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Negotiating with East Asians: How to Attain “Win-Win” Outcomes

Abstract

- Based on interviews with executives from twelve US companies who had experiences in international business negotiations, the paper examined the different negotiating styles of East Asian countries: Korean, Japan, and China.

- Korea, in particular, appeared to be more distinctive from the other two countries in their approach to conducting negotiations. Guidelines were provided on how to improve the effectiveness of cross-cultural negotiations with these East Asian trading partners.

Key Results

- While some similarities existed among these three countries in their approach to international business negotiations, considerable differences were also found. Such differences reflected the historical and socio-cultural backgrounds of the respective countries.

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Introduction

In 1994, the US Department of Commerce identified ten countries that hold great promise for large incremental gains in US exports. Four of these “big emerging markets” come from Asia: Greater China (i.e., the People’s Republic of China, Taiwan and Hong Kong), Korea, India, and Indonesia. While these markets present significant opportunities for US businesses, they may also pose substantial challenges. Many American firms have considered Asia to be too risky and/or difficult, i.e., too culturally dissimilar (Lasserre 1995). To take advantage of the opportunities presented by the dawning of the Pacific century, American businesses ought to have a presence in these markets. To be successful, however, it is imperative that they have a better understanding of how to deal effectively with East Asian managers. Specifically, how can Americans negotiate more effectively with their counterparts in these countries?

Negotiation is a special communication task that takes place in order to reach agreement about how to handle both common and conflicting interests between two or more parties. As culture plays an important role in framing the priorities of the negotiators, negotiating skills are not value-free and expectations for outcome differ at the negotiating table. Therefore, international business negotiations which involve parties from two widely dissimilar cultures can be problematic. According to the US Department of Commerce, for example, for every successful Japanese-American negotiation, there are 25 failures (Deutsch 1983). Certainly, cultural differences account for some of the difficulties involved in international business negotiations, but failure to prepare for and properly manage negotiations appear to be the primary culprits. For example, the Chinese are tend to use “aggressive” negotiating tactics because they assume that Americans are easily flattered and manipulated (Pye 1982). Similarly, the Koreans are often tenacious negotiators who hardly give up whatever is at stake on the negotiation table.

In this context, the paper seeks to analyze the different negotiating styles of East Asian countries and to explore the factors which can enhance the probability of success in negotiating with East Asian managers. Korea, Japan and China are selected as a target sample of this research for two primary reasons: One, these three countries are major trading partners of the US in Asia. Two, these three countries share certain commonalities in their cultural heritage. While previous research has focused on negotiations with the Japanese and the Chinese (Chen 1993, Graham 1993, Hartfield 1991, Kirkbride/Tang/Westwood 1991), few studies have examined the Korean approach to international business negotiations (Tung 1991). Although these three countries share many cultural values and customs influenced by Confucianism and Buddhism, there are also significant differences among them which are attributable to each country’s unique history and cultural background. These differences can and do affect each country’s negotiating style and, hence, outcome.
The research findings presented are based on interviews with twelve senior executives of US-based multinational companies which have extensive experiences in negotiating with peoples from these three East Asian countries. A comparative, multiple case study approach (Yin 1989) was used to explore the similarities and differences between East Asian managers. A partial list of companies included in this study was General Motors, Hewlett-Packard, Apple, Coors, and US Steel. Three of the interviewees were female and another three were ethnic Asian managers who immigrated to the US at an early age. Interviews were designed to identify the major factors affecting the outcome of negotiations with East Asian managers. On average, each interview lasted 40 to 60 minutes and follow-up interviews were conducted if it deemed necessary. Prior to the interview, each executive was sent a modified questionnaire originally developed by Tung (1984) for use in her studies on US-China and US-Japan business negotiations. This questionnaire asked the respondents to compare and contrast the negotiation styles between Koreans, Japanese, and Chinese in terms of the following dimensions: negotiation tactics, decision making process, conflict resolution. This procedure gave the respondents an opportunity to think about the topics to be included in the interview and provided structure to the entire discussion.

This paper sought to examine three specific aspects of negotiating with East Asians. First, it focused on delineating similarities and differences among the Koreans, Japanese and Chinese at different stages of the negotiation process. Important factors involved in the cross-cultural negotiation were explored. These factors include negotiating team members, use of time, expectations for outcomes, and communication and negotiation style. The aim of this discussion was to show how culture affects negotiations. Second, it identified the most critical factors which contributed to both the success and failure of the negotiations. In order to negotiate successfully with East Asians, Americans need to understand the priorities that motivate the other side: how and why they are different. Finally, it offered suggestions on how Westerners including Americans can improve their performance in cross-cultural negotiations with East Asians. Although the current study focuses on the negotiations involving Americans and Asians, the research findings have significant implications for any organizations and managers involved in cross-cultural negotiations between peoples from two cultures which are very distinct from each other.

