



A Comparison of Business Negotiation Behavior between Korea and China

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Abstract

With the establishment of Korea and China's diplomatic relationship in 1992, the business activities between Korea and China show the trend of booming during this decade; these two countries have become close trading partners to each other. The process from "strangers" to close friends in business just happened during this decade. The reason why these two countries have been so close in business is because of the geographic advantage and similar cultural roots, Confucianism. Though these two countries have similar cultural roots, due to different social backgrounds, there are still differences in their business cultures.

Therefore, this paper picks negotiation as the core and does some comparisons about negotiation behavior between Koreans and Chinese, aiming to provide some useful reminders when conducting business activities in these two countries, for negotiation is the constant factor in business life.

Keywords: Culture, Negotiation behavior, Korea, China

1. Background of the Study

Korea and China are historically and geographically closely related. The cultural contacts between Korea and China have an age-old history. From the ancient times there were already many legends about it and till the Qing Dynasty, there were many tales of friendship between these two countries. Confucianism especially has a very deep influence on Korean society from the establishment of the Lee Dynasty in 1392. So Koreans and Chinese have the same cultural roots, which still have the distinctive effect on their business culture.

On the other hand, with the establishment of a diplomatic relationship in 1992, the trade activities between Korea and China have become extended significantly and rapidly. In 2000, China was the third biggest trade partner of Korea and from 2003-2007, China was the first biggest trade partner to Korea. And then, Korea was the Sixth biggest trade partner to China in 2008.

So with the booming trend of business activities between Korea and China, it is essential to have knowledge of business culture, especially manner and characteristics of negotiation between Korea and China for starting business smoothly in these two countries due to its utmost importance in business activities.

2. Research Model Specification and Propositions

All researchers describe negotiation as a process extensively. Negotiation is divided into three phases, namely the antecedent phase (in which the new pre-negotiation planning and preparation component resides), the concurrent phase, and the consequent phase; Graham (1987) posited this. It has been the sum and substance for researching business-to-business negotiation in the marketing domain (Peterson and Lucas, 2001).

In practice, negotiation should be viewed as a process, for the actions taken before and after the actual conduct of negotiation all have influence on the negotiation behavior. Graham's (1987) conceptual framework is comprised of three concepts: (1) negotiator characteristics and situational constraints; (2) factors directly related to the process of negotiation; and (3) negotiation outcomes. Figure 1 is the refined negotiation process model of Graham by Peterson and Lucas in 2001.

2.1 Research Model Specification

Insert Figure 1 here.

Since this paper is made on the cross-cultural perception, so based on Figure 1, the research model of this paper is formed as below: Insert Figure 2 here.

2.2 Proposition

2.2.1 Culture with Preparation

Hofstede (1991) suggested national culture might affect one's negotiation.

According to Lewicki and Litterer (1985), the most important success factors in negotiation are preparation and planning. With effective planning and goal setting, most negotiators can achieve their objectives; without it, results occur more by chance than by what the negotiator does. The importance of careful preparation for cross-cultural negotiations is emphasized. Since most negotiation problems are caused by differences in culture, language, and environment, hours or days of tactical preparation for negotiation can be wasted if these factors are not carefully considered.

Thus, in order to achieve the group's goal well, individuals might like to devote more effort into the pre-negotiation. In masculine culture, since competitiveness is highly valued, so success is important to the negotiators. The individual negotiators cannot stand failure, so good preparation might be done in the pre-negotiation stage.

P1: The characteristics of national culture might affect the level of preparation.

"The pre-negotiation stage is often more important than the formal negotiations in an international business relationship. Social, informal relationships developed between negotiators at this stage can be of great help. Trust and confidence gained from these relationships increase the chances of agreement" (Ghauri, 1996). It is quite easy to understand if one negotiator has met the partners before the formal negotiation and is assumed to have had pleasant conversation; so when they conduct the formal negotiation, they are not strangers to each other but friends, then negotiation process will be more smoothly and the preparation also might cultivate confident behavior during the negotiation process.

"Preparation is vital to negotiating successfully" (Bob, 2002). The impact of national culture on pre-preparation will directly affect the performance of negotiator in cross-cultural negotiation, for if the negotiator has considered the cultural differences during the preparation, then less cultural conflict will arise during negotiation process, and the partners will feel comfortable to conduct negotiation for they will feel their culture has been respected and coordinated; and all these indirectly affect the negotiation outcome.

P2: Preparation might reduce cultural shock and have impact on negotiators' performance during the negotiation process.

2.2.2 Culture with Negotiation Process

"The impact of culture on the negotiating process has intrigued both scholars and practitioners" (Salacuse, 1999). Culture differences will impact negotiation in various ways, especially in cross-cultural negotiation, for "negotiation is one of the most challenging communication tasks in business" (Gilsdorf, 1997). Insert Table 1 here.

