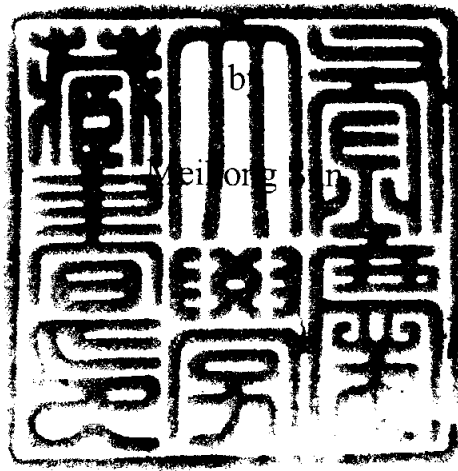


A Comparison of Business Negotiation Behavior between Korea and China

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A thesis submitted in partial fulfillment of the requirements
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Master of Business Administration

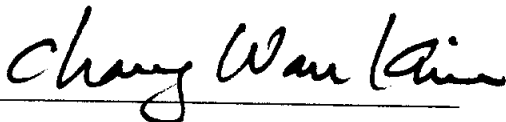
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Pukyong National University

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A Comparison of Business Negotiation Behavior
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A dissertation
by
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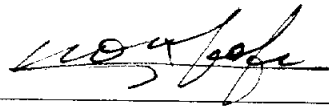
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Abstract

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. This paper is focused on making comparisons on the perception of cross-cultural negotiation, identifying the impact of culture on cross-cultural negotiation outcomes.

This paper is divided into six parts, namely: the introduction, negotiation behavior, research model specification and propositions, methodology, case study and conclusion. The main parts of this paper are literature review, proposition parts and case study. Through literature review, the research model of this paper is set up and through case study the impact of culture on negotiation outcome is identified.

The comparison shows Korean and Chinese negotiators have more similarities than dissimilarities. In cross-cultural negotiations, cultural differences should be taken into consideration in every phase of negotiation; and the critical factors of a successful cross-cultural negotiation are preparation, cultural awareness and cross-cultural approach.

Key words: Culture; comparison of negotiation behavior; cross-cultural business negotiation; Korea; China.

I. Introduction

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 2001, China was the third biggest trade partner of Korea and in the first two months of 2004, China was the first biggest trade partner to Korea temporarily. On the other hand, Korea was the fourth biggest country among the top ten investor-countries to China in 2003, and also, Korea was the sixth biggest trade partner to China in the same year (Details are shown in the appendices).

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. Objectives of the Study

First, the goal of this paper is to compare the manner and characteristics of negotiation between these two countries on cross-cultural perception in order to get some useful information for negotiating smoothly

when doing business in these two countries.

Second, this study seeks to know the factors related to the manner and characteristics of negotiation between Korea and China and to find out the difference between these two countries.

Finally, this paper will identify the impact of the cultural differences on the outcome of negotiation.

3. Importance of Negotiation in Business

“The globalization of business operation has increased the importance of international business negotiations. Business executives need to have in-depth knowledge and the competencies to negotiate with people from markedly different societies and cultures” (Shi and Wright, 2001).

Phatak and Habib (1996) aptly point out: “There can be no international business without the presence of at least two parties, each coming from different countries, sitting face to face and negotiate a business deal.” Because “Negotiation is a common form of social interaction in which two or more people attempt to make a joint decision about one or more issues in which they are interested” (Purdy and Nye, 2000).

Negotiation is an ordinary but key activity of everyone’s daily life. Business negotiation is the phenomenon caused by certain commercial purpose using the general negotiation principles. It is a critical link in achieving an agreement. Especially with the boom of globalization and emerging markets, in order to develop more and more new international markets, negotiation is the necessary step to start one’s business. It frequently occurs in business activities. With the increasing frequency and effect of negotiation activities, more and more businessmen are intensely aware that only by improving their negotiation skill can they reach expected negotiation outcomes constantly. So businessmen must make sure that each one within the business group is equipped with essential knowledge, ability and qualification related to negotiation for gaining an optimal deal. And it is not hard to understand that good negotiation is an important aspect of business dealing.

Negotiation is a necessary step to successful business. Inefficient

negotiation strategies can delay and hinder negotiators in traveling the road to achieve their target; inefficient negotiation strategies also can lower the image of company and reliability in the eyes of rivals. "Unfortunately, many business executives underestimate the importance of negotiation. Rather than prepare, plan, and brush up on their negotiation skills, they opt to "wing it" through the negotiation session and rush to the bottom line. Such an approach results in unfavorable outcomes for both parties" (Auger, 2002)¹.

Negotiation is an eternal factor in business life circle. In the age of day-to-day cruel business competition, an aptitude in negotiation will determine the success of business, or possibly, even your survival in business.

1. <http://www.ired.com/news/2002/0206/neg2win.htm>

II. Negotiation Behavior: A Literature Review

1. Negotiation Behavior

Numerous definitions of negotiation can be found in negotiation literatures. Fisher and Ury (1981) gave the definition like this “A basic means of getting what you want from others. It is back and forth communication designed to reach an agreement when you and the other side have some interests that are shared and other that are opposed.” “Negotiation is the process where individuals “attempt to settle what each shall give and take or perform and receive in a transaction” (Thomson, 1990). Robinson and Volkov (1998) view negotiations in which participants bring their goals to a bargaining table, strategically share information, and search for alternatives that are mutually beneficial.

“In a negotiation (1) there are two or more participants in a situation of some kind of interdependence, (2) each having some individual goals which may be partially incompatible. In some form of the negotiation process, (4) alternatives are investigated, (5) of which one is mutually agreed upon as the acceptable outcome of the process. A business negotiation is a negotiation conducted by business partners” (Weigand et al., 2003).

So simply, negotiation is the process in which there are at least two parties who communicate to reach a certain goal.

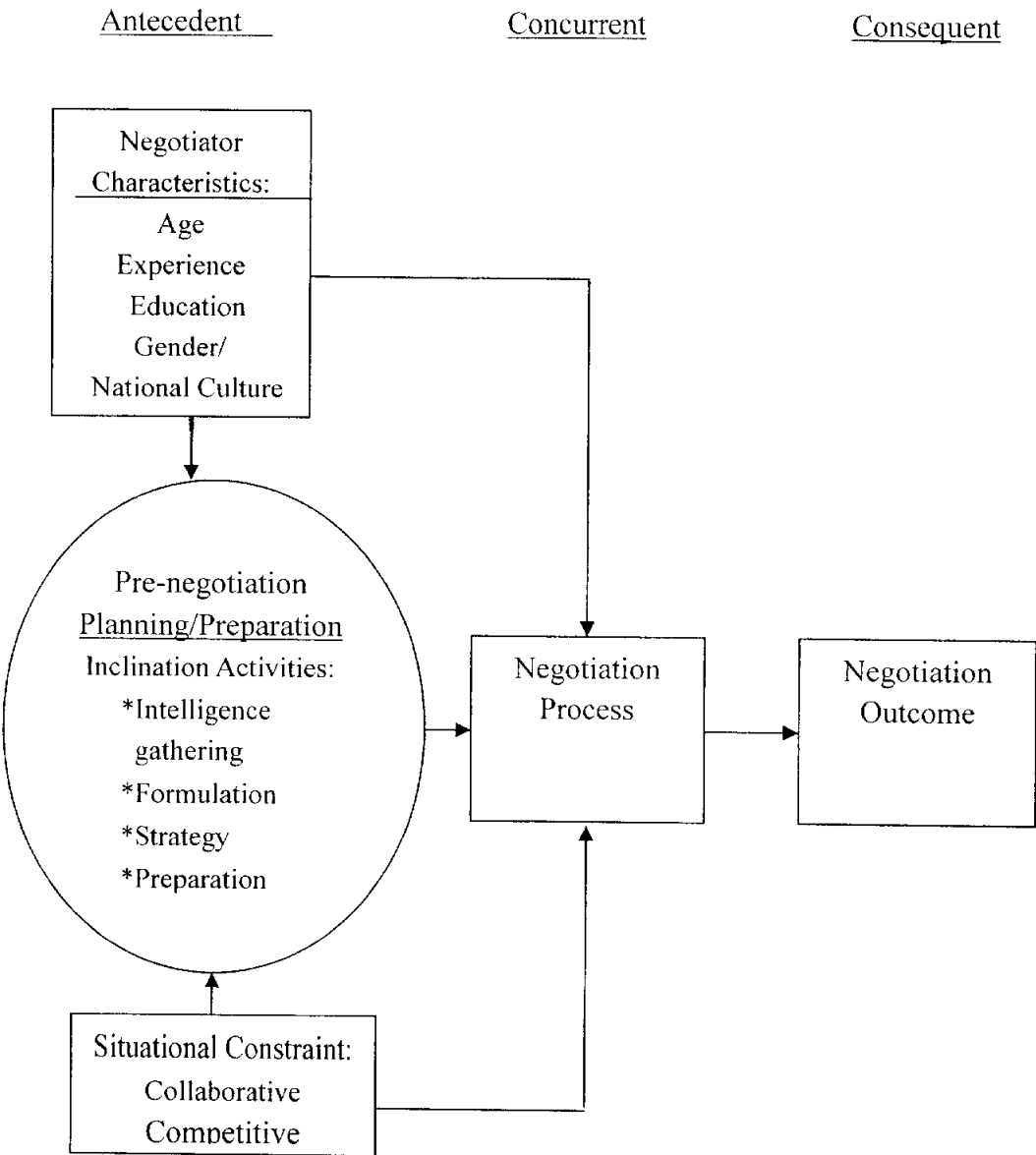
All researchers describe negotiation as a process extensively. Negotiation is divided into three phases, namely the antecedent phase (in which the new pre-negotiation planning and preparation component resides), the concurrent phase, and the consequent phase. “This approach was posited by Graham (1987) and 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.

