A Comparison of Taiwanese and Chinese Business Negotiations and Conflict Resolution

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ABSTRACT

In the international market, many western businesses view Taiwan and China as a single entity with identical cultures and negotiation methods. However, political issues have caused more than the division of the Taiwan Strait; sixty years of cultural and psychological differences now separate the two neighboring nations. Therefore, this research aims to investigate if and how the cultural differences between the two sides of the Strait cause different negotiation practices. This is a more in-depth analysis of previous works by the author, "Research on Taiwanese Business Negotiations" (Chang, 2006) and "Research on Mainland Chinese Business Negotiations" (Chang, 2006).

INTRODUCTION

A foreigner doing business with the Chinese must have prior knowledge and an appreciation for the subtleties of Chinese business culture in order to be successful doing business in China and Taiwan. This is so important that many people rely on others with experience in these areas to guide them during their Chinese business interactions. Successfully doing business with Chinese requires an understanding of China as a nation as well as of the culture of the Chinese people, all of who are justifiably proud of being Chinese because of their profound history. They are family-oriented, and the elders in their families are accorded deference and respect. In Chinese business, this same attitude and respect is shown to the top leaders of any company. However, one serious mistake can lead a successful venture to failure if one assumes that there is little differences in doing business between Taiwan and China. Social norms, business practices, and many other small differences can cause a good deal to suddenly fall apart for no apparent reason. Therefore, this study explores the differences in business negotiations and conflict resolution between Taiwan and China.

LITERATURE REVIEW

Analysis of Cultural Differences between China and Taiwan

The current adversarial stance between China and Taiwan was caused by the fundamental difference in social systems as it was an inevitable result of the different cultural backgrounds of the two countries. The sharp contrast between the two zones regarding social policies has caused the current difference in perspective regarding the Chinese culture. The Mainland Chinese theory rests on Marxism-Leninism, with its core being the struggle between the social classes. Although the two zones bear the same language and blood, decades of division have resulted in many differences ranging from governmental operations, trust between business colleagues, to the quality of workers or even management.

Taiwan and China, after over fifty years of Communist rule in the latter, have lost or are fast losing the cultural commonality they once shared The cultural differences are expressed in various aspects of politics as well as economical and social issues; however, the most fundamental dissimilarity concerns the view of "the people" in politics, the humanistic thought in Chinese culture, and personal identity of the citizens.

After fifty years of effort, Taiwan has attained the true democratic ideals of government "by the people" and "for the people." This system is in direct conflict with the political system currently operating on mainland China. In order to maintain the one-party rule, China began operating on a planned economy, resulting in the citizens becoming highly dependant on various levels of political power and with a great deal of power vested in the personages wielding that

power. This is fundamentally what planned economy is all about, and it is also a characteristic of China's neo-feudalistic despotism. For a long time, China's propaganda has portrayed the traditional Chinese humanistic values of fidelity, profit, logic, and desire as mainstream thoughts of traditional Chinese culture, twisting these values out of context to support the contention that valuing fidelity over profit is the valuing of the spiritual over the material in Chinese culture. This contention does not hold true. Due to the fact that Chinese society has long been dependent on natural means of production, this farming economy has decided on people's thoughts and perspectives more than any other single factor. (Li, 1995).

China's reformation and opening is a direct negation of its political doctrine, one previously treated as holy writ. The social impact caused by this negation far exceeds the reformation and opening of policies themselves. The long-imprisoned Chinese intelligentsia could not withstand the tide of modern commerce and trade after having lost the historical backbone that Chinese traditional culture could be, and when faced with such pathological quests for materialism, rhetorical preaching seemed pale and empty in comparison. Materialism and carnal desires forced open the dams built on Communist myth; some major publications even published a slogan, "The rich the hero; the poor the dog." This "money first" viewpoint quickly corrupted all levels of Chinese society, forever changing the ideology of a race, and setting the reformation on a moral slippery slide towards a social crisis.