**Negotiation Process**

The negotiation process is defined in this paper as a dynamic process by which two parties, each with its own objectives, confer to seek a mutually acceptable
agreement on a matter of common interest. The negotiation process occurs within a defined time period, and involves not only the use of data and intuition, but also the willingness of the parties to understand each other’s point of view. Without such willingness, it would be difficult, if not impossible, to arrive at a mutually satisfactory agreement. Such an arduous process is further complicated by language barriers and differences in cultural values, customs and lifestyles in cross-national settings.

To better understand the differences between East Asian and American negotiation styles, the negotiation process is divided into three stages: the opening or initial stage, the resolution stage, and the final stage. The objectives and styles adopted at each stage vary as the two parties attempt to arrive at a mutually acceptable agreement:

**Opening Stage:** At the opening stage, the two parties try to learn more about each other’s position and the willingness of each party to deviate from same. The negotiators will also attempt to create favorable impressions of their own position and unfavorable ones of their counterpart’s.

**Resolution Stage:** The emphasis at this stage is on bridging the gap between the parties to the point where a possible compromise (bargain) can be identified by linking and trading specific issues. Both parties would have moved sufficiently from their initial positions by making concessions (Westwood/Tang/Kirkbride 1991).

**Final Stage:** At this stage, the bargain is made and finalized. The final stage involves the reaching of a mutually acceptable agreement to the parties involved, followed by summarizing and recording. The agreement and minutes of the negotiations will form the basis of a contract.

Research findings on the negotiation process are discussed along each of these three stages:

**Opening Stage**

**Number of Participants**

In general, the Asian negotiating team is larger than the American team. The latter usually consists of one or only a few negotiators who have the necessary decision making authority. The American team is thus outnumbered and operates at a distinct disadvantage at the bargaining table. It is very difficult for one person to gather and analyze the essential information needed for making sound decisions in a limited time period. Interview results identified several reasons for the use of smaller negotiation teams. One, Americans are more individualistic and hence used to operating on their own. Two, the concern with cost efficiency. Over one-half of the managers interviewed indicated that their companies tried to save
money by sending only one or a few representatives to the overseas negotiation. Three. Americans are eager to complete negotiations within a shorter time period, by reducing the number of participants to the team so that they can minimize intragroup differences. Where teams are used, because of the American practice to gather participants from different divisions of the company, internal disagreements may likely arise because the individuals may never have worked together as a team. Furthermore, each has his/her own idea of the appropriate strategy to use, the corporate philosophy to follow and the bargaining positions to adopt. Five managers interviewed in this study admitted that they had encountered problems in harmonizing the different perspectives among negotiating team members before the actual start of the negotiation. These internal disagreements often continue into the negotiating process itself.

The American managers attributed different reasons to their East Asian partners for using larger negotiating teams. In the case of the Japanese, the Americans believed that Japanese consensus decision making required that meetings be attended by large teams where different levels or departments of the company are represented. This stems from the Japanese belief that no single individual is likely to know all aspects of a company’s functions sufficiently to make decisions unilaterally. Some hypothesized that the Japanese included younger managers as observers to learn the art of negotiating (Minn/Galle 1993). Furthermore, the Japanese may perceive that a larger team signifies a more serious commitment to the negotiation at hand. Accordingly, the Japanese may feel insulted by seeing only one or a few persons on the other side of the negotiating table.

Chinese teams are also characterized by large numbers, but their representation is more hierarchical than Japanese teams (Hu/Grove 1991). They usually have a general manager who functions as a team leader to coordinate the interest of the Chinese side. The other members of the team are experts in different areas under discussion. The Chinese also place heavy emphasis on the status of each member of the negotiating team. This stems from the Chinese respect for hierarchy, authority, and the adherence to large power distances. Accordingly, the status of members of the opposing team will also be read as a measure of the seriousness of intent of the American counterpart to the negotiation at hand, and as an indication of the level of respect being accorded to the Chinese.

According to the interviewees, the Korean negotiating teams were usually smaller in comparison to their Japanese and Chinese counterparts. Yet, there are important similarities to the Japanese and the Chinese. One, similar to the Japanese, there is a certain degree of group participation. Individual responsibility is often limited to the extent that different views need to be discussed before consensus is reached among the team members. Two, the Koreans are as hierarchical as the Chinese. A Korean negotiating team is often led by a senior manager who is usually accompanied by an entourage of junior managers responsible for different functional areas. The Koreans are very status-conscious and be-
come upset if the titles and positions of their counterparts are found below their own.