Figure 1

Theoretical Framework of Negotiation Process Model



Source: Peterson and Lucas (2001)

1.1. Antecedent Phase

1.1.1. Pre-Negotiation

Negotiation is viewed as a business process, so it does not mean that it is just the time when one sits at the negotiation table and conduct intense communication with the other party, attempting to achieve a certain business goal is negotiation. There are actually many steps negotiators should take before the formal negotiation. This phase is called the pre-negotiation phase.

“Pre-negotiation is an initial phase or stage in the process of negotiation” (Zartman and Berman, 1982; Zartman, 1989); and “pre-negotiation is a separate process that structures the actual process of negotiation” (Stein, 1989). “Pre-negotiation begins when one or more parties consider negotiation as a policy option and communicates this intention to other parties” (Zartman, 1989). Pre-negotiation, Zartman argues, “Is very close to being a step in the entire negotiation process. The actions and reactions taken during this phase can at times have a greater effect on the negotiations than certain actions taken while at the table.”

Thus, negotiators should not ignore the importance of pre-negotiation. Individual negotiator whether can negotiate smoothly or whether can get a fruitful negotiation outcome will heavily depend on this phase. During the pre-negotiation phase, one should get ample information about the other party as much as possible. The better one does during this phase, the better one could gain to win when moving to the next step--concurrent phase, for what one has done will reduce the likelihood of conflict, or obstacles that will be encountered during the negotiation, more importantly it can improve one's confidence to “compete” with the counterpart. If possible, a few trips to the other party's country will be helpful in getting primary information about the country and the other party; it will give one a physiological preparation to conduct negotiation.

One should realize the necessity of understanding what activities will be undertaken during the preparation phase of pre-negotiation. All the authors reckon there are many behaviors and activities contained in the pre-negotiation phase and they have been sorted into four common themes, details are as below:

Table 1

Pre-negotiation Phases

Phase	Domain
Intelligence Gathering	The act of collecting, processing, analyzing and evaluating a available data concerning the other party and relevant environmental factors (U.S. Army Field Manual, 1963).
Formulation	Entails developing goals, specific objectives, and setting the parameters for each issue to be negotiated.
Strategy	Strategy is a plan that integrates a person's goals and action sequences into a cohesive whole (Quinn, 1980).
Preparation	Involves rehearsing verbal communication, arranging/creating support materials, and attending to logistical concerns.

Source: Peterson and Lucas (2001)

1.1.2. Individual Characteristics of Negotiators

Numerous studies on the assumption that the individual is related to the negotiation process and outcome can be found in the negotiation literature. The importance of negotiator's characteristics, which guide or determine negotiation behavior, is shown in a great deal of studies. Five general demographic characteristics that link the process and outcomes of international negotiations were concluded by Graham (1987): 1) age, 2) education, 3) experience, 4) gender, and 5) national culture. An overview of the demographic variables related to negotiation is listed in Table 2.

Table 2

Individual Negotiator Characteristics

Characteristics	Research Findings	Author
Age	Younger negotiators are less flexible	Rubin and Brown 1975
	Younger negotiator are less collaborative	Anderson 1969
	Old individuals respond in kind to a negotiator's behavior	Fry 1967
Experience	Experience improves judgment in decision-making tasks	Winkler and Murphy 1973; Phelps and Shanteau 1978; Thompson 1990
	As bargainer experience increased so did the propensity to use integrative settlements	Neale and Bazeman 1983, Bazeman, Maglioni and Neale 1988; Alexander, Schul and McCorkle 1994
	Less experienced negotiator consider fewer solutions in a negotiation	Rackham and Carlisle, 1978
Education	Non-conclusive relationship to negotiation behavior	Rubin and Brown 1975
	Education is significant variable when choosing between a collaborative versus a competitive approach	Alexander, Schul and McCorkle 1994
Gender	Males and females communicate and resolve conflicts differently	Tannen 1986, 1990
	Females are more collaborative and males are more competitive	Fitzpatrick and Winke 1979; Roloff and Greenberg 1979
	Gender differences are met with mixed results in research	Rubin and Brown 1975
National Culture	U.S. negotiators are more effective in cooperative settings	Cambell et al. 1988
	Russians excel in competitive negotiations	Cambell et al. 1982
	Status is important in Japanese negotiation	Graham 1983

Source: Source: Peterson and Lucas (2001)

Age

Usually, at different chronological age levels, individual will behave differently accordingly. From Slocum and Cron (1985), it is got to know what the impact of age has on a negotiator's life and career stages: "Trial, under 30 years of age, where most individuals are most concerned with finding an occupation and seeking to attain security within the work environment. Stabilization is between 30 and 44 years of age, where individuals focus on position, status, and performance level. Maintenance, 45 years of age and older, where most individuals tend to be low performers and disengage themselves from their work".

With the common sense of human beings, it is assumed that the older the individual is the better performance one will have, so younger negotiators might be less flexible with the partners than older negotiators.

Experience

"A negotiator's experience is a composite of his/her knowledge and skills over an extended period of time" (Mintu and Gassenheimer, 2002). Then it is clear that age and experience are closely correlated though they are independent influences. A negotiator's bargaining skills can be enhanced unconsciously through the negotiations. So which level of experience the negotiator possesses when sitting at the negotiation table affects the potential of success.

A negotiator's behavior is affected by the amount of experience he has accumulated. "Experience, is the level of familiarity that people or organizations have with negotiations, especially in reason of the length of time they spent in the same or similar negotiations. Negotiators with more experience tend to emerge and assume a leadership" (Devine, 1990). Less experienced negotiators tend to consider fewer options to solve problems during the negotiation process.

Education

Evidence that the relationship between education and job performance exists can be found out from the previous research (Lucas 1985, Levy and Sharma, 1994). "Better-educated salespeople should be more adept at

formulating questions and interpreting the response of their customers” (Levy and Sharma, 1994). Because education cultivates rational thinking, correct understanding, and improves the ability of communicating more effectively and smoothly for obtaining the target goals. So a negotiator with better educational background is expected to have a more graceful manner, rational logic, agile reaction and efficiency in dealing with emergency. The negotiator must be more attractive than the one with lower level of education and then all of these will improve the skills of negotiation and the chance of a successful outcome. Better education might cultivate collaborative behaviors of negotiators in the negotiation process.

Gender

For the current Korean social condition, women are seldom engaged in the business field, so this factor will not be discussed in detail here.

National Culture

“Culture clearly influences each aspect of negotiation. Understanding culture can make the participants more effective negotiators and interveners” (Bangert and Pirzada, 1992). “National culture distinguishes the member of one group or category of people from another” (Hofstede, 1980). Since each culture has its own specific values and norms to guide the behavior of individuals, culture significantly influences management activities, including policy making.

Definition of Culture

Usually, it is known that the culture is the common behavior hold by a group of people instead of individuals. Hofstede (1980) defined culture as “the collective programming of the mind which distinguishes the member of one human group from another.” Salacuse (1991) defined culture as the socially transmitted behavior patterns, norms, beliefs and values of a given community. “Culture is the unique characteristic of a social group; the values and norms shared by its members set it apart from other social groups” (Lytle, Brett and Shapiro, 1999). And in 21 century, Wild, Wild and Han (2003) concluded, “Culture is a set of values, beliefs, rules, and

institution held by a specific group of people.” Numerous definitions can be found in the field of culture literatures, all in a word, “culture is a highly complex portrait of people” (Wild, Wild and Han, 2003). “A significant thought of culture is that the patterns of behavior are learned. Individuals are born into a culture, and they must subsequently learn how to behave within their society” (Holt, 1998). So it can not be denied that culture is one of the determinants, which decides individual’s behavior, for its elements, such as values, customs and religion and so on will tell negotiators what to do and how to do things.

Dimension of Culture

Due to the various values and norms of individual culture, each culture would perform negotiation behavior differently. Each national negotiation style will hold the pattern of its distinctive characteristics. Hofstede (1991) developed a four-dimensional-scale to explain his concept. The four dimensions are power distance, uncertainty avoidance, individualism-collectivism, and masculinity (and sometimes the fifth dimension long term orientation is also included). These dimensions tell cultural differences among individual nations.