In order to construct a socialistic society based on Marxism-Leninism, China pushed the so-called Socialist morality and conduct. After decades of cleansing in the cultural and educational realms, China has , for all intents and purposes, destroyed the Chinese culture as a body of knowledge. Chinese Mainland society has undergone great changes in morality, social trends, and culture. In order to construct the social structure stipulated by Communist China, the Chinese have cultivated generations of the so-called "New Socialists" who are significantly at odds with Chinese culture in thought, epistemology, valuation, and even human interactions. These generations were incubated with a thirst for a better world, and after going through political indoctrination by the extreme left, they have attained a level of religious fervor in their praise and idolism for Chairman Mao. With a sense of being the revolutionaries recreating society, they threw themselves into political activities without regard for personal sacrifice and went onto whither and thither at the whim of Chinese political leaders. However, with their long participation in socialism, they have found that the reality is far from the communist theory.

With the introduction of liberalization, Chinese leaders have transferred risks to the public in their own selfish search for profit. The supposed ultimate owners of the country, after working for a minimum wage for decades, now find themselves thrown into the pit of economic reality. Mainland Chinese society is polarized; on one hand sit the elites, greedily pursuing pleasures and profits and using their power to amass wealth while, on the other, stand the people, paying the price for low efficiency through inflation and mass poverty. As the philosophy of struggle exposed its cruel nature in this new struggle for money, the corruption in Chinese government became a catalyst for a moral slide down into the abyss. The cadres' way of double dealing the superiors and inferiors greatly influenced personal conduct, making political life full of uncertainties; laws and regulations have become mere dresses covering the corruption beneath, and all social standards can be judged by money (Li, 1995).

A Comparison of Negotiation Practices between Taiwan and China

Doing business in China will certainly require negotiation with Chinese companies and officials at some level. Careful planning for these business negotiations and understanding Chinese negotiation practices are the best ways to reach a satisfactory conclusion. According to Liao (1999), these are the conclusions of a comparison of negotiation practices of Taiwan and China:

Mainland China:
1. When negotiating, they create an impasse to lower their opponents' expectations and destroy the tone of the negotiation.
2. When negotiating, they purposely create failures and attribute those failures to their opponents.
3. When negotiating, requires one key ingredient – PATIENCE. Do not set time limits on the negotiations.
4. When negotiating, they are used to double-dealing or saying one thing while doing another.

5. When negotiating, they place equal regard on viewpoints and practical needs.
6. When negotiating, they are adept at using one's strengths against one's weaknesses or using one's weaknesses as a bargaining chip.
7. When negotiating, they are adept at making minuscule concessions in exchange for bargaining space.
8. When negotiating, they are used to dealing with only the head or the highest levels of an organization.
9. When negotiating, they will frequently go back on their word or set traps for their opponents.
10. When negotiating, they excel in the art of moving forward while seeming to move backward or exchanging a small concession for a large profit.
11. When negotiating, they will frequently honey-bait the negotiations with a high offer then cut the offer down through talks.
12. When negotiating, they will deliberately offer something small in exchange for something big.

Taiwan:
1. When negotiating, they are used to thorough research and will frequently seek the advice of experts or consultants.
2. When negotiating, they excel in the art of moving forward while seeming to move backward or to delay for time.
3. When negotiating, they take an adversarial, yet cooperative, stance against their opponent.
4. When negotiating, they adhere to the baseline figure and will not easily budge from it.
5. When negotiating, they are adept at using one's strengths against one's weaknesses or using one's weaknesses as a bargaining chip.
6. When negotiating, they seek to create a friendly atmosphere.
7. When negotiating, they will frequently ask that both sides take a concession.

Lifestyle Analysis of Taiwanese and Chinese Consumers

There are many differences between Mainland China and Taiwan because the two areas have been divided for almost fifty years. According to Global View Magazine (2004), which referred to a research on Taiwanese spending habits and lifestyle as the difference between the lands north and south of the Choshui River, the research has shown that there is a great gulf that divides the habits of the northerners and the southerners. For example, the Northern Taiwanese consumer culture is oriented towards fashion and novelty, and time is money. Controlling cash flow and great individualism are initial motivating factors for buyers, many of whom prefer healthy food. The southerners display brand loyalty, are sensitive to prices, are more emotionally oriented, stress recommendations through the grapevine, spend money at foxed locations, and prefer more salty diets.