Women as Participants

It is more likely to see female executives in American negotiating teams than among their Asian counterparts. This stems from the more limited participation of women in managerial and professional ranks in Asia (Adler 1993). Even though the roles of women in East Asian countries are changing due to rapid economic growth and globalization, working women in many East Asian countries are still accorded unequal treatment in the organizational hierarchy. In general, Asia remains a male-dominated society that prefers to deal with men, especially older businessmen. The interviewees perceived this situation to be particularly true in Japan where older businessmen make up the bulk of senior management. The Japanese tend to be very unreceptive to working with women even though they may be as technically competent as their male counterparts. The managers interviewed mentioned that they had not seen a single female manager in Japanese negotiating teams. The attitude of most Koreans was very similar to that of the Japanese. Most of the male interviewees observed that Korean male managers were extremely reluctant to do business with women. The interviewees perceived younger businessmen in Korea and in Japan to more receptive to dealing with women. This is mainly due to their greater exposure to the Western way of doing business. The Chinese tend to have a more enlightened attitude toward female managers. Several executives involved in negotiations with the Chinese indicated that there were women in Chinese negotiating teams. The difference in attitude is attributable to communism which stresses the equal participation of men and women in all aspects of societal functioning.

The managers interviewed generally agreed that if the American team were to include women members, it is essential that the entire team make it clear from the beginning of the negotiations that the women were key players rather than supportive personnel. Otherwise, the female managers are often mistaken as secretaries or interpreters due to the conventional view about female employees in Asia. However, the American female managers interviewed in this study asserted that assumptions about Asian prejudices against female managers seem to be exaggerated. More often than not, women are given more attention in Asia because of the very fact that female executives are uncommon. Accordingly, Asian managers will listen more intently and respond more readily to their requests when they deal with American businesswomen. Thus, it may be advantageous to include women members on the team. Moreover, these female managers indicated that there is a possible “halo effect” where the Asians assume that they could not have been included in the negotiating team unless they were the best (Adler 1993).
Preparation for Negotiation

Most managers interviewed in this study agreed that it was essential to arrive at the negotiation table with as much information as possible on all aspects relevant to the deal at hand, including background information about team members on the opposing side. They indicated that East Asian managers are experts in finding relevant information about their American counterparts through their extensive business networks. One manager confessed, “I was surprised that they know so much about me, not to mention my school background, and even my favorite food and hobby.” By acquiring detailed information about the background and personalities of the members of the opposing team, the East Asian negotiating team enjoys a strategic advantage over its American counterparts.

The strenuous effort of these Asian managers to study the other party continues at the negotiation table. For Asian negotiators, the most important aspect of the meeting at the opening stage is getting to know the other side while American counterparts are often anxious to complete the predetermined agenda. For example, the Japanese like to test the counterpart’s knowledge, sincerity and convictions by asking many probing questions. The Japanese admire people who are well informed, sincere, honest, and serious about their work. Before the Japanese engage in substantive issues, they often want to have some understanding and feeling of whom they are dealing with. Consequently, it is common to see a great deal of socializing at the earlier stage of the negotiation. While Americans like to separate work from pleasure, the Japanese believe that business and entertainment go hand in hand. They feel that during the after-hour socializing, there can be real exchange of information because their counterparts will be more at ease and less bound by organizational constraints (Graham 1993). Several managers interviewed summarized their experiences by saying, “We like to get right down to business, but it is important to be patient during this getting acquainted phase because impatience may project a bad impression to the negotiating partners and result in an early termination of the deal.”

The Chinese and Koreans parallel the Japanese in their endeavor to know their counterparts in the negotiation. This strenuous effort to gain as much background knowledge of one’s opponent can be traced to the famous admonition of Sun Tzu, ancient Chinese military strategist, “Know yourself, know your opponent, one hundred battles, one hundred victories”.

Besides acquiring background information on their opponents, the Japanese, Koreans and Chinese place heavy emphasis on building relationships between the parties. In East Asia, there is a popular belief that “who you know is more important than what you know”. In China, this is referred to as guanxi, in Japan as kan-kei, and in Korea as kwonkye. Such relationships pervade all aspects of societal functioning, including the awarding of contracts, job recruitment, and so on. Guanxi can only be maintained through long-term association and interaction.
between the parties (Tung 1996). Because of the shorter-term orientation of the Americans, the members of the negotiating team may have changed during a protracted negotiation with an East Asian partner, while the members of the East Asian team remain constant. This acts to the disadvantage of the American team because new team members do not have the same knowledge of the entire situation as their Asian counterparts.

Resolution Stage

Once the relationship is established through formal and informal interactions, the negotiation can progress to the next stage to explore the main issues at stake. This section will discuss several key dimensions concerning the decision-making process such as difference in logic, length of time it takes to reach an agreement, group versus individual decision making, and reliance on hard data versus gut feeling, such as personal instinct or intuition.