Table 3

The Meaning of Degree in Four-Dimension Scale

Dimension \ Degree	Power Distance	Uncertainty Avoidance	Individualism/Collectivism	Masculinity
High	Social Differential (hierarchical status)	Formal Relationship (Structure, rituals)	Self-Determination (personal growth)	Controlling Relationship (competitive behavior)
Low	Social Integration (equal status)	Informal Relationship (less control)	Collectivity (group harmony)	Nurturing Relationships (less competitive)

Source: Chang (2003)

“Power Distance (PD) is the extent to which the less powerful members of institutions and organizations expect and accept that power is distributed unequally” (Hofstede, 1991). Power is the synonym of higher status, respect and any favorable treatment. Power makes organization hierarchical and creates distance among individuals; but on the other hand, it centralizes the members and stabilizes the organization. Culture with low power distance tends to have less power distance with each level, so the hierarchical structure of the organization is inclined to be flat; in cultures with high power distance, such as Korea and China, the subordinates have to respect and obey their hierarchical authority. “Large PD cultures often view others as a threat and, as a result, show less inclination to trust others, which will obviously have an impact on the negotiation process. Conversely, people in small power distance societies feel less threatened by others and tend to trust them more” (Peterson and Lucas, 2001).

“The extent to which the members of a culture feel threatened by uncertain or unknown situations is defined as uncertainty avoidance”

(Hofstede, 1991), and also he notes that feelings of uncertainty are acquired and learned. In this culture, individuals are afraid of making mistakes and try to minimize the possibility of risk caused by improper behavior. “Cultures with high uncertainty avoidance scores are active, aggressive, and emotional while those with low uncertainty avoidance are contemplative, less aggressive, and somewhat more tolerant of behavior and viewpoints different from their own” (Bangert and Pirzada, 1992).

Individualism “describes the relationships between individuals and groups and the extent to which the individual is integrated into the group” (Bangert and Piazada, 1992). In individualist culture, individuals possess more choices and freedom to behave and, the links with each are loose and easeful; individual achievement and creativity are encouraged and highly valued. On the contrary, collectivism cultures value more of the consensus, intro-relationship, loyalty, group profit and reputation.

In Masculine societies, assertiveness, decisiveness, competitiveness and some other traditional manly norms are highly valued; in such cultures, men are expected to be assertive, aggressive, and powerful. Men play a leading role in both society and family. In Feminine societies, men will not have too much stress and psychological burden, for women also play an important role in society. “It is acceptable for them to admire whatever is small, weak and slow and to give the quality of life more importance than material success” (Bangert and Pirzada, 1992). “A negotiator approaching a high masculine country for possible bargaining agreements may find the high masculine negotiators more rigid and inflexible. Organizations from masculine environments tend to fight for the agreement that best suits their needs” (Hofstede and Usunier, 1996).

1.1.3. Situational Constraints

Numerous situational factors such as the role of negotiators, target, agenda, budget, team composition, negotiation style and so on, all will impact and restrict the ways individuals use in the pre-negotiation phase and negotiation process. “To better understand the dynamics of the negotiation process, situational factors need to be taken into account” (Robertson and Ross, 1995). One of the utmost provable factors is the approach that each

party used in the negotiation process. “Different cultural systems can produce divergent negotiation styles--styles shaped by each nation’s culture, geography, history, and political system” (Herbig, 1997). Thomas (1976) categorized five negotiation styles as collaborative, competitive, compromise, accommodative, and avoidant. Typically, competitive and collaborative categories are stressed by negotiation literature.

Competitive negotiation behavior is aggressive and rigid; it will affect the negotiator’s behavior taken in the pre-negotiation and at the negotiation table. It is grounded on the win-lose philosophy. So it will have two outcomes, which are win-lose and zero-sum. Negotiators hold this concept when conduct negotiation will just focus on one’s own benefit and interest, totally ignoring another side. A collaborative negotiation behavior is more flexible and cooperative, preferring problem-solving and mutual beneficial settlement; it is grounded on win-win philosophy; open communication, sincere information exchange and various options are characteristics of it. It will bring potential smooth and harmony in the negotiation process. So it seems that competitive behavior is meant to close a deal and collaborative behavior is meant to open a relationship. The table below gives the brief comparison of these two.

Which kind of behavior that a negotiator employs will impact the pre-negotiation and negotiation process accordingly.

Table 4

Competitive and Collaborative Behaviors

Competitive	Collaborative
Adversarial	Problem Solving
Transaction Oriented	Relationship Oriented
One Option	Multiple Options
Suspicion	Trust
Limited Exchange	Open Communication
Position Oriented	Issue Oriented
Rigid	Flexible
Power Plays	Logical/Rational Appeals
Construct Barriers	Remove Barriers

Source: Peterson and Lucas (2001)

1.2. Concurrent Phase (Conduct of Negotiation)

“Once the decision to negotiate is taken, the next step is the back-and-forth communication that forms the heart of negotiations” (Bangert and Pizada, 1992).

During this phase, parties of the negotiation come together to sit at the negotiation table, conducting the face-to-face negotiation. Process variables address what actually takes place when parties come together for discussions. A major thrust of the negotiation literature has centered on the various types of competitive and cooperative communication tactics used while the negotiator or negotiation teams are interacting (Graham, Evenko and Rajan 1992; Graham, Mintu, and Rodgers 1994). “As noted previously, these behaviors are generally viewed as the central determinant of the negotiated outcomes. These behaviors comprise the face-to-face interactions between the parties that lead to the eventual resolution or perhaps, impasse”

(Peterson and Lucas, 2001).

In this phase, the performance of negotiators will be affected by what they have done during the pre-negotiation and certainly will also be affected by their own ability to conduct the negotiation. And there is no doubt what happened during the negotiation process directly affects the negotiation outcome.

1.3. Consequent Phase (Outcome of negotiation)

The Negotiation outcome is the interaction of antecedent and concurrent phases. What a negotiator has done during the pre-negotiation and negotiation process will be shown the consequence in this phase. Here, the outcome is measured by agreement. A better outcome can bring the potential for opening the next deal; a worse outcome may break the business relationship, even worse the chance might be lost for future cooperation. So, the antecedent and the concurrent phases are critical to the negotiation outcome.

2. Relevant Factors of the Negotiation Process

2.1. Culture Adaptation

“A high sensitivity to cultural differences is, however, a prerequisite for effectiveness” (Bangert and Pirzada, 1992). “Higher adaptability is assumed to cultivate higher possibility of successful negotiation outcomes. International managers are advised to adopt the norms of behaviors of foreign cultures with which they deal with. They are advised to behave as the natives do in order to avoid intercultural gaffes and blunders” (Francis, 1991).

Deutsch (1984), Hall and Hall (1987) pointed out that some form of adaptation is usually deemed to be beneficial in negotiation practices. However, Copeland and Griggs (1985) argued, who acknowledge the benefits of adaptation, on the other hand, also admonish that too much of it can be harmful.

Both Koreans and Chinese are nationalistic, and the Koreans are even more intense than Chinese. The prerequisites for dealing with international business practice in the global environment are cultural understanding, interpretation and adaptation, especially for achieving a negotiation in a cross-cultural setting. Adaptation to the norms of a foreign culture is usually viewed as an effective way to solve the difficulties of communication; especially if the win-win outcome is the main intention of the negotiation.

2.2. Cross-Cultural Communication

“The ability of negotiators to communicate effectively is critical for negotiation success” (Thompson, 1998). “Effective communication has been linked with satisfaction” (Downs et al., 1988). In the 21st century, with the increasing globalization, international business activities frequently occur, it means each negotiator is quite likely to do business with the people that have various cultural background, resulting in the implication of cross-cultural communication.

Communication differences are one of the key problems that negotiators will encounter during the negotiation process. “Communication problems, defined to include language, language behavior and nonverbal behavior” (Condon, 1972), have received great attention in intercultural negotiations.

Cross culture communication is regarded as message exchange among people from different cultural backgrounds to achieve a certain goal. “The problem of communicating with people in diverse cultures is one of the great creative challenges in international marketing” (Ricks, 1998). “This is because cultural factors typically operate below the level of conscious awareness; they operate on an individual at several levels, and are therefore difficult to comprehend. Scholars and practitioners alike have come to the realization that it is culture that largely determines the way in which various phenomena are perceived, what one talks about, how one approaches others, and myriad other bits and pieces of behavior” (Kale and Barnes, 1992). Due to this, the scholars in cross-cultural communication made the conclusion that culture is a kind of communication. The negotiation process

is viewed as a kind of communication due to the back and forth communication between negotiators.

Hall (1976) identifies characteristics reflective of communication styles of people (i.e., negotiators) from high (HC) and low cultural (LC) context environments. “High-context and low-context communication refers to the degree to which speakers rely on factors other than explicit speech to convey their messages” (LeBaron, 2003)². “The HC style is quite similar to the context of relationship building in collective cultures” (Hofstede, 1991) where personal status and social relations are valued. High context cultures mainly rely on non-verbal communication and prefer to grasp answers implicitly from informal interactions, together with other non-verbal cues such as values, titles, status, possession and reputation. “High context negotiators are less programmatic and less rigid, particularly in time management, contract signing, and closing deals” (Gulbro and Herbig, 1996), which are similar with Korean, and Chinese.

2.3. Problem-Solving Approach

2.3.1. Definition of Problem-Solving Approach (PSA)

“The PSA to business negotiations is defined as a set of negotiation behaviors that are cooperative, integrative, and information exchange-oriented” (Adler, Brahm and Graham, 1992). “Problem solving is, perhaps, one of the most generalizable concepts in the marketing negotiation literature” (Eliashberg et. al, 1995). The PSA behavior for negotiators is rooted in the perception of preferences of their partner with the objective to draw a mutual beneficial outcome by accommodating their partners. Thus problem-solving approach embodies the behavior such as making concessions and consideration of the other party’s demand.

