Working with Chinese Expatriates in Business Negotiations

Portraits, Issues, and Applications

Maria Lai-Ling Lam

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This book is dedicated to my great parents,
my family members, and my friends for their support and love.

Preface

This book is based on five years' study of cross-cultural consultants, American negotiators, and Chinese negotiators, and Chinese expatriates in the United States and in Hong Kong, China. It is the first attempt to explore the perceptions of these Chinese expatriates, who work between two different systems and two different cultures.

In this study, Chinese expatriates are defined as those who have lived in mainland China, Taiwan, and Hong Kong communities for at least eighteen years and who now work for American clients in the United States. They play important roles in direct American foreign investment in the blooming China market and in the midst of ambivalent U.S.–China relationships. Understanding their work as middlemen between American and Chinese business negotiators is crucial to foreign business professionals.

My decision to study Chinese expatriates was inspired by the complaints of American negotiators and by the negative criticism of Chinese expatriates and Chinese negotiators of American negotiation styles, which I heard during my pilot study in the United States. The American negotiators were very frustrated, though they had studied Chinese negotiation styles and Chinese culture. The Chinese negotiators were also very uncomfortable with the Americans. I felt the problem was an issue of cultural learning and identity. Americans cannot be Chinese in China, but they can learn from Chinese expatriates and develop effective teams with Chinese expatriates in the United States *before* they rush off to China.

I am extremely grateful to my mentor, Peter B. Vaill, former director of the doctoral program at George Washington University and Distinguished Professor and Chair of Management Education at St. Thomas University, for continually sharing ideas and encouraging my research and writing.

In addition, the research has been generously supported by numerous institutions and individuals. The School of Business and Public Administration at George Washington University provided me three years of full doctoral fellowship. Dean Fowler granted me a summer research fund in 1995. Many professors gave me advice or allowed me to audit their graduate classes to foster my understanding of interviewees' data.: Harry Harding, Bruce Dickson, Martin Whyte, Hugh Agnes, Hussein Nasr, Jenny Bravelove, Michael M. Harmon, John F. Lobuts, Marilyn L. Liebrenz-Himes, Mary Lou Egan, and Krishna R. Kumar. Richard Breacher, Education Director of the U.S.–China Business Council, referred me to ten American negotiators. Many institutions helped me locate Chinese expatriates and negotiators; such as the Ford Foundation, the National Committee for U.S.-China Relations, the Atlantic Council, the U.S. Department of Commerce, the USA-ROC Economic Council, the American Enterprise Institute, U.S. Institute for Peace, the Center for Strategic and International Studies, Asia Society, Asia Pacific Policy Center, the Brookings Institute, Mainland Chinese Scientists in the United States, the Chinese Association, the Work Centre for China Studies, Overseas Chinese Americans, the World Bank, the People's Republic of China Embassy of Washington, DC, the Heritage Institute, and several large American corporations that prefer to remain anonymous. During my postdoctoral work in Hong Kong, Lingnan University and the University Service Centre of the Chinese University of Hong Kong supported my writing and provided me opportunities to interact with scholars to validate my findings. In particular, Joan Yuk-King Yuen provided wonderful proofreading service and Susan Pepper and Gordon Cheung shared their publishing experience with me. I would also like to thank the editors of Quorum Books for their patience and support.

Without many strangers' and friends' generosity and participation, I could not have collected data in my pilot and formal studies. Their assistance and their courage in disclosing information are highly appreciated.

I would like to express my deep gratitude to my friends at George Washington University, United Methodist Church in Washington, D.C., and around the world, and to my lovely family members for their support of my studies in the United States and the writing of this book in Hong Kong.

Maria Lai-Ling Lam
Hong Kong, China

Contents

	Preface	*xiii*
1.	**Introduction**	**1**
	BACKGROUND	2
	METHODOLOGY	5
	U.S. AND CHINESE NEGOTIATION STYLES	6
	LOOKING AHEAD: AN OVERVIEW	8
2.	**General Portraits of Chinese Expatriates**	**9**
	GENERAL CHARACTERISTICS	9
	Chineseness (*Minzu*)	9
	CHINESE EXPATRIATES' WORK	10
	Preparation	10
	Negotiation	11
	Post-negotiation	12
	Concerns During Negotiation	12
	Summary	12
	OBJECTIVES	13