Difference in Logic

Americans usually engage in linear logic while Asians prefer spiral or non-linear logic. The latter tend to adopt a holistic perspective in approaching situations (Hall/Hall 1987). Most East Asians subscribe to the Taoist belief that all events occur in cyclical patterns. As such, from an American's perspective, Asians are very complex and inscrutable (Tung 1994). Asian managers tend to analyze issues in a more systemic, circular, and interactive way as compared with American managers who often examine issues based on linear causality. For Americans who are accustomed to polarizing issues into dichotomous perspectives, it is not only difficult to follow the systemic and holistic approach of Asians but also disturbing to see the issues that appeared to be settled raised again days or weeks later (Chen 1993). Several managers interviewed noted that "we were upset since they abruptly brought up the issues that had already been discussed in the previous meeting and did not want to talk about the issues on the agenda."

This difference in thought processes have two implications for American negotiators. First, the Asian mode of logic will result in longer durations of problem-solving; hence, they are more long-term oriented than their American counterparts. Second, East Asians are more comfortable with and receptive to contradictory ideas which may seem to be confusing and unclear to the eyes of American negotiators (Tung 1994). More importantly, these contradictory ideas are often resolved through compromise rather than confrontation or adversarial proceedings favored by Americans.
Length of Time to Reach to an Agreement

As reflected in their thinking process, the Asian’s perception of time is very different from that of Americans. For East Asians, time is seen as “polychronic, non-linear, repetitive and associated with events”; Americans, on the other hand, view time as “monochronic, sequential, absolute and prompt” (Kirkbride et al. 1991). For most Americans, time is money and hence a valuable asset. Accordingly, like other scarce resources, time has to be spent wisely and efficiently. Further, Americans like to prioritize issues according to the immediacy of their impact. However, this is not often the case with East Asians. They evaluate issues with a long-term horizon, and believe that there is always time to do what needs to be done. In addition, they do not mind discussing several issues at the same time and they are more receptive to disruptions to the agenda at hand. As such, Americans who expect to reach closure on matters in a relatively short period of time often become frustrated and disappointed.

To illustrate the difference in time orientation between the Americans and the Japanese, one interviewee commented, “A meeting that might take three days to conclude in the US will probably take two weeks in Japan.” Another American manager made a similar remark on his experience with the Japanese. He said, “It appears to be particularly difficult to gain trust from the Japanese, even when you know that everything is above board. They spend too much time trying to understand every aspect of the situation before trying to do anything.” This is in accordance with a popular Chinese adage, “Think thrice before you act. To proceed cautiously in one’s actions is deemed a sign of wisdom and sincerity.” In addition, since the Japanese practice consensus decision-making, negotiations will take much longer than most Americans expect. A prospective business deal needs to have the full approval of all levels or departments in a Japanese organization, each of which is represented in the negotiating team (March 1988). As such, the decision-making power of the negotiating team members is limited. This process of reaching a company-wide consensus often takes weeks. However, once the consensus is reached, the Japanese negotiators are reluctant to take a new or different proposal through the organizational process again. Several interviewees agreed that once a deal is completed with the Japanese, they are very adamant against making the smallest of changes even when it is evident to both parties that such modifications are necessary and desirable. Consequently, Americans often find the Japanese to be very inflexible (Min/Galle 1993). The Japanese realize that while this method of decision making is more time consuming, implementation will be much easier since the consensus and cooperation required of all involved parties have already been sought and obtained. Lack of a prompt response from the Japanese to a proposal or a request for a meeting does not mean that they are not interested; rather, it means that they are taking their time to consider such a proposal or request.
The interviewers also made the same observation about the Chinese in their attitude toward time. For the Chinese, time is not a scarce commodity to be conserved. The Chinese value building relationships which consume a considerable amount of time. One interviewee noted, "The Chinese spend a lot of time in eating and drinking particularly at the early stage of the negotiation. Sometimes dinner can last more than three or four hours. I almost felt that they were testing my physical and mental endurance to handling a tough negotiation." Time is also required to building consensus with other members of the negotiating team. Yet, more time is required to obtain approval from the higher echelons who possess the real power. In dealings with the Chinese, it is common to have their negotiating team report the results at each stage to the higher authorities who are usually absent from the negotiation table. Thus, it takes time for them to review and raise new issues. These new issues are then passed to the members of the negotiating team who then introduce them at the bargaining table.

While the Koreans approach to time is very similar to that of the Japanese and the Chinese in their emphasis on group consensus and deference to senior managers, the managers interviewed were generally agreed that the Koreans are quicker in making decisions than the Japanese and the Chinese. One manager who was experienced in negotiating with managers from all three countries commented, "I was surprised to find how quickly things can be done in Korea. It is quite different from my negotiation experiences with the Japanese or the Chinese." Several plausible reasons can be provided to explain this difference. First, the smaller size of the Korean negotiating team translates into a shorter period of time to reach internal consensus. Second, members of the negotiating team appear to have broader powers of decision-making as compared to that of the Japanese or the Chinese. Third, decision-making in Korean companies is typically highly centralized in the hands of top management (Steers/Shin/Ungson 1989). Consequently, it is not often necessary for the managers in the negotiating team to reach consensus. However, since relationships are very important in the Korean context and Koreans use time as a stalling tactic to gain more concessions from the Americans, negotiations still may not progress as rapidly as they do at home (Tung 1991).