2. http://www.intractableconflict.org/m/communication_tools.jsp

2.3.2. PSA at a Cross-Cultural Level

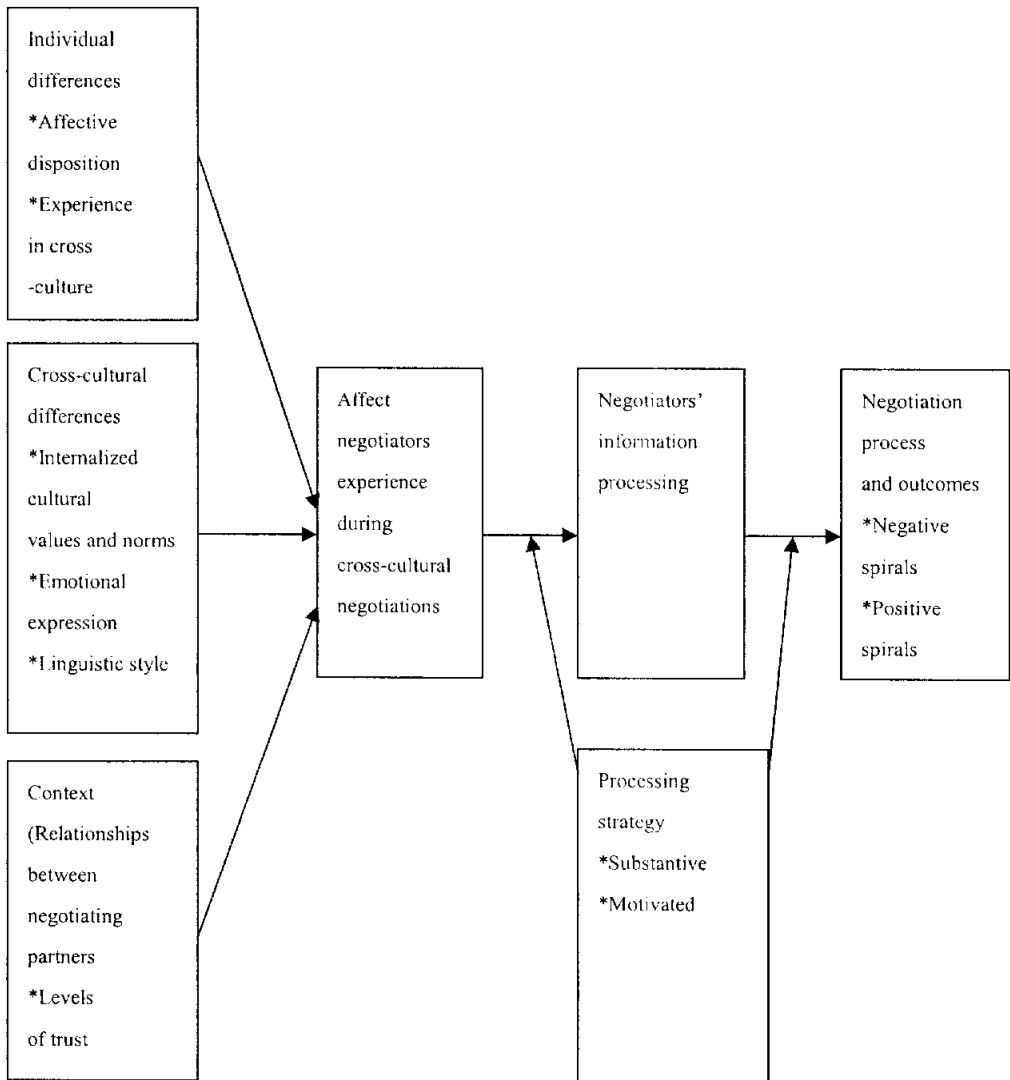
Previous research suggests when negotiators from different countries practice PSA, each country shows different level. Graham, Mintu and Rodgers (1994) found out that obvious difference of PSA level existed in eleven countries, among which Chinese negotiators hold the highest levels of PSA. The differences of PSA level are due to the cultural variation. "Problem-solving is a particularly interesting context in which to study intra-cultural variability. (By "problem," I mean a consciously recognized situation in which one must answer a question or find a solution.) It is precisely in the context of problem solving that cultural inheritance collides with free-will, where habitual ways of behaving become subject to direct attention and modification, where one's accumulated past encounters the present while looking to the future" (Gatewood, 1993)³.

3. <http://www.lehigh.edu/~jbgl/probsolv.htm>

2.4. The Role of Affect in Cross-Cultural Negotiation

Figure 2

Affect and Cross-Cultural negotiation



Source: George, Jones and Gonzalez (1998)

In this model, “there are three key sets of determinants of negotiators' affect during cross-cultural negotiations: Individual differences, cross-cultural differences, and contextual factors” (George, Jones and Gonzalez, 1998). “By negotiators' affect, we mean the moods and emotions that negotiators actually experience as they are conducting negotiations” (George, 1996). Negotiators should be sensitive to emotions expressed by the other side. Emotion affects negotiator's mood, further affects negotiator's behavior during the negotiation process, for each emotion will stimulate the negotiator's reaction to the shown emotion concerned. Emotion will affect negotiator's ability to solve problems encountered in the negotiation process and performance of communication, especially this will be more complex in cross-cultural negotiation setting due to complex expression of emotion. So expressing emotion effectively and properly is definitely important.

Differences in the national culture result in different ways of emotional expression. Individuals from different cultures their affect expression will hold universal characteristics and culturally specific elements at the same time. Not all of the negotiations can be carried out smoothly as one wish. The conflict that rises from the negotiation process may stimulate a negotiator's affect. And then it may come into being. The way one expresses his emotion also can affect the other party's mood, resulting in the impact on the progress of negotiation process and negotiation outcome.

In each culture, there will be certain display rules and norms that consciously or unconsciously guide people in which what to behave and express what kind of emotion on what kind of occasion properly. Positive affect usually will be easily taken when the other party's cultures have similar display rules and a negative affect will be engendered when their cultures have disparate display rules. During the negotiation process, if one of the parties is conservative in emotional expression, and another is smart in emotional expression, then both of them will experience a negative affect.

Cross-cultural differences are also significant in nonverbal expressive behaviors, which also might influence on the negotiators' affective status. Nonverbal expression refers to body language and gesture. Cultures in terms

of high contact use touching heavily and the low contact will feel discomfort in being touched by frequent physical contact, for Korean and Chinese are from low contact cultures.

Korean “negotiation tends to be very aggressive in tone, and punctuated by emotional outbursts when faced with conflict; there is usually less of an emphasis on logic and practical matters such as costs. You may find that your Korean counterparts can be very frank and quick to express anger and frustration. Nevertheless, it would be a mistake to take everything said during these meetings literally, and you should strive to maintain your composure and patience. Maintaining a solid, cordial personal relationship with the Korean side will help you get through the difficulties you may face during the negotiation process” (Kim, 2003).⁴

“Koreans are the most straightforward of Asians. Koreans are known for being straightforward and expressing their principles explicitly, especially to outsiders. Their verbal ability seems to be serving them well” (Susumu, 2002). Koreans are tough negotiators and admire a firm persistent negotiator, but refrain from being too aggressive. Although Koreans appear quite westernized it is important to remember that they hold Korean values that are different in certain respects. Kibun, which relates to a person’s mood or state of mind, affects all relationships. To hurt someone’s Kibun causes a loss of dignity. Maintaining harmony is more important than absolute truth.

“Chinese negotiators are extremely respectful, very quiet and thoughtful, avoids confrontation by not saying definitely no. Emotional restraint is held in high esteem; when dealing with people, one must maintain in harmony within the group and avoid overt conflict. The importance of reserve and tact should never be underestimated” (Deresky and Helen, 2000)⁵. Calmness is preferred when conflict or problems occur. Self-restraint is highly valued in China; this is a cue to prove that one is well

4. <http://www.executiveplanet.com/business-culture-in/132175044740.html>

5. http://www.onken.com/classroom/interculturalmanagement/china/china_negotiationanddecision.html

mannered, especially in public places; the person who easily loses control of himself will not be welcomed.

2.5. Time Pressure

“Judgment and decision making research have demonstrated that cognitive processing is altered when decisions are made under time pressure” (Stuhlmacher and Champagne, 2000).

Under time pressure, individuals will consciously or unconsciously speed up the information-processing rate by significant cognitive selectivity with the mentality of risk averseness. And time pressure also causes difference in combination of information. All these will depend on the degree of time pressure: When there is much time pressure, the individual will experience tension and then decision-making might be affected by complex emotion. If the pressure exceeds the individual’s mental endurance, the individual might just attempt to avoid making a decision. “If the decision is not avoided, it is possible that time pressure may result in lower quality judgments and evaluation” (Zakay, 1993).

The previous negotiation literature illustrated that time pressure affects both the processes and the outcomes of negotiations. Negotiators under heavy pressure will have weaker bargaining skills and at the same time will be more likely to make concession and be eager to easily agree than those in low time pressure. Time pressure might cultivate collaborative behavior in negotiation process. This is moderated by the other side’s behavior and situational constraints. “Time pressure was expected to influence the target agreement (or aspiration level), which is the goal or point that negotiators aim for. Specifically, compared to low time pressure” (Stuhlmacher and Champagne, 2000).

