International Business Review 23 (2014) 1203–1211

Contents lists available at ScienceDirect

International Business Review

journal homepage: www.elsevier.com/locate/ibusrev

Chinese values and negotiation behaviour: A bargaining experiment

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ARTICLE INFO

Article history:
Received 23 September 2013
Received in revised form 1 May 2014
Accepted 6 May 2014
Available online 13 June 2014

Keywords:
China
Culture
Experiment
Negotiation
Values

ABSTRACT

The importance of Chinese culture in cross-national negotiation has become conventional wisdom in international business research and practice. However, empirical work has not sufficiently established whether, how and under what conditions specific cultural values of the Chinese affect their negotiation decisions. This paper reports an experiment with a purpose-designed game task in which Chinese subjects divide a fixed gain over escalating stages. We find that concerns for face and harmony promote cooperative negotiation decisions while desire to win and risk seeking accentuate competitive ones. Values only predict behaviour in the critical, final stage of the bargaining process supporting a dynamic view of the effect of culture in negotiation.

1. Introduction

Negotiating with the Chinese is becoming more important as the political and economic stature both of the People's Republic of China and the Chinese Diaspora communities continues to rise (e.g. Redding & Witt, 2008). This development is fuelling research into how the ethnic culture, psychology, institutions and history of the Chinese shape their decision making. For example, typical Chinese cultural values (see Bond & Shtin, 1987) potentially influence Chinese negotiation behaviour and have become part of the international business lore (e.g. Fang, Zhao, & Worm, 2008; Ghauri & Fang, 2001; Graham & Lam, 2003; Kirkbride, Tang, & Westwood, 1991). However, there is surprisingly little empirical support as to whether and how particular values affect the strategic behaviour of Chinese people. While conceptual work provides insight for the practitioner, more needs to be done to verify it through observing and measuring the behaviour of Chinese people in strategic situations and its roots in Chinese values. More empirical evidence is also needed because the influence of values on behaviour is known to be empirically weak generally and subject to confounding situational and environmental moderators (e.g. McBroom & Reed, 1992). In addition, empirical studies of behaviour such as self-reports of past or intended behaviour, simulated negotiation scenarios or ethnography are prone to response and other biases (Chandon, Morwitz, & Reinartz, 2005).

A potential way forward entails the observation of subjects' incentive compatible behaviour in controlled experimental tasks. This approach termed *bargaining experiments* (e.g. Davis & Holt, 1993; Roth, 1995, chapter 5) permits the elicitation of decisions that have specific financial consequences while disentangling different confounding influences. Elicited decisions can be compared to theoretical predictions and related to subjects' attitudes and values. In this paper this approach is used for the first time to examine whether and how Chinese bargaining decisions over escalating stages are influenced by three key cultural values: face, harmony, and desire to win. To our knowledge, there are no previous studies that demonstrate these relationships between Chinese values and negotiation decisions under controlled and incentive-compatible conditions, which arguably offer greater reliability and validity than alternative empirical approaches. In this sense the present work is in the spirit of better integration of bargaining experiments and negotiation research called for by both sides (e.g. Camerer, 2003, p. 153; Weber & Messick, 2004, p. 388).

The paper is organised as follows. In the next section existing research on Chinese values relevant to negotiation is surveyed. Section 3 outlines different empirical approaches to studying Chinese negotiation behaviour including the method adopted in the present paper. The implementation of this method as well as this study's motivation and design are presented in Section 4. Results are reported in Section 5. Section 6 concludes.

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http://dx.doi.org/10.1016/j.ibusrev.2014.05.002
0969-5931/

2. Chinese cultural values

In recent years the international business and negotiation literatures have begun examining the roots of Chinese business behaviour in their cultural values (e.g. Fang et al., 2008; Graham & Lam, 2003; Kumar & Worm, 2003; Pye, 1986). Culture is commonly conceived as individually-held values shared within particular groups that shape decision making and interactions within them and towards others. Chinese culture has developed independently over many millennia and is characterised by a number of specific values which distinguish it from other cultures (Bond & Shtin, 1987).

Harmony. The Confucian avoidance of discord in social interactions forms the most important group of Chinese cultural values.[1] It governs relationships between individuals of different social rank as well as among peers. Filial devotion to senior family is extended to a general respect for authority and the social order. Peer relationships are guided by ideals of tolerance, kindness and forgiveness. The harmony value has been shown to be particularly strong in Chinese culture (Gao, Ting-Toomey, & Gudykunst, 1996, p. 291; Kirkbride et al., 1991, p. 369; Ghauri & Fang, 2001, p. 309). Its various dimensions are relevant to bargaining and negotiation behaviour of the Chinese (e.g. Fang, 1999; Ghauri & Fang, 2001; Kirkbride et al., 1991, p. 149). In particular, where peer relations are concerned, Chinese negotiators have been found to have preferences for more compromising approaches than their Western counterparts (Lin & Miller, 2002) possibly due to greater harmony concerns.