Means to Arrive at an Agreement

Since Asian negotiators adopt a holistic perspective as opposed to the sequential approach of the Americans, the former may switch from one stage to another without the Americans knowing when the negotiations have passed from the resolution stage to the final agreement (Chen 1993). Conversely, Asian counterparts often think that Americans tend to gloss over areas of agreement and overemphasize the disagreements. Several managers interviewed stated, "We had a hard time
figuring out on what issues both parties agreed or disagreed. Sometimes, they felt that they were cheated because we did not give them enough time to respond to our proposition."

In line with the perception of time as linear, Americans are used to dealing with a complex negotiation in sequence, solving one issue after another and moving from one phase to another. The Americans’ penchant to focus on one issue at a time often forces a direct disagreement. Americans also tend to make initial offers that leave considerable latitude of movement in either direction. Such an approach is designed to help them make concessions when appropriate. Americans think that this will show their good faith, but East Asians perceive this as weakness, insincerity, and indecisiveness (Hartfield 1991).

In contrast, East Asians prefer to make concessions toward the middle or at the end of the negotiations. They have no reservation about revisiting issues which were apparently resolved when they deem it appropriate. In general, the East Asians feel that making concessions during the early stages of a negotiation indicates a sign of weakness and makes them vulnerable to additional concessions in subsequent meetings. Furthermore, since East Asians employ a holistic approach to negotiations, they may bring to the table an extensive package that covers all aspects of the negotiation including withdrawing earlier concessions they have made. This situation can be nerve-racking and confusing for Americans. Since the East Asian approach to the negotiation process is to look at a project as a whole, it is acceptable to discuss all aspects throughout the entire meeting until a final, all-encompassing agreement is reached (Reeder 1987). For example, the Japanese prefer this approach because their consensus style of management requires them to agree at every level of operation before a final decision is made. As noted earlier, it is not unusual for Japanese negotiators to attend several meetings before they have enough information to take a position. Nevertheless, the interviewees in this study found the Japanese to be more methodical in their approach to negotiations as compared to the Koreans and Chinese. Many managers mentioned that it was much easier to deal with the Japanese in terms of establishing and abiding by an agreed-upon agenda. Furthermore, they seemed to be more willing to talk about individual issues separately and in sequence rather than handling many different issues at the same time. This may stem from their longer history of interaction with the West.

In contrast, the Chinese tended to view each issue in the broader context since they operate in a world of generalities and broader principles (Wall 1990). The Chinese will often resist dividing the agenda into individual issues and discussing them separately. From their perspective, this inhibits flexibility. As Sun Tzu advised, "Know when to fight and when not to fight.... The one who is able to alter and revise his tactics and strategy according to the enemy’s situation will be considered as divine as a god." Such flexibility is only possible when one operates within broad generalities. The Chinese partners consider the commitment of
working together as more important than the resolution of details. From their perspective, the latter can always be modified depending upon the circumstances. For this reason, some interviewees complained that they had difficulty understanding the decision-making process of the Chinese.

The Korean approach to arriving at an agreement is more similar to that of the Chinese. They value the general more than the specific. Partners who argue over the specific details are often considered as narrow-minded and untrustworthy and are perceived as trying to take advantage of the situation. One interviewee who was experienced in negotiating with the Koreans noted, “We often hear from the Korean side that ‘Let’s not spend too much time on discussing the details. We can come back to the issue later and let’s move on’”. Like the Chinese, the Koreans are aware of the Americans’ desire to arrive at quick decisions and thus conclude a business transaction within a relatively short period of time. As noted earlier, during the negotiations, the Koreans may use this to extract additional concessions from the Americans. A common tactic is to wear down the American negotiators’ patience through protracted stalled negotiations.

Despite similarities, there are important differences in the Korean negotiating style vis-a-vis those of the Japanese and the Chinese. Consistent with previous research findings (Tung 1991), managers interviewed in this study were generally agreed that Koreans appeared to be more illogical and unpredictable than the Japanese and the Chinese. They often relied on intuitive knowledge or “gut feeling” more than logical analysis. A few American negotiators complained, “It is sometimes difficult to predict the outcome of the negotiations with Koreans.” This is mainly because they work a lot on personal feelings, known as kibun (Steers et al. 1989). Unlike the Japanese or the Chinese who tend to be more practical and rational, Koreans are very emotional and their decisions are often influenced by the mood or mental state at the time of negotiation. Therefore, in order to effectively communicate with the Koreans, it is critical to use nunchi or “face reading.” Nunchi refers to an ability to silently understand what the other party is thinking by reading non-verbal cues, a process similar to that used in a game of poker. For Americans who are not used to interpreting such facial expressions, it may constitute yet another source of misunderstanding when negotiating with the Koreans.