2.6. Decision Making

“Decision-making is the study of identifying and choosing alternatives based on the values and preferences of the decision maker. Making a decision implies that there are alternative choices to be considered, and in

such a case we want not only to identify as many of these alternatives as possible but to choose the one that best fits with our goals, desires, lifestyle, values, and so on. Decision-making is the process of sufficiently reducing uncertainty and doubt about alternatives to allow a reasonable choice to be made from among them. This definition stresses the information gathering function of decision-making. It should be noted here that uncertainty is *reduced* rather than eliminated. Very few decisions are made with absolute certainty because complete knowledge about all the alternatives is seldom possible. Thus, every decision involves a certain amount of risk”⁶ (Harris, 1998).

“Compared with their Japanese and Chinese counterparts, Koreans generally make decisions more quickly because most Korean companies are still run by the owner/founder of the company and hence decision making tends to be more centralized. Despite this relative speed of decision-making, relationship are still pivotal to all aspects of societal functioning. Virtually western partners who were interviewed perceived that Koreans were illogical in decision-making process. The westerners felt that the Koreans tended to focus on trivial or emotional matters rather than on issues that were the subject of negotiation” (Papadimos, 2002).⁷ Koreans prefer group consensus to individual decision-making and the senior person makes the final decision.

“Chinese are also very risking averse, which stems from their fears of losing face. This concept of face saving means everything to a Chinese Person. A poor decision could cause them to lose face amongst their peers, which would be devastating. Chinese are slow and methodical with their decision-making process; they feel they have control over most outcomes. It is only through a lengthy and arduous process that decisions are rendered” (Deresky and Helen, 2000).⁸

6. <http://www.virtualsalt.com/crebook5.htm>

7. http://www.china-biz.org/Asian_Business_Folder/Korean_Business_Negotiations.htm

8. http://www.onken.com/classroom/interculturalmanagement/china/china_negotiationanddecision.html

Quick decision-making is somewhat “alien” to Chinese. They regard quick decisions as a sign of being incapable of wise judgment. They prefer a slow and logical way to make decisions. When making decisions, Chinese negotiators heavily depend on subjective feelings and previous personal experiences. Whenever they make a decision, they prefer a decision that is most likely to bring success, and would like not to risk any loss, even a tiny loss.

III. Research Model Specification and Propositions

1. Research Model Specification

In a mono-cultural environment, the negotiation process is more predictable and somewhat controllable due to the same culture background. The negotiation behavior is obviously connected with the values, norm, customs, etc. from one culture. "Individuals having the same cultural backgrounds tend to display common patterns of thinking, feeling and reacting in line with their cultural heritage" (Simintiras and Thomas, 1998). So the negotiators usually need not worry about the cultural challenge and will experience fewer barriers during the process.

In the case of cross-cultural environment, there are much more challenges than in a mono-cultural situation. "Cross-cultural negotiations are negotiations where the negotiating parties belong to different cultures and do not share the same ways of thinking, feeling and behaving" (Casse, 1981). The cross-cultural negotiation process is generally more complex and unpredictable, for different cultural norms may stand in the way of effective communication, so this process will be time-consuming. In the negotiation process, McCall and Warrington (1989) described interpersonal communication as the key activity that takes place at the verbal, nonverbal, situational, contextual and social structural levels and constitutes a total communication system that can assist the negotiator to bridge the gap between utterance and felt meaning.

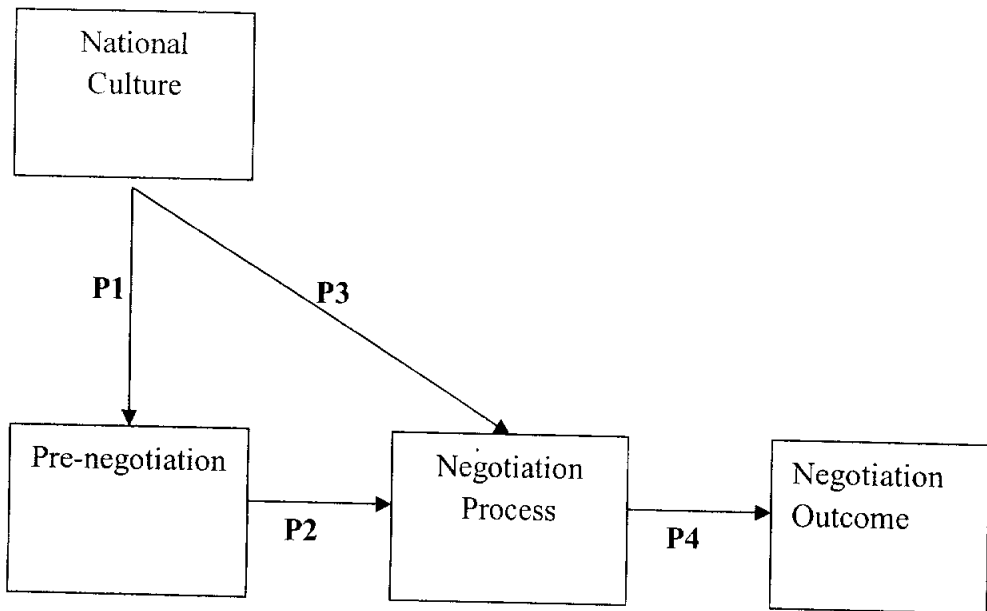
Negotiation is an interactive social activity. The parties involved in the cross-cultural negotiation process will have their own specific way of thinking due to different culture backgrounds. Especially in cross-cultural negotiation, the first important factors one have to consider is the impact of cultural differences on negotiation and one also have to improve negotiation skills to reduce cultural shock, and then to coordinate the negotiation style of others accordingly.

With the rapid globalization of the world market and economy, cross-cultural differences as a key factor in the cross-national border business activities and have been sensed by businessmen gradually. A professional cross-cultural negotiator should be aware of what are the differences the other party sitting at the other side of table has, and most important, the negotiator should understand, accept and respects these, especially the cultural differences, for many elements involved in culture, such as “aesthetics, attitude, value, manners and customs, social structure, religion, personal communication, education, and physical and material environments” (Wild, Wild and Han, 2003). Each of these elements will be quite different among various cultures. By understanding these, one can cooperate well with business parties and reduce the possibility of conflict during the negotiation process.

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:

Figure 3

Research Model



Hofstede (1980) indicated that in the past, cross-cultural studies were hampered by lack of a theory on the elements of which culture is composed. Countries were treated as “residues of undefined variance in the phenomena found”. So with the creation of four-dimension scale of Hofstede, it is always used to examine the cultural differences between nations. And the impact of culture on negotiation will be discussed. Here the scope of pre-negotiation phase is narrowed down to the behavior during preparation.

2. Proposition

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.

Each national culture can find its location in the cultural four-dimension-scales. And the characteristics of individual national culture might affect the behavior of preparation. “Trust is a central feeling in the power distance concept” (Kale and Barnes, 1992). So the efficient way for individuals in high power distance culture to earn trust from others is to create a professional plan and careful preparation during the pre-negotiation phase. Individuals from high uncertainty avoidance culture will feel at ease and safe when they are guided by written and oral regulations and rules. Utilize this to a negotiation setting, it seems this will increase the individuals' desire to plan and prepare for grasping a sense of security. “What is different is dangerous” (Hofstede, 1991). “Thus, in order to reduce ambiguity, gain control, and promote stability, these negotiators will plan

and prepare in order to bring about familiarity and security”(Peterson and Lucas, 2001). “Collectivists tend to conduct themselves with social obligations to the group in mind” (Triandis, 1989). 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)⁹. 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.

9. http://techrepublic.com.com/5100-6298_11-1054757.html

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

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 "negotiating is one of the most challenging communication tasks in business" (Gilsdorf, 1997).

Table 5

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)

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. For example, in some Asian cultures, especially in China, Korea and Japan, the influence of Confucianism makes them reluctant to say a direct and emphatic "no" to others, so "That is difficult" to American it means "maybe", but to Korean, Chinese and Japanese it means "no".

Misinterpretation is the root of conflict in cross-cultural negotiations. This will make the negotiation process even longer, and make the negotiation even harder and time-consuming. Even worse, this will impact the outcome of the negotiation directly. Because due to different cultural background, the message sent by the sender some times might be misunderstood and then be misinterpreted by the receiver.

If a negotiator and the partner do not come from same culture, they must have different values, norms, ways of thinking and the business style. All these will be barriers to the success. "More substantively, differences in culture will invariable require changes in products, management systems, and personnel practices" (Salacuse, 1999). When a negotiator facing cultural differences, if the negotiator wants to reach a satisfactory outcome, the negotiator has to coordinate the form of negotiation with the partners' style, otherwise the process of concluding a successful outcome will be harder and longer.

"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 behaviors 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.

Concretely the impact of national culture on the negotiation behaviors of Koreans and Chinese negotiators during negotiation process is shown as follows: First, Koreans and Chinese keep in awe, people who have higher status in their working place, such as their bosses, and the people who are in high social class. So, when negotiating with these two countries, negotiators please keep in mind to make assure that status of the negotiators from own side coordinate with the other party, such that there will be no embarrassing or uncomfortable meeting that might result in the negotiation process.

During the negotiation process, the seniors prefer to be respected and get much attention. Usually they have the right to make the decisions.