STRATEGIES 13

Compensation Strategy and Developing Norms of Reciprocity 14

Case Study: Interviewee 44 14

The "Little Cheating Strategy" 15

The "Little Integrative Strategy" 15

Summary 15

MAJOR OBSTACLES 15

Problems of American Representatives 16

Case Study: Interviewees 32 and 33 21

Problems of Chinese Representatives 26

Imperfect Translation and Interpretation 30

Summary 33

WAYS OF ESTABLISHING RELATIONSHIPS BETWEEN U.S. AND CHINESE REPRESENTATIVES 34

Relationship Patterns Between the Americans and the Chinese 34

Strategies and Tactics in Triangular Relationships 34

Resource Dependence 36

Expatriates' Advantages over Americans in Developing Trusting Relationships 37

Why Interviewees Prefer Developing Relationships with the Chinese Representatives 39

CONCLUSION 41

A RATIONALE FOR CLASSIFYING INTERVIEWEES INTO FIVE TYPES 43

3. Type I Interviewees 47

CHARACTERISTICS 47

AUTHORITY AND ROLES 48

DEFENSE OF THE CHINESE BUREAUCRATIC SYSTEM 49

Case Study: Interviewee 46 49

Case Study: Interviewee 23 50

Case Study: Interviewee 13 51

PERCEPTIONS OF AMERICAN REPRESENTATIVES' PROBLEMS 53

Case Study: Interviewee 8 56

Case Study: Interviewee 4 57

Summary 58

PERCEPTIONS OF CHINESE REPRESENTATIVES' PROBLEMS 58

TRUST-BUILDING AND CROSS-CULTURAL UNDERSTANDING 59

A Representative of Type I Interviewees: Miss Chan 60

CONCLUSION 68

4. Type II Interviewees 70

Characteristics 70

Advocacy of Local Chinese Practices 73

PERCEPTIONS OF AMERICAN REPRESENTATIVES' PROBLEMS 75

PERCEPTIONS OF CHINESE REPRESENTATIVES' PROBLEMS 77

TRUST-BUILDING AND CROSS-CULTURAL UNDERSTANDING 78

A Representative of Type II Interviewees: Miss Lee 81

CONCLUSION 93

5. Type III Interviewees 94

CHARACTERISTICS 94

ADVOCACY OF U.S. PROFESSIONAL PRACTICES 96

PERCEPTIONS OF AMERICAN REPRESENTATIVES' PROBLEMS 100

PERCEPTIONS OF CHINESE REPRESENTATIVES' PROBLEMS 100

TRUST-BUILDING AND CROSS-CULTURAL UNDERSTANDING 103

A Representative of Type III Interviewees: Mr. Ho 104

CONCLUSION 109

6. Type IV Interviewees 111

CHARACTERISTICS 112

CHARACTERISTICS OF TYPE IV INTERVIEWEES 112

Inexperienced Type IV Interviewees 112

Experienced Type IV Interviewees 113

Summary 114

ADVOCACY OF AMERICAN CORPORATE PRACTICES 114

PERCEPTIONS OF AMERICAN REPRESENTATIVES' PROBLEMS 116

PERCEPTIONS OF CHINESE REPRESENTATIVES' PROBLEMS 117

Case Study: Interviewee 47 118

TRUST-BUILDING AND CROSS-CULTURAL UNDERSTANDING 119

A Representative of Type IV Interviewees: Mr. Wong 121

CONCLUSION 129

7. Type V Interviewees 131

CHARACTERISTICS 131

PERSPECTIVES ON CONDUCTING U.S.–CHINA BUSINESS 134

PERCEPTIONS OF AMERICAN REPRESENTATIVES' PROBLEMS 136

PERCEPTIONS OF CHINESE REPRESENTATIVES' PROBLEMS 136

TRUST-BUILDING AND CROSS-CULTURAL UNDERSTANDING 138

Case Study: Interviewee 27 138

A Representative of Type V Interviewees: Mr. Cheung 140

CONCLUSION 145

8. Conclusions **146**

WORK ISSUES 146

Influence of Chinese Culture 146

Paradoxes 151

SUGGESTED TRAINING STRATEGY 153

IMPLICATIONS 156

CONCLUSION 158

Appendix: Interview Guideline *160*

Notes *163*

References *171*

Index *183*

1

Introduction

China is the largest recipient of foreign capital among all developing countries and the second-largest recipient, behind the United States, of international investment (World Bank Report, 1997). Faced with the recent Asian market crisis and ambivalent U.S.–China relations, contracted investment and investment from the United States in China is still increasing (*China Economic News*, March, 1999). The United States and China will have more and more strategic, constructive, and cooperative business relationships in this new decade.

Many foreign investors often find negotiating with the Chinese frustrating even though there is much literature available about Chinese negotiation styles and Chinese culture (Bloodworth, 1995; Pye, 1992; Shapiro et al., 1991). No matter how technically and legally competent foreign business professionals are in cooperative project negotiations, they still need to rely on Chinese expatriates to facilitate the negotiation process or even to unlearn and relearn Chinese negotiation behaviors.