The executives interviewed in this study responded to the Koreans’ reliance upon gut feeling in several ways. Some indicated that they were able to handle the situation with friendly discussion while others indicated that open confrontation was inevitable in order to convince the Korean party. Koreans seldom hide their feelings in public and therefore are more direct in addressing issues that may be regarded as sensitive to either the Japanese or Chinese (Tung 1991). One manager noted, “Koreans do not seem to fit into the docile image of Asians. They can be very aggressive and unyielding if you do not appreciate their bargaining position.” On the other hand, if you are willing to show a certain amount of sympa-
thy and consideration to their request, even if it may not be acceptable, they often become very flexible. At that point, virtually anything can be resolved through friendly debate. In comparison, the American managers reported that compromise was the primary means of resolving conflicts with the Japanese or the Chinese. At least three of the thirty-six stratagems called for compromise. The thirty-six stratagems are gleaned from the Book of Changes which contains the basic tenets of Taoism and Chinese military classics (Tung 1994).

**Final Stage**

The biggest difference in the negotiation process between Americans and Asians is the motivations of the parties to enter into the negotiations. Americans meet to make a deal while East Asians meet primarily to establish and develop a relationship. From the American perspective, the final stage involves the signing of an agreement where there is no room for renegotiation. For Asian negotiators, however, the final stage represents the beginning of a long and productive relationship (Pye 1982, Graham/Sano 1984, Engholm 1991). Accordingly, Americans are often perceived by their Asian counterparts as being very inflexible since they are unwilling to make any change to the original agreement. Such a sharp distinction in their views toward the final contract can be traced to the social context of communication. In high-context societies such as East Asian countries, what is written is secondary to what is said or even what has been implied (Hall/Hall 1987). In other words, communication between people can rely more on the silent language, such as body movement, facial expression, eye contact, and other nonverbal signals. In low-context societies like the US, communication is explicit: thus, a written agreement is valued over an implicit understanding.

For the Chinese, a long-term commitment is the *sine qua non* of every business agreement. *Guanxi* encompasses the on-going relationship of all persons involved. For Chinese negotiators, the negotiation process is the framework in which they can develop a rich and intimate relationship with their counterparts. A signed contract merely marks the end of the first stage of business dealings, not the final agreement. Since problems will undoubtedly arise in the course of implementing the agreement, it is necessary for both sides to compromise to enhance the likelihood of a “win-win” outcome for both parties (Chen 1993). Consequently, nothing should be considered final until it has actually been realized (Harris/Moran 1991). One manager experienced in negotiation with the Chinese observed, “The Chinese are not troubled at all by canceling contracts if circumstances change and if there is bad *guanxi* between the parties.”

The Korean view of the final contract is very similar to that of the Chinese in many respects. The Koreans sign contracts with foreign business people to get the relationship started officially. Therefore everything is subject to change and ne-
negotiation even after signing the contract. The Koreans do not regard the provisions of a contract as sacrosanct (De Mente 1994). They regard the personal relationship and the desire for mutual benefits as the foundation of any business arrangement. In other words, a contract is essentially nothing more than a symbol of this relationship.

The Japanese also have a similar attitude toward the final contract to some extent. The Japanese have no objection to signing contracts which are not too detailed nor restrictive, but they prefer a final agreement which is based on mutual understanding and sincerity demonstrated by both parties (Graham/Sano 1984). Yet, the Japanese seemed to appreciate the binding force of the contract more so than the Koreans or the Chinese. In this sense, their general approach to business is more similar to that of the US. One interviewee commented, “The letter of the law is as important as the spirit of the agreement to the Japanese. In fact, I was surprised to find that they are more inflexible than Americans. They were very reluctant to change the original contract even if it did not serve the changed circumstances.”

**Negotiation Outcomes**

Figure 1 presents a comprehensive framework of international business negotiations based on five dimensions: the contextual environment, the negotiation context, negotiator characteristics, strategy selection and process/progress, and negotiation outcomes (Tung 1988). Although the contextual environment encompasses political, economic, legal, and socio-cultural environment, this study focuses on socio-cultural factors influencing the progress and outcome of negotiations. Negotiation context refers to the structural properties pertinent to specific negotiation situations (Strauss 1978). This may include bargaining power balance, issues at stake, nature of product. Next, negotiator characteristics involve such factors as makeup of negotiators, personality types, interpersonal relationships. The negotiation context and negotiator characteristics jointly influence the strategies for resolving conflicts and differences before reaching to an agreement. Finally, the outcomes of negotiations are function of selected strategy determined by negotiation contexts and negotiator characteristics. Based on this conceptual paradigm, the current study attempted to identify major factors which affect the outcomes of negotiations for each dimension.
Factors Contributing to Success

According to the executives interviewed in this study, the three most important factors to success were cultural awareness, patience of US negotiating team, and development of personal relationships. However, there was considerable variation in the relative importance assigned to each of these factors. Patience was less important in dealing with the Koreans since they tended to make decisions relatively quickly as compared to the Japanese or the Chinese.

