chinese might *continue a guanxi-based exchange mechanism* at negotiation, because it appears that Chinese institution is improved in certain ways under the Chinese transitional economy, and the Chinese economy is changing toward a more socialist market economy, however, guanxi will continue to be a crucial factor in Chinese society and business in the future (Zhang and Zhang, 2006; Luo, 2007).

However, only continuing a guanxi-based exchange mechanism does not fit the Chinese transitional economy; as shown on the dynamics model market-based exchange mechanisms co-exist with guanxi. Moreover, the demand for a market-based exchange mechanism is higher now for contemporary China due to globalisation and Chinese entry into the WTO, which indicates that there is a need for Chinese negotiations to change towards a more market-based exchange mechanism.

In addition, the Chinese need to *realise that not all Western companies will adapt to guanxi*, and the consequences this might cause, particularly to the Western company who is starting to enter or wishes to enter the Chinese market, but there are no existing contacts in China for them. This is a challenge to the Chinese.

A way to address these two challenges is to *shorten the distance between market-based and guanxi-based exchange mechanisms*. Specifically, the Chinese might *need to adopt a more legalistic approach* and view the signing of the contract as a signal of the end of the negotiation as the West does, and a change toward a more agreement-based business practice; in other words, a market-based exchange mechanism, which might smooth the negotiation process. As noted earlier, some Western companies have adapted guanxi in the Chinese negotiation, the Chinese might respond to this actively as well; in doing so, it might enhance the likelihood of a "win-win" outcome for both parties.

#### **10.3.4 Implications for practice in other contexts – speculations**

It is hypothetical that improved understanding of Sino-Western joint venture negotiation can create better understanding of business negotiations in other contexts; the following offers speculations for implications for practice in other contexts beyond this study.

##### **Intercultural negotiation in China**

Given the same business context in China, this study might have implications for general intercultural business negotiation in China (rather than Sino-Western joint venture negotiation in China).

However, it should be noted that general intercultural business negotiation is theoretically less complicated than that of joint venture negotiation (Luo, 1999), however, the *dynamic nature* might remain similar; for example, back and forth dynamic characteristics of negotiation and guanxi development in negotiation are expected to be discovered. Indeed, Li and Labig (2001) developed a relationship building framework for negotiation in Asia.

##### **Intercultural negotiation in Asia**

Similar to the above, given the comparable communication in Asia (i.e. high-context communication) (Hall, 1976) and guanxi or long-term relationship in Asia (Yeung and

Tung, 1996; Luo, 2007), as well as a similar institution environment in Asia (Buckley et al., 2006), this study might have implications for intercultural business negotiation in Asian countries, for example, Western negotiators from low-context communication countries negotiating in Asian countries.

## **10.4 Limitations of this study**

### **10.4.1 Introduction**

It is important to understand that every research contains errors; “no proposed research project is without limitations” (Marshall et al, 1999, p.42). Several limitations exist in this study in terms of methodology and cultural issues, which is discussed in the following sections.

### **10.4.2 Limitations of this study – methodology**

First, the nature of the study is exploratory, therefore, it is only possible to draw a limited conclusion. Generalisation only can be made by testing the dynamics model via survey in future research.

Second, The original research design was to gain access to the informants from both Chinese and Western sides for each case to reflect the dyadic nature of the negotiation. However, this study involves the use of several key informants from the Chinese or Western side only for two cases due to difficulty of access. (e.g. Sunniu Sino-British, no informants from the Chinese side; Flobucn Sino-Canadian, no informants from the Western side). This can pose a possible limitation in terms of the obtained data because potentially extreme subjective positions of individual interviewees are less likely to be balanced. However, this was partly neutralised by the validation of the documentation from participating companies. Future research might gain access to informants from both Chinese and Western sides to obtain a fuller picture of the data.

Third, the study examined successful Sino-Western joint ventures only – that is, the research sample did not include any failed international joint ventures. From a practitioner's perspective, a comparison of failed international joint ventures to successful ones could provide valuable guidelines (Lin and Germain, 1998).

Fourth, to elaborate further, this study employed interview and documentation as data collection methods, which obtained retrospective data. Future research might also employ observation in a real life setting of joint venture negotiation in order to gain first-hand information on the negotiation process based on the researcher's perspective. In addition, observation could capture the nonverbal communication such as body language to see if / how they influence the negotiation process.

#### **10.4.3 Limitations of this study – cultural and communication issues**

For **Chinese culture**, this study was based on the assumption that there is only national culture in China; however, not only national culture but also regional culture exist, creating differences (Schneider, 1986), as Chen and Boggs (1998) point out that regional differences may exist between different provinces and regions in China. Future research could examine not only Chinese national culture, but also Chinese regional culture. Since this study is focused on the communication perspective. it would be interesting for researchers to examine whether and how Chinese regional communication is different and how the different communication has influence on the dynamics of the negotiation process itself.

Meanwhile, for **Western culture**, the study was based on the assumption that Western countries have the same / similar cultures, the parent company of four cases are from three different counties, which were labelled low-context communication countries in this study for the convenience of data analysis. However, there are national cultural differences (Hofstede, 1980). It would be interesting for researchers to examine whether

and how individual Western communication is different and how the difference has influence on the dynamics of the negotiation process itself.

Second, this study focuses on Chinese cultural traits - communication as a single contingency factor to investigate its impact on Chinese negotiation style which, in turn, influences the dynamics of the negotiation process. However, as noted earlier in the literature chapter, culture is not the only factor which influences negotiation and there are many contextual factors which shape the negotiation process (Kumar, 2004). Hence, one can expect many complex situations in intercultural negotiation across national boundaries. This suggests an avenue for future research. Future research might include other contextual factors to provide a fuller picture on their influence on negotiation processes.

Third, this study only investigates guanxi as an emic factor. Various factors should be included for a full understanding for future research.

## **10.5 Suggestions for future research**

### **10.5.1 Introduction**

The discovery of dynamics of joint venture negotiation processes in China extends our understanding on the negotiation process itself. Hence, future research should provide a more dynamic way to study negotiation and guanxi in order to further explore the dynamic nature of negotiation and guanxi, which is discussed in detail below.

### **10.5.2 Further research followed from the findings of this research**

#### **Intercultural business negotiation**

*Move on from negotiation style to negotiation process*



Negotiation scholars have linked culture with negotiation and cultural influence is one of the main streams of international business negotiation study. However, the majority of studies focus on how culture influences negotiation style through survey, which can only reflect average negotiation behaviour. This study suggests that future research should apply a more dynamic way to study intercultural business negotiation. To be specific, future research should move away from merely study on how culture influences negotiation style (a static negotiation behaviour) to examine how negotiation style influences the negotiation process itself (a dynamic negotiation phenomenon), in other words, further research should link negotiation style to negotiation process in order to further explore the dynamics of the negotiation process itself in a systematic way. This is also in the line with Tung's (1982) call for study on extending the influence of culture on negotiation style (culture → negotiation style) to the influence of negotiation style on the negotiation process (negotiation style → negotiation process).

Moreover, future research should not only examine the negotiation process itself, but also look at possible sub-process(es), and the interaction between processes in order to reflect the complex nature of the processes (Langley, 1994).

#### ***How other negotiation factors trigger dynamics?***

It should be noted that this research only considers the dynamics of negotiation triggered by the Chinese negotiation style, which is shaped by Chinese communication. However, communication is not the only factor which influences negotiation processes. In fact, in an intercultural business negotiation, one can expect much more complex situations, and it has been suggested that negotiation can be influenced by many factors (contextual and intermediate) (Phatak and Habib, 2006). Hence, it would be interesting for researchers to examine how other negotiation factors (rather than negotiation styles in this study) trigger dynamics of negotiation? What are the constructs of these negotiation dynamics? Among these dynamics, what are the positive and negative dynamics?

#### ***Communication perspective to study intercultural business negotiation***

At this point, there is a need to re-state the fundamental theoretical question: why take a communication perspective for this study? The answer lies in the core idea of this study - “negotiation is one of the most challenging communication tasks in business” (Gilsdorf, 1997, p.116).

Chinese negotiation styles employed in this study are emerged from the literature and derived from high-context communication theory (etic perspective). Based on the significant findings, this study argues that the communication perspective is more appropriate to investigate the evolvement of negotiation processes than traditional cultural perspectives. The reason is discussed in the literature chapter: that traditional cultural theory (e.g. Hofstede, 1980; Trompenaars, 1993) is based on quantitative research, it can only reflect average negotiation behaviour. Although the methodological approach has been extended to explore the effect of culture on international cooperation (Johnson et al., 1993; Graham, 1988) the difficulties of measuring and monitoring exchange processes have been noted (Perks and Sanderson, 2000). On the contrary, communication theory is based on qualitative research which can reflect negotiation processes, particularly, it can demonstrate nonverbal communication, which is not covered in traditional cultural theory, hence providing a better framework to study the negotiation process.

Therefore, existing theory on Sino-Western (joint venture) negotiation in specific, and intercultural business negotiation in general, needs to move away from employing traditional cultural dimensional frameworks (such as by Hofstede, Trompenaars) to focusing on communication theory (such as by Hall, Ting-Toomey, Gudykunst).

### **Guanxi**

Guanxi, in essence, is a kind of relationship. This study shows that guanxi changes and evolves along with the negotiation process in Sino-Western joint venture negotiation. Exploring the dynamics of guanxi during the negotiation process will provide insights

on issues of negotiation dynamics not only in Chinese business but also in Western business in the Chinese transitional economic era. Hence, future research should apply a more dynamic way to study guanxi in negotiation and other business contexts in the Chinese context.