Second, Koreans and Chinese are from high uncertainty avoidance culture, so when dealing with Korean and Chinese negotiators, one has to get prepared to attend somewhat time-consuming negotiation, for it will not avoid taking a great deal of time to come to a conclusion; because “Uncertainty Avoidance cultures are characterized by a low tolerance for ambiguity” (Bangert and Pirzada, 1992). So patience and industry are the basic characteristics appreciated by Korean and Chinese partners.

Third, Koreans and Chinese are from collective cultures that prefer teamwork to individual action when negotiating. When negotiating with foreigners, they have a sense of confidence and power in working together than in working individually. Additionally, agreements should be made before every one nods their head to get a consensus. So the probability of making a good agreement is higher. Individualist organizations would pay much attention to avoid sending only one person to negotiate with Koreans and Chinese, for they may judge another party’s sincerity by how many people are sent to the negotiation and this will definitely show how much another party pays attention to them in their minds, and significantly affect whether or not they will keep the relationship with the party.

Forth, most Asian countries are male-dominated societies and usually, the negotiators who sit at the table are male. But in the case of Korea and China, there exists a difference: In China both male and female play a main role in society; but in Korea, males still play a bigger role. So in China, it is possible for women to attend the negotiation, but in Korea it is hard to see women’s presence on business occasions. But female negotiators are somewhat good at making the negotiation process smoother by moderating the conflict, and calming down an otherwise cold atmosphere than male negotiators. However, masculine culture prefers competitive approach to have success, so if they fail to control themselves, then the situation will lead to a zero-sum outcome.

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.

IV. Methodology

Due to certain limitations, a quantitative method has not been used in the creation of this paper. Only a qualitative method was used with the application of case study to develop the research.

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.

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 Koreans, in order to effectively judge the practical meaning of the propositions.

In January of 2004, three people 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. 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 certain 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. One month later, faxes were received from the sample interviewers in Case 1 and Case 2; about three weeks later, an e-mail was received from the sample interviewer in Case 3.

V. Case Study

1. Cases

1.1. Case1: Will You also Attend the Negotiation?

Mr. Kim, a Korean-Chinese in his early forties, is a boss of a private company specialized in exporting agricultural products to Korea. His company is located in Qing Dao city, Shang Dong province, China with about thirty employees. He has engaged in this field for many years.

In the summer of 2000, he had a negotiation with Mr. Choi, a Korean who is also a boss of a private company specialized in trade and has his own food and beverage plant, with his assistant Miss Lee to discuss exporting hot pepper powder and dry wild vegetables to Korea. The negotiation was held in a coffee shop in China for Mr. Kim thought Koreans like coffee so much, the aroma of coffee might bring a good beginning of their cooperation. Actually he first had thought of a teahouse, but then he thought maybe Chinese tea would be too strong for Koreans, though he himself prefers tea to coffee. Different from westerners, both of Koreans and Chinese like to have some small talk before the formal negotiation, at a restaurant, a teahouse or some other casual places, especially small-sized or private companies.

As soon as they met, they were greeting, shaking hands and exchanging business card with each other. When Miss Lee accepted the card from Mr. Choi, she had a careful look for a while and then put it away. Mr. Choi, a traditional Korean man at his late fifties, when he noticed Miss Lee “examining” his card, he joked, “It seems you have Kwan Sim (interest) in my card.” Miss Lee felt very puzzled, she could not understand what he said, for Gwan Sim in Chinese means “take care of”, and then she heard Mr. Choi continued, “You will also attend the negotiation today? A beautiful lady like you should just stay at home and take care of husband and child, need not

work, work in society is so hard for a woman". When Miss Lee heard this she was astonished and her eyes widened at once, but she still kept a smile on her face and said it was very common for women to work in China though many Korean women had to be housewives due to the tradition, not to say appear on the business occasion. Mr. Choi just raised his eyebrows for a while, together with an uncomfortable expression in his eyes and made no response. Actually he despised Miss Lee, he thought in his mind, women were less powerful and capable than man, and he was the boss, she was only an ordinary young lady (he refused to think she was an assistant). Miss Lee was shocked when she caught this unfriendly signal; the strong sense she felt was that Mr. Choi thought man was superior to woman, but her mood had not been affected by that, for she had prepared well for the negotiation, hoping to get a satisfactory agreement, which supported her confidence at that moment.

Mr. Kim broke the embarrassment, and asked them to take seat. After ordering some drinks, Mr. Kim took his sample out of his bag. Korean negotiators always require checking the samples before moving into the formal negotiation; this is just routinely very essential, for they are very strict with every detail of the sample, such as color, appearance, smell and freshness. This time Mr. Choi was not satisfied with the quality of the hot pepper, nearly 10% of the powder were seeds. Mr. Kim said that very naturally happened when grinding the pepper, this was not done on purpose to use less raw material and then to earn more profit. In addition, he collected these from the suppliers. In China, the consumers will not complain about the seeds mixed in the powder for this naturally occurred. But Mr. Choi said if Mr. Kim insisted on providing this batch of goods to close the deal this time, he would not pay for the original prices, or he might pay the original price, but Mr. Kim had to provide another batch of products instead.

Mr. Kim felt a headache in solving this big problem, for he collected this batch of products from the supplier with a price higher than market price, he paid higher price for quality and for receiving the product punctually, because this time Mr. Choi was very eager to get the product and gave insufficient time for him to collect the product. If Mr. Choi lowered the

price, then he could make almost no profit with this deal, and could get no compensation from the contract. For this time, since time was so limited, he just started to move when he got the phone call of Mr. Choi from Korea, and Mr. Choi promised he would go to China one week later, so they had no time to sign the contract. Since they had several occasions of cooperation before and a Korean friend of Mr. Kim who also knows Mr. Choi well, guaranteed the deal, they trusted each other. But exporting hot pepper powder was the first time for them; before, they just exported the dry wild vegetables. Who knew the seeds would be a problem.

Both of them insisted on their own point of view, the discussion was very intense. Mr. Choi was so anxious for he also had something urgent to handle in Korea, so it was important for him to close this deal smoothly and go back as soon as possible, so he unconsciously raised his voice, with some gestures, "Originally, to food, Koreans prefer products produced in Korea, so if you want Koreans to accept the products made in other countries, the quality must be good. If you want me to purchase your product, I only can lower the price this time and maybe I have to refine them in Korea." Mr. Kim could tell Mr. Choi was somewhat impatient and excited, and he had not realized that his voice was raised. At this tense moment, Miss Lee suggested that they continue the next day and have supper together. Miss Lee did this for she knew quite well that her boss was also eager to get the payment of this batch of goods, then he could start another big deal which he has a signed contract with somebody else. So in order to get a desired favorable outcome, and also in order to avoid any possible conflict, she made such a suggestion, then both of them could have some time to make a consideration in a calmer atmosphere. Although time was so limited to Mr. Choi, he could not deny it was a unique and efficient way to obtain a fruitful outcome, for he knew he was somewhat excited at the moment. Miss Lee's solution somewhat changed Mr. Choi's prejudice to her, he nodded his head slightly.

Next day, Mr. Kim invited Mr. Choi to meet at a Korean restaurant; the similar environment gave Mr. Choi a sense of going home, so he was very happy and greeted Miss Lee first. And Miss Lee wondered, "What makes him so pleasant today?" After being seated, Mr. Choi said he would like to

make some concession, he would raise the price litter higher, after all, except for the problem of the seeds, the quality of the powder itself was perfect, and he also preferred to maintain a long-term business relationship with Mr. Kim. This good news, surprised Mr. Kim so much, he just could not help saying next time he would offer a more favorable price to Mr. Choi. And he joked, "If you were little more patient, then I will give in." Mr. Choi laughed when he heard this. At this exciting moment, Miss Lee proposed, "Mr. Choi, how about setting up a joint venture with my boss and the product may all be exported to Korea; it seems our two sides can cooperate well, further, we have plenty and various raw materials suitable for exporting to Korea, then both of us will benefit from this; my boss can increase sales volume, and you can save much expenditure". Mr. Choi said, "It is so good! I have thought of this before, but there is no suitable partner. What you said has reminded me, I quite agree." Mr. Choi nodded his head with smile; he thought he had a wrong expression with Miss Lee. Actually Miss Lee had planned this during her preparation; she had some communication with her boss already. She thought in her mind, "If set up the plant, then they might frequently meet; would Mr. Choi keep on thinking women are not suitable to engage in business?"

Mr. Kim said he would long for their cooperation. He toasted "Though it is beyond your expectation, it is a wonderful idea, let's cheer to our pleasant cooperation in the future!"

1.2. Case2: Cultural Difference and the Time-Consuming Negotiation

Mr. Kim, a technology expert in his late sixties works in Lang Chao LG Digital Telecom Technology Company, which is a Chinese-Korean joint venture, located in Shan Dong Province, China with about 500 employees. He has worked in this company for more than two years. His tips of Korean negotiation style from his experience are summarized as follows:

First, the speed of Koreans' negotiation is very fast and they do a through preparation before negotiation.

Second, the final decision is usually made by the leader of the department, and needs legal seal for confirmation.

Third, Koreans are risk averse; in order to avoid risk, they usually choose two enterprises to compare the samples, and then make up the decision.