A majority of the interviewees revealed that kwakye (connection and/or personal relationships) play a particularly important role in Korea. Some interviewees noted that they had to meet certain people who do not work for the negotiating company simply because they were relatives of the top management and could thus influence the outcome of the decision-making. Koreans live by a unique cultural ethos, called cheong. It refers to lingering feelings attached to persons, objects, places, or anything else that a person has come to contact or experience in his/her life (Choi/Choi 1992). Cheong is an emotional attachment that evolves gradually and historically from the person’s daily life processes. Sympathy and efforts to be concerned with others are two major characteristics of a person who
practices cheong. Therefore, the past business experiences between the negotiating parties tend to have more impact on the outcome of negotiations with Koreans than with Japanese or with Chinese. For Koreans, personal relationships often overshadow the factors directly related to the items/issues at hand. One interviewee, experienced in negotiating with the Koreans, observed, "Neither price nor quality seem to matter that much in doing business with Koreans. What is more important is how well you are connected in the society in terms of blood, school and geographical ties." It is not surprising, therefore, to find that the Koreans often expect or ask a special favor from their partner through various kinds of concessions including a reduction in prices.

Besides the three most salient determinants discussed above, another factor which had a bearing on success in negotiating with the Japanese and Chinese was the uniqueness of product/service offered by the foreign investor. The Chinese, in particular, tended to emphasize the uniqueness of the product. This may stem from the fact that because China was isolated from the outside world for a long period of time, they have more limited experiences in using foreign products. As such, they often relied on the reputation of a negotiating company to determine the quality and suitability of a certain product.

A lesser important, yet significant, factor which can affect the successful outcome of negotiations was negotiator characteristics, such as sincerity, good faith and honesty. This factor was considered less important in the case of the Chinese and Japanese who were more business-oriented. In negotiating with the Koreans, on the other hand, personality characteristics appeared to play a greater role. For example, the Koreans are not only more emotional but also more individualistic than their Japanese and Chinese counterparts. Thus, individual reward from the successful completion of a negotiation may be an important consideration in the negotiator's mind. If a Korean negotiator does not see any particular benefit, either intrinsic or extrinsic, to concluding the transaction, it is unlikely that an agreement can be reached with the Koreans. In addition, right timing was also found to be an important factor contributing to the success of negotiations. An American company which seeks to sell in East Asia has to determine in advance if the East Asian buyer is currently ready to purchase a product or whether the latter is simply shopping around.

Factors Contributing to Failure

In this study, the three primary factors contributing to failure were lack of connection and personal relationships, differences in negotiating style, and lack of sincerity by the other party. As discussed earlier, the outcome of a negotiation with the Koreans can be affected more by personal rather than business considerations. One interviewee noted, "We could not strike the deal because our
Korean partner was concerned about his brother’s business in case our products were imported to Korea. You will never hear such a remark from the Japanese. The Koreans do not always seem to make decisions based on objective facts but on subjective relationships”.

With regard to the negotiation style, the consensus of opinion among the interviewees was that the Koreans were more straightforward and forthright compared to their Japanese or Chinese counterparts. The Koreans were also cited as being more flexible and adaptable to new circumstances. However, as noted earlier, since the Koreans were seen to change their positions more frequently than either the Japanese or Chinese, they were sometimes viewed as insincere by some American negotiators. One interviewee commented, “To save their face, in fact, white lies are more common among Koreans in order not to disappoint the negotiating party. Accordingly, they also tend to oversell their ability.” With some exceptions, many American managers expressed positive experiences in dealing with the Koreans. In contrast, the Japanese were viewed as indirect or, sometimes, even “devious”. The American negotiators felt that there was a greater need to read between the lines when negotiating with Japanese. Because of the East Asian approach to the entire negotiation as a holistic process where terms and conditions supposedly agreed upon earlier can be revisited and renegotiated upon, some Americans may perceive the East Asians as insincere.

In general, while the American executives acknowledged significant cultural differences between themselves and the East Asians, most perceived these to be surmountable. American managers who were ethnic Asians and who were familiar with their mother country’s culture, including knowledge of the East Asian language, were found to have a comparative advantage in cross-cultural negotiations. However, East Asian negotiators appeared to be more tolerant of caucasian American managers than of second or third generation Asian-Americans who were not proficient in the East Asian languages. The Asian managers were extremely disappointed when the Asian-Americans cannot communicate proficiently in the East Asian languages.