***Progress from focusing on guanxi constructs to guanxi processes and examine different practices at different levels***

First, future research should take a more dynamic view (i.e. process view) of guanxi study (Luo, 2007). To be specific, future research on guanxi should move away from guanxi constructs to guanxi processes to further explore the dynamic nature of guanxi. Moreover, it should be noted that guanxi is a multi-level construct (interpersonal, corporate and government level). Thus, future research may examine different practices and differentiate between guanxi in the personal, corporate and government process, and explore their respective antecedents and consequences. For example, how guanxi evolves over time at different levels: personal, corporate and government level? And more attention should be paid to guanxi involvement at corporate and government levels, as the majority of research focuses on guanxi constructs at the interpersonal level, few studies focus on guanxi at the corporate and / or government level (eg. Buckley et al., 2006; Guo and Miller, 2010).

***Study guanxi and organisational dynamics; guanxi and effect on firm performance***

Second, future research may also link guanxi and organisational dynamics as well as guanxi and its effect on firm performance (Zhang and Zhang, 2006) in a broader view.

**10.5.3 Further research following on from the methods of this research**

**A methodological integration**

This study suggests there is a need for employing a methodological integration for intercultural negotiation study; to be specific, employing multiple case study and a

combination of etic and emic perspectives for intercultural negotiation in order to develop a process study.

To elaborate further, this study suggests that multiple case study is more appropriate for studying the evolvement of negotiation processes than survey, the former produce process theory and the latter produce variance theory. Consequently, this study suggests that process theory is more appropriate than variance theory to study the evolvement of negotiation processes. Hence, future research may offer new contributions by using multiple case study and a combination of etic and emic perspectives which provides insights into the negotiation process and produces process theory.

For case study, specific data collection methods can include semi-structured interview and documentation for data triangulation (Yin, 2009) for future research. As discussed in the methodology chapter, interview can gain insights of the negotiation process, and documentation can provide supplementation for interview data.

In addition, future research is encouraged to employ observation and use data collected from negotiation in a real life setting (joint venture) in order to gain first-hand information on the negotiation process based on the researcher's perspective, which could further validate the research data. Particularly, observation is effective for capturing the nonverbal communication such as body language (e.g. tone of voice, facial expression, eye contact, touch and space) and to see if and how they influence the Chinese negotiation style which, in turn, influences the dynamics of negotiation process in order to further explore the evolvement of negotiation processes.

## References

- Adair, W.L., Okumura, T., and Brett, J.M. (2001) 'Negotiation behaviour when cultures collide: The United States and Japan', *Journal of Applied Psychology*, 86(3): 31-85.
- Adair, W.L. and Brett, J.M. (2005) 'The Negotiation Dance: Time, Culture, and Behavioral Sequences in Negotiation'. *Organization Science*, 16(1), p.33-51.
- Adler et al. (1998a) in Owen Hargie and David Dickson (2004) *Skilled interpersonal communication – research, theory and practice* (4<sup>th</sup>). London: Routledge.
- Adler, N. J., Braham, R., and Graham, J. (1992). Strategy implementation: A comparison of face-to-face negotiations in the People's Republic of China and the United States. *Strategic Management Journal*, 13, 449-466.
- Alexander, J.F., Schul, P.L, and McCorkle, D. (1994). "An Assessment of Selected Relationships in a Model of the Industrial Marketing Negotiation Process," *Journal of Personal Selling and Sales Management* .14(3), pp.25–41.
- Alston (1989) in Dunning, J.H. and Kim, C. (2007) 'The Cultural Roots of Guanxi: An Exploratory Study' *The World Economy*. 30(2), pp. 329-341.
- Anderson (1990) in Yan, A. and Luo, Y. (2001) *International Joint Ventures: Theory and Practice*. London: M.E. Sharpe.
- Anderson and Gatignon (1986) in Yan, A. and Luo, Y. (2001) *International Joint Ventures: Theory and Practice*. London: M.E. Sharpe.
- Andrews, T. and Chompusri, (2001) 'Lessons in 'cross-vengeance'-Restructuring the Thai subsidiary corporation' *Journal of International Business Studies*. 32(1), pp. 77-93.
- Apasu, Y., Ichikawa, S. and Graham, I.J. (1987) 'Corporate culture and sales force management in Japan and America', *Journal of Personal Selling and Sales Management*, 7(3): pp.51-62.
- Arogyaswamy, B. (2001) 'Guanxi and Business', *Asia Pacific Journal of Management*, 18(3): 407.
- Bazerman and Carroll (1987) in Gannon, M.J. and Newman, K.L. (eds.) (2002) *The Blackwell handbook of cross-cultural management*. Oxford: Blackwell. Chapter 15 Metaphor and the cultural construction of negotiation: a paradigm for research and practice.
- Bazerman and Neale (1983) in Gannon, M.J. and Newman, K.L. (eds.) (2002) *The Blackwell handbook of cross-cultural management*. Oxford: Blackwell. Chapter 15 Metaphor and the cultural construction of negotiation: a paradigm for research and practice. By Michele J. Gelfand & Christopher McGusker
- Bazerman, M.H., Curhand, J.R., Moore, K.A., and Valley, K.L. (2000) 'Negotiation', *Annual Review of Psychology*, 51, pp.279-314.
- Beamer, L. (2000) 'Chinese Business Negotiating Style - By Tony Fang' and 'Communicating Effectively with the Chinese' *Journal of Business Communication*, Vol. 37, No. 1, pp.101-106.
- Beamer, L. (2000) 'Chinese Business Negotiating Style - By Tony Fang' and 'Communicating Effectively with the Chinese' *Journal of Business Communication*, 37(1), pp.101-106.

- Blackman, C. (1997). *Negotiating China: Case studies and strategies*. St Leonards, Australia: Allen & Unwin.
- Blake, J., Salas, O.A. and Wraith, P. (1997) "Joint ventures in China – a Spanish case" *European Business Review*. Vol. 97, No. 4, pp. 155-161.
- Blyer, M. and Coff, R.W. (2003) 'Dynamic capabilities, social capital, and rent appropriation: ties that split pies', *Strategic Management Journal*, 24(7), pp.677-686.
- Boersma, M., Buckley, P.J. and Ghauri, P.N. (2003) "Trust in international joint venture relationships" *Journal of Business Research*. 56(12), pp.1031.
- Bond, M.H. and Hwang, K.K. (1986) 'The social psychology of Chinese people', in Bond, M.H.(Ed.) *The Psychology of the Chinese People*, 213-66, Hong Kong: Oxford University Press.
- Brannen and Salk (2000) in Lin, X. and Miller, S.J. (2003) 'Negotiation approaches: direct and indirect effect of national culture'. *International Marketing Review*, 20(3), pp. 286-303.
- Brett, J. (2001) *Negotiation globally: How to Negotiate Deals, Resolve Disputes and Make Decisions Across Cultural Boundaries*. San Francisco, CA: Jossey Bass.
- Brouthers, K.D. and Bamossy, G.J. (1997) 'The role of key stakeholders in international joint venture negotiations: Case studies from Eastern Europe'. *Journal of International Business Studies*. 28(2), pp. 285-308.
- Brunner and Wang (1988) Cited in Buttery, E.A. and Leung, T.K.P. (1997) 'The Difference between Chinese and Western Negotiations', *European Journal of Marketing*, 32(3/4), pp. 374-389.
- Brunner et al., (1989), "The role of guanxi in negotiation in the Pacific Basin", *Journal of Global Marketing*, 3(2), pp. 7-23.
- Buckley, P.J. and Casson, M.C. (1988), 'A theory of co-operation in international business'. In: Contractor, F.J. and Lorange, P. (eds), *Co-operative strategies in international business*, Lexington Books, Lexington, MA.
- Buckley, P.J., Clegg, J. and Tan, H. (2006) 'Cultural awareness in knowledge transfer to China – The role of guanxi and mianzi', *Journal of World Business* (in press).
- Burgelman, R. (1994) 'Fading memories - a process theory of strategic business exit in dynamic environments'. *Administrative Science Quarterly*, 39(1), pp.24-56.
- Buttery, E.A. and Leung, T.K.P. (1997) 'The Difference between Chinese and Western Negotiations', *European Journal of Marketing*, 32(3/4), pp. 374-389.
- Calantone et al., (1998) in Reynolds, N., Simintiras, A. and Vlachou, E. (2003), 'International business negotiations: Present knowledge and direction for future research', *International Marketing Review*. 20(3), pp. 236-261.
- Campbell (1989), in Faure, G.O. (2000) "Negotiations to set up joint ventures in China" *International Negotiation*. Vol. 5, pp. 157-189.
- Carnevale, P.J (1993). Time pressure in negotiation and mediation. In Svenson, O. and Maule, A.J. (Eds.), *Time pressure and stress in human judgement and decision making*. Plenum Press: New York. pp. 117-126.
- Casse, P. (1981), *Training for the Cross Cultural Mind, Society for Inter-cultural Education, Training and Research*, Intercultural Press, Washington DC
- Chandler, C. (2003) 'Coping with China', *Fortune*, 10, pp. 66-70.