Everybody communicates all the time. No matter what one is talking about, when the individual talk to others it is called communication. In a negotiation setting, when a negotiator negotiating with another party, making concession, bargaining, persuading and arguing, etc., all of these belong to the process of communication. Communication is affected by the culture due to different cultural perspective.

"Negotiation practices differ from culture to culture" (Weiss, 1994). It is quite clear that culture may affect how individuals perceive the nature and function of negotiation. Each element of culture will be interpreted in a totally different way. It is quite clear these various interpretations have various effects on the negotiation style. In the preparation step, the cultural differences are just written on paper, but during the negotiation process all of those differences will be reflected by the various negotiation behavior of the partners. If these cultural differences could not be well treated and respected, then conflict can easily rise. So in order to conduct the negotiation smoothly, negotiators have to coordinate with the other party's negotiation style.

P3: National culture might affect the manner and characteristics of negotiators during the negotiation process.

As mentioned above, it is easy to understand that what happens during the negotiation process might affect the negotiation outcome. "Process variables address what actually takes place when parties come together for discussions; these behaviors comprise are generally viewed as the central determinant of the negotiation outcome" (Peterson and Lucas, 2001). Various negotiation behaviors due to different cultural background will cause problems and conflict. Cultural differences are the main factors of the negotiation process, which affect the outcome of a cross-cultural negotiation.

P4: Cultural differences exhibited during the negotiation process might affect the success of the negotiation outcome.

3. Methodology

A qualitative method was used with the application of case study to develop the research.

3.1 Literature Review

The research model of this paper is formed on the basis of refined Graham (1987) negotiation process model by Peterson and Lucas (2001). In the model, Graham identified that negotiators' characteristics and situation constraints are antecedents of pre-negotiation and also have impact on the negotiation process, in which the negotiator's characteristics includes age, experience, gender and national culture. And the pre-negotiation is the antecedent of negotiation process; the negotiation outcome is the interaction of pre-negotiation and the negotiation process.

This paper is made on purpose to identify the cultural impact on the negotiation outcome, so national culture is chosen as a key antecedent factor that serves as a determinant affecting the negotiation in cross-cultural setting.

3.2 Selection of Cases

The purpose of case study is to examine the cultural differences on negotiation behavior and their consequences on negotiation outcome. So the sample of case should have experience of negotiating with Korean, in order to effectively judge the practical meaning of the propositions.

Three Chinese who once had experienced negotiating with Koreans were chosen as samples. In Case 1, a boss of a private company who specialized in exporting agricultural products to Korea for years was chosen as a sample. His company is a small-sized company with totally about 30 employees, which is located in Qing Dao City, Shang Dong Province, China. In Case 2, a technological expert who has been working in Lang Chao LG Digital Telecom Technology Company for more than two years with the experience of negotiating with Koreans was chosen as a sample. The company is a middle-sized Korea-China joint venture located in the Yan Tai City, Shang Dong Province of China, specializing in producing CDMA cell phone with about 500 employees. In Case 3, an employee from the purchasing department of Simens Automobile Electronics Chang Chun Branch was chosen as a sample, who has worked there for more than three years. The company is a middle-sized German single venture located in Chang Chun City, Ji Lin Province, China, specializing in producing electronic spare parts of automobile with about 600 employees.

3.3 Method of Data Collection

The method of data collection is important to decide how much the data can reflect the reliability of the study.

Due to area limitations, phone interviews were conducted instead of actual interviews. All the relevant questions were summarized on a list before the phone interview, and the questions were asked one by one in detail, certainly the minutes was also done at the same time.

4. Case Study

4.1 Comparison of Cross-Cultural Negotiation Behavior

The table below gives a summary of the comparison of cultural differences between Korea and China through the three cases. Insert Table 2 here.

4.2 Observations of Propositions

The observations of propositions are obtained through the application of three cases. From the three cases, it is known that both Koreans and Chinese prefer careful preparation due to aversion to risk. And preparation will affect negotiators performance during the negotiation process. Brief observations are list below: Insert Table 3 here.

5. Conclusion

This paper has stated the difference of negotiation behavior between Koreans and Chinese on cross-cultural perception, together with the application of the case study, resulting in identifying the culture impact on negotiation outcomes. Because of the same cultural roots, Korean and Chinese business cultures have many similarities, but due to different cultural evolution and development, there are still some dissimilarities existing.

The result of comparison here is that, there are more similarities and less dissimilarity. But the comparison still has practical meaning. For example, a Japanese negotiator or an American negotiator may think Korea and China have similar cultural backgrounds, and then if they conduct a negotiation in Korea totally in the same manner as they conduct negotiation in China, it would not be workable. Because similar does not always mean equal, so the more similar the cultures are the more necessary the comparison is, for even a tiny cultural difference might affect your negotiation.