This book is the first study to focus on the perceptions of Chinese expatriates and describe their beliefs, assumptions, and behaviors in detail. These expatriates have lived in mainland China, Taiwan, and Hong Kong for more than eighteen years and are now working as middlemen for Americans in the United States. They are expected to be "cultural bridgers" or trust-builders, between the Chinese and the Americans. These Chinese expatriates are even expected to use their personal relationships (i.e., *guan-xi*) to reduce foreigners' investment risks in China. This view of the role of Chinese expatriates is based on the following three beliefs:

1. Chinese expatriates' knowledge of two cultures can remove hidden barriers of cultural misunderstanding.
2. Chinese expatriates can develop better relationships with local Chinese than foreigners because they share the same ancestors, belong to the same *minzu*[1] (i.e., Chineseness, the cultural identity of being Chinese), and communicate easily with local Chinese.

3. Chinese expatriates can help safeguard foreigners' investments in China by mobilizing their inherited or cultivated network of personal relationships. This belief is supported by the phenomenon of increasing foreign investment in China even though China has no well-established legal system for foreigners who are used to being protected by legal agreements.

What are the realities of these Chinese expatriates' work? Do these Chinese expatriates conform to Chinese norms of relationships at the expense of their American clients' interest? What are their perceptions of American and Chinese negotiators' problems? How do these Chinese expatriates cope with the detailed legal requirements of Americans in China? Do these Chinese expatriates act in accordance with the expectations of a reference group? What reference group would Chinese expatriates like this to be? Would these Chinese expatriates foster cultural understanding between American and Chinese negotiators? To gain a better understanding of the issues, this text offers an overview of Chinese expatriates' work and characteristics, then divides them into five types, according to their orientation.

When foreign business professionals know these Chinese expatriates' orientation, they can select a type of expatriate that will appeal to their target and assign them tasks that match their expectations. The more American or foreign business professionals understand Chinese expatriates, the better able they will be to select the best expatriates to work for them and the more successful their business negotiations will be.

BACKGROUND

These Chinese expatriates work as middlemen between American and Chinese partners in U.S.–China joint-ventures or cooperative business project negotiations. They have to perform in a "permanent white water" situation of extreme turbulence and uncertainty (Vaill, 1989). They have to deal with two different legal, social, and political systems, two negotiation styles, two sets of expectations, two languages, and fragile U.S.–Chinese government relationships, as Harding (1992) describes. In addition, these expatriates have to deal with the historically negative reputation as "middlemen to foreigners" (i.e., compradors or *mai-pan*) and local Chinese expectations of patriotic behavior in China.

Chinese expatriates work between high-context (i.e., Chinese) and low-context (i.e., American) cultures (Cohen, 1991). The concept of high- or low-context cultures refers to a continuum between two extremes in cultural differences. In high-context cultures, the context in which any event occurs is very important and members of the culture share extensive tacit understanding of how a context should be arranged for a given event. In low-context cultures, members do not share a tacit understanding of how contexts should be arranged and, therefore, contexts for similar events can vary, so members of the culture must discuss and decide on the contexts. A high-context culture depends heavily on the context or nonverbal aspects of communication, whereas a low-context culture depends more on explicit, verbally expressed communication (Hall, 1976). High-context

negotiators' behavior is highly governed by context, which includes social and economic status, the difference between formal and informal situations, tasks, and other implicit cultural norms. High-context negotiators use contracts to reflect relationships, while low-context negotiators use contracts to delineate relationships (Vaill, 1994a). High-context negotiators have to understand their counterparts as persons and settle many important issues in informal settings. In a high-context culture, the process of relationship-building is more important than technical solutions at the formal negotiation table. Chinese expatriates have to fulfill the expectations of different levels of formality; different appropriate ways of problem-solving or conflict resolution and agenda setting; and different levels of explicitness and clarity of messages in different contexts.

In this study, the Chinese expatriate interviewees work for the Americans as consultants or employees. Their American team members and American employers are herein called "American representatives." The local mainland Chinese negotiators who work for the Chinese government and nongovernment organizations are called "Chinese representatives." These expatriates work between two different systems: the American corporate system in a liberal capitalistic society and the Chinese bureaucratic system in a socialist economy with Chinese characteristics (see Figure 1). They must deal with dilemmas and conflicts between two systems and even between the two governments.