- Chang, L-C (2003) 'An examination of cross-cultural negotiation: Using Hofstede framework' *Journal of American Academy of Business*, 2(2), pp. 567-570.
- Chapman, M. (1997) 'Preface: Social anthropology, business studies, and cultural issues', *International Studies of Management and Organisation*, 26(4), pp. 3-29.
- Chatman, J.A., Putnam, L.L., and Sondak, H. (1991). Integrating communication and negotiation research. In M.H. Bazerman, R.J. Lewicki, and B.H. Sheppard (eds.), *Research on negotiation in organisations: handbook of negotiation research* (Vol. 3, pp. 139-164). Greenwich, CT: JAI Press.
- Chen, D and Faure, G.O. (1995) 'When Chinese companies negotiate with their government' *Responsibility System in China*. London: Macmillan.
- Chen, G.B. (1996) *Negotiating with the Chinese*, Aldersho: Dartmouth Publishing Company.
- Chen, M. (1995) *Asian Management Systems: Chinese, Japanese and Korean Styles of Business*, London: Routledge.
- Chen, M-J (2001) *Inside Chinese Business – A Guide for Managers Worldwide*, Boston, MA: Harvard Business School Press.
- Chen, Z.X. and Francesco, A.M. (2000), 'Employee demography, organizational commitment, and turnover intentions in China: Do cultural differences matter?', *Human Relations* 53: 6), pp. 869–887.
- Child, J. and Markoczy, L. (1993) 'Host-country management behaviour and learning in Chinese and Hungarian joint ventures', *Journal of Management Studies*, 30(4), pp.611-631.
- Child, J. and Lu, Y. (1996) 'Introduction: China and international enterprise.' In: Child, J. and Yuan, L. (eds), *Management issues in China: International enterprises*, London: Routledge.
- China Daily* (2003) 'Adjust foreign investment policy', 29 April.
- China tomorrow (2003) *Harvard Business Review*. Oct. p.69
- Chu, C.-N. (1991) *The Asian Mind Game*, New York, NY: Rawson Associates.
- Cohen, R. (1991) 'Negotiating Across Cultures: Communication Obstacles' in *International Diplomacy*. Washington, D. C.: Us Institute of Peace Press.
- Cohen, R. (1997) *Negotiating across cultures: Communication obstacles in international diplomacy*. Washington, DC: US Institute of Peace.
- Cullen, J.B. (1999) in Johnson, J.L. and Cullen, J.B. (2002) 'Trust in cross-cultural relationships' in Gannon, M.J. and Newman, K.L. (eds.) *The Blackwell handbook of cross-cultural management*. Oxford: Blackwell.
- Daniels, J. D. and Radebaugh, L.H. (1998) *International Business – Environments and Operations*, 8<sup>th</sup>, New York: Addison Wesley.
- Davies et al., (1995) in Dunning, J.H. and Kim, C. (2007) 'The Cultural Roots of Guanxi: An Exploratory Study' *The World Economy*. 30(2), pp. 329-341.
- Davies, H. (1995) *China Business: Context and Issues*, Hong Kong: Longman Asia Ltd.
- Denny, S. (2003) 'Culture and its influence on management: a critique and empirical test', in M. Tayeb (Ed.) *International Management: Theories and Practices*. Harlow: Prentice Hall, pp.66-86.

- Denzau, A.T. and North, D.C. (1993) *Shared Mental Models: Ideologies and Institutions*, St Louis, Missouri: Washington University at St Louis Department of Economics Working Paper wuwpeh9309003.
- Derong, C. and Faure, G.L. (1995) 'When Chinese companies negotiate with their government' *Organisation Studies*. 16(1), pp. 27-55.
- Deshpande, R. and Webster, F., Jr. (1989) 'Organizational culture and marketing: Defining the research agenda', *Journal of Marketing*, 53(1), pp. 3-15.
- Deslandres and Deschandol (1986). In Faure, G.O. (2000) "Negotiations to set up joint ventures in China" *International Negotiation*. Vol. 5, pp. 157-189.
- Deutsch and Krauss (1962) in Gannon, M.J. and Newman, K.L. (eds.) (2002) *The Blackwell handbook of cross-cultural management*. Oxford: Blackwell. Chapter 15 Metaphor and the cultural construction of negotiation: a paradigm for research and practice. By Gelfand, M.J. and McGusker, C..
- Duke, R. (1998) 'A model of buyer-supplier interaction in UK grocery retailing' *Journal of Retailing and Consumer Service*, 5(2), pp. 93-103.
- Dunning, J.H. (1988). In Faure, G.O. (2000) "Negotiations to set up joint ventures in China" *International Negotiation*. Vol. 5, pp. 157-189.
- Fang, T. (1999) *Chinese Business Negotiating Style*. Thousand Oaks, CA: Sage
- Fang, T. (2006) 'Negotiation: the Chinese style', *Journal of Business and Industrial Marketing*, 21(1), pp.50-60.
- Farhang, M. (1997) 'Managing Technology Transfer to China – Conceptual Framework and Operational Guidelines', *International Marketing Review*, 14(2), pp. 92-106.
- Faure, G. O. (1998) 'Negotiation: the Chinese concept', *Negotiation Journal*, 14(2), pp. 137-148.
- Faure, G.O. and Chen, D. (1997) 'Chinese negotiators: profiles and behaviors'. *The Journal of Euro-Asian Management*. 3(2).
- Faure, G.O. (1995b) 'Conflict formulation: the cross cultural challenge', in Bunker, B. and Rubin, J. (eds), *Conflict, cooperation, and justice*. San Francisco: Jossey-Bass.
- Faure, G.O. (1996) 'Zhongwai hezi tanpan yaolin (Sino-foreign joint ventures negotiations: critical points)', *International business administration* (Beijing) 7.
- Faure, G.O. (1999) 'The Cultural Dimensions of Negotiation: The Chinese Case', *Group Decision and Negotiation*, 8(3), pp.187-215.
- Faure, G.O. (2000) "Negotiations to set up joint ventures in China" *International Negotiation*. Vol. 5, pp. 157-189.
- Fayerweather and Kapoor (1976) in Yan, A. and Luo, Y. (2001) *International Joint Ventures: Theory and Practice*. London: M.E. Sharpe.
- Fischer, H.H. (1993) 'Joint venturing in China: A negotiating experience'. *East Asian Executive Reports*. Washington, 15(5), pp.8-9.
- Fisher, G. (1980). *International Negotiation: A Cross-Cultural Perspective*. Yarmouth, Maine: Intercultural Press.
- Fisher, R., Ury, W. and Patton, B. (1994), *Getting to Yes: Negotiating an Agreement Without Giving in (2<sup>nd</sup>)*. Boston: Houghton Mifflin Books.
- Frank, S. (1992) "Global negotiation". *Sales and marketing Management*. May
- Frankenstein, J. (1986) 'Trend in Chinese business practice: change in the Beijing wind', *California Management Review*, 29(1), pp. 148-60.



- Fraser, C. and Zarkada-Fraser, A. (2002) "An exploratory investigation into cultural awareness approach to negotiation Greek Russian and British managers" *European Business Review*. 14(2), pp.111-127.
- Fung, Y.-L. (1966) *A short history of Chinese philosophy*, (first published in 1948). New York: The Free Press.
- Ganesan (1993) in Saorín-Iborra, D.M.C. (2006) 'A review of negotiation outcome: A proposal on delimitation and subsequent assessment in joint venture negotiations'. *Canadian Journal of Administrative Sciences*. 23(3), pp. 237-252.
- Gao, Ge and Ting-Toomey, S. (1998) *Communicating Effectively in Multicultural Contexts*, Vol. 5. Thousand Oaks, CA: Sage.
- Geddie, M.W., DeFranco, A.L. and Geddie, M.F. (2005) 'A comparison of relationship marketing and Guanxi: its implications for the hospitality industry' *International Journal of Contemporary Hospitality Management*. 17(7), pp. 614-632.
- Gelfand, M.J. and McGusker, C. (2002) in Gannon, M.J. and Newman, K.L. (eds.) *The Blackwell handbook of cross-cultural management*. Oxford: Blackwell.
- Gelfand et al. (2006) 'Negotiating relationally: the dynamics of the relational self in negotiations'. *Academy of Management Review*, 31(2), pp. 427-451.
- Ghuri, P. and Fang, T. (2001) 'Negotiating with the Chinese: a socio-cultural analysis'. *Journal of World Business*. 36(3), pp. 303-325.
- Ghuri, P. and Fang, T. (2003) 'Negotiating with the Chinese: A Process View' in Ghauri, P. and Usunier, J-C. (eds.) *International Business Negotiation* (2<sup>nd</sup>), Amsterdam: Elsevier.
- Ghuri, P. and Usunier, J-C. (eds.) (2003) *International Business Negotiation*, 2<sup>nd</sup> edn, Amsterdam: Elsevier.
- Ghuri, P. (2003) 'A Framework for International Business Negotiations', in Ghauri, P. and Usunier, J-C. (eds.) *International Business Negotiation*, 2<sup>nd</sup> edn, Amsterdam: Elsevier, pp.3-22.
- Ghuri, P.N. (1988) 'Negotiating With Firms in Developing Countries: Two Case Studies'. *Industrial Marketing and Management*. Vol. 17, pp. 49-53
- Ghuri, P.N. (1996). "The nature of business negotiation," Ghauri, P.N. and Usunier, J.C (eds), *International Business Negotiations*. Oxford, UK: Pergamon, pp.3-20.
- Giffin and Patton (1971) in Tubbs, S.L. and Carter, R.M. (eds.) (1978) *Shared experiences in human communication*. Rochelle Park, New Jersey: Hayden Book Co. Inc.
- Giltsdorf, J.W (1997), 'Metacommunication effects on international business negotiation in China', *Business Communication Quarterly*, 60(2), pp. 20-38.
- Chen, G.B. (1996) *Negotiating with the Chinese*, Aldersho: Dartmouth Publishing Company.
- Goodman, D. and Segal, G. (eds) (1998) *China Rising: Nationalism and Interdependence*. New York: Routledge.
- Gordon, T.D. (1986), *China, Hong Kong*: Euromoney Publications.
- Graham et al. (1992) in Fraser, C. and Zarkada-Fraser, A. (2002) "An exploratory investigation into cultural awareness approach to negotiation Greek Russian and British managers" *European Business Review*. 14(2), pp.111-127.