The business activities occurring between these two countries are increasing rapidly, so possessing knowledge of business cultures of Korea and China is essential indeed. This is the primary skill for the businessmen in these two countries should hold.

"Culture clearly influences each aspect of negotiation. Culture also influences the composition of the side, nature of communication, mutual perceptions, the structure of negotiation, the style of bargaining, and use of the interveners. Finally, it determines the nature of the outcome and the form of agreement" (Bangert and Pirzada, 1992).

The impact of cultural variances could not be totally eliminated in cross-cultural negotiations. Hence, any step of this

type of negotiation should take cultural factors into account if satisfied outcome are targeted.

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Table 1. Culture and the Art of Negotiation

		Within one Culture		Between Cultures	
Negotiator	Process	Easier	Process	More difficult	
	Agreement	More difficult	Agreement	Improved likelihood	
Intervener	Process	Easier	Process	More difficult	
	Agreement	More difficult	Agreement	Improved likelihood	

Source: Bangert and Pirzada (1992)

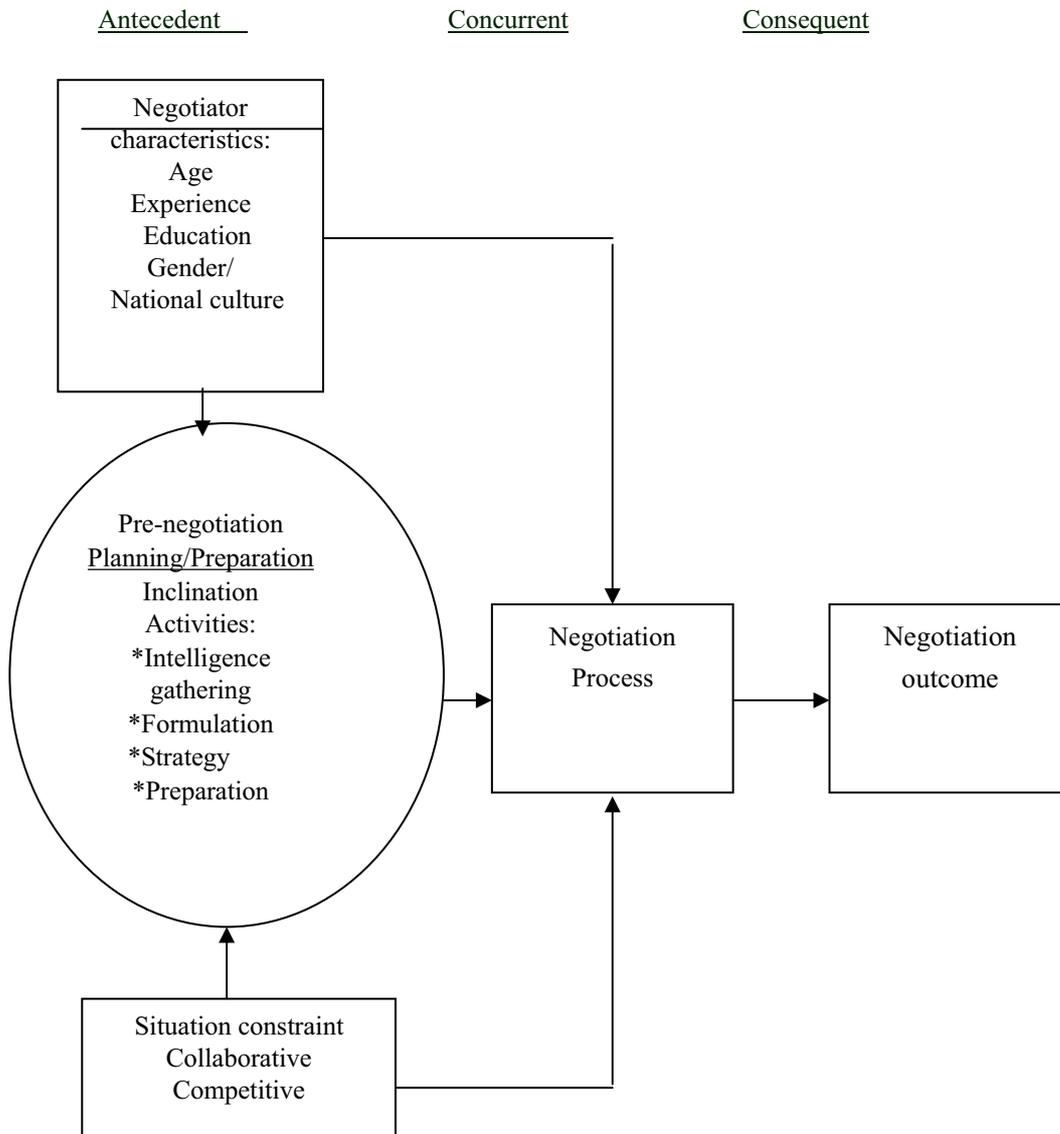
Table 2. Quick Reference Chart of Culture Differences between Korea and China