The American system consists of a fragmented government, strong social groups, transparent information, and a well-established legal system. In contrast, the Chinese domestic political system is characterized by strong governmental and administrative control, weak social groups, a nontransparent information system, and a weak legal system. A cooperative project agreement in China will not be a legally binding agreement until it has been approved by central Chinese organizations. Many policies and regulations in China are experimental in nature and are subject to differing interpretations and negotiations.

When these expatriates work in the American system, they have to cope with American companies' policies and structural requirements, the American governmental and legal order, and their American colleagues' expectations. They may provide adequate information to the Commerce Department or to public interest groups that lobby Congress for better trade policies toward China. In their work, they have to consider their professional integrity, their team's solidarity, their own credibility, and their loyalty to their American corporations.

When these expatriates work with the Chinese representatives in the Chinese system, they must determine which institutions are involved in the negotiation and project-approval process. They have to discern the power and interests of key Chinese bureaucrats, to access different political resources in the system, to develop relationships, and to reinterpret Chinese government policies and regulations in the complicated Chinese bureaucratic system. They also have to conform to Chinese norms of reciprocity or mutuality so that they are accepted by the Chinese representatives. Their activities may have to be conducted through

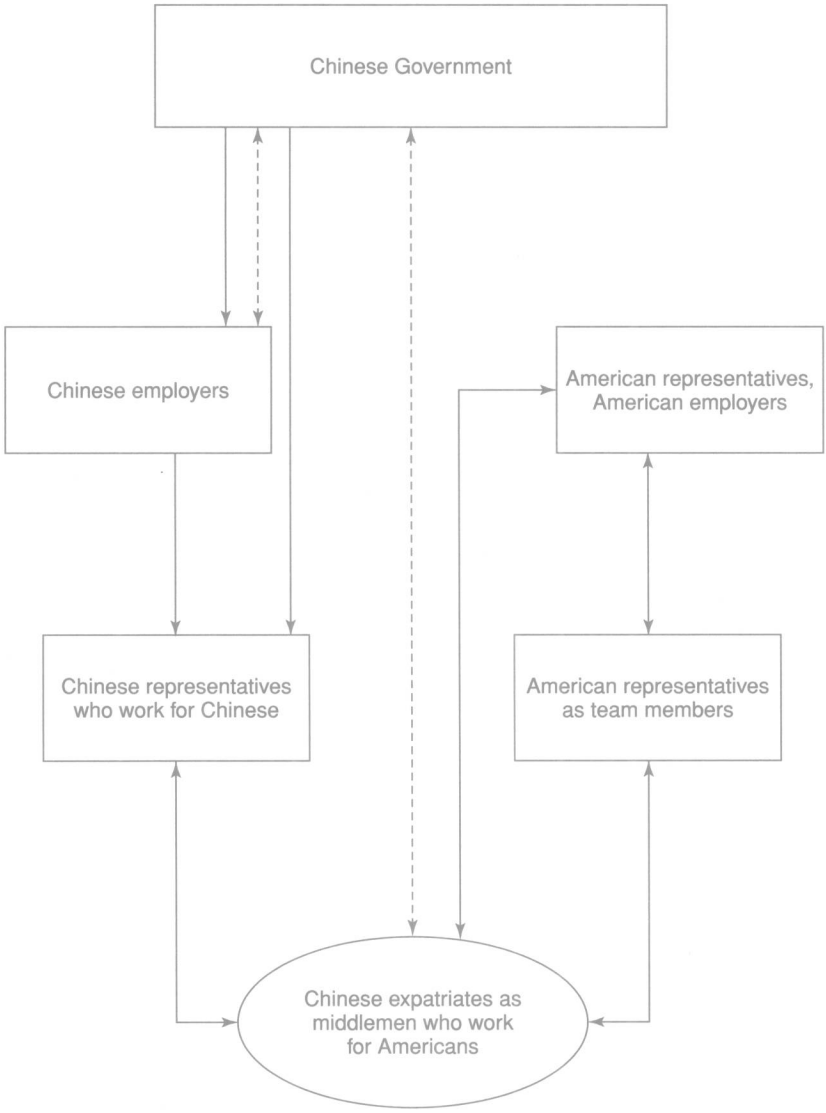

Figure 1 Chinese expatriates' work in the Chinese bureaucratic and American corporate system.

their authority in hierarchical personalized relationships. The basis of their authority may derive from shared social norms embedded in the Chinese culture.

These Chinese expatriates, working in this very complex environment, have to deal with conflicting demands from two different systems in U.S.–China joint-ventures or cooperative business negotiations. Both sides have to negotiate legal,

technical, and managerial agreements. These agreements are affected by each country's social, political, legal, and economic structures and policies. Some agreements are affected not only by the two countries' relationships or agreements, but also by regional or international treaties.