- Graham J.L. and Sano, Y. (1990) *Smart bargaining: Doing business with the Japanese*, 2<sup>nd</sup> edn, Cambridge MA: Ballinger.
- Graham, J. L. (1985). 'The influence of culture on the process of business negotiation: An exploratory study'. *Journal of International Business Studies*, 16(1), pp.81-96.
- Graham, J. L., and Lin, C. -Y. (1987). 'A comparison of marketing negotiations in the Republic of China (Taiwan) and the United States'. In Cavusgil, T. (ed.). *Advances in international marketing* (Vol. 2, pp. 23–46). Greenwich, CT: JAI Press
- Graham, J.L. (1985) "Cross cultural marketing negotiations: a laboratory experiment", *Marketing Science*, Spring 1985, pp. 130-46.
- Graham, J.L. (1986) "Across the negotiating table from the Japanese", *International Marketing Review*, Autumn, pp. 58-70.
- Graham, J.L. (1988) "Deference given the buyer: variations across twelve cultures", in Contractor, F.J. and Lorange, P. (eds), *Cooperative Strategies in International Business*, Lexington, MA: Lexington Books.
- Graham, J.L. and Mintu-Wimsat, A. (1997). "Cultural Influence on Business Negotiations in Four Countries." *Group Decision and Negotiation* 6(5), pp. 483-502.
- Graham, J.L., Kim, D.K., Lin, C., and Robinson, M. (1988). 'Buyer-Seller Negotiations Around the Pacific Rim: Differences in Fundamental Exchange Processes'. *Journal of Consumer Research*, 15(1), pp.48-54.
- Graham, J.L., Mintu, A. and Rodgers, W. (1994). "Explorations of Negotiation Behaviours in Ten Foreign Cultures Using A Model Developed in the United States." *Management Science*, 40(1), pp. 72-95.
- Graham, J.L. and Lam, N.M. (2003) "The Chinese negotiation" *Harvard Business Review*. Oct. 81, pp. 82-91.
- Graham, John L. and Sano, Yoshihiro 'Business negotiation between Japanese and Americans' in Ghauri, P. and Usunier, J-C. (eds.) (2003) *International Business Negotiation*, 2<sup>nd</sup> edn, Amsterdam: Elsevier.
- Gray and Yan (1992) in Faure, G.O. (2000) "Negotiations to set up joint ventures in China" *International Negotiation*. Vol. 5, pp. 157-189.
- Gudykunst, W.B., Matsumoto, Y., Ting-Toomey, S., Nishida, T., Kim K. and Heyman, S. (1996) 'The influence of cultural individualism-collectivism, self construal and individual values on communication styles across cultures', *Human Communication Research*, Vol. 22: pp.507-534.
- Gudykunst, W.B., Stewart, L.P. and Ting-Toomey, S. (eds) (1985). *Communication, culture and organizational process*. London: Sage
- Guirdham, M. (1999) *Communicating across cultures*. London: Macmillan Press Ltd.
- Gulbro, R. and Herbig, P. (1996) 'Cross-cultural negotiating processes' *Industrial Management + Data Systems*. 96(3), pp.17-23.
- Hakansson, H. and Snehota, I. (1995). *Developing Relationships in Business Networks*, London: Routledge.
- Hall, E. T. (1959) *The Silent Language*. Garden City, New York: Doubleday.
- Hall, E.T. (1976). *Beyond Culture*, New York: Anchor Press / Doubleday.
- Hall, E.T.(1960) 'The silent language in overseas business', *Harvard business Review*, (May): pp.87-96.

- Hamill, J. and Hunt, G. (1993) 'Joint Ventures in Hungary: Key Success Factors' *European Management Journal*. 11(2), pp. 238-247.
- Hampden-Turner, C. and Trompenaars, F. (1993) *The seven cultures of Capitalism: Value Systems for Creating Wealth in the United States, Britain, Japan, Germany, France, Sweden and the Netherlands*. New York: Doubleday.
- Hampden-Turner, C. and Trompenaars, F. (2000). *Building cross-cultural competence*, New Haven: Yale University Press.
- Hanna and Wilson (1998:10) in Owen Hargie and David Dickson (2004) *Skilled interpersonal communication – research, theory and practice* (4<sup>th</sup>). London: Routledge.
- Hargie, O. and Dickson, D. (2004) 'Skilled interpersonal communication – research, theory and practice' (4<sup>th</sup>). London: Routledge.
- Harris, P. R. and Moran, R. T. (1987). *Managing Cultural Differences*, 2nd edn., Houston: Gulf Publishing Company.
- Harris, Philip R. and Moran, Robert T. (1991) *Managing cultural differences – high-performance strategies for a new world of business* (3<sup>rd</sup>). Texas: Gulf Publishing Company.
- Harris, S. and Ghauri, P. (2000) 'Strategy formation by business leaders: exploring the influence of national values', *European Journal of Marketing*, 34(1/2): , pp.126-41.
- Harris, S. & Wheeler, C. (2005) 'Export market development activity: Entrepreneur relationships as exchange opportunities' *International Business Review*, 14(3), pp.: 187-207.
- Haslett (1989) in Guirdham, M. (1999) *Communicating across cultures*. London: Macmillan Press Ltd.
- Hendon, D. W., Hendon, R. A. and Herbig, P. (1996). *Cross-cultural Business Negotiations*. Westwood, CT: Quorum Books.
- Herbig, P. and Gulbro, R. (1997) "External influence in the cross-cultural negotiation process" *Industrial Management & Data Systems*. 97(4), pp.158-168.
- Herbig, P. and Martin, D. (1998) 'Negotiating with Chinese: A Cultural Perspective', *Cross Cultural Management*, 5(3), pp. 40-54.
- Herbig, P.A. and Kramer, H.E (1992) 'Do's and Don'ts of cross-cultural negotiations' *Industrial marketing management*. Vol. 21, pp.287-298.
- Hofstede, G. and Usunier J-C.(2003) 'Hofstede's dimensions of culture and their influence on international business negotiations' in Ghauri, P. & Usunier, J-C. (eds.) *International Business Negotiation* (2<sup>nd</sup>), Amsterdam: Elsevier. P137
- Hofstede, G. and Bond, M.H. (1988) 'The Confucius connection: from cultural roots to economic growth;', *Organizational Dynamics*, 16(4), pp.: 5-21.
- Hofstede, G. (1980). *Culture's Consequences: International Differences in Work-related Values*, Newbury Park, CA: SAGE.
- Hofstede, G. (1991). *Cultures and Organizations: Software of the Mind*, London: McGraw Hill.
- Hofstede, G. (2001) *Culture's Consequences: Comparing Values. Behaviors, Institutions and Organizations across nations* (2<sup>nd</sup> edn). Thousand Oaks, CA: Sage.
- Hofstede, G. (2002) 'Dimensions do not exist: a reply to Brendan McSweeney', *Human Relations*, 55(11), pp.1355-1361.

- Hofstede, G., Neuijen, B., Ohayv, D.D., and Sanders, G. (1990) 'Measuring organizational cultures: a qualitative and quantitative study across twenty cases', *Administrative Science Quarterly*, 35, pp.286-316.
- House, R.J., Hanhes, P.J., Javidan, M., Dorfman, P. and Gupta, V. (eds.) (2004) *GLOBE, Cultures, Leadership and Organizations: GLOBE study of 62 Societies*, Newbury Park, CA: Sage.
- Inkiles, A. and Levinson, D. J. (1969) 'National character: the study of modal personality and sociocultural systems', in G. Lindzey and E. Aronson (Eds.) *The Handbook of Social Psychology* (2<sup>nd</sup> Edn). Chicago, ILL: Rand McNally.
- Jaeger, A. M. (1983) 'The transfer of organizational culture overseas: an approach to control in the multinational corporation', *Journal of International Business Studies*, 14(3). pp.91-114.
- Johnson, J.L., Gregory, S.B. and Tomoaki, S. (1993), "The consequences of culture and conflict in international strategic alliances", *American Marketing Association*, Winter, pp. 32-37.
- Jolibert, A. (1998) Le contexte culturel de la negotiation commerciale. *Revue Francaise de Gestion* (November-December): pp.15-24.
- Kale, S.H. (2003) 'How national culture, organizational culture and personality impact buyer-seller interactions' in Ghauri, P.N. and Usunier, J-C (eds.) *International business negotiations* (2<sup>nd</sup>). Amsterdam: Elsevier.
- Karrass (1970) in Graham, J.L., Mintu, A.T. and Rodgers, W. (1994) 'Explorations of negotiation behaviors in ten foreign cultures using a model devleopeed in the Unidted States'. *Management Science*. 40(1), pp. 72-95.
- Kidd, J.B. (2001) 'Discovering inter-cultural perceptual differences in MNEs'. *Journal of Managerial Psychology*. 16(2), pp.106-126.
- Kirkbride, P. S., S. F. Y. Tang and R. I. Westwood (1991) "Chinese Conflict Preferences and Negotiating Behaviour: Cultural and Psychological Influences." *Organization Studies* 12 (3), pp. 365-386.
- Kluckhohn, F., and Strodtbeck, F. (1961). *Variations in value orientations*. Evanston, IL: Row, Peterson and Co.
- Koka, B.R. and Prescott, J.E. (2002) 'Strategic alliances as social capital: a multidimensional view', *Strategic Management Journal* 23(9), pp. 875-916.
- Kramer and Messick (1995), in Gannon, M.J. and Newman, K.L. (eds.) (2002) *The Blackwell handbook of cross-cultural management*. Oxford: Blackwell. Chapter 15 Metaphor and the cultural construction of negotiation: a paradigm for research and practice.
- Kumar, R. and Worm, V. (2004) 'Institutional dynamics and the negotiation process: comparing India and China', *International Journal of Conflict Management*, 15(3): pp.304-336.
- Kung (1997) in Wright, P., Szeto, W.F. and Cheng, L.T.W. (2002) 'Guanxi and professional conduct in China: a management development perspective'. *International Journal of Human Resource Management*, 13(1), pp.156-182.
- Kynge, J. (2003) 'Consumers fuel Chinee growth', *Financial Times*, 16 April, p1.
- Lardy, N.O. (2002) *Integrating China into the Globla Economy*, Wshington, DC: The Brookings Institution.