Forth, when setting up joint venture in China, due to the difference of views of understanding the policy, it is hard to reach an agreement quickly, so the negotiation will be time-consuming and hard. As a result, a good and well-prepared pre-negotiation must be done before the negotiation to obtain a better understanding of each party.

1.3. Case3: Cultural Shock by the Attendance of Female Negotiators

Mrs. Zhang is an employee from the purchasing department of Simens Chang Chun Branch; the company was located in Chang Chun City, Ji Lin Province, China with about 600 employees. She has worked in the company for more than three years. Her company has a Korean supplier, so through her experience, she summarized the tips of negotiating with Koreans as follows:

First, when negotiating, Koreans are irritable and cannot stand a long time of negotiation; on the contrary, Chinese are patient, so sometimes Chinese can achieve a more profitable outcome.

Second, Korean women seldom engage in the business field, all the negotiators are male. So when Korean men see Chinese women also engage in sales field they are very surprised.

Third, for bidding, Koreans can offer a reasonable price at first, but Chinese usually offer a higher price, then bargain and make concessions little by little.

Forth, When doing business, Koreans seldom mix their personal feeling into the business so long as the deal will make profit for their company, they will conduct the business; but Chinese sometimes will attach their own preference to the company and partners.

2. Case Analysis

2.1. Discussion of Cases

Preparation

In Case 1, if Mr. Kim did some investigation before the negotiation, he would not collect the powder with seeds from the supplier, and then he could have avoided the unnecessary loss. So a careful preparation is necessary before the negotiation. Also Miss Lee did some preparation before the negotiation, due to her duty as an assistant, also due to the risk of aversion, so her performance was proper and effective during the negotiation process and made Mr. Choi change his expression to her. In Case 2, it is also said Koreans do careful preparation, so preparation done in pre-negotiation phase is just to reduce the risk and mistake in negotiation process.

Culture Adaptation

In Case 1, Mr. Kim knows that Koreans enjoy coffee just like the Chinese like the tea, so he chose a coffee shop as a negotiation venue. This is the first step to approach success.

In the twenty-first century, men still are the main supporters in Korean society. Most of the women after marriage will be housewives and give up their work. Though some of women work, their salary is lower than men and they cannot be given important positions; especially on business negotiations occasion, it will be a big surprise to see the presence of women. This was why in Case1, Mr. Choi was not used to doing business with woman when he saw Miss Lee, and due to the Korean traditional prejudice, he just simply looked down on her ability. Then this caused Miss Lee's unhappiness. Mr. Choi seems did not adapt the cultural difference, so it was hard for him to accept Miss Lee at first. Also, in Case 3, it is said Korean negotiator felt strange to see the attendance of female Chinese negotiators. Korea is in the cultural dimension of masculinity, man is the power to society, so it was hard for him to adapt Miss Lee's attendance. Anyhow, though it is rare for a woman to engage in business in Korea, it is so

common in China. So he should accept it and get used to conducting business with women in China. Moreover, only if one tries to adapt and accept another culture voluntarily can you mix with it quickly, then his way to success will be smoother, for the adaptation of one culture can make the other party sense your similarity with him and make your relationship closer to them.

Cross-Cultural Communication

The big problems in cross-cultural negotiations are misinterpretation and misunderstanding, especially between Chinese and Koreans. Because of the cultural influence of China, there are many Chinese words in Korean. But due to centuries of evolvement of the culture, some of words are not the same as Chinese, such as Kwan Sim and Guan Xin. In Korea, Kwan Sim means have interest in something or somebody, but in Chinese it means take care of, totally different. So negotiators must be careful of the interpretation and understanding of another language, in order to avoid making any serious language problems.

And in Case 1, Mr. Choi used nonverbal communication behavior, such as “raising his eyebrow, made an uncomfortable expression” to show his dislike to Miss Lee when he saw her attend the negotiation. Miss Lee widened her eyes to show the shock. Korea and China are collectivist culture countries, so their culture dimension influences their communication behavior; they prefer non-verbal communication and grasp answers from non-verbal cues, which reflect the high-context communication style.

Power Distance

In Case 1, Miss Lee’s attendance caused Mr. Choi’s dissatisfaction, for he thought he was the boss, and Miss Lee was only an young lady, though her title was that of assistant; so he thought in his mind, her lower rank made it improper for her to sit at the same negotiation table with him, resulting his saying, “Will you also attend the negotiation today?” Due to the strong sense of power distance, the attitude of Mr. Choi to Miss Lee was not friendly during the negotiation process. China is also a high power distance country, but it is different from Korea, men and women have equal

status in society, many capable women are now engaged in various fields of business, office ladies have already been a part of the office scene of Chinese society.

Problem-Solving Ability

If one prepares well before a negotiation, then usually he will have better performance during negotiation process, for he will benefit from intelligence gathering, formulation, strategy and preparation in these steps of pre-negotiation. But frankly speaking, even though one could not follow these each time, however, some preparation still will do good to him. In Case 1, Miss Lee did some preparations for she was the assistant she had the duty to prepare well to support his boss. So she could keep calm when facing problem. Her suggestion seemed to work well, for if they kept on negotiating at the time, then the conflict might be even harder to solve. Actually when facing conflict, it is wise to not to face it directly, but solving it indirectly will have much better effort. For them, a wonderful supper was very helpful in decreasing the tension and a new opportunity might occur.

Affect

Korean negotiators tend to be very aggressive in tone; it is easy for them to express their feelings. Koreans are also the most straightforward of Asians. So in Case 1, when Mr. Choi saw Miss Lee, he just explained his negative feeling to her, remarking that woman should just stay at home to take care of family and something like that. Certainly, Miss Lee would not feel happy when she heard this, but she just kept smile on her face and explained the reason why women are normal to see on business occasions in China. In Case 3, it is also said the Korean negotiators are irritable. Emotional restraint is highly valued in China; expression of anger in public is considered bad manners. Each national culture will have an impact on individual affect expression differently. People cannot help losing temper when meeting unpleasant things; when this happening, individual national culture will guide them to express their feeling accordingly. Moreover, the values and norms of individual culture usually differ from each other.

Time Pressure

In Case 2, Mr. Choi could not stay in China for a longer time, for he had something important to handle in Korea; also he worried about profit and expenditure. So he unconsciously wanted to make some concession to reach an agreement. Mr. Kim actually was also anxious about the result, he was eager to get the payment, but he was just somewhat more patient than Mr. Choi to expect a more favorable outcome, maybe due to the advantage of being a host. So next day, when he heard Mr. Choi's decision, he also could not help promising that he would offer him a favorable price next time, to cover the loss of this deal. It is said that time pressure fosters cooperative behavior. But this is moderated by the other side's behavior and situational constraints. So due to time limitation, Mr. Choi made some concession, then they closed this deal, but without the collaborative behavior of Mr. Kim, this would not come to be, I mean if Mr. Kim had not accept the concession.

Decision Making

Usually, both of Korea and China need group consensus to make up a decision since they are collective countries. In Case 1, though it was Miss Lee who raised the proposal, actually she had already got consensus with her boss. And Mr. Choi seemed easier to decide by himself, for he himself is the boss, the senior person. He just made decision more quickly than the Chinese party, for Koreans really prefer to have good relationship, they will consider the relationship first, then the business. So it seems that Mr. Choi was satisfied with doing business with Mr. Kim, so his emotions evoked him to make such a quick decision. In Case 2, it is said senior person makes the final decision.

The above relevant factors show the different negotiation behaviors of Koreans and Chinese negotiators during the negotiation process. It is quite clear that the differences are mainly due to the different national cultures. Even in mono-cultural negotiations, among the differences of individual negotiator characteristics, the negotiation will be somewhat harder, not to mention in cross-cultural setting, due to the different cultural backgrounds, the negotiators hold various negotiation behaviors, resulting in increasing the difficulties to reach a satisfied outcome.

2.2. 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.

Table 6

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. PD score is 60	Power Distance	Pay attention to hierarchy. So when negotiate, sent the negotiators with similar or equal rank to match with your partner. PD score is 80	Power Distance
Company profit	Company profit is the main concern of the negotiators. Individualism score is 18	Collectivism	Company profit is the main concern of the negotiators. Individualism score is 15	Collectivism
Risk aversion	Afraid of risk, prefer written regulation and rules. UA score is 85	Uncertainty Avoidance	Afraid of risk, prefer written regulation and rules. UA score is 40	Uncertainty Avoidance

Table 6

Quick Reference Chart of Culture Difference between Korea and China (Cont.)

Korean			Chinese	
	Characteristics	Cultural background	Characteristics	Cultural background
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 persona experiences. Solve conflict in an indirect way.	Affect expression

Table 6

Quick Reference Chart of Culture Difference
between Korea and China (Cont.)

Korean		Chinese	
	Characteristics	Cultural background	Characteristics Cultural background
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 making	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 risking averse; slow and methodical with decision making Collectivism/Stems for their fears of "losing face"; quick decision is somewhat a cue of incapability

3. 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. In Case 1, Mr. Choi did not like to accept the attendance of Miss Lee due to the influence of power distance, so his attitude to her was not friendly at first when she sat at the negotiation table. In Case 2, it is known that due to cultural differences, Koreans and Chinese have different views of policy, so the negotiation is time-consuming. So, different national cultures have various influences on the negotiators' performance during negotiation process. In case 1, Miss Lee did a good preparation, so she had more professional performance during the negotiation process than Mr. Kim and Mr. Choi. So preparation will have a positive and a negative impact on negotiation process. From Case 3, it is known that Koreans are irritable and Chinese are patient during the negotiation process, so sometimes Chinese can achieve profitable outcome than Koreans. So negotiators' behavior during the negotiation process will affect the negotiation outcome. Brief observations are list below:

Table 7
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 performances during negotiation process.
P4	Process variables determine the negotiation outcome, especially cultural factors.