During negotiations, Chinese expatriates have to consider their positions as American employees as well as their position of trust with their Chinese friends; their American corporate interests as well as the project's interests; American national interests as well as Chinese national interests; illegal and legal activities; and short-term return as well as long-term business relationships with the Chinese. It is questionable whether they can perform their roles as cultural bridgers or trust-builders in their relationships between the Chinese and the Americans when there are many ambiguities, uncertainties, and time stresses in U.S.–China business negotiations.

Chinese expatriates who grew up in mainland China, Taiwan, or Hong Kong have experienced different social, political, and economic systems in their respective Chinese communities because these communities were separated by wars and revolutions. Although they are ethnic Chinese in the United States, they came to the United States at different times and have different levels of assimilation into American corporate business systems and American society. They have different orientations to their work, different resources, different perceptions of themselves in a cross-cultural context, and different ways of reconciling the differences between the Chinese and the American representatives. Thus, their cultural knowledge and consciousness may have negative effects on their performance.

METHODOLOGY

The book is mainly based on an interpretative study of the experiences and perceptions of Chinese expatriates living in the United States who assist American negotiators in U.S.–Chinese equity joint-ventures or cooperative project negotiations. All the interviews of Chinese expatriates were conducted between May, 1995 and January, 1997.

The researcher contacted more than thirty relevant organizations in Washington, D.C. and sent out 166 letters to human resource managers or international business directors asking permission to approach appropriate Chinese expatriates. Ultimately, this difficult process yielded forty-five interviews; thirty-six of which were selected for data analysis.[2]

In the interviews, the Chinese expatriates were asked to describe their practices in U.S.–Chinese joint-ventures or cooperative project negotiations, in addition to providing their opinions and insights about the practices described. Whenever a Chinese expatriate's response pertained to earlier findings and questions from the pilot study,[3] the researcher asked the interviewee to elaborate on his or her ideas. On the whole, the findings were further validated by the author in seminars in Hong Kong in 1998 and1999.

U.S. AND CHINESE NEGOTIATION STYLES

There are distinct differences between U.S and Chinese negotiation styles (Table 1). U.S. negotiators perceive negotiation as a series of strategic games, while Chinese negotiators perceive negotiation as a tactic of strategic relationships. U.S. negotiations treat different projects offered by the same company as different games and play these games until the objective has been achieved. In contrast, Chinese negotiators treat several projects offered by the same company as relationships; prior relationships in completed projects are an important criterion in the evaluation of current and future relationships.

U.S. negotiators like to use external resources (e.g., money, human resources, technology) as a substitute for lengthy relationship development processes, while Chinese negotiators like to develop relationships gradually and tend to have a suspicious attitude toward Americans' aggressive behavior. For the Chinese, friendship and maintaining affective feelings are very important in nontask-related activities. They are likely to try to persuade Americans through personal feeling and obligation. In contrast, the Americans emphasize reasoning and persuasion.

U.S. negotiators like to reduce uncertainties and ambiguities quickly with written agreements and discussions of specific items, while Chinese negotiators prefer to agree on general principles before making detailed agreements, and expect to have more flexibility in oral personal agreements and the process of renegotiation. Usually, the Chinese will be more flexible before they disclose their positions formally. U.S negotiators seek future opportunities and expect any investment of time to have a measurable result, while Chinese negotiators use historical records and lengthy processes to test American negotiators' offers. Many American negotiators operate according to the cliché "Time is money," while the Chinese believe time is a strategy.

Chinese negotiators, in contrast to American negotiators, prefer face-to-face informal communication and regard formal negotiation as a ritual. Chinese negotiators emphasize face-saving and sincerity in communication, while American negotiators emphasize openness. In the conflict-resolution process, American negotiators rely on laws and are generally more confrontational. Chinese negotiators prefer to use an avoidance-and-affective approach. Chinese negotiators usually prefer to seek third-party mediation to solve problems harmoniously rather than going through legal arbitration. Face-saving takes place when a third party intervenes and risks his or her own integrity and social position in an effort to mediate a conflict (Wilhlem, 1994).

Compared to American negotiators, the Chinese are more averse to risk and have less authority to make decisions. The Chinese negotiators usually prefer to receive a unilateral flow of information from the Americans before they disclose their positions and information. The Americans prefer to control the process and change the means rather than their goals in the process.

American negotiators regard their counterparts as trustworthy when their counterparts are competent in their area of focus and honor their agreements. Chinese negotiators, in general, divide counterparts into "in-group" members