- Langley, A. and Truax, J. (1994) 'A process study of new technology adoption in smaller manufacturing firms'. *Journal of Management Studies*, 31(5), pp. 619-652.
- Larimo, J.A. (2005) 'International Joint Venture Performance: Impact of performance measures and foreign parent, target country, and investment specific variables on performance'. Paper to be presented at the EIBA 2005 Annual Conference in Oslo, December 11-13, 2005.
- Laurent, A (1983) 'The cultural diversity of western conceptions of management', *International Studies of Management and Organisation*, 13(1), pp. 75-96.
- Laurent, A (1986) 'The cross-cultural puzzle of international human resource management', *Human Resource Management* 25(1), pp. 91-102.
- Lax, D.A., and Sebenius, J.K. (1986). *The manager as negotiator: Bargaining for cooperation and competitive gain*. Free Press, New York
- Lee, K.-H., Yang, G. and Graham, J.L. (2006) 'Tension and trust in international business negotiation: American executives negotiating with Chinese executives' *International Journal of Business Studies*. Vol. 37, pp.623-641.
- Leung, K. (1997) 'Negotiation and reward allocations across culture', In: P.C. Early and M. Erez (Eds) *New Perspectives on International Industrial/Organisational Psychology*, San Francisco CA: Jossey-Bass, pp.640-675.
- Leung, K., Bond, M.H., Reimel de Carrasquel, S., Muñoz, C., Hernandez, M., Murakami, F., Yamaguchi, S., Bierbraurer, G. and Singelis, T.M. (2002) 'Social axioms: the search for universal dimensions of general beliefs about how the world functions', *Journal of Cross-Cultural Psychology*, 33(3), pp. 286-302.
- Leung, T.K.P.; Luk, S.T.K.; Wong, Y.-h. and Davies, H. (1995) 'The benefits of "Guanxi" - the value of relationships in developing the Chinese market' *Industrial Marketing Management*. 24(3), pp. 207-214.
- Lewicki, R. J., Saunders, D. M. and Barry, B. (2006). *Negotiation* (international edition). Boston: McGraw Hill.
- Lewis, D.J. (1995) *The Life and Death of a Joint Venture in China*, MA: Rector Press, Leverett.
- Li and Wright (1999) in Chan, R.Y.K, Cheng, L.T.W. and Szeto, R.W.F. (2002) 'The dynamics of guanxi and ethics for Chinese executives' *Journal of Business Ethics*. 41(4); pp. 327-336.
- Li, H.N. and Clarke-Hill, C.M. (2004) 'Sino-British joint ventures in China: Investment patterns and host country conditions'. *European Business Review*. 16(1), pp. 44-63.
- Li, J. and Labig, C.E. (2001) "Negotiating with China: Exploratory study of relationship-building" *Journal of Managerial Issues*. 13(3), pp. 345-359.
- Lin, X.H. and Miller, S.J. (2003) "Negotiation approaches: Direct and indirect effect of national culture" *International Marketing Review*, 20(3), pp. 286-303.
- Lockett, M. (1988) 'Culture and the problems of Chinese management, *Organization Studies*, 9(4), pp. 475-496.
- Lorange and Roos (1993) in Perks, H. and Sanderson, M. (2000) "An international case study of cultural diversity and the role of stakeholders in the establishment of a European / Indonesian joint venture in the aerospace industry" *Journal of Business & Industrial Marketing*. 15(4), pp. 275-290.

- Lovett et al., 1999). In Chan, R.Y.K., Cheng, L.T.W. and Szeto, R.W.F. (2002) 'The dynamics of guanxi and ethics for Chinese executives' *Journal of Business Ethics*. 41(4), pp. 327-336.
- Luo (1995) in Usunier, J-C. (2003) 'Ethical aspects of international business negotiations' in Ghauri, P.N. and Usunier, J-C. (eds.) (2003) *International business negotiations* (2<sup>nd</sup>). Amsterdam: Elsevier
- Luo (1997b) in Wright, P., Szeto, W.F. and Cheng, L.T.W. (2002) 'Guanxi and professional conduct in China: a management development perspective'. *International Journal of Human Resource Management*, 13(1), pp.156–182.
- Luo, Y.D. and Shenkar, O. (2002) 'An empirical inquiry of negotiation effects in cross-cultural joint ventures'. *Journal of International Management*, Vol. 8, pp. 141–162.
- Luo, Y.D. (1999) 'Toward a conceptual framework of international joint venture negotiations' *Journal of International Management*. Vol. 5, pp. 141–165
- Luo, Y.D. (2000) *Guanxi and business* (2<sup>nd</sup> ed.) Asia-Pacific Business Series -Vol. 5.
- Luo, Y. and Chen, M. (1997) 'Does guanxi influence firm performance' *Asia Pacific Journal of Management*. 14(1), pp.1-16.
- Ma et al., (2002). In Ma, Z. and Jaeger, A. (2005) "Getting to Yes in China: Exploring Personality Effects in Chinese Negotiation Styles" *Group Decision and Negotiation*. 14(5), pp.415-437.
- Ma, Z.Z. and Jaeger, A. (2005) "Getting to Yes in China: Exploring Personality Effects in Chinese Negotiation Styles" *Group Decision and Negotiation*. 14(5), pp.415-437.
- MacDougall, C. (1980) *Trading with China: A Practical Guide*, Lndon: McGrae-Hill.
- Majumder (2002) in Kumar, R. & Worm, V. (2004) 'Institutional dynamics and the negotiation process: comparing India and China', *International Journal of Conflict Management*, 15(3), pp. 304-36.
- Mautner-Markhof, F. (eds.) (1989). *Processes of International Negotiations*. San Francisco: Westview Press.
- McAllister (1995) in Hargie, O. and Dickson, D. (2004) *Skilled interpersonal communication – research, theory and practice* (4<sup>th</sup>). London: Routledge. P394.
- McCall and Warrington (1989) in Woo, H.S. (1999) "Negotiating in China: some issues for Western women" *Women in Management Review*. 14(4), pp. 115- 120.
- McDaniel, E.R. (2000) *Japanese negotiation practices: low-context communication in a high-context culture*. USA: UMI.
- McDonald, F. and Burton, F. (2002) *International business*. London: Thomson.
- McSweeny, B. (2002a) 'Hofstede's model of national cultural differences and their consequences: a triumph of faith – a failure of analysis', *Human Relations*, 55(1), pp.89-118.
- McSweeny, B. (2002b) 'The essentials of scholarship: A reply to Geert Hofstede', *Human Relations*, 55(11), pp.1363-1372.
- Mead, R. (1994). *International Management – Cross Cultural Dimensions*, Cambridge: Blackwell.
- Mead, R. (1998) *International Management: Cross Cultural Dimensions* (2<sup>nd</sup> edn) Oxford: Blackwell.
- Mead, R. (2005) *International management cross-cultural dimensions* (3<sup>rd</sup>), Oxford: Blackwell.