Face. A second core value in Chinese culture is face, the positive public and self image a person cultivates in a social context. It is the extent to which a person measures up to a standard to which they hold themselves privately and publicly and has two components. One relates to a person's good moral standing in the community (*lian*), and the other to personal prestige and success (*mianzi*). Maintaining face integrity is therefore essential for efficacious interactions with others. The perception, evaluation and maintenance of face have both an external and internal dimension (Earley, 1997, pp. 43–48). External face relates to the public endorsement of a person's projected image in the eyes of others. Internal face involves maintaining a consistent self-image through the self-evaluation of one's actions against one's own standards.

While face is a universal human concern (Earley, 1997), it is particularly important in collectivist societies like China (Ting-Toomey & Kurogi, 1998). A number of studies have hypothesised a link between the Chinese concept of face and negotiation behaviour (Earley, 1997; Ghauri & Fang, 2001; Graham & Lam, 2003; Kim, 2008; Kirkbride et al., 1991; Kumar & Worm, 2003). According to (Gao et al., 1996, p. 291), the importance of preserving one's own and others' face means that Chinese people tend to avoid conflict and confrontation if possible, and adopt more compromising negotiation behaviours.

Winning. A desire to win is part of a general competitive Chinese value which has been identified in other contexts (e.g. Ho, Ang, Loh, & Ng, 1998; Hwang, Ang, & Francesco, 2002). It is known as *kiasu*-ness, literally the fear of losing out compared to others, and comprises calculating greed and selfishness as well as risk aversion. While the term stems from the regional Hokkien vernacular associated with Chinese diaspora communities in South-East Asia, it is common to Chinese culture both in the mainland and overseas (Ho et al., 1998, p. 361; Hwang et al., 2002, p. 71) as are many Chinese values generally (Wu, 1996). In a business context, *kiasu*-ness has been linked to lack of inter-firm cooperation (Ramasamy, Goh, & Yeung, 2006). Similarly, it has clear relevance for negotiation behaviour.

3. Chinese strategic behaviour

The above insights into the Chinese cultural values relevant to strategic behaviour come mainly from conceptual work as well as case studies and surveys. The latter two empirical approaches typically involve eliciting subjects' values, attitudes or behaviour in past or hypothetical situations. Case study interviews generate rich and contextual data but may lack generalisability. Survey questionnaire measures of behaviour are more representative but may suffer from response biases associated with self reports (e.g. Chandon et al., 2005). As a result, it is desirable to validate these kinds of findings using alternative empirical approaches.

One such alternative entails observing the behaviour of Chinese decision makers directly. Only a few studies in this direction have been conducted to date. One specific reason is the historical difficulty of accessing Chinese informants (Ghauri & Fang, 2001). A general one is that observing social decision making involves a difficult trade-off between situational realism on one hand and control of confounding factors on the other (Weber & Messick, 2004). The following is a discussion of pertinent evidence from two alternative behavioural approaches located at opposite points of this continuum.

3.1. Negotiation simulations

One popular approach to observing strategic behaviour involves experiments with simulated negotiation scenarios. Typically, subjects assume the roles of buyer and seller in a fictional trading situation and engage in face-to-face discussions to agree a price within a range set by their given reservation values. A small number of studies have adopted this method to study Chinese behaviour. Most of these examined the relationship between communication styles and negotiation behaviour. Adler, Brahm, and Graham (1992) compared the effects of negotiator attractiveness, problem-solving and communication styles on negotiation outcomes between U.S. and Chinese dyads and detected few differences. Tjosvold and Sun (2001) found that cooperativeness and communication styles influenced Chinese negotiators' perceptions of outcomes such as relationship building and openness. Similarly, Ma et al. (2002) found that compared to Canadian subjects, Chinese negotiators were relatively more concerned with relational dimensions of negotiations, such as negotiator satisfaction and perceptions and avoided extreme bargaining strategies. Ma (2007) studied the preferences for alternative conflict management styles in Chinese student subjects. Chen, Tjosvold, and Wu (2008) found that experimental manipulations to create perceptions of warm-hearted communication and cooperative reward sharing resulted in positive perceptions by Chinese negotiation partners.

While these studies provide rich insight into the negotiation behaviour of Chinese subjects, none of them relate it to measured cultural values to support a connection here. In addition, they have methodological issues. When subjects negotiate face-to-face, their mutual presence, identification and communication allows many types of social moderator to influence behaviour (Ostrom, Gardner, & Walker, 1994) including empathy (Batson & Moran, 1999), sympathy (Sally, 1995), social influence (Orbell, van de Kragt, & Dawes, 1988) or cues from physical characteristics (Andreoni & Petrie, 2008). In these kinds of experiment, these moderators present confounds that are unobserved and simultaneously affect subject behaviour (Roth, 1995, p. 295).

[1] Bond and Shtin (1987) surveyed Chinese social scientists to identify forty of the most important Chinese values. Almost half, in line with Confucian philosophy, emphasise ordered relationships with others, both superiors and equals. Nine of these are related to obeying authority, while another nine are connected to harmonious peer interactions.