

Abstract of Workplace Dispute Resolution in China

Shain, J., How to Successfully Negotiate in an Ever-changing Chinese Business Culture, Posted by F. Peter Phillips under Conflict Resolution, International, Negotiation, May 12, 2013

Negotiators often find themselves in the middle of cross-cultural business dealings between Chinese companies and companies from the West. This article explores the widely accepted Chinese business culture framework called “Ping Pong Model” in order to promote a better understanding of Chinese negotiators, and also points out how this framework may not hold true in practice due to the changing value system among China’s younger generation. It concludes by offering a guide on how to apply negotiating to the evolving Chinese business culture.

The Ping Pong Model was established by Tony Fang in 1999. It sets out that Chinese business culture consists of three main components: 1) PRC Condition (Guoqing), i.e. the contemporary social and institutional factor influencing China today. It entails strong government control, the influential role played by politics, an unstable legal framework, great size of market, alarming inequality, changing culture values from Maoist to western ideas and bureaucracy. 2) Religion. Chinese religion is a combination of three philosophical foundations: Confucianism, Daoism and Buddhism. These three foundations together provide the following cultural elements from the perspective of negotiation: moral cultivation (rather than rule of law), importance of interpersonal relationships, family orientation (country interest superior to individual interest), respect for seniority and hierarchy, avoidance of conflict, concept of face (pay attention not to embarrass others), thrift (may lead to leaving more negotiation room) and enduring. 3) Sun Tze’s 36 Chinese Stratagems. Sun Tze, an ancient Chinese military general and strategist, set out 36 stratagems that aim to gain material and psychological advantage over one’s adversary. Such stratagems could be “tricky” or unethical in the eyes of western negotiators as it could involve misrepresenting information and making false promise, etc. However, in eastern societies, ethical duties are viewed as contextual and the motives for it and existing relationships can render deception virtuous. It is worth noting that these stratagems are usually invoked only when trust between the parties is low.

The Ping Pong Model suggests that Chinese negotiators may have a three-in-one negotiation style: a bureaucrat, a gentleman and a strategist. Trust will determine what role the Chinese negotiator is going to play. When trust is high, Chinese negotiators will negotiate as gentlemen, but in low trust situations, they tend to negotiate as strategists. When politics is heavily involved, they will negotiate more like bureaucrats.

Although the Ping Pong Model provides a guide on how Chinese negotiators operate, it is noticeable that with the “Open Door Policy”, the Chinese business culture has been evolving and changing under influence of western business cultures. First, as China moves closer to a capitalist economic structure, the Chinese government has responded by decentralizing many enterprises and less control in some industries. This led to deviating from the “PRC condition” defined in the Ping Pong Model. Second, today Chinese have a more materialistic

world view and less ideology-oriented than Chinese under Mao's time. The money-seeking mentality is quite contrary to the components laid out in the Religion and PRC Condition aspects of the Ping Pong Model. Younger generations' values stray from family orientation towards an individualistic mindset of gaining more wealth for oneself. Meanwhile, as wealth inequality increases, instability increases within the government run by Chinese Communist Party ("CCP"). Therefore, the assumption of tight economic planning set out by Ping Pong Model will change if the CCP becomes upended by an unstable domestic situation. Third, younger generation in China has become more aware of international business rules and cultural differences through studying abroad. As a result, western education has produced Chinese "technocrats" who are attaching greater importance to economic performance than personal or cultural factors. Relationship ("Guanxi") is less important than it was before and China is now characterized as a less "high context" culture than what Ping Pong Model has suggested. Chinese negotiators are increasingly accommodating western culture in their negotiations. Chinese business culture should now be seen as a combination of modern western ideas and traditional Chinese values.

In practice, when applying Ping Pong Model to negotiation, western negotiators need to be prepared for both a traditional Chinese negotiation style and a modern western negotiation style because Chinese business culture is constantly changing. Western negotiators should pay attention to the concept of PRC Condition (government plays an important role in negotiations), the trust-building, the relationship-building, group/family orientation, respect for hierarchy, preservation of "face" and more wiggle room left for price negotiation as well as the Sun Tzu's 36 stratagems.

There is no right or wrong way to negotiate in China. It is all about studying your Chinese counterpart and determining which negotiation styles they will apply.

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