- Menguzzato (1992) in Saorín-Iborra, D.M.C. (2006) 'A review of negotiation outcome: A proposal on delimitation and subsequent assessment in joint venture negotiations'. *Canadian Journal of Administrative Sciences*. 23(3), pp. 237-252.
- Miles, M. (2003) 'Negotiating With the Chinese: Lessons From the Field' *The Journal of Applied Behavioral Science*; 39(4), pp. 453-472.
- Morosini (1998) in Saorín-Iborra, D.M.C. (2006) 'A review of negotiation outcome: A proposal on delimitation and subsequent assessment in joint venture negotiations'. *Canadian Journal of Administrative Sciences*. 23(3), pp. 237-252.
- Munduate and Medina (2005) in Saorín-Iborra, D.M.C. (2006) 'A review of negotiation outcome: A proposal on delimitation and subsequent assessment in joint venture negotiations'. *Canadian Journal of Administrative Sciences*. 23(3), pp. 237-252.
- Munns, A. K., Aloquili, O., and Ramsay, B. (2000) 'Joint Venture negotiation and managerial practices in the new countries of the former Soviet Union' *International Journal of Project Management*. Vol.18, pp.403-413.
- Nadler, L.B., Nadler, M.K. and Broome, B.J. (1985) in Gudykunst, W.B., Stewart, L.P. and Ting-Toomey, S. (eds) *Communication, culture and organizational process*. London: Sage.
- Nair, A.S. and Stafford, E.R. (1998) 'Strategic alliances in China: negotiating the barriers'. *Long Range Planning*. 31(1), pp. 139-146.
- Nolan, P. (2001) *China and the Global Economy*, Palgrave, Basingstoke.
- North, D. (1990). *Institutions, Institutional Change, and Economic Performance*. Cambridge: Cambridge.
- Olekalns, M., Robert, C., Smith, P. and Carnevale, P. (2005) "The impact of message frame on negotiators' impressions, emotions and behaviours" *The International Journal of Conflict Management*. 16(4), pp.379-402
- Olekalns, M. and Weingart, L.R. (2008) 'Emergent Negotiations: Stability and Shifts in Negotiation Dynamics'. *Negotiation and Conflict Management Research*, 1(2), pp. 135-160.
- Osman-Gani, A.M. and Tan, J-S. (2002) 'Influence of culture on negotiation styles of Asian managers: An empirical study of major cultural/ethnic groups in Singapore' *Thunderbird International Business Review*. 44(6), pp.819-839.
- Palich, L.E, Gary, R.C. and Livingstone, L.P. (2002), 'Comparing American and Chinese negotiating styles: The influence of logic paradigms'. *Thunderbird International Business Review*; 44(6), pp.777-798.
- Panitchpakdi, S. and Clifford, M.L. (2002) *China and the WTO: Changing China, Changing world Trade*, Singapore: John Wiley & Sons.
- Park, H. and Harrison, J.K. (1993) Enhancing managerial cross-cultural awareness and sensitivity: Transactional analysis revisited, *Journal of Management Development* 12 (3), pp. 20-29.
- Park, S.H. and Luo, Y. (2001) 'Guanxi and organizational dynamics: organizational networking in Chinese firms' *Strategic Management Journal*. Vol. 22, pp.455-477.
- Parsons, T, (1964) *Social Structure and Personality*. NY: Free Press.
- Perks, H. and Sanderson, M. (2000) "An international case study of cultural diversity and the role of stakeholders in the establishment of a European / Indonesian joint

- venture in the aerospace industry” *Journal of Business & Industrial Marketing*. 15(4), pp. 275-290.
- Pfeffer and Nowak, 1976) in Aimin Yan & Yadong Luo (2001) *International Joint Ventures: Theory and Practice*. London: M.E. Sharpe.
- Phatak, A. V. and Habib, M. H. (1996). “The dynamics of international business negotiations.” *Business Horizons*, 39, pp. 30-38.
- Pruitt and Carnevale (1993) in Chapter 15 ‘Metaphor and the cultural construction of negotiation: a paradigm for research and practice’ By Gelfand, M.J. and McGusker, C.. In Gannon, M.J. and Newman, K.L. (eds.) (2002) *The Blackwell handbook of cross-cultural management*. Oxford: Blackwell.
- Pruitt, D. G. and Rubin, J. Z. (1986). *Social Conflict: Escalation, Stalemate and Settlement*. New York: Random House.
- Pruitt, D.G (1981). *Negotiation Behaviour*. New York: Academic Press.
- Pruitt, D.G. and Lewis, S.A. (1975) ‘Development of integrative solutions in bilateral negotiation’. *Journal of Personality and Social Psychology*. 31(4), pp. 621-633.
- Pudelko, M. (2005) *Cross-cultural negotiation – American negotiating a contract in China*. University of Edinburgh
- Pugh, D. S. (Ed.) (1995) *International Enterprise* (Block 5, Open University Course, B890). Milton Keynes: Open University.
- Putnam and Poole (1987) in Chapter 15 ‘Metaphor and the cultural construction of negotiation: a paradigm for research and practice’ By Gelfand, M.J. and McGusker, C.. In Gannon, M.J. and Newman, K.L. (eds.) (2002) *The Blackwell handbook of cross-cultural management*. Oxford: Blackwell.
- Putnam, L and Roloff, M. (eds) (1992) *Communication and negotiation, Sage Annual reviews of communication research*, volume 20, California: SAGE Publications Inc.
- Pye, L. (1982) *Chinese commercial negotiating styles*. Cambridge, MA: Oelgeschlager, Gunn and Hain.
- Pye, L.W. (1986) ‘The China trade: making the deal’. *Harvard Business Review*. July-Aug. pp.74-80.
- Raiffa, H., and Sebenius, J.K. (1989). Synthesizing Themes of the US-PIN Program. In Mautner-Markhof, F. (Eds.), *Processes of International Negotiations* (pp. 293-300). San Francisco: Westview Press.
- Redding, R.G. (1990) *The Spirit of Chinese Capitalism*, Berlin: W. de Gruyter.
- Reus, T.H., and Ritchie III, W.J. (2004) Interpartner, Parent, and Environmental Factors Influencing the Operation of International Joint Ventures: 15 years of Research. *Management International Review*. 44(4), pp. 369-395.
- Reusch and Bateson (1951) in Stewart L. Tubbs & Robert M. Carter (eds.) (1978). *Shared experiences in human communication*. Rochelle Park, New Jersey: Hayden Book Co. Inc.
- Roberts, D. and Kynge, J. (2003) ‘How cheap labour, foreign investment and rapid industrialization are creating a new workshop of the world’, *Financial Times*, 4 February, p.13.
- Roman, S. & Ruiz, S. (2003) ‘A comparative analysis of sales training in Europe: Implications for international sales negotiations’. *International Marketing Review*. 20(3), pp. 304-327.



- Salacuse, J. W. (2003) *The global negotiator: Making, managing, and mending deals around the world in the twenty-first century*, New York: Palgrave/MacMillan.
- Salacuse, J.W. (1991) *Making global deal – negotiating in the international market place*. Boston: Houghton Mifflin.
- Salacuse, J.W. (1998) ‘Ten ways that culture affects negotiating style: some survey results’. *Negotiation Journal*. July, pp. 221-240.
- Salacuse, J.W. (1999) ‘Intercultural Negotiation in International Business’. *Group Decision and Negotiation*. 8(3), pp. 217-236.
- Samovar and Porter (1995) in Mead, R. (2005) *International management cross-cultural dimensions* (3<sup>rd</sup> edn), Oxford: Blackwell.
- Saorín-Iborra, M.C. (2006) ‘A review of negotiation outcome A proposal on delimitation and subsequent assessment in joint venture negotiations’ *Canadian Journal of Administrative Sciences*. 23(3), pp.237-252.
- Schneider, S. C. (1986) ‘National vs. Corporate Culture – Implications for Human Resource Management’, *Human Resource Management*, 27(2), pp. 231-246.
- Schwartz, S.H. (1994) ‘Beyond Individualism/Collectivism: New Dimensions of Values’, in Kim, U., Triandis, H.C., Kagitcibasi, C., Choi, S.C. and Goon, G.(eds.) *Individualism and Collectivism: Theory, Method and Application*, Newbury Park, CA: Sage, pp.85-119.
- Schwartz, S.H. (1999) ‘A theory of cultural values and some implications for work’, *Applied Psychology: An International Reviews*, 48(1), pp.12-47.
- Scott, R. (1995) *Institutions and Organizations*, Thousand Oaks, CA: Sage
- Sebenius, J.K. (1998). Negotiating cross-border acquisitions. *Sloan Management Review*, 39(2), pp. 27-41.
- Sebenius, James K. (2002) ‘Caveats for cross-border negotiations’ *Negotiation Journal*, 18(2), pp.121-133.
- Segal (1999) in Kumar, R. and Worm, V. (2004) ‘Institutional dynamics and the negotiation process: comparing India and China’, *International Journal of Conflict Management*, 15(3), pp.304-336.
- Shenkar, O. & Ronen, S. (1987) ‘The cultural context of negotiations: the implications fo Chinese interpersonal norms’, *The journal of Applied Behavioral Science*, 23(2): 263-75.
- Sherriff, T.K., Lorna, F. and Stephen, C.Y. (1999) ‘Management direct selling activities in China – A cultural explanation’, *Journal of Business Research*, 45(3), pp. 257-266.
- Sheth (1983) in John L. Graham, Alma T. Mintu and Waymond Rodgers (1994) ‘Explorations of negotiation behaviors in ten foreign cultures using a model developeed in the Unidted States’. *Management Science*. 40(1), pp. 72-95.
- Simintiras, A., and Thomas, A. (1998). Cross cultural sales negotiations: A literature review and research propositions. *European Journal of Marketing*, 15(1), pp.10-28.
- Smith P.B., Bond, M.H. and Kagitcibasi, C. (2006) *Understanding Social Psychology across Cultures*, London: Sage.
- Smith, P. B. (2002) ‘Culture’s consequences: something old and something new’, *Human Relations*. 55(1), pp.119-135.