	Korean		Chinese	
	Characteristics	Cultural background	Characteristics	Cultural background
Preparation	Well preparation will be done in pre-negotiation phase.	Masculinity / Uncertainty Avoidance	Do preparation.	Masculinity / Uncertainty Avoidance
Status	Pay attention to hierarchy. So when negotiate, sent the negotiators with similar or equal rank to match with your partner.	Power Distance	Pay attention to hierarchy. So when negotiate, sent the negotiators with similar or equal rank to match with your partner.	Power Distance
Company profit	Company profit is the main concern of the negotiators.	Collectivism	Company profit is the main concern of the negotiators.	Collectivism
Risk aversion	Afraid of risk, prefer written regulation and rules.	Uncertainty Avoidance	Afraid of risk, prefer written regulation and rules.	Uncertainty Avoidance
Grand of Negotiator	Nearly only men are engaged in business field, male and female have unequal right in the society.	Masculinity	Both of man and woman are engaged in business field, male and female have same right in the society.	Masculinity
Culture Adaptation	Compare with its neighbor China and Japan, Korea is more intense in nationalism, special for F&B product, they prefer much "Made in Korea."	Nationalism	Like to adapt other culture forms.	Nationalism
Cross-cultural communication	Prefer grasps answers from informal interactions and non-verbal cues.	High-context culture	Prefer grasps answers from informal interactions and non-verbal cues.	High-context culture

Problem-solving Approach	Clever and forceful. Their politeness masks a shrewd, never give up, and never lose business sense. Solve conflict directly.	Affect expression	Clam, very quiet and thoughtful; Relies heavily on subjective feeling and personal experiences. Solve conflict in an indirect way.	Affect expression
Affect	Negotiators are aggressive, quick to express anger and frustration.	--	Emotional restraints is held in high esteem; calmness is highly valued which signals sincerity, seriousness and competence.	--
Patient	Irritable and can not stand a long time period negotiation.	--	Patient.	--
Bidding	Offer a reasonable price at first	--	Offer a higher price, then bargain and make concession little by little.	--
Decision marking	Prefer group consensus, tend to be very conservative and risk averse; but be quick at decision making.	Collectivism/ companies in Korea are still run by private	Prefer group consensus; also very risk averse; slow and methodical with decision marking.	Collectivism/ Stems for their fears of "losing face"; quick decision is somewhat a cue of incapability

Table 3. Observations of Proposition

Proposition	Observation
P1	Careful preparation would be done due to the aversion of risk;
P2	Preparation has both of positive and negative impact on negotiation process
P3	Different national cultures result in various negotiation performance during negotiation process
P4	Process variables determine the negotiation outcome, especially cultural factors



Source: Peterson and Lucus (2001)

Figure 1. Theoretical Framework of Negotiation Process Model

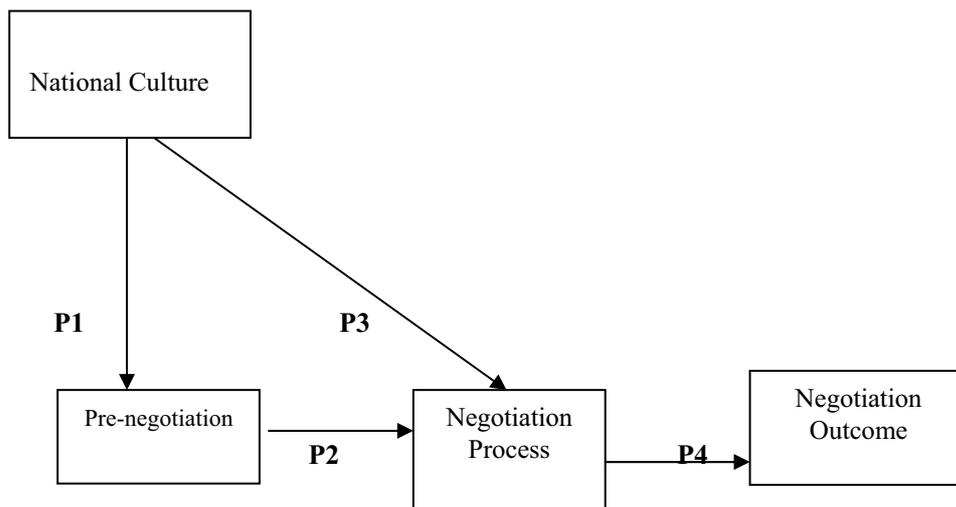


Figure 2. Research Model