Mainland China, according to the New Age Market Research Institute, which published a relevant report in 2004, the Chinese consumers can be divided into three social levels and four basic consumer psychologies, resulting in twelve main consumer groups in Chinese metropolitan areas (See Table 1). The "fashion-oriented" consumers like fashion, stress the need for the expression of emotions, like social interactions, may be prone to impulsive acts or purchases, are more dependant, unwilling to shoulder responsibility alone, and are more easily influenced by advertising. The "achievement-oriented" groups are more target-oriented and logical; they regard accomplishments as important and are consumers with confidence, daring and independence who prefer a life filled with change, novelty and adjustments. They are also more controlling and have a greater sense of responsibility. The "tradition-oriented" consumers focus on the practical rather than the fashionable, stress family values and place the family at the core of life, hold a more traditional and conservative point of view, do not easily accept new ideas and concepts, are not easily influenced by advertising, and are, in general, price-sensitive consumers. The "centrist-oriented" consumers are deeply affected by the Chinese idea of centrism and seek a middle ground in everything they do; therefore, because they believe that "to overdo is just as bad as not to do," their attitudes on most issues remain neutral and undecided.

Table 1.   Chinese Urban Consumers Divided into Categories

		Traditional	Centrist	Achievement	Fashion
Social Level	Wealthy	Rich traditionalists	Rich centrists	Achiever	Leaders in fashion
	Comfortable	Maintainers of wealth	Centrist in every way	Upwardly-mobile	Followers in fashion
	Poor	Penny-pinching	Practical living	Struggler	Fashion dreamer
		Basic Psychological Divisions			

Source: New Age Market Research Institute (2004)

In-depth analyses of the lifestyles of the two groups have been done before. Li (2004) found in his research from digital cameras that consumers on the two sides of the Strait have different buying results when faced with the same level of brand confidence. Wang (1996) also carried out a comparison on buying decisions in China and Taiwan using sports leisure goods as a research target. Research on lifestyles revealed that consumers in Taipei, Shanghai, and Beijing have significant differences in two aspects: appreciation for order and outdoors and fashion. Regarding the complementary relationship between buying decision and lifestyles, again there are significant differences between consumers in Taipei, Shanghai, and Beijing, and the combination of the two complementary relationships will change depending on population statistics. Li (2003) focused his research on the lifestyles and consumer habits of Taiwanese businessmen and arrived at two main conclusions: 1. Taiwanese Businessmen with different lifestyles (he divided the lifestyles of businessmen into seven main types: home-bound, stable and sensitive, energetic and fashionable, leisurely and social, savvy and healthy, practical and thrifty, nature-oriented, and sociable but scientific) will have significantly different spending habits, and 2. The length of stay in China (divided into long, medium and short durations) will significantly affect the spending patterns of Taiwanese businessmen of various lifestyles.

RESEARCH METHODOLOGY

Co-Construction of Model

Due to the fact that the sampling methodology, research method, statistical analysis and questionnaire sources on both Mainland China and Taiwan are of the same level with three facets and four subdivisions, a research on the negotiation strategies of both sides need only perform a multiple comparison. First, set $\mu1$ as the pool of Chinese subjects and $\mu2$ as the pool of Taiwanese subjects. Next, use trust certification method H0：$\mu1＝\mu2$；H1：$\mu1\neq\mu2$）, and the end result is that H0 is acceptable, which means that the Chinese samples and Taiwanese samples have the same average and that both pool of subjects are similar.

Business Negotiation in Taiwan and China

Chang's (2006) research focused on actual attained results relative to negotiation strategy being used. The research made a comparative analysis of the two sides of the Taiwan Strait regarding business conflicts and negotiation strategies, personal conflicts and negotiating strategies, as well as a collision of conflict and business interests and negotiation strategies. The research made analyses on nationhood, research doctrine, and similarities and differences (See Table 2).

We could arrive at the following conclusions from the comparisons made in Table 2:
1. In business conflicts and negotiation:
   Taiwan: Stresses adaptability and the ability to change in order to completely fulfill the free market mode. The competition among corporate teams is an example of multicultural business with the target of negotiations lying in teamwork.