- Smith, P. B., Dugan, S. and Trompenaars, F. (1996) 'National culture and the values of organizational employees: a dimensional analysis across 43 nations', *Journal of Cross-National Psychology*, 27(2), pp.231-264.
- Snell (1999). In Ricky Y K Chan, Louis T W Cheng & Ricky W F Szeto (2002) 'The dynamics of guanxi and ethics for Chinese executives' *Journal of Business Ethics*. 41(4), pp. 327-336.
- Sondegaard, M. (1994) 'Research note: Hofstede's consequences: A study of reviews, citations and replications', *Organisation Studies*, 15(3), pp.447-456.
- Standifird S.S and Marshall R.S. (2000) 'The transaction cost advantage of guanxi-based business practices' *Journal of World Business*, 35(1), pp. 21-42.
- Steers, R.M. and Sanchez-Runde, C.J. (2002) 'Culture, motivation, and work behavior' in Gannon, M.J. and Newman, K.L. (eds.) *The Blackwell handbook of cross-cultural management*. Oxford: Blackwell.
- Steidlmeier (1999). In Wright, P., Szeto, W.F. and Cheng, L.T.W. (2002) 'Guanxi and professional conduct in China: a management development perspective'. *International Journal of Human Resource Management*, 13(1), pp.156-182.
- Stone, R.J. (1992) 'Negotiating in China is not easy', *Hong Kong Business*, 11(1), pp. 64-65.
- Studwell, J. (2002) *The China Dream: The Elusive Quest for the Last Great Untapped Market on Earth*, London: Profile.
- Sun, T. (1982) *The Art of War* (translated by Samuel B. Griffith). London: Oxford University Press
- Tan, C.H. (1990) 'Management concepts and Chinese culture', in Child, J. and Lockette, M. (Eds) *Advances in Chinese Industrial Studies*, Vol. 1, Part A, pp.2772-2788, Greenwich, CT: JAI Press.
- Tayeb, M. H. (1988) *Organisations and National Culture: A Comparative Analysis*. London: Sage Publications.
- Taylor (2002) in Hargie, O. and Dickson, D. (2004) *Skilled interpersonal communication – research, theory and practice* (4<sup>th</sup>). London: Routledge
- Thompson (1990) in Gannon, M.J. and Newman, K.L. (eds.) (2002) *The Blackwell handbook of cross-cultural management*. Oxford: Blackwell. Chapter 15 Metaphor and the cultural construction of negotiation: a paradigm for research and practice.
- Ting-Toomey, S (1988). Toward a theory of conflict and culture. In Gudykunst, W., Stewart, L. and Ting-Toomey, S. (eds), *Communication, culture and organizational processes* (pp.71-86). Beverly Hills, CA: Sage.
- Ting-Toomey, S. (1999) *Communicating across cultures*. New Year: The Guilford Press
- Tinsley (1998) cited in Michele J. Gelfand & Christopher McGusker (2002), in Gannon, M.J. and Newman, K.L. (2002) *The Blackwell handbook of cross-cultural management*. Oxford: Blackwell.
- Tinsley, C.H., Curhan, J.J., and Kwak, R.S. (1999) 'Adopting a dual lens approach for examining the dilemma of differences in international business negotiations', *International Negotiation Journal*, 4, pp.5-22.
- Trompenaars, F and Hampden-Turner, C (1997) *Riding the waves of culture: Understanding cultural diversity in business*, 2<sup>nd</sup> edn, London: Nicholas Brearley.
- Trompenaars, F. (1993) *Riding the waves of culture*, London: Nicholas Brearley.

- Tsang, E.W.K. (1998) 'Can guanxi be a source of sustained competitive advantage for doing business in China', *Academy of Management Executive* 12(2), pp. 64–73.
- Tse, D.K, Francis, J.and Walls, J (1994) 'Cultural differences in conducting intra- and inter-cultural negotiations: A Sino-Canadian comparison' *Journal of International Business Studies*, 25(3), pp. 537-555.
- Tu, W.M. (1984) *Confucian Ethics Today: The Singapore Challenge*, Singapore: Federal Publications.
- Tung, R.L. (1982) "U.S.-China Trade Negotiations: Practices, Procedures and Outcomes." *Journal of International Business Studies*. 13(2), pp 23-37.
- Tung, R.L. (1986) 'Corporate executives and their families in China: The need for cross-cultural understanding in business', *Columbia Journal of World Business* 21(1), pp. 21–26.
- Tung, R.L. (1988) 'Toward a conceptual paradigm of international business negotiations' in Farmer, R.N. and McGoun, E.G. (1988) (eds) *Advances in comparative management*, Vol. III, pp. 203-219. Greenwich, CT: JAI Press.
- Tung, R.L. (1989) 'A longitudinal study of United States-China business negotiations'. *China Economic Review*, 1(1), pp. 57-71.
- Tung, R.L. (1994) 'Strategic management thought in East Asia', *Organizational Dynamics*, 22(4), pp. 55-65.
- Usunier, J.-C. (2003) 'Cultural Aspects of International Business Negotiations', In Ghauri, P. N. and Usunier, J.-C. (eds.) *International Business Negotiation*, 2<sup>nd</sup> edn, Amsterdam: ELSEVIER.
- Usunier, J-C. (2003). "A comment on the use of Hofstede's cultural dimensions in the academic literature on international business negotiations," in Ghauri, P. N. and Usunier, J-C. (eds.) *International Business Negotiations*, 2<sup>nd</sup> edn., Amsterdam: ELSEVIER.
- Vaughan (1998) in Mead, R. (2005) *International management cross-cultural dimensions* (3<sup>rd</sup> edn.), Oxford: Blackwell.
- Volkema, R. J. and Fleury, M. T. L. (2002) "Alternative negotiating conditions and the choice of negotiation tactics: A cross-cultural comparison." *Journal of Business Ethics*, 36, pp.381-398.
- Wagner, C. (1993) 'Perceived correlates of successful joint venture negotiations in China: An empirical study' *International Journal of Management*. 10(4), pp.413-421.
- Walsh, J.P., Wang, E., and Xin, K.R. (1999) 'Same bed, Different Dreams: Working Relationships in Sino-American' *Joint Ventures*. *Journal of World Business*, 34(1), pp.69-93.
- Walton, RP E. and R. McKersie (1965). *A Behavioral Theory of Labor Negotiations*. New York, NY: McGraw-Hill.
- Wang (1984) in Faure, G.O. (2000) "Negotiations to set up joint ventures in China" *International Negotiation*. Vol. 5, pp. 157-189.
- Wang and Faure (1996) in Faure, G.O. (2000) "Negotiations to set up joint ventures in China" *International Negotiation*. Vol. 5, pp. 157-189.
- Wang, ZM. (1992), "Managerial psychological strategies for Sino-foreign joint ventures", *Journal of Managerial Psychology*, 7(3), pp. 10-16.

- Warrington, M.B. & McCall, J.B. (1983) 'Negotiating a foot into the Chinese door', *Management Development*, 21(2), pp. 3-13.
- Weiss, S. E. and Stripp, W. G. (1985). "Negotiating with foreign business persons: An introduction with propositions on six cultures." GBA Working Paper Series. Working Paper, pp.85-86, New York University.
- Weiss, S.E. (1987). 'Creating the GM-Toyota Joint Venture: A case in complex Negotiation'. *Columbia Journal of World Business*, 22(2), pp. 23-37.
- Weiss, S.E. (1993) 'Analysis of Complex Negotiations in International Business – the RBC Perspective', *Organization Science*, 4(2), pp.: 269-300.
- Weiss, S.E. (1997) 'Explaining outcomes of negotiation: Toward a grounded model for negotiations between organizations'. In Lewicki, R.J., Bies, R.J. and Sheppard, B.H. (Eds.), *Research on Negotiation in Organizations* (pp. 247-333). London: JAI Press.
- Weitz, B., Sujan, H., and Sujan, M. (1986) 'Knowledge, motivation, and adaptive behaviour: A framework for improving selling effectiveness', *Journal of Marketing*, 50(4), pp. 174-191.
- Weitz, B.A. (1981) 'Effectiveness in sales interactions: a contingency framework' *Journal of Marketing*. Vol. 45, pp. 85-103
- Wellman, B., Chen, W. and Dong, W. (2002) *Networking guanxi*. In Gold, T., Guthrie, D. and Wank, D. (Eds.) *Social connections in China: Institutions, culture and the changing nature of guanxi*, Cambridge: Cambridge University Press.
- Whitley, R. (ed.) (1992) *European Business Systems: Firms and Markets in their National Contexts*. London: Sage.
- Wilen, T. (2001) *International Business: A basic guide for women*. Philadelphia, USA: Xlibris Corporation.
- Williamson (1975) in Yan, A. and Luo, Y. (2001) *International Joint Ventures: Theory and Practice*. London: M.E. Sharpe.
- Williamson, D. (2002) 'Forward from a critique of Hofstede's model of national values', *Human Relations*, 55(11), pp.1373-1395.
- Wong and Chan (1999) in Wright, P., Szeto, W.F. and Cheng, L.T.W. (2002) 'Guanxi and professional conduct in China: a management development perspective'. *International Journal of Human Resource Management*, 13(1), pp.156–182.
- Wong, A.L.Y. and Slater, J.R. (2002) 'Executive development in China: is there any in a Western sense?' *International Journal of Human Resource Management*. 13(2), pp. 338–360.
- Woo, H.S. (1999) "Negotiating in China: some issues for Western women" *Women in Management Review*. 14(4), pp. 115-120.
- Worm, V. (1997). Vikings and mandarins. *Copenhagen: Copenhagen Business School Press*, <http://www.tdctrade.com/main/china.htm>.
- Wright, P., Szeto, W.F. and Cheng, L.T.W. (2002) 'Guanxi and professional conduct in China: a management development perspective'. *International Journal of Human Resource Management*, 13(1), pp.156–182.
- Yan, A., and Gray, B. (1994) 'Bargaining Power, Management Control and Performance In United States-China joint Ventures: A Comparative Case Study'. *Academy of Management Journal*, 37(6), pp.1478-1517.