While cultural differences were perceived to be surmountable, lack of awareness of such differences was viewed as a contributing factor to the breakdown of the negotiations. In the case of the Japanese, in particular, due to national pride or cultural superiority, they become very annoyed when the Western counterpart is ignorant of such differences. Another important factor contributing to failure is lack of patience. Anybody who has negotiated with the Japanese, Chinese and Koreans, will readily concede that patience is a paramount virtue in doing business in these countries. In fact, some executives have referred jokingly to the PRC, the acronym for the People’s Republic of China, as “patience, relationship and corruption”. Hall and Hall (1987) have found that there is a strong correlation between members of high-context cultures and the use of questionable payments. Japan, China and Korea are all members of high-context cultures.
How to Attain “Win-Win” Outcomes

In general, the negotiation outcome is contingent upon the negotiation context and bargaining situation. For example, if the negotiation centers around a product which requires technical service, then the uniqueness of the product and other product features play a more critical role in determining the outcome of the negotiation. Beyond these contextual factors, however, the findings of this study suggest that there are some common denominators to success in dealing with managers from East Asia throughout the different stages of the negotiation process. We believe that the following recommendations apply not only to American managers but also to most European managers who are often considered culturally similar (Hofstede 1984, Hall 1976). Furthermore, they can use these clues when dealing with managers from South America and Middle East who tend to share more cultural similarities to than differences from Asians (Hofstede 1984). These factors were alluded to throughout the paper and will be summarized here:

1. At the opening stage of the negotiation, it is more important to develop and nurture the relationships between the parties rather than trying to reach any kind of preliminary agreement.

2. Given the symbolic importance attached to the composition of the negotiating team, it is suggested that Americans may consider a team with approximately the same number of people. The status and seniority of the team members should approximate those of the counterpart’s team. Such an effort will indicate from the beginning that the negotiation is being taken seriously.

3. Asian managers find the constant rotation of people involved in the negotiation process as disruptive and confusing. As such, there should be greater continuity in the members comprising the negotiating team.

4. The role of women team members must be clearly identified. Since Asian negotiators are not used to dealing with women, there is often ambiguity as to the position and status of female managers. However, once these qualifications become clear to the Asian negotiators, they are more than willing to accept women. More often than not, female members in the team can enhance the bargaining position because they are more visible, and hence can be remembered after the first meeting. Moreover, women usually possess stronger interpersonal skills required of good negotiators.

5. Western negotiation teams need to learn as much as possible about the background of their East Asian partners beforehand. They have to study not only the agenda of the meeting but also gather information about their partners including their personality, educational and family background.

6. During the resolution stage, Westerners should keep in mind that the East Asian negotiators may engage in a different logical process. East Asian managers are
often puzzled by American negotiators’ sense of urgency to complete the transaction without fully understanding what they are making commitments to. East Asians tend to analyze issues in a more holistic, circular, complex, and interactive way. This decision making takes a longer period of time. Thus, Westerners need to be more patient and to allow adequate time for their partners to ponder over issues.

7. When resolving conflicts between the parties, legal remedy is not well received by East Asians. In general, compromise is preferred.

8. The attitude toward legal contracts is very different between Westerners and East Asians. From the Western perspective, a contract is sacrosanct. In East Asia, on the other hand, a contract is viewed primarily as a symbol of the relationship initiated between the signatories. Such a view seems to be more prevalent in Korea and China. The spirit of the contract, rather than the precise terms and conditions, is considered more important. A contract is regarded as a flexible and organic document which is subject to renegotiation as circumstances change. Accordingly, it will work to the Westerners’ advantage to show flexibility and leave room for renegotiation in the future. This points to the importance of developing and nurturing personal relationships with their foreign partners to maximize outcomes.

While differences abound between Westerners and East Asians in their approach toward each stage of the negotiation process, it is possible to surmount them through better understanding of each other’s perspectives. For future research, the views of Asian managers on the negotiations with Westerners can be obtained to corroborate the current research findings. The paper has tried to shed light on why these differences exist and how they can be overcome to attain “win-win” outcomes. In this way, Westerners can more fully participate in the major emerging markets in Asia Pacific.

Endnotes

1 The term Chinese refer to people from the People’s Republic of China in this paper.
2 Historically, both Korea and Japan owe many of their cultural heritage and technologies to China. This relationship has been marred by conflict and tension, however. Korea was a colony of Japan between 1910-1945. Japan defeated China in the Sino-Japanese war at the turn of the 20th century and invaded China in 1939.
3 Taoism is a major philosophical approach promulgated by Lao Tzu, an ancient Chinese philosopher.
References

Harris, P. R./Moran, R. T., Managing Cultural Differences, Houston: Gulf Publishing Company 1991.