VI. Conclusion

1. Concluding Remarks

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.

2. Critical Successful Factors for Cross-Cultural Negotiation

From these three cases, it can be concluded that national culture does affect the negotiation from the beginning to the end, in a cross-cultural negotiation setting, for cultural problems follows nearly every step in the negotiation. So, critical successful factors for cross-cultural negotiation should be paid much attention.

2. 1. Preparation

The key factor for success in cross-cultural negotiation is to essentially pay much attention to cultural differences held by the other party, so better preparation is quite needed; only in this way, the negotiators can get to know what cultural differences will be shown by the partners during the negotiation process, and find out the strategic way to deal with the differences in advance, otherwise every step will be difficult to conduct due to cultural shock, maybe just a simple greeting.

2.2. Cultural Awareness

“Cross-cultural skills are actually more important than technical skills in international assignments” (Black and Gregersen, 1999). “Personnel can be selected with great care, but if they do not possess or are not given the opportunity to develop some understanding of the culture to which they are being assigned, there is every chance they will develop cultural shock, inadvertently alienate those with whom they come in contact in the new culture, or make all the cultural mistakes” (Cateora and Graham, 2002)

The negotiators who have done a good job in pre-negotiation will probably have better performance during the negotiation process, but there will still be some culture shock beyond the preparation scope. So enhancing the ability of cultural awareness to deal with the cultural differences during the negotiation process is necessary indeed to arrive at a successful outcome.

2.3. Cross-Cultural Approach

“In cross-cultural setting, because of cultural differences, communication becomes more difficult. Therefore understanding the other side, its interested and joint criteria for agreement, is fraught with misconceptions. The chances of simultaneously satisfying both sides’ needs are improved because they may not want identical things. In other words, the process becomes more difficult, but the chances of reaching agreement with join gains improve” (Bangert and Pizada, 1992).

This approach “enables international negotiators to maximize benefits to all parties. It uses cultural differences as a resource instead of making them an obstacle” (Bangert and Pizada, 1992). So if the negotiation process employs this approach, the cross-cultural training should also be included in pre-negotiation.

3. Limitation and Suggestions for the Future Research

This paper does some comparison of negotiation behavior difference between Koreans and Chinese. The main parts of this paper are literature analysis, research model specification and the case study.

The differences between these two countries are viewed mainly at the angle of literature and the cases are not typical enough. So in the future, quantitative research such as sending out questionnaire to target samples and collecting valuable primary data to do certain statistical analysis is quite useful if further information is wanted; also statistical works can exactly test the propositions. The factors in this paper are limited, so more relevant and obvious factors should be found if deeper comparison is wanted.

Moreover, this paper does the general comparison of Korean and Chinese negotiation behavior. Future study also could consider comparing concretely just how Chinese negotiate with Koreans or how Koreans negotiate with Chinese. This will have more practical meaning to the Korean and Chinese businessmen who conduct business between these two countries frequently.

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韓中間 비즈니스 協商行爲 比較

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요약

1992 년 한국과 중국간의 외교관계 수립 후 지난 10 여년간 두 나라 간의 비즈니스활동은 현저히 증가하는 추세를 보였으며 이는 비즈니스에서 “낯선 사람”에서 “절친한 파트너”로 변하는 과정으로 두 나라는 이미 밀접한 무역파트너가 되었다. 이처럼 두 나라가 밀접한 관계를 가질 수 있었던 요인으로 지리상의 근접성과 동일한 문화적 근간이 되는 유교 등을 들 수 있다. 그러나 두 나라 사이에는 동일한 문화적 뿌리가 있음에도 불구하고 경제와 사회적 제도의 차이 때문에 비즈니스문화에서는 여전히 상이한 차이를 보이고 있다.

본 논문에서는 문화적 차이를 중심으로 한-중 두 나라간의 비즈니스 협상행위를 비교하고자 하며, 특히 협상과정상의 선행단계와 협상단계에 초점을 맞춰 비교하고자 한다. 즉 협상과정의 선행단계와 협상단계에서 두 국가간의 협상과정이 차이가 나는지 여부를 문화적 관점에서 분석하고자 한다. 이를 위해 실제 두 국가간의 협상의 실제 사례를 분석하였다.

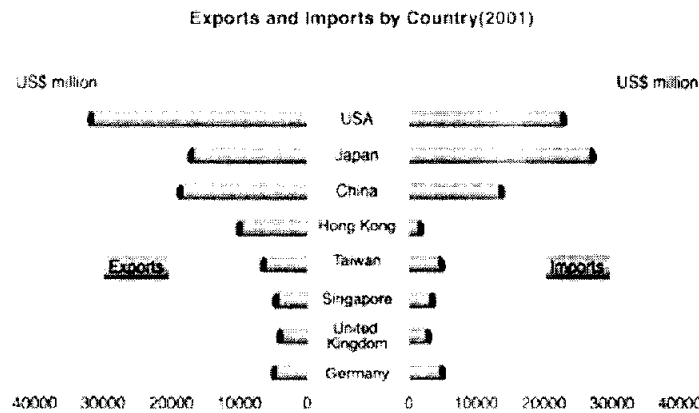
이러한 방법을 통한 분석결과, 문화의 상이성보다는 동질성이 더 많이 작용한 결과로 인해, 두 나라 간의 협상행위는 차이점보다 유사점이 더 많은 것으로 나타났다.

그러나 이문화간 협상행위에서 양국의 문화의 차이는 협상의 단계에서 항상 고려되어야 할 것으로 보인다. 특히 사전준비, 상호문화에 대한 인식, 비교문화적 접근방식 등은 성공적인 이문화간 협상을 이끌어 내는 중요한 요인로서 고려해야 할 것이다.

Appendix: Trade Status between Korea and China

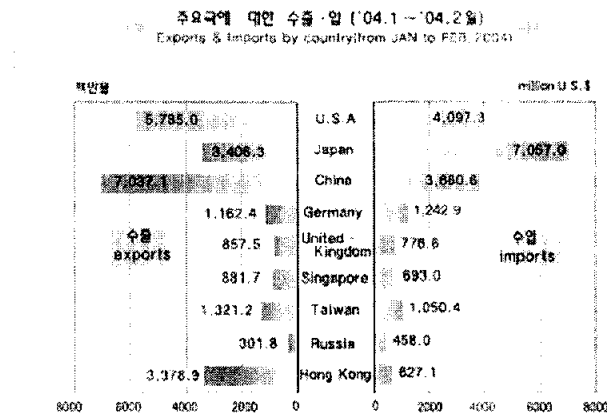
1. The Trade Status of Korea with China

Figure1: The Trade Status of Korea in 2001



Source: Korean National Statistical Office

Figure2: The Trade Status of Korea in 2004(Jan ~ Feb)



2. The Status of Korean Investment in China

Table1: Korean Companies' Investment in China by Region

Region \ Year	1996	1997	1998	1999	2000	2001
PRD						
(Guangdong)	3.70%	2.60%	11.20%	0.60%	1.20%	2.50%
YRD (Shanghai, Jiangsu, Zhejiang)	22.20%	42.90%	25.00%	28.10%	18.20%	27.40%
Shandong	27.00%	19.40%	26.50%	17.90%	33.80%	32.40%
Liaoning, Jilin, Hei Longjiang	20.70%	16.40%	6.80%	15.10%	15.30%	9.50%
Beijing, Tianjin	22.60%	11.20%	29.40%	26.80%	20.40%	20.50%
Other Regions	3.70%	7.50%	1.20%	11.40%	11.10%	7.70%

Source: The Export-Import Bank of Korea

Table2: Top Ten Investment Countries to China in 2003

(Unit: 0.1 billion U.S.\$)

Number	Country	Amount	%
1	HK	177	39.0
2	Virgin Islands	57.77	12.7
3	Japan	50.54	11.1
4	Korea	44.89	9.9
5	U.S.	41.99	9.3
6	Taiwan	33.77	7.4
7	Singapore	20.58	4.5
8	The west Sa More	9.86	2.2
9	Cayman Islands	8.66	1.9
10	Germany	8.51	1.9
Total		453.57	100.0

Source: China National Statistical Office (www.stats.gov.cn)

3. The Trade Status of China with Korea

Table 3: Top Ten Trade Partners to China in 2003

(Unit: 0.1billionU.S. \$)

No.	Country/Area	Amount	%
1	Japan	1335.7	18.77
2	U.S	1263.3	17.75
3	EU.	1252.2	17.59
4	HK	874.1	12.28
5	East Euro Union	782.5	10.99
6	Korea	632.3	8.88
7	Taiwan	583.7	8.20
8	Russian	157.6	2.21
9	Australia	135.6	1.91
10	Canada	100.1	1.41
Total		7117.1	100

Source: China National Statistical Office (www.stats.gov.cn)

Figure3: Top Ten Trade Partners to China in 2003