- Yan, A., and Gray, B. (2001) 'Antecedents and Effects of Parent Control in International Joint Ventures'. *Journal of Management Studies*, 38(3), pp.393-416.
- Yan, A. and Luo, Y. (2001) *International Joint Ventures: Theory and Practice*. London: M.E. Sharpe.
- Yang, J.Q. and Lee, H. (2002) 'Identifying key factors for successful joint venture in China' *Industrial Management & Data Systems*. Vol. 102, Iss. 2, pp. 98-109.
- Yang, J. and Lee, H. (2002) 'Identifying key factors for successful joint venture in China' *Industrial Management & Data Systems*. 102(2), pp. 98-109.
- Yau, O.H.M., Lee, J.S.Y., Chow, R.P.M., Sin, L.Y.M., and Tse, A.C.B. (2000) 'Relationship marketing the Chinese way', *Business Horizons*, 43(1), pp. 16-24.
- Yeung, I.Y.M. and Tung, R.L (1996). Achieving Business Success in Confucian Societies: the Importance of Guanxi (Connections). *Organizational Dynamics*, 25(2), pp. 54-65.
- Yin, R. K. (1994) *Case study research design and methods*. Thousand Oaks: Sage.
- Zhang, Y. and Zhang, Z. (2006) 'Guanxi and organisational dynamics - a link between individual and organisation levels'. *Journal of Business Ethics*, 67(4), pp. 375-392.
- Zhao, J.S. (2000) 'The Chinese Approach to International Business Negotiation' *Journal of Business Communication*, 37(3), pp.209-237.
- Ziegler (2000) in Geddie, M.W., DeFranco, A.L. and Geddie, M.F. (2005) 'A comparison of relationship marketing and Guanxi: its implications for the hospitality industry' *International Journal of Contemporary Hospitality Management*. 17(7), pp. 614-632.
- Zueva, A., Rogers, H., Corbett, J. and Cathro, V. (2007), 'The Influence of National Culture on Negotiating Style A New Zealand-UK Perspective', *Paper presented at the Academy of International Business 2007 Conference, UK Chapter*

## **Appendixes**

### **Appendix 1                    Interview questions – first round**

#### **Part I Nature of Sino-Western joint venture negotiation process**

##### **1. Could you please introduce the joint venture negotiation process briefly? Particularly about the following questions:**

1.1 Which party did you represent?

1.2 How many negotiators were involved from both sides - Chinese and Western? What were their positions?

1.3 Were any government officials involved? If so, when did they join in the negotiation?

1.4 Were any lawyers involved? If so, when did they join in the negotiation?

1.5 Were any interpreters involved? If so, which party did the interpreter represent?

1.6 Did the partners have a business relationship before this joint venture negotiation?

- If so, in which way; for how long?
- If not, how did they get to know each other?

1.7 What were the main negotiation activities and events? Was each stage of the negotiation a clear cut process? If so, how did you divide them?

1.8 How long did it take from initial contact of both parties to face-to-face negotiation of the joint venture contract? How long did it take from negotiating to signing the joint venture contract?

1.9 What was the term of the joint venture contract? Who proposed this term? How did you think about the term of the joint venture?

#### **Part II Linkage between Chinese communication style, Chinese negotiation style and dynamics of Sino-Western joint venture negotiation process**

*In general, could you please talk more about the following questions?*

2. What were the main challenges you met in the process of Sino-Western joint venture negotiation?

3. How many successful joint venture negotiations have you experienced? What do you think made the joint venture negotiations successful?
4. Have you ever been part of unsuccessful Sino-Western joint venture negotiations? If so, why do you think the negotiation failed?
5. How would you describe the Chinese communication style? How effectively are they able to function in the negotiation process?

*Particularly, could you please talk more about the following questions?*

6. How did the Chinese make decisions? How did Chinese decision making influence the negotiation process?
7. How did the Chinese resolve it when conflict arose? How did Chinese conflict resolution influence the negotiation?
8. How would you give out the information when your Western partner asked you about it? Did this influence the negotiation process? If so, how?
9. What was the role of the Chinese government in the joint venture negotiation? Did this influence negotiation process? If so, how?
10. What was the role of the interpreter in the joint venture negotiation?
11. How did the Chinese listen at the negotiation table? Did these listening behaviours influence the negotiation process? If so, how?
12. What was the preferred Chinese communication medium (e.g. face-to-face meeting, multi-media meeting, telephone, fax, email)? Did these preferences influence the negotiation process? If so, how?
13. What do you think about the joint venture contract? Did the contract differ between the Chinese and the West? If so, did these differences influence the negotiation process? If so, how?
14. What do you think about Chinese non-verbal communication? Particularly, what were the roles of the following nonverbal communication in the negotiation respectively? Did they influence the negotiation process? If so, how?

14.1 Tone of voice

14.2 Facial expression

14.3 Gestures

14.4 Eye contact

14.5 Touch

14.6 Use of space

14.7 Time

**Part III Implication questions**

15. What are the experiences or lessons which you gained from the Sino-Western joint venture negotiations?

16. What would you suggest to international business practitioners who intend to negotiate joint ventures in China?

**Part IV Free talk**

17. Do you have any comments, suggestions or questions on this research? What is the final thing you would like to tell me before I close this talk?



**Appendix 2                      Interview questions – second round**  
**Case 2: Sunni joint venture**

**Part I Nature of Sino-Western joint venture negotiation process**

**1. Negotiation Stage 1: Preliminary stage**

*Partner selection and Marketing research*

- 1.1 What were the criteria for partner selection for the Chinese side?
- 1.2 When and how did both parties start initial contact? (if no business relationship between both parties before the joint venture negotiation).
- 1.3 How long did it take from initial contact to negotiate the Letter of Intent?

**2. Negotiation Stage 2: Business proposal stage**

*Letter of Intent*

- 2.1 How was the Letter of Intent prepared?
- 2.2 When started?
- 2.3 When finished?
- 2.4 When signed?

*Feasibility Study*

- 2.5 How was the Feasibility Study prepared?
- 2.6 When started?
- 2.7 When finished?
- 2.8 When signed?
- 2.9 When and how approved by the Chinese government?

**3. Negotiation Stage 3: Joint Venture Contract negotiation stage**

- 3.1 How was the Joint Venture Contract prepared?
- 3.2 When started?
- 3.3 When finished?

3.4 When signed? Was there a signing ceremony? If so, can you tell more about this?

3.5 When and how approved by the Chinese government?

#### **4. Entire negotiation process: three stages as a whole**

*Between negotiation stages*

4.1 Was there any negotiation dynamics (eg. back and forth negotiation) between negotiation stages? Can you give example(s)?

4.2 What caused this?

*Within negotiation stage*

4.3 Was there any negotiation dynamics (eg. back and forth negotiation) at each stage of negotiation? Can you give example(s)?

4.4 What caused this?

### **Part II Linkage between Chinese negotiation style and dynamics of Sino-Western joint venture negotiation process**

#### **5. Chinese negotiation style (etic) and dynamics of the negotiation process**

5.1 Did any of the following Chinese negotiation style trigger the negotiation dynamics (eg. back and forth negotiation)? (Only answer this question if the trigger is different from the one in question 4)

5.2 If so, how?

5.3 Can you give examples?

Indirect information disclosure

Indirect conflict management

Top-down decision making

Flexible time management

Holistic approach

## **6. Chinese negotiation style (emic) and dynamics of the negotiation process**

### *Guanxi definition*

6.1 In general, what does Guanxi mean to you? What does strong Guanxi mean to you?

6.2 Is visiting each other a kind of Guanxi building and or maintenance between both parties?

### *Guanxi development in the negotiation process*

6.3 How did you see Guanxi development with the Chinese partner in the negotiation process from initial contact to sign the joint venture contract?

6.4 How did you see Guanxi development with the Chinese government in the negotiation process from initial contact to sign the joint venture contract?

### *Guanxi interaction with the negotiation process*

6.5 How did you see the relationship between guanxi and the negotiation process?

6.6 Did Guanxi with the local partner facilitate the negotiation process? If so, how? Can you give examples?

6.7 Did Guanxi with the Chinese government facilitate the process of document approval? If so, how?

## **Part III Implication questions**

### **7. Cultural adaptation**

7.1 Did the Western side employ guanxi? If so, how? Can you give example(s)?

7.2 Did this influence the negotiation process? If so, how?

## **Part IV Free talk**

8. Do you have any final thoughts that you think might help with this research?

### Appendix 3

### Informant's information sheet

For the following questions please write-in the response. All the information provided will remain strictly confidential, and will only be used for the purpose of this study.

- 1a What is your country of birth? \_\_\_\_\_
- 1b What is your citizenship? \_\_\_\_\_
- 2 What is your age? \_\_\_\_\_
- 3 Are you male or female? \_\_\_\_\_
- 4 What is your current industry? \_\_\_\_\_
- 5a What was your position in headquarters when negotiating the Sino-Western joint venture? \_\_\_\_\_
- 5b What was your position in the Sino-Western joint venture negotiation (if different with above)? \_\_\_\_\_
- 6 How many years of experience do you have in your current industry?  
\_\_\_\_\_
- 7a How many years of international business negotiation experience do you have?  
\_\_\_\_\_
- 7b How many years of Sino-Western joint venture negotiation experience do you have?  
\_\_\_\_\_
- 7c Do you think there is a difference between these two kinds of negotiation?  
Please tick (1) Yes  (2) No   
If yes, please list the main difference(s) \_\_\_\_\_
- 8 Do you think there is a big difference between Chinese culture and Western culture?  
Please tick (1) Yes  (2) No   
If yes, please list the main difference(s) \_\_\_\_\_
- 9 Do you speak another language besides your native language?  
Please tick (1) Yes  (2) No   
If yes, what is your native language? \_\_\_\_\_  
What other languages do you speak or write in? \_\_\_\_\_

Thank you very much for the precious time you devoted to answering this questionnaire; and for the valuable information you provided to the study!

Appendix 4

Process flow-chart for Roma joint venture negotiation: case 1

342