China: We can see from its recent economic growth that free market strategies can have some flexibility within the centralized power structure. Enterprise teams work together and complement each other. The target of negotiation is the group's adaptability.

2. Personal Conflicts and Negotiations:

Results of the research into this aspect show that the methodologies and negotiation strategies employed by the two groups are both linear in corresponding with the definition of cultural meaning given by Hofstede, G. (1983). Taiwanese negotiating strategies stress personal adaptability and group competitiveness while Chinese views adaptability for both personal and groups as paramount.

3. Conflict and resolution between businessmen and friends:

Research shows that, in this aspect, both sides use the same strategy and tactics.

Table 2. Comparison of Negotiation Strategies in business and personal conflicts

Differences Aspect National		Business conflicts and negotiation tactics	Personal conflicts and negotiation tactics	Conflict between business and friendship, and its negotiation strategy
Taiwan	Personal	Adaptive, competitive	Regress, competitive	Competitive
	Team	Competitive	Co-operative	Regressive, cooperative
	Personal + Team (No difference)	Cooperation between person and team	Personal adaptability and team competitiveness	Adaptability of personnel and team.
China	Personal	Regress, competitive	Regress, Competitive	Competitive
	Team	Co-operative	Cooperative	Cooperative but regressive
	Personal + team (no difference)	Personal and Team adaptation skills.	Personal and teams adaptability	Personal and teams adaptability

Source：Lieh-Ching Chang(2006), "An Empirical Study of Business Negotiation Styles in China", The Journal of Global Business Management,, v1. n2, pp.224-239.

Insight Exploration

Taiwan: While dealing with business conflicts, the emphasis is on personal adaptability. While group competition is frequent, the maintenance of group relations is still important. When facing a conflict with friends, one tends to take a softer stance. Teamwork is an inevitable result while personal interests are often left in favor of group competitiveness. When both issues have prominence, competitiveness will lead, and cooperation and concessions follow behind. Adaptation is very important here for both personal and group interests.

China: While personally dealing with business conflicts, one tends towards cooperative or conciliatory methods, but when in a group, collective leadership will win out. All others follow the leaders' example. When groups deal with business conflicts, collective leadership will again win out, and all others follow. When faced with a personal conflict, cooperative, conciliatory methods are frequently used, but when in a group, collective leadership wins out. When both personal and group are combined, competitiveness will win out with cooperation and reconciliation following.

CONCLUSIONS

Findings

1. This research reveals that the Taiwanese and the Chinese use the same methods and strategies when resolving business conflicts. The relationship between business negotiation and friendly conflicts will be significantly different due to the difference in the level of concern. Simply put, the findings indicate that diversity in a cultural background has quite a considerable effect in controlling conflict situations such as the content of the negotiation objective, future opportunities to touch base, and the negotiation experience of the negotiator (Hofstede, 1980).

2. The relationship between business negotiation and friendly conflicts will be significantly different due to the level of concern and conflict situations. The findings indicate that the variables' collaboration and avoidance have a significant impact in controlling for the four variables of accommodation, collaboration, avoidance, and competition. This research used Taiwan and China's common culture as the research sample and used the common culture as a reference regarding conflict resolution and its strategies.

Implications for Management

The normalization of economic relationships between Taiwan and China would strongly affect the Taiwanese manufacturing industry. The keys to success are how well the Chinese market is exploited and the control of core production technology and sales channel because only market expansion can support and allow research of the new sustained developments to take place. This infiltration will also help the country's overall resources of assets, people, and knowledge grow and integrate with surrounding cultures.. Only by enhancing healthy competition through appropriate channels can the welfare of the nation be promoted, and only by avoiding sporadic and needless competition can the sustained development of the economy be ensured.

Limitations of the Research

Further research should benefit by the addition of other test factors to assess the constraint relationships formed by the other factors to accurately and to clearly state the relationship between concession and negotiation outcome. Through simultaneous research into different variables, one could eventually set up a difference structure through improving samplings and sampling methods.

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